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Unscrambling the Indian Eggs

By PAUL EINZIG

Dr. Einzig reports general relief in Britain regarding plan to partition India, but points out economic difficulties that will result. Says Britons are now encouraged to retain investments in India since their destruction by war is now obviated.

Dr. Paul Einzig

LONDON, ENG. — The acceptance of the new British plan for the partition of [illegible]dia by all the principal parties concerned was received with great relief in Britain. For, while it has not altogether removed the risk of grave civil disturbances, the chances of a major [illegible] moved. Owing [illegible] importance of the [illegible] cations of the decision, re[illegible] little attention has so far been paid to its economic implications. Nevertheless, the latter are also fairly important.

There is now reason to hope that wholesale destruction of property through civil war will be avoided, or at any rate it will be confined to relatively narrow limits in the principal contested areas. The damage caused up to now, though substantial, has not impaired India's economy. In the absence of further substantial

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High Prices and Business Prospects

By F. D. NEWBURY*

Director, Westinghouse Electric Corp.

Asserting high prices and high incomes are two sides of same coin, Mr. Newbury sees both undergoing gradual adjustment, but does not look for early depression. Says present circumstances differ radically from those of other postwar inflations, and sees no decline in labor costs in next year. Calculates a drop of 10% in prices can occur only if income payments decline 25% and contends recent stock market breaks are result of war influences and not declining business.

A discussion of prices and the relation of prices to business prospects is timely because high prices are very much in the news, and an approach to business prospects through the price situation will bring out some interesting fundamental relationships.

Every one is talking about high prices and the high cost of living, as they did after the First World War, and, naturally, no one is in favor of paying high prices. But we all accept the higher incomes that go with higher prices without complaint. One of the relations I shall point out is that high prices and high incomes are two sides of the same coin. The serious charge against high prices, and the one to which I will direct your attention, is that they will cause a buyer's strike; that they are evidence of an un-

(Continued on page 24)

*An address by Mr. Newbury before the Regional Meeting of the Comptrollers Institute of America, French Lick Springs, June 13, 1947.

Implications of Interest Rate Controls

By STEPHEN M. FOSTER*

Economic Advisor, New York Life Insurance Co.

Monetary expert reviews interest rates since 1931, and shows conditions which led to declining trend. Stresses heavy U. S. gold accumulation and wartime "pegging" policy as leading to low rates. Points out policy is inflationary and should not be continued in peacetime, as continuous declines in interest rate, together with "pegging," is resulting in a squeeze to white collar workers, pensioners, and investment institutions and is also discouraging thrift.

We have become so accustomed to the present convex yield curve that many of us now think of it as normal. In this talk I want to show that our present yield curve had its origin in the deflation of the early '30s; that it was maintained by the Administration's highly questionable gold policy; that the curve which was thus developed is now being continued under a wartime policy which is inappropriate to present economic conditions. Finally, I should like to point out some of the effects of the present curve and to draw some conclusions that I hope you may find at least provocative.

Stephen M. Foster

Prior to 1930 a yield curve con-

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*An address by Mr. Foster before the New York State Bankers Association, Quebec, Que., Canada, June 16, 1947.

EDITORIAL

As We See It

Patron to the World

The conception of the United States as patron to the world is being carried to ridiculous extremes, and the sooner the fact is recognized both here and in Europe the better for all concerned. The notion that we are obligated, morally or otherwise, to bind up the wounds (political as well as economic) in Europe resulting from a war which Europe started is strange enough. The argument reaches new heights of absurdity when it is reasoned that unless we support much of Europe (to say nothing of other regions which we are called upon to assist) in a style expected to bring at least a measure of contentment to a discontented continent; unless we "put Europe on its economic feet again," as the saying goes; and unless we ship the goods necessary for the purpose without thought of payment, we shall not only risk being engulfed in a world filled with strange political doctrines, but suffer some sort of atrophy of our own productive capacity.

Current proposals and current arguments to this effect appear, however, to be persuasive to so many that it will not do merely to label them nonsense—and pass on to more rational analysis of current world problems.

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Federal Reserve Board Out of Bounds Again

By WALTER E. SPAHR

Professor of Economics, New York University

Executive Vice-President, Economists' National Committee on Monetary Policy

Dr. Spahr takes to task Board of Governors of Federal Reserve System for decreeing an "interest charge" on Federal Reserve notes up to 90% of surplus earnings for 1947. Says this is unauthorized by Congress, which in 1933 repealed the franchise tax provision in Federal Reserve Act and which provided only for a tax on Federal Reserve notes outstanding in excess of gold certificates. Points out in 1942, Federal Reserve Board took similar unauthorized action to save banks from a legal tax. Holds Board's contentions are irrelevant.

In a release (Z-2040) of April 23, 1947, the Reserve Board stated that it had invoked its authority under Section 16 of the Federal Reserve Act to levy a so-called "interest charge" on Federal Reserve notes in circulation as a means of reducing by 90% the earnings of the Reserve banks for the year 1947. These "excess earnings" are to be paid to the Treasury. The first payment, covering the first quarter of 1947, said the Board in the "Federal Reserve Bulletin" of May (p. 518), was to be made on April 24, and was to amount to approximately $15,269,000. It is estimated by the Reserve Board that "This action will add about $60 million to the receipts of the government for this calendar year."

Walter E. Spahr

Although this is the first time in the history of the Federal Reserve System that a tax has been placed on the Federal Reserve notes outstanding, the important factors involved are, in the opinion of this author, the nature and implications of the Reserve Board's action and the reasons given for it.

An arresting and disturbing aspect of this action by the Board is the fact that it, rather than Congress, has decided that a certain percentage of the Reserve banks' net earnings shall be paid into the United States Treasury. No law authorizes the Reserve Board to determine what percentage of the Reserve banks' earnings shall be paid to the United States Treasury. That is a matter lying within the province of Congress.

Under Section 7 of the Federal Reserve Act, Congress provided that the earnings of the Reserve banks, after expenses and payment of annual (cumulative) dividends, should be paid into the surplus fund of each of the Reserve banks. It does not provide that 90% or any other percentage of their earnings for any year, aside from the small percentage affecting surplus, as specified in Section 13 (b), (e), in connection with provisions for industrial advances, should be paid to the United States Treasury.

Board Has Exceeded Authority

In levying this so-called "interest charge" or tax on Federal Reserve notes, to reduce the net earnings of the Reserve banks for 1947 by 90%, the Reserve Board has, in the opinion of this author, exceeded its authority and invaded the province of Congress.

The power given the Reserve Board to tax Federal Reserve

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Is There Really "Too Much Money"?

By ALLAN SPROUL

President, Federal Reserve Bank of New York

Reserve System spokesman discusses in detail Mr. T. I. Parkinson's warnings about dangers of money over-supply. Concedes "we have too much money," but ascribes this to war's requirements. Holds Reserve System is not subservient to Treasury; both together are taking all remedial steps consistent with high production, full employment, and foreign emergency.

Last March you had the pleasure of hearing a talk, "Too Much Money," by your former president, Thomas Parkinson. Some of the newspapers, in reporting the talk, gave it a little more spice, even though it was already pretty hot in spots, and presented it in a way which caused me to ask Peter Grimm for a copy of Mr. Parkinson's remarks. Your President, sensing a debate, I think, asked me if I would not talk to you on the same subject.

Allan Sproul

I don't want to debate with Mr. Parkinson, but I was much interested in his address. He ably set forth a point of view which, I suspect, is shared by many others; and I think it may be helpful to present to you my views of the problem of "too much money," so that you may see wherein we agree and wherein we disagree.

Mr. Parkinson's Argument

The burden of Mr. Parkinson's argument was, if I may take the risk of summarizing:

(1) There has been a tremendous increase in the money supply during and since the war, and the present supply of money bears no proper relation to the volume of production and business.

(2) This has been and still is the most important inflationary influence in our economic situation—it presses prices upward, and is the reason for the increased cost of living and the resultant demands for wage increases.

(3) The principal reason for the disproportionate increase in the money supply has been commercial bank purchases of Government securities—funds used to finance the destruction of war, not the production of goods for peacetime consumption. (Mr. Parkinson indulged in a little hyperbole when he said this was precisely like counterfeit money—fiat money, perhaps, but surely not counterfeit money.)

(4) The supply of money will have to be reduced, or at least prevented from increasing further, if its inflationary effects are to be avoided. This can be done in only two ways—by achieving a surplus in the Federal budget and paying off debt, or by refinancing bank-held debt with longer term bonds and a higher coupon attractive to permanent non-bank investors.

(5) To accomplish this, astute, skillful, patriotic, far-seeing management of the credit supply is needed. This is the job of the Federal Reserve System, but the Federal Reserve System is not doing its job because it has fallen under the control of the Treasury. The redundant money supply forces prices up and interest rates down, and the maintenance of low interest rates especially for Government obligations is the heart of whatever financial policy there

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*Remarks by Mr. Sproul, before New York State Chamber of Commerce, June 12, 1947.

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We Must Fight for Freedom

By EDWARD F. HUTTON*

Mr. Hutton calls on press, bar associations, businessmen, and churches to fight the Communist challenge. Declares we cannot buy anti-Communist cure with dollars; that on contrary, dissipation of our economic power will remove only remaining restraining hand in world.

To talk about the Constitution and Bill of Rights sounds as dry as dust. It cannot compete with a juicy divorce proceeding or any other kind of sensational news. If I could write an editorial which would make Daniel Webster look like a pool player . . . 5% of the people would read it in their press. I know I could write an editorial attacking the local constable on the grounds that he stole a kiss from the housemaid, dramatize it, and 95% of the people would read it. The responsible American citizen has withdrawn from politics and apparently is indifferent to public questions. They have surrendered their rights to think and act to those who refuse to think and act. Government, they say, is for the politicians. The Constitutional Bill of Rights should convey to him, as it should to the press, just this: It is our bread and butter document. It makes America the strongest nation on earth. This document is the foundation of freedom upon which rests the goodwill and assets of all private and free enterprise and liberty. If it is ever superceded by the communistic doctrine, it would mean a treadmill of the state for we, the people; your right to conduct your affairs would be at an end, the goodwill and assets, all your possessions, would be at an end. Your key to your home, under Communism, would belong to the state.

Edward F. Hutton

The press to be free should inform the people. The press creates public opinion. One's judgment is no better than one's information. It is important and a "must" program to have the press print the news of those sniping at our constitution, to erode our Bill of Rights, to make our Declaration of Independence, one of Dependence based upon the doctrines of Communism. Unless the press talks about this, in terms of what can happen by those planning to make it happen, our press will never have the chance to print it as news after it does happen.

Who are they who have been sniping at our Republic form of government?

Tugwell, Governor of Porto Rico: "Business will logically be required to disappear."

Berle, Assistant Secretary of State: "The government will gradually come to own most of the production plants in the U. S."

Porter, of War Labor Board: "All owners of the stocks, bonds, mortgages, land, buildings or equipment shall be required to surrender them in return for commonwealth bonds."

Durr, Federal Trade Commission: "The government will provide the market and say what and how much is to be produced."

Aimlee, Assistant Attorney General: "Congress shall have power to enact laws to provide for the ownership, operation and management of business, manufacturing, commerce, industry and banking."

Blanchard, of State Department: "Having once captured the government and shelved the Supreme Court, we socialists would nationalize as many large industries as we could chew. We would do it peacefully, if possible, and otherwise, if necessary."

Sifton, Department of Interior: "The whole capitalistic shell game can sink and be damned. Tell them we've got a war on—a war to establish a workers' government."

Olds, Federal Power Commission: "Ownership will become more and more divorced from any active part in the business of society. The owners will cease to be necessary."

Trippett of OPA: "Take control of industry and government, abolish the present capitalistic system and build a workers' republic."

Wallace, Ex-Vice-President: "The government can't take its heavy hand off of business after the war. Furthermore, no Silas Marner will be allowed to close his plant for banking reasons and let his workers starve."

Mrs. Evelyn Burns, Chief Author of the National Resources Planning Board, Report on Postwar America which report the President urged on Congress: "Society will have to devise methods that would refuse individuals the right to make what use they wish of their own labor and property."

Hansen, of the same board: "Congress will surrender to the administration the power to tax and to direct when and how the money will be spent."

It Can Happen Here

What has happened to Hungary can happen to the U. S. A. Those men in appointed key positions in government are attempting to make it happen. That is a fact, not a theory.

To endorse this, Senator Byrd has stated in 1942: "The people must realize . . . this dictatorship is not a thing born of war. It was conceived 10 years ago, when the New Dealers came into office and stealthily tiptoed toward the abandonment of government by

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*Remarks by Mr. Hutton before the Long Island Association, Westbury, Long Island, June 10, 1947.

Future of Our Exports

By HON. WILLARD L. THORP*
Assistant Secretary of State for Economic Affairs

Ecnomic spokesman of State Department cites indispensable support to foreign trade given by United States, evidenced in commitments of $13 billion—of which $9 billion has already been distributed. Declares new grants are necessary to maintain present export level.

I doubt if there ever was a time when advance planning for the world was done on as grand a scale as that by the American Government for the international problems of the postwar period. As is inevitable in any planning for the future, some of the assumptions have not proved to be correct and certain unpredictable and fortuitous factors have appeared. It is still too early to know how many of the hopes implied in the early prospectus will be fully realized. But the fact remains that a magnificent job was done and as Americans we should take great pride in the leadership provided in that critical period.

Willard L. Thorp

The United Nations is now a going concern and can give us all hope that a way has been found to maintain peace on earth. The advance planning in the political field has served its original purpose and a fresh approach to the problem of dealing with international problems and controversies has been initiated. We must now pass on to the difficult stage of developing and strengthening the new institution to accomplish its high purposes. At least, the possibility is present at last of dealing with problems of international importance in an orderly and organized fashion.

In the economic field, there was also a plan, fashioned to meet the difficult postwar period. Well before the end of the war, the concept of lend-lease had been established, thus going away with one of the great obstacles to any postwar recovery. Occasionally, men do learn from experience, and this was a clear lesson from the last war. Under this approach, the burdens of war costs on our allies, excluding items of postwar civilian use, were not to necessitate huge payment transfers from them to the United States in the post-war period—transfers which they clearly are not able to make and we are not eager to receive. There were to be no inter-allied debts whereby other countries paid the United States for the material aid provided for war purposes. This lend-lease settlement policy was a great step forward towards economic recovery.

*An address by Mr. Thorp before the American Marketing Association, New York City, June 12, 1947.

Under the postwar economic plan, four important international institutions were to be established—two to bring about economic recovery and two to provide a basis for a more abundant life in the future. The first institution was UNRRA, established to provide relief on a non-reimbursable basis to the citizens of countries which could not themselves provide the basic necessities of life and which did not have adequate resources with which to purchase them abroad. Its purpose was essentially to maintain life, although it did distribute some basic rehabilitation items like tractors and sewing machines. It also assisted in the repair of railroads, bridges and the like, without which even relief supplies could not be distributed within the countries involved, and in the restoration of other equally essential facilities. However, it was primarily a relief organization with food the chief element in its program.

The International Bank and Fund

The second new institution was to be the International Bank for Reconstruction and Development. One of its functions was to provide credits to repair the extraordinary damage done by the war. It was obvious that the destruction was tremendous. In fact, destruction is the objective of global war, where the effort is not directed exclusively at the military forces of the enemy but at the whole fabric of production and transportation by which the military is supported. The Bank would make long-term loans for

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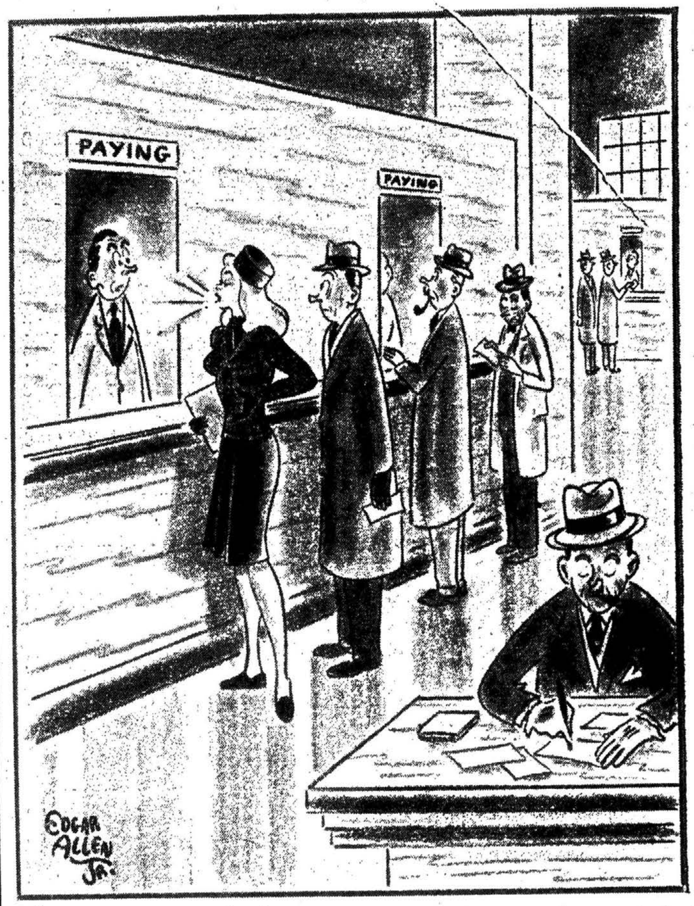
BUSINESS BUZZ



"Why won't you sell me a dollar for sixty-seven cents? I read that's all it's worth!"

High Personal Taxes Slash Stock Values

By CLINTON DAVIDSON, JR.
Economist, Fiscal Counsel, Inc.

Market analyst points out high income taxes paid by large investors determine market value of stocks held by small investors. Lays low stock prices to present high taxes and says 1946 stock market break was due to desire of speculators to cash in on capital gains, and because of high taxes on large incomes, there were not enough investors to cushion the decline. Sees diverse trends in speculative and investment stocks.

How high personal tax rates lop off a substantial part of the value of equity investments is demonstrated by the recent low level of industrial stock prices relative to corporate profits. Whereas many investment advisers believe recent low stock prices have discounted the forthcoming business recession, there is reason to believe they merely reflect the effect of high individual tax rates on income yield. If the following analysis of taxes paid by investors on dividend income is correct, current stock prices do not yet reflect the decline in corporate earning power expected later this year.

This analysis also indicates that taxes paid by large investors determine the market value of stocks held by small investors. For example, the tax reduction bill vetoed by President Truman could raise average stock prices 20% by reducing taxes on dividend income received by large investors 20%. Such a rise in market value would benefit small investors as well as large. In other words, investors with incomes below $5,000 should be interested in reducing tax rates on incomes above $10,000 because that will make their investments worth more.

Why many security analysts think stock prices are low is revealed in the following table:

Table I
Monthly Price Range of
Dow Jones Industrials

	1937	1947
January	187-178	180-172
Febraury	190-186	184-177
March	194-180	182-172
April	185-170	177-167
May	176-167	174-163
5 Month Aver.	182	175

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures
Paper Output

Notwithstanding indications that business is presently going through a process of readjustment, one cannot escape the fact that current industrial output, business volume, and consumers' sales continue to hold at a high level. As a result, the overall picture currently reflects little change in the rate of business activity.

Discussing this slight though unfavorable change in the pace of business, the June issue of "Business Bulletin," published by the La Salle Extension University, Chicago, states, that while business is "far above all previous peacetime levels," the present trend shows signs of a slight downward tendency in contrast to the upward trend prevalent for some time in the past. Weighing the respective elements responsible for the trend, it makes the following point:

"So far in the conflict between the favorable and unfavorable factors the ones which stimulate and maintain a high level of activity have been as strong as those which handicap both sales and production."

Wholesale commodity prices, it notes, have increased at an average rate of almost 3% a month, "one of the most rapid rises that has ever taken place." Increases in retail food prices and living costs were almost as great, it continues, making for a large loss in the purchasing power of the dollar and the ability of a large segment of the consuming public to buy.

In fixing responsibility for this condition, single groups have come in for a large part of the blame by various commentators, the paper points out. Some of the causes for the sharp rise in prices are being attributed by these critics to price-fixing by sellers of goods, increased wage rates in a number of fields, the vast expansion in money supply, including both currency and bank deposits in the war years, coupled with low interest rates.

Holding that most of the comments being made contain much that is valid and true, the survey adds, not one is a complete explanation of the situation. As for a sellers' market and its effect on prices, the "Bulletin" has this to say:

"Examples of this kind can be found in several products, such as steel scrap and cotton textiles. These conditions are likely to be quite temporary, however, and as supplies increase prices work back toward more reasonable levels. That trend has already taken place in a number of products and more are being affected by it each week."

Dealing with the question of wage increases in the mass production industries, the survey notes, that such increases cannot rise much higher than that in productivity without a substantial increase in the price level.

"Temporary conditions such as unusual demand and large volume of production may conceal these relationships between wages, prices, and productivity but they will sooner or later be apparent."

Recognizing the fact that large demand boosts prices, the "Bulletin" warns, that emphasis on pushing prices down may result in too great a reduction in buying, thus encouraging "a downward spiral which will lead to unnecessary deflation and depression."

Balanced prices should be the objective and in attempting to achieve that balance, "many considerations of costs, volume, and income relationships must be taken into account. The best price is the one which enables the maximum volume of exchanges to take place."

In a review of the current situation, the paper noting the unevenness of price rises, states, "the distortions among groups of prices are slightly greater than they were at the peak of the postwar boom in 1920, but the general changes during the two different war periods were in many respects quite similar."

Touching upon those whose income failed to keep pace with average increases, it notes, they lost purchasing power and because the balance has been upset they are not able to buy the production at the higher costs.

To overcome this condition, "Business Bulletin" suggests the following:

"The readjustment needed now is that of having prices and income in better balance, at a level which will accurately reflect fundamental money and productivity conditions."

INDUSTRIAL OUTPUT WELL ABOVE 1946

With goods continuing to flow more evenly, industrial production last week held at a level well above that of a year ago but slightly under the postwar records attained earlier in the year. Huge backlogs of unfilled orders were reported in many industries.

Farm machinery continued to be limited in supply, but some improvement was noted in deliveries. There was no let-up in demand for hardware, building materials, and plumbing items,

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Observations . . . .

By A. WILFRED MAY

MORE WHITE HOUSE "ECONOMICS"

This week the President has fed his Congressional disciples two more helpings of phoney economic principles. Although space prevents detailed exposition of Mr. Truman's fallacies contained in his Tax Veto and Consumer Credit messages, a few of his glaring inconsistencies can be pointed out.

A. Wilfred May

The Tax Veto message again reveals the Administration's complete confusion over its own concept of inflation and deflation. Ever since V-E Day it has been, and still is, predicting the unemployment and deflation that supposedly is just on the verge of engulfing us. For example, Leon H. Keyserling, Vice-Chairman of the President's Council of Economic Advisers, last week again asserted as economists' prevalent opinion that a depression is inevitable unless decisive steps are taken. The chief such step to which the Administration has been consistently committed, is the maintenance of higher and higher wages, allegedly necessary for providing the sorely pressed consumer with purchasing power sufficient to absorb the product of our war-enlarged plant capacity. Yet in his tailor-made tax "brief" the President insists on worrying about *inflation*—viz.: "the time for tax reduction will come when general inflationary pressures have ceased and the structure of prices is on a more stable basis than now prevails. How long it will take for this point to be reached is impossible to predict. Clearly, it has not been reached as yet."

Another manifestation of feebly camouflaged political demagoguery is Mr. Truman's revival of the canned refrain that uniform or even near-uniform tax relief represent a form of *windfall* for the rich. He complains of dollar "increases in take-home pays" of various groups; wilfully disregarding the fact that the changes would merely result in alleviating somewhat the burdens which, as wartime emergency measures, were levied drastically and discriminatorily against the higher gross incomes. This can be seen in the following tabulation of comparative tax levies on high and low incomes at successive periods.

TAX AS PERCENTAGE OF INCOME IN EACH BRACKET
(Net income of married man with two dependents)

Year	$2,500	$25,000	$50,000	$500,000
1929	No tax	3.35%	8.2%	22.%
1932	No tax	9.8	17.	53.
1939	No tax	9.3	17.	61.
1941	0.5%	26.	40.	67.
1946	3.8	34.	49.	81.

In other words the President chooses to call any relaxation of the overwhelming proportion of gross income of the upper bracket families captured by these steeply graduated taxes, an unjustified windfall.

Instalment Buying Fictions

The past week saw another instance of doubtful White House economics in the President's pronunciamento on instalment-buying. Here the Chief Executive, in stating he would follow the will of Congress, at least voiced an attitude more reasonable than he exhibited in vetoing the tax legislation. But his plea for continued consumer credit control likewise falls into gross inconsistency with his Administration's professed economic principles. Mr. Truman states that he agrees with his Council of Economic Advisers that, under relaxation of credit controls, producers and distributors would "try to sustain the absorptive power of the market by accepting lower down payments and a long time-period rather than adjusting prices to the purchasing power of current incomes."

Tied up with the Administration's "open-mouth operations" to reduce prices by talk, this argument both contradicts his own Council's expressed fears of a depression because of insufficient consumption, and assumes that the only way to secure "equilibrium" is through a first-rate *bust*. Apparently, if prices cannot be brought down by talk, they are to be brought down by a curtailment of buying power. But this has been represented as already being a shaky position. Only last week Dr. Nourse, the Council's Chairman, in a public address again voiced his concern over our imminent marketing facilities, "to see that they promote absorption of our enlarged post war product." This, of course, being in line with Washington's past worry over the post-war slump scheduled to ensue from inability to consume the product of our enormously-enlarged plant capacity.

But this argument—frequently advanced by the Board's supporters—that producers and distributers use easy credit terms to sustain the "absorptive power of the market" and high prices—has other fallacies. It overlooks the fact that "producers and distributors" do not ordinarily establish the terms of consumer credit, these being functions of retailers and financing agencies. Actually it is sales finance companies and banks which establish the terms for automo-

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Bellamy and Sanders With Ira Haupt & Co.

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, announce that William M. Bellamy and Albert W. Sanders have become associated with the firm in its bond department.

Mr. Bellamy was formerly manager of the municipal bond department for Van Alstyne, Noel & Co. Mr. Sanders in the past was with John B. Carroll & Co.

Jouvenat With Byllesby

Special to THE FINANCIAL CHRONICLE

LINCOLN, NEB.—Victor F. Juvenat has joined the staff of H. M. Byllesby & Co., 135 South La Salle Street, Chicago, Ill.

From Washington Ahead of the News

By CARLISLE BARGERON

The rather general assumption has been that Mr. Truman's opposition to the tax bill was based on his desire to get credit for a tax reduction next year on the eve of the Presidential campaign. This, in fact, has been the theme of the Republican assertions.

It is doubtful if he had anything like that in mind. The fact is that he is probably hard put to explain his attitude to himself. And his veto message is not likely to explain it to anybody else. Fundamentally he was opposed to a Republican accomplishment. Tax reduction was something they promised. The Democratic strategy has been to keep them from accomplishing it, just as it has been to keep them from cutting the budget. With Truman, their contribution to the national gayety has been to obstruct.


Carlisle Bargeron

Now, however, that he has vetoed the bill some of the consequences may well overwhelm him. The most important is that unless there is a complete reversal of the way we are going, there won't be any tax reduction next year or the year after that. By the time next year rolls around enough spending schemes will have developed to eat up any surplus and to further increase the national debt. It was not intellectual dishonesty on his part when he said that the surplus should be applied to a reduction of the debt. It is not likely to be, but with him it is simply a lack of comprehension as to what is cooking.

There is one little almost hidden line in his veto message which would mean dishonesty if it were not a fact that he accepted it reluctantly to satisfy a group of his advisers. It is his reference to our not knowing what will be our obligations to the world. If this be so, then one would wonder if he is practicing downright deception when he makes the makes the debt reduction argument.

But in justice to him he didn't intend it that way. He started on the premise that he didn't want the tax reduction bill because it had not originated with him. And then he grabbed hungrily for all the arguments in support of his stand that were handed to him.

The one about our foreign obligations only bobbed up in connection with the tax bill about two or three weeks ago, and it was intended as a propaganda device more than a fiscal necessity. The proposition of spreading further and unlimited billions abroad is still in a shapeless selling stage and the purpose of sticking it in the tax debate was simply to further disseminate the idea and get us used to it. Mr. Truman has not yet accepted this proposition. This is indicated by the dearth of attention he gave it in his veto message, rather than any caginess on his part.

But it is being pressed and propagandized like nobody's business and it is my conviction that unless a complete revulsion is very firmly manifested, it will be loaded on us in the next few months.

Insofar as future tax reduction is concerned, the main thing is that if it is not one spending proposition, it will be another one, and that having failed to get the reduction this year, it will be many years before we do get one, if ever. The spenders were temporarily routed by the Republican efforts. But the tax veto will put them in the saddle again. Even Taft has spending plans, modified health and housing plans. They were being held up while the Republicans put the emphasis on cutting the budget. The compensation for cutting the budget was a tax reduction. The House Republicans stepped on plenty of toes and generally showed plenty of courage. They not only had the bureaucrats to contend with. They had also business interests and civic groups. The organized pressure against them from sources you would at least suspect, has been terrific. But they could say: "Do you want a tax reduction or not?" Without the tax reduction their tendency will be to lose heart, to think up some spending plans of their own.

The Senate has so far acted on only two or three of the appropriation bills. Originally committed to cut Truman's budget by $4.5 billions, it will be interesting to see now how much of the House's reductions they restore.

It will be too bad if the economy drive does flop, tax reduction or not. Because one thing that has become perfectly clear to those who were associated with it, is that the high cost of government is but a secondary evil. What was learned from this drive is that in the past 14 years, a tremendous segment of our people have come to have a vested interest in government spending. There are the more than 2,000,000 Federal officeholders with their families and relatives and friends, of course. But in addition, there are the thousand and one business enterprises that have become so dependent upon the spending, so much a part of it, that such a drive as that which the House Republicans have been waging, has economic effects seemingly as drastic as the closing down of U. S. Steel, for example. So aside from cutting down the costs of government, the Republicans were accomplishing an essential major operation against the statism into which we are drifting.

My fear and feeling is that without the tax reduction, the accomplishment, which was only a beginning, will be wiped out, and that we will revert right back into the trend. You say we can elect a Republican President in 1948 to go along with a Republican Congress. With the grandiose schemes we are entertaining we will likely be so loaded down by then, nobody will be able to get us out from under.

Our Foreign Aid Policy

In letter to Sen. Bridges, ex-President Hoover analyzes problem of American contribution to foreign relief and reconstruction, and points out limitations that should be imposed. Sees exports excessive and lists eight principles to be observed in program, and stresses prompt unity and mutual aid between other nations is essential to relieving crisis.

Former President, Herbert Hoover, in a letter dated June 16, to Senator Styles Bridges (R.-N. H.), presented in detail his views on the limits of American aid to foreign countries. Mr. Hoover, in line with views of Sen. Vandenberg and Bernard Baruch, calls for a study of our ability to aid foreign nations without depleting our own resources, and lays down eight principles which should be followed in any program adopted.


Herbert Hoover

The complete text of Mr. Hoover's letter follows:

New York, N. Y.
June 15, 1947

The Honorable Styles Bridges,
Chairman
Committee on Appropriations
United States Senate
Washington, D. C.

My dear Senator:

I have your letter asking me to give you and your associates my views upon the following points:

1. What are the limits of relief and loans that we can reasonably give to foreign nations annually without seriously impairing our resources in a free economy?

2. Are there methods by which we could increase our gifts and loans above those now available from our present production?

3. What policies should be adopted to make our resources more effective in world rehabilitation?

The Problem

As a background to this appraisal I wish at the outset to state:

Upwards of a billion people in the war-torn areas of Western Europe and Asia are asking for help. In these nations some have not recovered one-third of their prewar industrial production; most of them have not recovered over 75% of their prewar food production.

There is greater danger of political and economic chaos in the world today than at any time since the war ended. There is more hunger and want today than there was during the war.

In the face of this threatening situation the American people must continue to do the utmost to prevent starvation in the world. We must do our utmost to aid nations in the recovery of their own productivity. That underlies peace and progress on earth.

But the greatest danger to all civilization is for us to impair our economy by drains which cripple our own productivity. Unless this one remaining Gibraltar of economic strength is maintained, chaos will be inevitable over the whole world.

To discover the common sense course requires clear objectives and organization on our part. The burden is beyond our resources unless there is immediate unity and cooperation among other nations to lessen our unnecessary burdens and thus enable the application of our resources to the most effective use.

The Economics of the Problem

Too often gifts and loans to foreign peoples are visualized as just money transactions. The only way money of important volume can be transferred from one nation to another is by goods (including gold) and services. Therefore, when we make a gift, credit, or loan, it is not money that we transfer; it is goods and services. There is thus a direct relationship of exports to the volume of loans and gifts.

While exports to pay for our imports cause us no difficulty, it must be recognized that we cannot safely, through gifts and loans, export more goods than our surplus. And the surplus applies to specific commodities, for we do not produce a surplus in all kinds of goods. If we ship more than our surplus we are taking it from the standard of living of the American people. Further, the immediate result of exporting more than a

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The Employment Act And Economic Outlook

By EDWIN G. NOURSE*
Chairman, Council of Economic Advisers

Chief Government economist stresses purpose of Employment Act of 1946 is to achieve maximum production under high efficiency and full employment so as to create "maximum purchasing power." Analyzes role played by marketing in attaining these objectives, and warns against wasteful selling methods and high-pressure salesmanship. Emphasizes price reductions as factor in increased output, and points out excessive use of salesmen will intensify discrepancy between maximum production and real income.

The title "National Economic Outlook" sent me by your Program Committee seemed much too pretentious either for my talents or the time at our disposal. Owing to a very full working schedule, I failed to shape up a more accurately descriptive title to send your Program Committee before they had to go to press. But I headed my paper "The Employment Act and the National Economic Outlook." In thinking of what it might be most useful for me on behalf of the Council of Economic Advisers to take up with the American Marketing Association in the next half hour, I have set down two points.

Edwin G. Nourse

First, what is the relationship of the Council and of the Employment Act as a whole to the national economic outlook, not just today, but in terms of the future functioning of our national economy? Second, what is to be expected of marketing in the process of economic reconversion and with reference to the goal of economic stabilization set up in the Employment Act?

*An address by Dr. Nourse before the 10th Annual Convention of the American Marketing Association, New York City, June 12, 1947.

The Employment Act and the Functioning of the National Economy

Possibly some one of you may have read all the legislative history of the Employment Act of 1946 and every word that the Council or any of its members have written about the interpretation of that Act. Most of you, however have not accepted any such formidable assignment of "home work" either for this meeting or in connection with whatever job you happen to hold. Therefore, as a means of letting us all start on the same footing, I shall undertake a very brief statement of what seems to me the central theme of the Act and of the major effort to which all parties in and out of government must direct themselves if the

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I Am an Optimistic Pessimist!

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

Dr. Backman states although some further adjustments are still required, there are sufficient elements of strength to preclude depression paralleling 1920, 1929, or 1937. Predicts decline in soft goods activity will be counterbalanced by activity to satisfy pent-up hard goods demand.

Today, business prophets fall into three categories: Optimistic pessimists, pessimists, and pessimistic pessimists. At the outset, let me make it clear that I belong to the first group. I am an optimistic pessimist. My position may be summarized briefly as follows. Some adjustments in business activity are already taking place; others are required. But nevertheless, there are basic elements of strength which strongly suggest that this period of adjustment will not parallel those of 1920-21 or even 1937-38. I rule out completely the likelihood of a repetition of the 1929-32 collapse. Perhaps the best way to present the picture is to indicate first where we are, and secondly, where it appears that we are going.

Jules Backman

Regardless of which index of general business activity is examined—employment, national income, production, retail sales, carloadings, etc.—the first half of 1947 showed the highest level of peacetime activity in our history. In many lines, of course, several of these indicators are lower than the over-stimulated wartime peaks. But excluding that period, the level of business reached in the first half of this year was never before attained. There are some exceptions, of which the production of automobiles will most readily occur to you. But these exceptions are more than offset by the increases in other sectors of the economy.

*An address by Dr. Backman before National Retail Hardware Association, Cleveland, June 18, 1947.

Prophets of Doom Wrong

For the past two years, the prophets of disaster have been predicting a repetition of the past World War I collapse. Thus far, fortunately, they have been proven wrong. They have been advancing the date of doom steadily. First, it was supposed to occur in the Spring of 1946 when ten or more million persons were scheduled to be unemployed. American business failed to meet this time schedule. Then the date of depression was advanced to the Fall of 1946. When it failed to put in an appearance at that time the date was advanced to early 1947. Now it varies from the latter part of 1947 to early 1948. The more extreme of the pessimistic pessimists anticipate a decline of 20% or more in industrial production, and a decline in wholesale prices of about 20 to 25%. I think that

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Building Controls Soon To Be Removed

By FRANK R. CREEDON*
U. S. Housing Expediter

Housing Expediter, though opposing abolishing present controls, says building materials supply situation is improving and all restrictions on construction are likely to be removed this fall. Expects one million new housing units this year.

As Housing Expediter, my chief concern is with the problems of housing—but the problem of housing is as broad as the entire construction field. It is, therefore, very appropriate for me as Housing Expediter to discuss this problem with the Building Trades Congress.

In my association with William Jeffers, former Rubber Director during the war, I was struck with the remark once made by him to the effect that he was amazed at the number of synthetic rubber experts engaged on the problem. Gentlemen, in my brief experience as Housing Expediter I have found there are many more synthetic "housing" experts.

Frank R. Creedon

Having had some experience as an engineer and construction manager, I have always found that in order to build a job, the thing to do is measure the size of it, get the necessary tools, equipment and men and get on with the job. Then if time and other factors permit, refinements may be sought for and incorporated in the project. We have approached the housing problem in the same manner. We know the tremendous need for housing so we have the measure of the job but unfortunately we are unable to assemble sufficient men and materials to get on with it in a manner comparable to the demands of our measurements. But we are going on with the job using all the men and materials that are available.

There are obviously many refinements which are needed and which are very desirable in reaching a solution of the housing problem, and each refinement contributes to a more satisfactory solution of the housing need. Consistently we have refrained from letting a multiplicity of smaller problems distract us from the main objective, and in line with this premise I have consistently resisted efforts to take on the solutions of problems which I believe to exceed the scope of the Federal Government's powers in that field. Where certain obstacles were encountered which raised problems which I felt to be, and know to be, not in the field of Federal government, we have attempted to assist those in whose field the problems lie. Revision of building and safety codes, development of new materials and increasing use of modulor design are examples of the kind of thing I mean. These problems are not within the province of the Federal Government. Some are problems in the field of labor and management; others are problems of local government, and still others are a challenge to industry.

Supply of Materials

The biggest problem affecting housing today is the supply of building materials. Try as you will to find other problems to solve, until this nut is cracked and the materials supply pipe-lines are filled so that firm delivery promises and prices can be made and relied upon, the other problems will not be solved.

Now, of course, a government official is fair game and never out of season. I ought to know; I am always looking down the gun barrel, but it seems to me that the subject of government controls as a scapegoat for all the ills that beset us should be pretty well exhausted by this time. In the housing field not only have I repeatedly stated my views on the subject, but these statements have been backed up with positive action. Every control that could be removed has been removed, and this same policy will be applied to the few remaining controls when they can be lifted without harm to the housing program or the economy of the country as a whole.

Removal of the few remaining controls at this time will not result in the production of any additional housing but in fact will have the opposite effect. The problem can be simply illustrated by citing the case of pig iron. You all know that it takes pig iron to make cast-iron pipe and cast-iron soil pipe is one of the scarcest building materials today. There just isn't enough cast-iron soil pipe to satisfy the demands for housing and the non-residential construction which is now permitted to go ahead. By the allocation powers we direct the amount of pig iron which must go to cast-iron pipe manufacturers. Now let's be frank about this. The pig iron manufacturers don't like to be directed and neither would I in their place, but by the use of premium payments, which are optional with the industry, they have been induced to increase the production of merchant pig iron and by direction have delivered a part to the cast-iron soil pipe manufacturers.

Without this power of allocation and without the power to pay premiums, what would happen?

Not only would the soil pipe manufacturers use the pig iron for purposes other than building production but pig iron suppliers would sell their pig wherever they choose. And this is no criticism of their action. But how in the world can any one interested in the housing or construction field believe that by permitting this to happen the housing program would be helped? Well, I just can't follow such reasoning. This would not only make the cast-iron soil pipe unavailable to builders of housing, it would make it "not" available, period!

Last Monday for the first time since becoming Housing Expediter, I made a public statement estimating the number of houses which can be built this year. There are so many factors to be considered that not until then did I have sufficient facts upon which to base an estimate, and I reiterate—this is an estimate and not a prediction.

Over One Million Units

My statement was that with the few present controls continuing, we could expect to complete slightly over 1,000,000 dwelling units of all types this year, of which more than 750,000 will be new permanent units. This number of completed dwelling units would give us the best year of housing completions since the middle 20's. These results were achieved without undue impact on non-residential construction because in 1946 when controls were tighter, more private commercial, industrial and other non-residential construction was put in place than in any other peace time year in the nation's history. Now with this record of more homes being completed than in any year since the middle 20's; and a larger volume of other private construction under way than in any other year

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*A speech by Mr. Creedon before the Washington, D. C., Building Congress, Washington, D. C., June 9, 1947.

Davis, Hunter, Scott Opens in Detroit

DETROIT, MICH.—Davis, Hunter, Scott & Co. is engaging in the investment business from offices in the Penobscot Building. Partners are W. Fred Davis, Frederick B. Hunter and Walter J. Scott. Mr. Davis and Mr. Scott were formerly partners in Chapin & Co.

Julius W. Baldwin and Charles J. Boigegrain, both previously with Chapin & Co. will be with the new firm.

Argentina's Shift to Creditor Status

By ELBA A. GOMEZ del REY

Former Economist of Federal Reserve Bank of New York; Economic Affairs Officer, Fiscal Division, UN.

Ecnomist holds Argentina's transition from debtor to creditor position resembles U. S. A. experience after First World War. States it is direct outgrowth of favorable trade balance since 1941; and has taken form of repatriation of foreign-held debt, repurchase of domestic securities held abroad, and granting of substantial external loans.

Decrease in Foreign Indebtedness

The decrease in Argentine foreign indebtedness since August, 1946, is shown in Table I. Argentina's public debt amounted to 12.3 billion pesos on Dec. 30, 1945. Of this total, 9.7 billion was federal, and the remaining 2.6 billion provincial and local government. At the end of 1945, only 7% (668 million pesos) of the total federal debt outstanding was still externally-held, and during 1946 the process of repatriation, begun in the middle thirties, was virtually completed with the repayment of 454.7 million pesos of Argentina's dollar debt and 44.0 million pesos of her Swiss franc obligations. A small balance of 9.2 million pounds, consisting of two sterling loans, could not be retired, owing to fixed repayment dates in the loan contracts, which run to 1953 and 1972, respectively. With the dollar and Swiss franc bond repatriation, Argentina has accomplished part of her ambition to free herself from foreign indebtedness. This ambition, however, goes beyond the repatriation of public debt and involves also some of the direct foreign investments.

E. A. Gomez del Rey

Foreign investments in Argentina are reported to have amounted to some 9.1 billion pesos in June 1946, of which 5.4 billion were British, 1.8 billion American, 1.0 billion Belgian (but largely held by Spaniards), 0.5 billion French, and 0.4 billion other. The present policy of Argentina, according to official statements, is to repatriate only the foreign capital invested in public debt and in public utilities. This is confirmed by its recent actions in purchasing the American telephone company for 95 million dollars, the French railroad for 45.7 million, and the British railroads for 595 million, as well as the planned acquisition of some foreign-owned gas and electric companies.

TABLE I

Decrease in Argentine Foreign Indebtedness Since August, 1946

(In millions of dollars)

I.	**Repatriation of Public Debt**	
	Dollar debt—Aug. 15 to Nov. 15, 1946	135.4
	Swiss franc debt—December, 1946	13.1
	Total	148.5
II.	**Repatriation of Direct Investments**	
	United Telephone Co. of River Plate—October, 1946	95.0
	French railroad—Dec. 18, 1946	45.7
	British railroads—Feb. 12, 1947	595.4
	Total	736.1
III.	**January 18, 1947, Payment of Brazilian Balances**	43.1
	Total decrease of foreign indebtedness	927.7

To gain a complete picture of Argentina's net creditor position, account must be taken of the value of Argentine-owned foreign assets. Unfortunately, information as to total current Argentine investments abroad is not available. An indication of the size of a part of them may be gained from the Census of Foreign-Owned Assets in the United States which shows that on June 14, 1941 the citizens of Argentina owned 93 million dollars in demand and time deposits and currency in the United States, 36.1 million in government securities and common stocks, and 32.5 million in commercial enterprises, debts and claims, etc. Since part of the total of 179.8 million represents stocks and bonds whose value has risen since 1941, it is likely that this figure understates the actual present position. Besides, it is common knowledge, even though figures are not available, that a great deal of Argentine capital has been invested in neighboring countries, especially Paraguay and Uruguay.

The latest example of Argentina's policy of reducing its foreign indebtedness is its action in January, 1947, when it repaid the balance which had accumulated in Brazil's favor as a result of the July, 1941 clearing agreement between the two countries. It is noteworthy that, although Argentina could have made the payment in blocked sterling as provided for under the Anglo-Argentine treaty of Sept. 17, 1946 (Great Britain had promised to release 10 million pounds of the Argentine blocked sterling to be transferred to Brazilian account), it settled the 43.1 million dollar balance in dollars.

The investment repatriation program altogether will cost Argentina 927.7 million dollars of her gold and foreign exchange reserves. When this program was begun in August 1946, the central bank holdings of gold and foreign exchange amounted to roughly 1,700 million. The drain on these holdings from the repatriation policy has undoubtedly been offset to a considerable extent by the continuing accumulation of exchange from the active balance of payments.

This program of debt repatriation was facilitated by the concentration of economic control that resulted from the banking reform. The new powers granted to the central bank contributed greatly to the success of the conversion of the foreign debt into a domestically held debt. The process was as follows:

The government in August 1946, through the central bank, successfully converted 3,884 million pesos of the old 4% bonds into 3% bonds. Cash repayments amounted to 86 million pesos. Of the total of 5,082 million pesos of old bonds, more than 1,100 million pesos were converted into 4% social welfare bonds reserved for investment by the Official Social Security Institute. Cash redemption of internal bonds and the re-

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Dealer-Broker Investment Recommendations and Literature

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

Investment Company Performance—Reprint of comparison—North American Securities Co., Russ Building, San Francisco 4, Calif.

Machinery Industry, The—Part II—Study and analysis of outlook—E. W. Axe & Co., Inc.—Tarrytown Press, P. O. Box 147, Tarrytown, N. Y.—Paper—50¢ a copy (25¢ to public libraries and non-profit institutions).

Manual of Sugar Companies—24th Edition—Farr & Co., 120 Wall Street, New York 5, N. Y.—$2.00 (plus 2% sales tax in New York City).

Overseas Banking Service—Color illustrated booklet—The National City Bank of New York, 55 Wall Street, New York 5, N. Y.

Railroad Developments—Current developments in the industry—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

What Are Common Stock Prices Discounting?—Earnings declines anticipated by present market indicated in comparisons—R. W. Pressprich & Co., 68 William 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.**

Canada Dry Ginger Ale, Inc.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Deep Rock Oil Corporation—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Detroit International Bridge Co.—New analysis with particular reference to the so-called tax free distributions of dividends—F. J. Young & Co., Inc., 52 Wall Street, New York 5, N. Y.

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, Argo Oil Corp.** and **Consolidated Dearborn.**

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

General Electric Corp.—Study and opinion—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

General Machinery—Comparison with **Radio Corporation of America** as to earnings and dividend record in view of similarity of current market price—Bond & Goodwin, Inc., 63 Wall Street, New York 5, N. Y.

Green Mountain Power Corp.—Memorandum in the current issue of **"The Public Utility Stock Guide"**—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

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

Long Bell Lumber Company—Brochure containing complete analysis from 1935-1946 available on request to investment securities dealers, bankers and financial institutions—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Oil Exploration Co.—Bulletin—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Pepsi-Cola—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Portland Electric Power Company—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.** and an analysis of **Rome Cable Corp.**

Public Service Corporation of New Jersey—Comparison of values and markets of preferred stocks in relation to recapitalization plan—Stern & Co., 25 Broad Street, New York 4, N. Y.

Pure Oil Co.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Rockwell Manufacturing Co.—New descriptive brochure—Scherck, Richter Co., Landreth Building, St. Louis 2, Mo.

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

Also available are memoranda on **Bird & Son, Inc.** and **Eastern Corporation.**

Standard Silica Corp.—Descriptive memorandum—David A. Noyes & Co., 208 South La Salle Street, Chicago 4, Ill.

Sterling Electric Motors, Inc.—Trading memorandum for dealers only—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

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

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

Wheeler, Osgood Company—Discussion of future outlook—Sills, Minton & Company, Inc., 209 South La Salle Street, Chicago 4, Ill.

Wilcox-Gay Corporation—Detailed memorandum—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Also available is a memorandum on **York Corrugating.**

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SAN FRANCISCO, CALIF.—Angus C. Fox, Jr. is with W. J. Kelsey & Co., 25 Taylor Street.

Industry's Responsibility for Employment

By EMERSON P. SCHMIDT*
Director, Economic Research, Chamber of Commerce of United States

Holding full employment is a diffused responsibility, shared in by all elements of the economy, Dr. Schmidt points out private business alone does not have power to create prosperity or prevent depression. Contends, because labor movement is highly political and wage demands highly contagious, heavy responsibility for economic stability rests on organized labor. Says only closest cooperation of government, banks, business management and labor can solve stability problem.

A free enterprise society is one under which free men show enterprise. The competitive motive, properly supported by governmental anti-trust policy, helps to keep enterprise alive, and makes for economic progress. Profit expectation is the dynamo of our system. The *wage motive* will cause a man to take a job if the *profit motive* first creates the job.

Dr. E. P. Schmidt

Responsibility and Authority Correlative

There is disposition in some quarters to hold "business" responsible for jobs and sustained prosperity. But the very concept of "responsibility" implies co-equal power and authority to implement that responsibility. It would not make much sense to hold the policeman responsible for clearing the streets of children after curfew unless we also gave him the power and authority to remove children from the streets.

Voluntary Economic System

Our type of economic system is uniquely a voluntary system—a system under which the owner of investment funds is free to invest or to hoard, the buyer is free to buy or to postpone buying, the worker is free to work or not work or even to strike. The citizen is free, within his means and ability, to become employee, self-employed or employer. The Government sets many of the conditions of employment and takes a heavy toll in taxes. The Government directly or indirectly creates the money supply, the basis for nearly all transactions and forward commitments which are so essential in business planning; but the money supply, including bank credit, now may be favorable for employment, and again it may be deflationary.

Responsibility Diffused

If this is a fair, although brief and over-simplified, description of our economic system, can we honestly say, "Business must be held responsible for jobs and production"? Or do we all share in this responsibility: the businessman, the labor leader, the consumer, the investor, the Government and even the people's lobbyists?

If we are going to hold business responsible for jobs, do we not have to grant it all the necessary power and freedom to implement that responsibility? Is this not a logical requisite of those who glibly say, "Private enterprise must find jobs, or else . . ."? Yet, how many of us are prepared to give business that degree of freedom and power which is thereby implied? Even if business had this freedom, could it deliver?

"Business" or "free enterprise" is not entity which we can look up in the telephone book. Rather it is a concept, a short-cut phrase to describe a very complex and heterogeneous grouping of persons and organizations none of whom, or which, have much power to influence the economy as a whole.

Free enterprise is not just something for the businessman; it applies equally to the free worker, the free investor and indeed, to the free consumer. Free enterprise is the opposite of an unfree economy. Its emphasis is upon voluntary uncoerced action and voluntary cooperation through a free and flexible price system including free wages, and the free price of capital—as the organizing devices for getting done the productive work of society.[1]

Socialization of Capital and of Labor Coordinate

Once the free price — in its broadest meaning — has been replaced, we are on the road to totalitarianism. One of the great delusions of modern times is that we can socialize the inanimate factors of production—capital and land—without also having to socialize the human factor of production, namely, labor and the labor union. Sir William Beveridge is one of the few persons (outside of the USSR, Nazi Germany and the other authoritarian countries) who see clearly that the abolition of private property in production is also likely to involve the abolition of free labor.[2]

So-called democratic Socialism appears to be a contradiction in terms. All over Europe people are finding this out the hard way. Even in liberty-loving England, Cabinet Minister Lewis Silkin has just announced that the tradition of man being king in his castle must be abandoned (New York "Times," May 18, 1947). Have we the wit to enable our free competitive enterprise system, under which we have the greatest dispersion and diffusion of power, to function so effectively that its underminers will receive little or no support? If we hold business *solely* responsible, and ignore what else it takes to sustain enduring prosperity, we will not attain our goals. And worse, in its mal-functioning we may be lured, step by step, down the authoritarian routes now being traversed in Europe and Asia.

War and Stability

There is general agreement, for example, that unless we can eliminate war, the legitimate goal of greater economic stability is doubtful of achievement. Wars subject our economic system to perfectly enormous stresses and strains. Wars expand parts of our economy at the expense of other parts. Wars distort the wage structure. Wars fabulously increase our money supply. Once these wars are over, we have the long and arduous problem which we label "readjustment"; but we use the word so glibly that frequently we do not fully comprehend the painful travail that must be traversed in order to bring about a kind of balance among various parts of the price structure, of the wage structure, of the capital structure which is the *sine quo non* of stability.

We may ask, for example, why did we have the depression of the 1930's? During the first World War the economies of many European countries, twisted and warped, extended the effects to our shores. Just one illustration: Prior to 1914 Europe produced about 8,000,000 tons of sugar. During the war this dropped to 2,000,000 tons. The price climbed. Our farmers were urged to meet the deficit. In spite of our expansion the price of sugar reached 30c a pound. After the war, Europe's productive capacity, added to ours, created a substantial surplus during the inter-war years, and sugar was in a depressed state for nearly a fifth of a century. In time it helped to break down the whole economy and accentuated the depression of the 1930's.

This is but one illustration of how wars distort the economy. All reasonable men may agree that unless we can eliminate wars, we cannot make adequate progress towards stabilizing our economic activities. This holds as surely for so-called planned and Socialist societies, as it does for a voluntary society such as ours.

During wars a substantial portion of our productive capacity is devoted to fashioning the instruments of war, but this creates money income far in excess of the available supplies. Prices are bid up out of line with pre-war norms and probably out of line with post-war stable relations.

Equally important, Governments during war, resort to direct and indirect currency inflation to raise the necessary funds. This war-created excess money supply forces its effects, after the war, upon the price, wage and income structure. We have to go through a period of painful "readjustment." This readjustment may go too far, thereby maladjustments become cumulative; and it takes years, perhaps decades, to completely neutralize these war-created distortions.

Wars greatly reduce, and in some cases completely stop, production of essential civilian commodities: machines and equipment, factory space and perhaps new housing. After the war we go through a "catching-up" period which may take years and during this period the catching up process continues as a wave-like unstabilizing movement going too far in one direction and not far enough in another direction. This capital formation feeds prosperity and may over-feed it, making subsequent contraction inevitable.

After wars, certain countries are ravaged and devastated. Even the victorious nations help the vanquished to rehabilitate. After the last war we made enormous loans to Germany. The proceeds from these loans were spent here. We financed our own exports, as we are now doing, helping to create an uneconomic boom. The bubble burst and deepened the depression.

The post-war boom in the 1920's still further expanded the money supply (credit) and when the tide turned in 1929 we went through a tortuous period of constriction in the money supply.

All this history is recounted here, because we are now the victims of the same forces, only this time they are much more powerful and all-pervasive.

We should not fool ourselves into thinking that we can stabilize the economy unless we first make this a peaceful world. We have not even made a substantial beginning in overcoming the enormous maladjustments and distortions created by World War II and

(Continued on page 32)

*Address by Dr. Schmidt before People's Lobby, Inc., Washington, D. C., June 10, 1947.

1 The nature of our economy is more fully explored in: "The American Competitive Enterprise System," The Chamber of Commerce of USA, 1946.

2 See analysis of his views in "Can Government Guarantee Full Employment?" Chamber of Commerce of USA, p. 20.

Public Utility Securities

Wisconsin Electric Power

Wisconsin Electric Power Company is a subsidiary of North American Company, which owns about 94% of the common stock. The publicly-held stock in the past has not been actively traded in New York, but had a Milwaukee market. However, a New York market has now developed in "when delivered" stock, which was recently quoted about 18-19. Dividend payments have been somewhat irregular, but in 1945 67½¢ was paid and in 1946 $1 (less the 3% Wisconsin dividend tax). This year two 25¢ dividends have been paid to date. On the $1 dividend basis, the stock currently yields about 5.4%.

As part of its integration program North American Company has decided to begin to distribute its holdings to its own stockholders. On July 15, 2½ shares will be paid for every 100 shares of North American held. It was also announced early in May that the management expected to distribute five shares for each 100 North American next October. Recently however it was indicated that over 90% of North American's holdings (which amount to 2,493,710 shares) will be distributed by the end of this year, and the balance by June 1948. Total holdings amount to about 34 shares for each 100 shares of North American. Based on the present market price, total distribution would mean over 6 points per share for a North American stockholder.

Wisconsin Electric Power and its subsidiaries, Wisconsin Gas & Electric and Wisconsin-Michigan Power, serve a considerable part of the state of Wisconsin including the highly industrialized Milwaukee district. The electric systems of the three companies are inter-connected. In common with the rest of the North American system the company's rates are extremely low, the average residential revenues per KWH in 1946 being 2.69¢ compared with the national average around 3.25¢. Average annual use of electricity by residential customers was 1,542 KWH which is about one-quarter larger than the national average.

The plant account of the three companies is stated at "original cost" except for a very small amount ($456,000 out of $184,000,000) which is being amortized. Depreciation reserves totaling over $60,000,000 amount to nearly one-third of plant account, an unusually high percentage. In 1946 provision for depreciation was about 10.6% of revenues and maintenance 7.4%, a total of 18%.

The company also controls an important transit property, Milwaukee Electric Railway and Transport but the operations of this company are not consolidated with the system earnings. The company recently announced that, due to the Holding Company Act the transit property would have to be disposed of. President Pinkley invited bids on July 21 for purchase of the company's $32,000,000 Metropolitan Transportation System, including bus lines, suburban railway service and miscellaneous properties. From the proceeds of sale the company will retire $4,000,000 bonds all of which are owned by Wisconsin Electric Power (which also owns all the stocks).

The transit subsidiary is in prosperous condition; earnings of $4.34 per share have been reported for the 12 months ended March 31, 1947. Because of special tax adjustments in 1946, it is difficult to get an exact picture of the transit earnings and possible sales value. Net income in 1946 was stated at $926,815. This perhaps could be capitalized at some 5-10 times making estimated proceeds (including the $4,000,000 bonds) in the neighborhood of $9-13 million. The City of Milwaukee has been interested in buying the property and a survey was ordered by City officials some weeks ago, but the City may not be able to complete its investigation in time to make a bid on the specified date.

In the 12 months ended March 31, Wisconsin Electric Power reported earnings of $1.87 a share on a consolidated basis compared with $1.22 in the previous year. (On a parent company basis $1.76 was reported vs. $1.15.) This big jump in earnings reflected an increase of about 6% in revenues together with substantial tax savings under the new Revenue Act. Apparently no income was drawn from the transit property except for interest on the bonds (a relatively small item). Share earnings were after deduction of $500,000 contingent losses on transit properties (equivelent to about 18¢ a share).

World Bank Loan to France and Future of Foreign Private Lending

By ERNEST H. WEINWURM

Writer analyzes provisions of World Bank French loan. Criticizes interest rate as too low, but says restictions on use of loan conform to Bank's charter and afford reasonable protection, but will lead to French opposition on ground of political interference. Upholds proposal a code to govern relations between government borrowers and private lenders be applied to bank.

The World Bank, in completing negotiations for its first loan has finally become operative. It has managed to overcome initial difficulties and confusion and has made a first decisive step toward its assigned goal. The second step: flotation of a pilot issue of debentures is expected within a short time.

Ernest H. Weinwurm

The Bank has been aware that this first loan agreement would be scrutinized closely by prospective borrowers and investors alike. both groups are vitally interested to see how the vague provisions of the Bank Charter would be interpreted in an actual case.[1] However, there are good reasons for considering the French agreement as a class by itself rather than a general precedent for the future.

Obviously, France as one of the Big Five among the United Nations and one of the leading capital lenders of the past had to be given special consideration in many ways. Moreover, the Bank was under strong pressure to conclude negotiations as quickly as possible, perhaps before all pending questions could be settled satisfactorily. Moreover, the Bank will certainly give careful study to the reaction in financial circles of the U. S. A. as well as to French public opinion and will have to improve the terms of future agreement wherever this may appear to be advisable and feasible.

Any analysis of the provisions of the loan agreement will have to be provisional only for the time being for two main reasons. First, much pertinent material has not been made public; this refers particularly to the record of the protracted loan negotiations. Unless the original terms as proposed by the Bank are fully known as well as the reasons for their inclusion or dropping from the final draft, it will be difficult to get a full picture of the Bank's intentions and future policies. Therefore, the Bank should give consideration to the possibility of making public as much as possible of that record. Second, the scope of certain provisions of the agreement will become clear only as they are put into practice and given an actual test of performance and practicability.

In any event, the agreement will have to be appraised with a view to actual conditions rather than from any ideal standpoint. In particular, the Bank had to be guided and was bound by the provisions of the Charter; its shortcomings that were discussed in the above-mentioned article are naturally reflected in the loan agreement and the Bank should not be blamed for such deficiencies. However, this should not exclude future efforts to improve the provisions of the Charter in favor of investors. But no easy or quick result could be expected especially in this particular case.

Those deficiencies of the Charter and the loan agreement will have no effect upon the prospective debenture issues of the Bank for some time to come. These bonds will be fully guaranteed by the unpaid subscription of the U. S. Treasury and, therefore, will not be subject to any doubt whatever.

The loan agreement itself consists of eleven articles and a separate letter to the President of the Bank by the French Minister of Finance.

The first articles deals with definitions of the legal terms. The second sets forth the amount and the rate of interest of the loan which have been given wide publicity. However, the determination of the interest rate needs some special discussion.

The Bank has announced a policy of setting a rate of interest somewhat above the rate it will have to pay for its own debentures. Thus the rate of 3¼% charged to France would indicate that the Bank expects to pay about 3% for long-term debenture issues. Including the special commission of 1% p. a. France will have to pay a total charge of 4¼%.

This policy of giving debtors the full benefit of the low interest rates the Bank will be able to borrow upon in view of the U. S. guarantee seems to contradict another of its basic policies. The Bank has indicated repeatedly its intention not to compete with the free market but, on the contrary, to make every effort of inducing borrowers to apply to the market if they are eligible for accommodation there. Many of the Bank's clients should be borderline cases that should improve their credit rating quickly enough for a try on the open market. But the Bank's interest policy will give little incentive in that direction.

The Netherlands recently sold $20 million of ten-year bonds to a group of investment bankers at 99 and at 3¾% interest. Total cost of the loan certainly will be above 4%. The same government is slated to get a loan from the World Bank in the near future and if the terms of the French loan should prevail will pay 4¼% for a much larger and long-term credit. Obviously, the World Bank loan will be cheaper than the one floated privately. In addition, the borrower saves all the expenses and inconveniences connected with a bond flotation.

Evidently, the Bank should reconsider this policy and adopt a more realistic one which gives borrowers a real incentive to repay their World Bank loans as

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1 See the article in the issue of Aug. 22, 1946 of the "Commercial and Financial Chronicle" for a detailed analysis of the Charter.

Connecticut Brevities

On June 4, the stockholders of Arrow-Hart & Hegeman Electric Co. approved a recommendation of the directors to increase the capital stock to 400 000 shares by the issuance of 200,000 shares of $10 par common to holders of record June 4, 1947, at the rate of one new share for each old share held. The new shares are to be paid by transfer of surplus to capital account. This represents undistributed earnings from operations of prior years.

It was also voted to increase the authorized number of shares from 375,000 to 800,000, making provision for the above increase.

An initial dividend of $0.65 was declared on the new common stock payable July 1 to holders of record June 5, 1947.

* * *

The Universal Winding Co. recently announced that it had paid $1,100,000 subject to adjustment for certain accruals for plant and inventory of The Atwood Division (Stonington) of Farrel-Birmingham Co., Inc.

The Universal Winding Co. obtained 15-year loans to finance the purchase: $1,325,000 from New England Mutual Life Insurance Co., and $675,000 from Bank of the Manhattan Co. and Providence National Bank.

* * *

Farrell-Birmingham Co., Inc., declared an extra dividend of 25¢ in addition to its regular quarterly dividend of 25¢ payable July 2 to holders of record June 20, 1947.

* * *

Russell Manufacturing Co. stockholders purchased 90% of the 12,110 shares of common stock offered the stockholders at $24 a share.

* * *

Pitney-Bowes, Inc., showed net sales and rentals of $9,906,940 in their consolidated income account for the year ended March 31, 1947. This compares with $7,227,724 for the preceding fiscal year. Net income was $1,015,216, or earnings of $1.11 per share, compared with $516,432, or $0.57 per share for the 12 months ended March 31, 1946.

* * *

The directors of Torrington Company declared an extra dividend of 40¢ a share along with their regular quarterly dividend of 40¢, both payable July 1 to holders of record June 16, 1947.

* * *

The Southern New England Telephone Company on June 6, 1947, applied to the Connecticut Public Utilities Commission for permission to increase rates to provide additional annual revenue of approximately $4,680,000.

The company reported gross revenue of $2,982,106 for the month of April, 1947, compared with $3,035,692 for April of 1946. Net income was $24,391 against $251,516 in these same months. The four months' gross was $12,331 207 against $11,785,922 for the corresponding months last year while net income was $772,981 and $1,119,770, respectively.

* * *

For the month of May, the Hartford Electric Light Company reported sales of 40,782,000 kilowatt hours compared with 34,669,000 in May of 1946. This represents an increase of 17.9%.

* * *

The Bridgeport division of United Illuminating Company reported sales of 32,600,812 kilowatt hours for the month of May compared with 31,196,213 kilowatt hours for May, 1946—up 4.9%. In the New Haven division, sales totaled 24,915,253 kilowatt hours, a 19.1% increase over the 20,943,074 kilowatt hours for the corresponding month a year ago.

* * *

Mr. Charles L. Campbell of Hartford, President of the Connecticut Light & Power Co., was elected to the Board of Directors of Peck, Stow & Wilcox Company at the annual meeting.

The company has changed its fiscal year to end March 31 instead of June 30. The report covering operations for the nine months ended March 31, 1947, showed $117,596 net addition to surplus after payment of taxes of $217,004, dividends of $20,000, depreciation of $62,984, and a transfer to reserve for possible loss on inventories of $75,000.

* * *

Mr. Samuel Rodman, Vice-President of The Hartford-Connecticut Trust Company, was elected to the Board of Directors of Landers, Frary & Clark.

* * *

The directors of Whitney Blake Company of Hamden, voted a 100% stock dividend which will increase its capital from 100,000 shares to 200 000 shares. The distribution will be made July 21 to stock of record June 24. An initial dividend of 25¢ a share has been declared payable July 2 to stockholders of record June 24.

In Merrill Lynch Dept.

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange, announce that Gordon S. Kerr is now associated with the firm in its Municipal Bond Department.

With Newburger & Hano

Newburger & Hano, members New York Stock Exchange, announce that Thomas DeSalvo is now associated with the firm in its midtown office, 1441 Broadway, New York City.

Michigan Brevities

National Bank of Detroit Assistant Vice-Presidents Harold B. Asplin, Gerald F. Dewhirst, Wm. H. Hoey and John H. Wells have been promoted to Vice-Presidents, Chairman Walter S. McLucas announced.

* * *

Directors of Manufacturers National Bank have declared a dividend of $3 per share, payable July 1 to holders of record June 24.

* * *

The Detroit Stock Exchange has approved an application to list 200,000 shares of Lansing Stamping Co. common stock, plus an additional 100,000 shares of unissued common shares, R. C. O'Donnell, Chairman of the Stock List Committee, said, subject to registration becoming effective. Trading in the issue is expected within 30 days.

* * *

Directors of Dow Chemical Co. of Midland, Michigan, have recommended to stockholders a 4-for-1 split of outstanding common stock and a change in the company's state of incorporation from Michigan to Delaware. Dr. Willard Dow, President, said directors also asked stockholders for an authorization of 400,000 shares of second preferred stock, which it is expected will be convertible into common stock. The stockholders will meet July 12.

* * *

The Commonwealth Bank has called a special meeting of stockholders for June 24 to vote on a proposed 20% stock dividend, President Howard P. Parshall announced. The regular semi-annual $2.50 dividend, payable Aug. 1, was declared by the board.

* * *

The First of Michigan Corp. with its associates, R. S. Dickson & Co. of Charlotte, N. C. and E. H. Pringle & Co. of Charlestown, S. C. were the successful purchasers of an issue of Spartanburg, S. C., 1½% road bonds due Dec. 1, 1950 through 1959. The account bid 100.61 for 1½s equal to a net interest cost of 1.42375%. The bonds were reoffered at prices ranging from .90% to 1.50% basis.

* * *

Consumers Power Co. common stock and $4.50 cumulative preferred stock has been admitted to trading on the Detroit Stock Exchange, according to R. C. O'Donnell, Chairman of the Exchange Listing Committee. It includes 4,123,432 shares of common and 547,788 shares of preferred.

* * *

Trading volume on the Detroit Stock Exchange dropped slightly in May compared with the previous month. Total transactions were 271,599 shares with a market value of $3,355,483, compared with April volume of 285,153 shares valued at $3,617,273.

* * *

Details of the plan to split Chrysler Corp. stock into two $2.50 par value shares for each $5 share will be voted on at a stockholders' meeting at the company's Detroit offices on July 8. A vote will be taken among stockholders to amend the certificate of incorporation to change the total number of authorized shares from 6,000,000 with a par value of $5 to 15,000,000 with a $2.50 par per share. The total of $5 shares now issued is 4,484,375.

* * *

Pennsylvania Salt Manufacturing Co. with a plant in Wyandotte, Mich., is considering the issuance of a new preferred stock to obtain capital for expansion. Stockholders on July 3 will act to create 150,000 shares of new preferred, $100 par, and to increase the present authorized capital stock, $10 par, from 1,000,000 to 1,500,000 shares of similar par value.

* * *

Udylite Corp.'s $1 par common stock has been admitted to dealings on the New York Stock Exchange. Accordingly, the shares were stricken from the N. Y. Curb Market.

Hinshaw Bill's Passage Seen Vital to States And Local Governments

Thomas Graham, the Bankers Bond Co., Inc., Louisville, has made public a circular which he is distributing among public officials in Kentucky setting forth the importance to all of the States and local governments of approval by Congress of the Hinshaw Bill (H. R. 1881). The measure, now awaiting action by the House of Representatives, was introduced by Rep. Carl Hinshaw of California, and is intended to expressly prohibit the Securities and Exchange Commission from regulating transactions in State and municipal securities. As Mr. Graham and others have pointed out, the threat of such possible control over financing operations of States and local units by the presently constituted Commission or its successors will prevail until such time as the ambiguities contained in the SEC Act of 1934 are eliminated by statute.

Thomas Graham

The material being distributed by Mr. Graham includes letters written by Congressman Charles A. Wolverton, of New Jersey, Chairman of the House Interstate and Foreign Commerce Committee; David M. Wood of the New York municipal law firm of Wood, King & Dawson, and by Carl B. Wachs and Edward H. Dieruf of the Kentucky Municipal League. Included also is text of Rep. Hinshaw's bill, previously given in the "Chronicle" of March 13 last, page 1379.

Missouri Brevities

On June 12, a banking group, headed by Halsey, Stuart & Co. Inc. of Chicago, which included, among others, Newhard, Cook & Co.; Stifel, Nicolaus & Co., Inc.; Metropolitan St. Louis Co. and Reinholdt & Gardner, all of St. Louis, offered to the public $6,000,000 of Michigan Consolidated Gas Co. first mortgage bonds, 2⅞% series due 1969, at 102.05 and interest. The net proceeds, together with the sum of $3,875,270 received on June 9, 1947, from the sale of 276,805 additional shares of common stock to American Light & Traction Co., parent of Michigan Consolidated, will be used to finance construction and acquisition of additional property, etc.

* * *

An underwriting syndicate, headed by Stifel, Nicolaus & Co., Inc., of St. Louis and Chicago, on June 12 publicly offered an issue of 100,000 shares of common stock (par $1) of Nutrine Candy Co. at $8.50 per share, the net proceeds of which will be received by certain selling stockholders.

* * *

Sealed bids will be received until 10 a.m. (CDST) on June 24, by Louis Nolte, City Comptroller, for the purchase of $4,000,000 City of St. Louis public improvement bonds to be dated July 1, 1947, and mature serially from 1948 to 1951, inclusive. No bid at less than par and accrued interest will be considered.

* * *

The Missouri Supreme Court, in an opinion handed down on June 9, sustained a lower court ruling that the St. Louis municipal income tax is unconstitutional. It unanimously affirmed the decision invalidating the tax which had been handed down several months ago by Circuit Judge Robert J. Kirkwood at St. Louis.

It had been expected that the City of St. Louis would derive $2,500,000 annually from the tax, which went into effect on Aug. 1, last, at a rate of ¼ of 1% on the gross earnings of individuals and net profits of corporate and other businesses. Payments of this tax had been withheld in many instances pending outcome of the litigation testing its validity.

* * *

On June 16, the stockholders of Hussman-Ligonier Co., St. Louis, approved proposals (1) to change the name of the company to Hussman Refrigerator Co., and (2) to increase the authorized common stock from 250,000 shares to 1,000,000 shares of no par value. The directors were then authorized to issue two shares of common stock in exchange for each present outstanding share of common stock.

* * *

The directors, at a subsequent meeting, authorized the issuance of the new common stock on or about July 22, 1947, and declared a cash dividend of 40 cents per share on the presently issued common stock, payable on Aug. 1 to holders of record July 21, 1947. On Feb. 1 and May 1, this year, the company paid quarterly dividends of 25 cents each on the common shares.

* * *

Western Auto Supply Co. (Mo.) reports total sales for May, 1947, of $11,024,000, compared with $8,625,000 for the same month last year, and for the first five months of the current year $42,714,000, as against $38,744,000 for the corresponding period in 1946.

* * *

On May 14, Mid-Continent Airlines, Inc., Kansas City, filed a letter of notification with the Securities and Exchange Commission for the issuance of 30,601.4 shares of common stock at $7.50 per share, the proceeds to be added to working capital. The issue will not be underwritten.

The corporation reports that the operating revenue for April, 1947, was $424,680, an increase of 5.44% as compared with the same month in 1946. Revenue miles flown increased from 409,706 to 496,673, or 21.23%. Revenue passengers carried were 20,156, as compared to 21,243, a decrease of 5.12%.

Net loss for April, 1947, after provision for income taxes, was $19,394, as compared to a net profit, after taxes, for April, 1946, of $20,796. The loss for April of this year was due to increased labor and material costs, as well as a decrease in passenger loaded factor.

* * *

According to a letter of notification filed on June 5 with the Securities and Exchange Commission, the Central States Paper & Bag Co., St. Louis, plans to issue 1,500 shares of preferred stock at par ($100 per share) and 2,000 shares of $10 par common stock at $16.50 per share, the proceeds of which are to be used for additional operating capital. There will be no underwriting.

* * *

Sales of Edison Bros. Stores Inc., St. Louis, for May, 1947 amounted to $6,569,198, as against $5,797,928 in the same month last year, or an increase of 13.3%. For the five months ended May 31, 1947, sales totaled $27,533,496, a gain of 8.5% over the $25,368,224 reported for the same period in 1946.

* * *

The directors of Interstate Bakeries Corp., Kansas City, on June 6 voted to make effective as of the opening of business June 9, its agreement of merger with its subsidiary, Schulze Bread Co. The merger plan, which was approved by the stockholders on May 13, converts on the effective date the $5 dividend preferred stock into $4.80 dividend preferred stock on the basis of four shares of new stock for three of the old.

The directors also declared an initial quarterly dividend of $1.20 per share on the new preferred stock, payable July 1 to holders of record June 16.

* * *

Notwithstanding adverse conditions prevailing in the industry, Midwest Piping & Supply Co., Inc., St. Louis, in its first full peacetime year on a gross sales amounting to $9,324,512, less returns and allowances, showed net earnings of $503,450 after provision for all Federal and State taxes on income. This was equal to $1.30 per share on the 386,280 common shares outstanding at the close of the fiscal year.

* * *

Net income of The Laclede Gas Light Co. for the three months ended March 31, 1947, after charges and Federal taxes, was $757,066, or 31 cents per share, as compared with $586,882, or 24¢ per share in the corresponding period last year. For the 12 months ended March 31, 1947, the company earned $1,967,319, or 81 cents per share.

* * *

The 37th annual report of The May Department Stores Co. and its subsidiaries for the year ended Jan. 31, 1947, shows net sales amounting to $330,331,868 (including sales of Kaufmann and Taylor Stores aggregating $75,758,537). This compares with total sales of $202,449,639 for the preceding fiscal year. Consolidated net profit after taxes were $18,826,697 for the 1947 year, after preferred dividends, equal to $7.12 per share on the average number of common shares outstanding during the year, and compares with $7,680,039, or $2.94 per common share, for the year ended Jan. 31, 1946.

NY Municipal Forum Nominees for Office

Leander I. Shelley, General Counsel of the Port of New York Authority, has been nominated


Leander I. Shelley Paris S. Russell, Jr.

for the Presidency of The Municipal Forum of New York, to succeed David M. Ellinwood, of Moody's Investors Service.

Paris S. Russell, Jr., of Glore, Forgan & Co., has been nominated for the Vice-Presidency; George T. Ragsdale, of Lehman Brothers, has been nominated for Secretary, and Rudolph J. Harper, of Fiduciary Counsel, Inc., for Treasurer.

John Pershing, of Masslich & Mitchell, and Dr. Frederick L. Bird, of Dun & Bradstreet, Inc., have been nominated to serve on the Board of Governors for three years.

The annual meeting of the Club, at which the new officers and Governors will be elected, is scheduled for Monday, June 23, at the Lawyers Club, 115 Broadway.

The Nominating Committee consists of the following: Melbourne S. Moyer, of Fulton Trust Company; John R. Camp, of Central Hanover Bank and Trust Co.; Harold H. Hahn, of Wood, King and Dawson; Jerome C. L. Tripp, of Tripp & Company, and John A. Stephenson, Jr., of Dun & Bradstreet, Inc.

Jos. Reynolds to Be Benj. Bartlett Partner

CINCINNATI, OHIO—Joseph B. Reynolds will be admitted to partnership in Benj. D. Bartlett & Co., 313 Vine Street, members of the New York and Cincinnati Stock Exchanges, on July 1st. Mr. Reynolds, a member of the Cincinnati Exchange, has been with the firm for some time as Manager of the Unlisted Department.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Even though "comparisons are odorous," as Shakespeare once remarked, or "odious," as John Fortescue said, the investor is compelled to make them if he would be successful. Therefore, in order to help the investor in fire insurance stocks, this column proposes to make some "odorous" comparisons.

It's an old story by this time that abnormally high fire losses in 1946, and unfavorable motor vehicle experience, combined with the necessity of setting aside exceptionally high unearned premium reserves, rendered underwriting results quite unfavorable for many companies. To some extent, the same was true for the year 1945. However, a number of the stock fire insurance companies, despite these factors, were able to report comparatively good underwriting results in 1946.

Of course, the operating earnings of one year alone are not sufficiently significant or conclusive to stamp the stock of a company either desirable or undesirable. The inquiring investor will want to know how the company has fared for a series of years, before he takes his pick.

A few comparisons are therefore presented which show the record of selected companies for the six years 1941 to 1946, inclusive. In each case earnings are consolidated, unless noted otherwise; underwriting profits (which are adjusted for the change in premium reserve equity), and net investment income, are before Federal income taxes, but total net operating profits are after these taxes.

The first comparison is between Aetna Insurance Co. and National Fire Insurance Co., the stocks of which are each priced around $48 per share.

Aetna Insurance Co.

Year	Net Und. Profit	Net Inv. Income	Total Net Operating	Dividends
1941	$0.06	$2.77	$2.79	$1.80
1942	1.75	2.78	3.55	1.80
1943	3.40	2.67	4.63	1.80
1944	0.07	2.92	2.95	1.80
1945	0.08	3.03	3.13	1.80
1946	0.69	2.99	3.78	1.80
6-year average	$1.01	$2.86	$3.47	$1.80

National Fire Insurance Co.

Year	Net Und. Profit	Net Inv. Income	Total Net Operating	Dividends
1941	---	$3.45	$3.44	$2.00
1942	$0.68	3.32	3.66	2.00
1943	1.60	3.16	4.71	2.00
1944	—3.36	3.12	—0.23	2.00
1945	—1.81	3.11	1.30	2.00
1946	—3.27	3.37	0.10	2.00
6-year average	—$1.03	$3.26	$2.16	$2.00

These figures hardly need any comment. National's $2 dividend is backed by average net earnings of $2.16, while Aetna's $1.80 is backed by $3.47. Note Aetna's underwriting experience in comparison with National's, and note also Aetna's better investment income trend, even though its six-year average is below that of National.

Another interesting comparison is that of Great American with Security of New Haven, both stocks of which are selling at approximately $28.

Great American Insurance Co.

Year	Net Und. Profit	Net Inv. Income	Total Net Operating	Dividends
1941	$0.79	$1.71	$2.38	$1.20
1942	0.87	1.75	1.99	1.20
1943	1.12	1.74	2.19	1.20
1944	0.95	1.82	2.27	1.20
1945	0.65	1.82	2.21	1.20
1946	—0.14	1.96	1.78	1.20
6-year average	$0.71	$1.80	$2.14	$1.20

Security Insurance Co.

Year	Net Und. Profit	Net Inv. Income	Total Net Operating	Dividends
1941	$1.99	$2.40	$4.36	$1.40
1942	0.56	2.50	2.73	1.40
1943	0.30	2.01	2.31	1.40
1944	—1.30	2.18	0.82	1.40
1945	—0.20	2.30	1.88	1.40
1946	—4.20	2.23	—2.05	1.40
6-year average	—$0.47	$2.28	$1.68	$1.40

Here again, little comment is necessary, for the record tells the story. Note especially the uptrend in the investment income of Great American, compared with a moderate downtrend for Security. However, Security does cover its $1.40 dividend 1.6 times by net investment income, compared with 1.5 times for Great American. The latter's dividend coverage by total earnings, nevertheless, is far greater than Security's.

A comparison of Home Insurance with Insurance Company of North America is always interesting, for both stocks are favorites in the market. There is a big difference in prices, however, Home selling around $25 and North America around $91½.

Home Insurance Co.

Year	Net Und. Profit	Net Inv. Income	Total Net Operating	Dividends
1941	$0.61	$1.81	$2.41	$1.60
1942	0.21	1.66	0.95	1.60
1943	1.91	1.50	2.28	1.60
1944	0.34	1.53	1.61	1.20
1945	1.35	1.58	2.26	1.20
1946	—0.16	1.82	1.69	1.20
6-year average	$0.71	$1.65	$1.87	$1.40

Insurance Co. of North America

Year	Net Und. Profit	Net Inv. Income	Total Net Operating	Dividends
1941	$3.55	$4.44	$6.94	$3.00
1942	3.24	4.51	5.80	2.50
1943	6.61	4.73	8.42	3.50
1944	4.24	5.15	7.59	3.00
1945	2.57	4.35	5.87	3.00
1946	1.07	5.12	5.26	3.00
6-year average	$3.55	$4.72	$6.65	$3.00

Characteristic of Home is its slim coverage of dividends by net investment income. To put it another way, Home generally pays out in dividends a larger share of net investment income than do most companies. It reduced the dividend in 1944 through elimination of the $0.40 extra. Insurance of North America's coverage of dividends by net investment income is much wider, also its coverage by total net operating profits. It should be noted, furthermore, that North America reported moderately good underwriting profits in each year of the period.

The next comparison is between Fire Association of Philadelphia and United States Fire, the stocks of which both sell around $51.

Fire Association of Philadelphia

Year	Net Und. Profit	Net Inv. Income	Total Net Operating	Dividends
1941	—$0.86	$4.38	$3.29	$2.50
1942	0.24	4.46	2.20	2.50
1943	—0.02	4.20	3.97	2.50
1944	—0.68	4.19	3.44	2.50
1945	—0.81	3.52	2.61	2.50
1946	—1.22	4.01	2.75	2.50
6-year average	—$0.56	$4.13	$3.04	$2.50

United States Fire Insurance Co. (Parent)

Year	Net Und. Profit	Net Inv. Income	Total Net Operating	Dividends
1941	$1.28	$2.57	$3.74	$2.00
1942	—0.85	2.52	1.60	2.00
1943	1.41	2.63	3.23	2.00
1944	1.41	2.68	3.36	2.00
1945	0.68	2.65	2.81	2.00
1946	2.17	2.85	4.75	2.00
6-year average	$1.02	$2.65	$3.25	$2.00

United States Fire owns no affiliates, hence figures are on a "parent" basis. The striking thing to note in this comparison is the poor underwriting experience of Fire Association over the period versus the relatively favorable experience of United States Fire, particularly in 1946. True, current dividend yield favors Fire Association, but not current earning yield. It is significant that Fire Association used to sell between 70 and 80 in 1941 compared with around 50 for U. S. Fire, while today the former is 51½ asked and the latter 52½.

Many other equally interesting and instructive comparisons could be presented, but the selections offered may prove helpful to the inquiring investor, especially if he carries these comparative studies a few steps further and includes comparative market action, dividend yields, earning yields and so forth.

J. Herbert Case Honored

Former Chairman of New York Federal Reserve Bank deplores low interest rates. Relinquishes chairmanship of Finance Board of Ministers & Missionaries Benefit Board. Succeeded by G. W. Bovenizer of Kuhn, Loeb & Co. Mr. Case in his 75th year, continues as active Director of City Bank Farmers Trust Company.

A testimonial luncheon was held in honor of Mr. and Mrs. J. Herbert Case at the Biltmore Hotel, this city, last Tuesday, which was attended by a large circle of his friends, including several Wall Street bankers and members and staff of the Ministers and Missionaries Benefit Board of the Northern Baptist Convention.

J. Herbert Case

The luncheon was given in recognition of Mr. Case's 25 years of distinguished service as a member of the Board and also the able manner in which he and his associates on the Finance Board have handled the finances of this $31,000,000 Foundation created to pension some 4,500 aged and retired ministers of the Baptist faith.

Mr. Case has just recovered from a major operation and is now relinquishing many of his public connections and while he has consented to continue in a consultant capacity as a member of the Finance Board, he will be succeeded as Chairman by G. W. Bovenizer of Kuhn, Loeb & Co., an associate member of the Finance Board.

William R. Conklin, President of the Board, presided at the luncheon and introduced Dr. Harold R. Husted, Dr. G. Pitt Beers, Dr. Oren H. Baker, Mr. Malcalin R. Carey, Dr. M. Frest Ashbrook

(Continued on page 40)

McCloy Defines World Bank Relations to European Relief

John J. McCloy, President of the International Bank for Reconstruction and Development, in the course of an address before the New York State Bankers Association, at Quebec, Canada, on June 16, stressed the need of supplying through relief fundamental living needs to the people of Europe, if a program of financial aid for reconstruction and rehabilitation is to be carried out by the World Bank.

John J. McCloy

According to Mr. McCloy:

"The emphasis on the productive character of the loans which can be made and the emphasis on their repayment, both of which were incorporated in the Articles of Agreement concluded at Bretton Woods, spell out the area of operation of the International Bank for Reconstruction and Development. It is the function of the Bank to create and develop productive facilities in member countries.

"There are, however, such fundamental needs as food and fuel to keep people alive and warm and the world's needs consequently may go beyond the Bank's area of operation in order to help get a basic economy moving.

"I do not know how far the State Department's program has been developed or what its full extent may be in Europe. If, as a result of some general economic plan, the nations concerned can supply the immediate and basic necessities such as food and fuel, the International Bank will have that much better a base on which to operate. The better the fundamental living conditions are in the member countries where loans will be made by the International Bank in the months and years ahead, the more productive the Bank's loans can become and the greater the abilities of the borrowing countries will be to repay them.

"May I emphasize that the role of the International Bank is to make possible the reconstruction and development of productive facilities in war-devastated or underdeveloped member countries so that the people in those countries will be able to produce in their own areas. In this way, we can work toward correcting their present abnormal need to buy almost everything in the United States, and we can move toward the goal of reducing the present dollar shortages, restoring to those member countries some reasonable relationship between their exports and their imports. This will afford a sound basis for a steady and natural export and import trade in the United States and other member countries.

"The International Bank," Mr. McCloy added, "has many member countries which are not in Europe and which also have needs to be met. At the same time the Bank is vitally interested in whatever can be done in Europe to bring forward a substantial plan on which further aid particularly in the fields of food and other basic living necessities can be advanced by national governments. It is therefore not only prepared but eager to cooperate fully within its authorized scope in any constructive overall economic plan that Europe may develop."

COMING EVENTS

In Investment Field

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 20, 1947 (New York)
New York Security Dealers Association 1947 Summer Outing at Engineers' Golf Club, Roslyn, Long Island.

June 20, 1947 (Toledo, Ohio)
Bond Club of Toledo 13th Annual Golf Outing at Inverness Country Club (note change of date from June 6)

June 20-22, 1947 (Los Angeles, Calif.)
Security Traders Association of Los Angeles annual spring party at the North Shore Tavern, Lake Arrowhead.

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

July 1, 1947 (Mamaroneck, N. Y.)
New York Stock Exchange 48th Annual Golf Tournament at the Winged Foot Golf Club.

July 10, 1947 (Boston, Mass.)
Boston Securities Traders Association annual outing at the Woodland Golf Club, Newton, Mass.

July 11, 1947 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Silver Jubilee and 25th summer outing at Llanerch Country Club, Havertown, Pa.

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.

Sept. 20, 1947 (Chicago, Ill.)
Municipal Bond Club of Chicago Outing.

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

Mutual Funds

By HENRY HUNT

Borrow $1,000,000, Then Invest

That **Lord, Abbett & Co.** have the courage of their convictions is evidenced by their recent purchase of $1,000,000 worth of common stocks with borrowed money when the Dow-Jones Industrial Average was around 165. These purchases were made for the account of Affiliated Fund Inc., the only large open-end mutual fund with leverage. Total bank loans of Affiliated Fund now amount to $6,000,000 — as compared with net assets of $20,098,000 at the year-end.

It was also announced that an additional line of credit, totaling $4,000,000 at 2%, has been arranged. Presumably these funds will be invested in common stocks when the management deems further purchases advisable.

It seems to your correspondent that the above news is constructive. It is certainly in sharp contrast to the attitude of the average investor toward the stock market, which is reminiscent of Mark Twain's commentary on the weather: "Everybody talks about it, but nobody does anything about it." When most investors get over their depression psychoses, common stocks will probably be selling at considerably higher prices, but at levels more in line with current and prospective earnings.

Definition of a Successful Economist

A Ph.D. who, having written a book that nobody reads, manages to impress people with theories that nobody understands.

Definition of a Successful Trader

A man who is more often right about the market than wrong but, when he is wrong, recognizes the fact before it is too late.

Phychology vs. Economics

The George Putnam Fund of Boston has the following to say about Psychology vs. Economics: "The older we become, the more we are convinced that much of the time the course of security prices is influenced more by mass emotions than by economics.

"What has caused stocks to fall 23% on the average over the past 12 months and many, many individual issues to drop by a substantially larger percentage? Business activity, as measured by the New York "Times" index, is currently 23% above a year ago and earnings and dividends are running well ahead of last year. These 'economics' appear to mean nothing in today's discouraging atmosphere.

"And yet our common sense warns us not to become too readily a prey to the psychology of the moment. Therein lies the surest way to disappointments. The optimists of a year ago have become today's prophets of gloom. It is at least permissible to question whether they are any more right now than they were 12 months ago.

"In recent months we Americans have been subjected to a great deal of prophecy and propaganda, some of it from high places and some of it from low places. The effect of much of this has been to confuse and frighten many people rather than to bring us squarely face to face with the real problems of the day."

Business Crepe Hangers

Mr. E. E. Crabb, Chairman of **Investors Syndicate,** reports that "fears of another major business recession are being created by a few 'business crepe hangers,' the same irresponsible crystal gazers who predicted a 'bust' in 1946, our nation's greatest business year."

"Naturally," he said, "there is no longer the plushy buying by families who had doubled and tripled incomes during recent years and are now returning to their normal standard of living. Temporarily there is a gap between real income and family income that must be closed. This will come about naturally and will be retarded only by evangelists of business gloom and their followings."

Mr. Crabb stated that sales of shares in Investors Syndicate to date in 1947 have run 17% over the same period last year.

First Mutual Porfolio Additions

First Mutual Trust Fund, sponsored by **National Securities & Research Corporation,** purchased the following common stocks during the month of May: American Can Co., American Cyanamid Co., American Tobacco Co. "B", Cleveland Electric Illuminating Co., Commonwealth Edison Co., Continental Can Co., Dome Mines Ltd., Hercules Powder Co., Homestake Mining Co., McIntyre Porcupine Mines Ltd., Public Service Corp. of N. J., Reynolds (R. J.) Tobacco Co. "B", United Fruit Co., and Wrigley (Wm.) Jr. Co.

Notes

Hugh W. Long has joined the Check-a-Month Club and has issued a new pamphlet entitled: "A Dividend Check Each Month."

Incorporated Investors declared a dividend of 25¢ a share bringing total dividends for the first six months of this year to 50¢ as compared with 40¢ for the first half of 1946.

Whitehall Fund recently declared an initial dividend of 10¢ a share.

The following wise-crack is quoted from "These Things Seemed Important" published by **Selected Investments Co.,** of Chicago: "It's difficult to tell whether we're to have a continuation of Prosperity we can't afford or a stretch of Hard Times at Popular Prices."

Freer Urges More Merger Curbs

Vice-Chairman of Federal Trade Commission wants legislation to further restrict corporation mergers. Says rate of merger activity is now higher than at any time since 1931.

Speaking at the University of Cincinnati on June 11, on "The Work of the Federal Trade Commission," Robert E. Freer, Commissioner and Vice-Chairman of the Commission, called attention to the recent growth of corporate mergers and strongly advocated additional Federal legislation to curb the movement.

Robert H. Freer

"Monopolistic mergers among independent businesses, numerous in 1946, are 20% greater for the first quarter of 1947 than for the fourth quarter of 1946," said Mr. Freer.

"More than 1,800 formerly independent manufacturing and mining concerns have been swallowed up through merger and acquisition since 1940," Commissioner Freer added. "Their combined asset value was $4.1 billion, or nearly 5% of the total asset value of all manufacturing concerns in 1943. Moreover, it was the larger corporations each having assets of over $5 million (in many instances achieved through earlier acquisitions) that accounted for some three-fourths of these recent 1,800 acquisitions.

"The most recent information on the wartime growth of concentration available from the Bureau of Internal Revenue shows that the larger manufacturing corporations, those with assets of $50 million or more each, increased their share of total assets from 42% in 1939 to 52% in 1943," Freer continued.

"New and unpublished information recently coming to the Commission indicates that the rate of merger activity in the first quarter of 1947 was higher than in any comparable period since 1931 and was 20% above the level of the fourth quarter of 1946."

Mr. Freer went on to explain that as early as 1914 Congress recognized the problem of corporate mergers, and in Section 7 of the Clayton Act prohibited acquisitions of the capital stock of a competitor when the effect might be to suppress or eliminate competition.

However, enforcement of the law has been a practical impossibility since a 1926 decision of the Supreme Court curtailing the power of the Federal Trade Commission. Bills are currently pending in both Houses of Congress to amend the law, he said.

"Thus amended, the law undoubtedly would retard the merger movement and its accelerating trend to concentration.

"To preserve competition as a primary regulatory force in America there must be observance in letter and spirit of the laws against unfair and monopolistic practices and correction by legislative action of the obvious deficiencies which hamper adequate enforcement of such laws," Mr. Freer concluded.

International Lending Policies—The Effects On Our Economy

By DR. MAX WINKLER*
Bernard, Winkler & Co.

Dr. Winkler asserts that although foreign trade amounts to only 10% of our total business volume, this represents nation's margin of profit. Maintains our international economic cooperation will result in greatest material prosperity in U. S. history. Expresses faith in World Bank.

America's willingness and ability to cooperate with, rather than remain aloof from, the rest of the world, is bound to result in greater business activity and more material prosperity than the United States has ever experienced since the founding of the Republic.

Dr. Max Winkler

Despite the existing friction among the Big Powers, resulting primarily from the intransigent and unreasonable attitude of the Soviets, an amicable adjustment is bound to be reached sooner or later, removing, or reducing to a minimum the existing fear over a new cataclysm which no nation, large or small, either desires or can afford. There must be world peace, and what must be, can and will be.

Secretary Marshall's observations in his letter of June 4, to Senator Vandenberg, Chairman of Senate Foreign Relations Committee, stressing, inter alia, America's desire for a Europe "which is not divided against itself," and that it is not America's purpose "to impose upon the peoples of Europe any particular form of political or economic association," should convince the nations of the world, particularly the Russians, that America has no sinister designs upon the Old Continent, or is aiming at the creation of anti-Russian alliances.

Should the improvement in the international sphere assume a somewhat more concrete or tangible aspect, leading to the hope or belief that the forthcoming Conference of Foreign Ministers at London will succeed, a more cordial reception is bound to be accorded the securities which will be offered later this year by, or under the auspices of, the International Bank for Reconstruction and Development, created under the terms of the Bretton Woods Agreement.

Lending and Prosperity in the 1920's

The fact that marked losses were sustained by individual investors in foreign loans sold during the '20's, and which were either defaulted or adjusted on the basis of important concessions by creditors, does not at all prove the unsoundness or the futility of international investments. It is more than a mere coincidence that the prosperity of the '20's synchronized with the large volume of American loans to the rest of the world. The difficulties which were experienced in the '30's stemmed not so much from the fact that vast sums had been loaned abroad, but were the result, solely or very largely, of unwise lending. In many instances, large amounts were employed by borrowers for non-productive projects so that business activity created by loans merely accompanied them, but ceased with the cessation of lending. Had foreign loans been made with a view to creating permanent benefits to the borrower, the latter would not have been forced to suspend or reduce payments, and business actively resulting from loans, would have continued after lending stopped.

Greater Safety Now in Prospect

The mistakes of the '20's, it is safe to assert, would not have been made had foreign lending been handled by an agency similar to the International Bank. Nor are they likely to be repeated today, because the Bank, due to the very character of its set-up, its personnel, its aims and objectives, will approve and grant loans, only after it is thoroughly satisfied that their proceeds will be employed for constructive and revenue-producing projects.

Much of the political unrest throughout the world, especially Europe, derives from economic disturbances, trade dislocations, currency restrictions and exchange shortages. An economically stable Europe will mean a politically stable Europe without which world stability and universal peace are unthinkable.

The World Bank's Opportunity

Those charged with guiding the destinies of the International Bank are in a position, through sound, businesslike and non-political measures, to contribute greatly toward the rehabilitation of a war-torn world and to the restoration of normality and prosperity, not only to the United States, but to all the nations of the world, willing to cooperate.

There are some well-meaning legislators and even businessmen who feel that since America's international business represents only about 10% of the country's total volume, a drastic reduction or even the complete loss of such international activities could not seriously affect the nation's economy. While the arithmetic of the argument is correct, the reasoning is erroneous: America's 10% of international business represents the country's margin of profit. Reliable sources place the nation's total number of employees in enterprises directly identified with foreign business at 6½ to 8½ millions; the number of those indirectly employed in international business at 1½ to 3½ millions. In other words, the total loss of foreign business could mean an addition to the normal unemployment population of 2½ millions, of 8 to 12 millions — the difference between prosperity and depression. The choice should not prove difficult.

*A talk by Dr. Winkler before N. Y. Society of Security Analysts, June 16, 1947.

The Military Money Muddle

By HERBERT M. BRATTER

Senate to investigate our military currency adventures, responsibility for which, Mr. Bratter states, has been bandied about.

A Senate investigation of the military money muddle in Germany and perhaps elsewhere is to be made in Washington shortly, under the leadership of Senator Styles Bridges. Someone in the Commerce Department with a delightful sense of humor sets the stage for the investigation with the following decription which is here excerpted from an otherwise generally ponderous and often bewildering accounting of the foreign transactions of the U. S. Government through December 1946:

Herbert M. Bratter

Heavy receipts [i.e., of military and other currencies in certain countries by our Army establishments] reduced net troop pay to a small or, in some cases, to a negative sum. Dollar obligations to the governments which had advanced currencies were thus reduced. However, to the extent that U. S. personnel acquired local currencies through the resale of supplies received from home or purchased in the PX, those areas received needed consumer goods. The distribution of such goods among the local population was probably short of ideal.

From the beginning, the War Department and the Treasury have consistently passed the buck back and forth whenever anyone —including anyone in the Congress — sought to unravel the mystery of our military currency adventures. While it has been claimed that the military currency was not the obligation of the United States and would not be redeemed by the United States, the Russians, our own GIs—officers as well as men—and others have found ways of getting Uncle Sam to redeem, it seems, hundreds of millions of dollars face value of this wartime funny money. Now that the war is over Senator Bridges may be able to strip the veil from a very expensive story.

Joins Paine, Webber Staff

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS.—Clarence F. Jones, Jr. has joined the staff of Paine, Webber, Jackson & Curtis, 24 Federal Street, members of the New York and Boston Stock Exchanges and other leading national exchanges.

NSTA Notes

NSTA NOMINATING COMMITTEE

In accordance with the provisions of the constitution and by-laws, R. Victor Mosley, Stroud & Co., Inc., Philadelphia, President of the National Security Traders Association, has appointed the following as a Nominating Committee for the selection of a slate for the ensuing year:

Edw. E. Parsons, Jr., Chairman, Wm. J. Mericka & Co., Inc., Cleveland, Ohio; J. Wilmer Butler, Baker Watts & Co., Baltimore,

Edw. E. Parsons Jr.

J. Wilmer Butler

John L. Canavan

Lawrence S. Pulliam

Harold B. Smith

Md.; John L. Canavan, Rauscher, Pierce & Co., Dallas, Texas; Lawrence S. Pulliam, Weeden & Co., Los Angeles, Calif.; Harold B. Smith, Collin Norton & Co., New York, N. Y.

By-laws provide that any seven National Committeemen or any fifty members may make nominations for any or all of the offices in addition to those chosen by the Nominating Committee. Such nominations must be forwarded to the National Secretary not less than one week prior to the annual election. The election will be held on Aug. 14, 1947 in Boston at the Convention.

Please forward any suggestions for nominations directly to the Chairman or any one of the members of this committee.

The Canadian Dollar

Bank of Nova Scotia analyzes present position of Canadian dollar and sees no reason to doubt its soundness. Lays present depreciation to temporary situation arising from Canadian cash payments to U. S. for imports, interest, and dividends, while Canadian exports are made on credit basis. Points to high internal purchasing power of Canadian dollars.

The May "Monthly Review" of the Bank of Nova Scotia contains a thoroughgoing analysis of the U. S.-Canadian exchange situation in which the causes of present discounts on Canadian dollars are clearly stated and conclusion drawn that the situation is temporary and the basic factors of strength in the position of the Canadian dollar will ultimately be demonstrated.

According to the analysis:

During 1946, Canada's deficit in her current transactions with the United States was about $600 millions. The accompanying table summarizes our current accounts with the United States for 1946 and for comparative purposes also includes the figures for 1945, 1939, and 1929, the most active peacetime year.

CANADA'S CURRENT BALANCE OF RECEIPTS AND PAYMENTS WITH THE UNITED STATES

(Figures in $ millions. Source: Dominion Bureau of Statistics)

	1929			1939			1945			1946		
	Credits	Debits	Balance	Credits	Debits	Balance	Credits	Debits	Balance	Credits	Debits	Balance
Merchandise trade	519	875	—356	344	472	—128	[illegible]	[illegible]	+ 15	948	1,378	—430
Freight transactions	68	103	— 35	46	61	— 15	124	188	— 54	112	178	— 66
Gold	37	---	+ 37	184	---	+184	96	---	+ 96	96	---	+ 96
Tourist trade	184	81	+103	137	67	+ 70	163	81	+ 82	214	131	+ 83
Interest and dividends	30	202	—172	27	220	—193	44	194	—150	46	250	—204
Other "invisible" items	61	75	— 14	42	76	— 34	169	128	+ 41	159	241	— 82
Grand total of all current transactions	899	1,336	—437	780	896	—116	1,740	1,710	+ 30	1,575	2,178	—603

As was to be expected, there was a drastic change from 1945 to 1946. The principal influences in turning an approximate balance in 1945 into a substantial deficit in 1946 were the virtual cessation of U.S. purchases of war goods including expenditures in Canada for defense, and the marked increase in Canadian imports from the United States. At the same time, dividend payments to U. S. investors increased considerably and Canadian tourist expenditures in the United States were so much larger that they almost entirely offset the effects of increased expenditures by U. S. tourists in Canada.

Comparison of the 1946 accounts with those of 1939 is of interest only in bringing out the contrast between conditions now and just before the war. While the deficit was relatively small in 1939, the scale of transactions was at a comparatively low level and employment, income, and investment had only partly recovered from depression conditions. Perhaps the only significant point of the comparison with 1939 is that gold output has not recovered its wartime loss.

The most comparable peacetime year in terms of business activity is 1929 when employment, income and investment were at high levels. In that year, the current deficit was about $440 millions at a lower level of prices and at a smaller volume of transactions. If allowance is made for the facts that wholesale prices in 1946 were 27% above 1929 in the United States, and that the volume of transactions was larger, the deficit last year does not appear to be disproportionate to that of the late 'twenties.

The outstanding factor in the development of the current deficit is clearly the marked expansion in imports from the United States. It is clear that imports are still tending to increase more than exports and that the deficit on merchandise account is widening. How long this tendency will continue is difficult to estimate. But there can be little doubt that a number of abnormal and temporary influences are operative. There is undoubtedly an important element of replenishment and replacement demand both for inventories and capital equipment in the current heavy volume of purchases from the United States. Consumer demand for imported goods and for Canadian goods with a substantial import content, which had not been available in quantity for some years, is extraordinarily high. Furthermore, normal or alternative countries of supply for a number of goods have not yet been able to restore their production and exports, with the result that Canadian demands for imports are concentrated more than ever on the United States. Last, but not least, is the abrupt rise in U. S. prices since the middle of last year. Whereas wholesale prices in the United States were on the average 27% higher in 1946 than in 1929 they were 57% above the 1929 level in March 1947 — an advance which may to some extent be regarded as abnormal.

Despite the evidence that the current rate of imports from the United States is abnormally high, it does not folow that any sharp decline is in immediate prospect. The abnormal conditions have not yet been corrected and some of them, such as the difficulty of getting supplies from other countries, may continue for a considerable time. Even after full allowance is made for these abnormal factors, there can be little doubt that imports would still tend to exceed exports to the United States by very substantial amounts. Canada's propensity to import from the United States is very great, especially in times of high activity. Among the main reasons for this are the use of U. S. methods of production, the dependence of many manufacturing concerns on U. S. parts and components, the dependence on the United States for coal, oil, steel and other basic materials, the close proximity and ties between the two countries, and the acceptance of U. S. models and styles fostered by widespread and continuous exposure to U. S. media of publicity.

The Size of Gold and U. S. Dollar Reserves

Canada was fortunate in arriving at the end of the war with greatly increased official reserves in U. S. dollars and gold—some $1,508 millions valued in U. S. dollars at Dec. 31st, 1945, as compared with less than $400 millions at the outbreak of war. It was anticipated that these reserves would be heavily drawn upon during the transition period: the Governor of the Bank of Canada, testifying before the Senate Banking and Commerce Committee in

(Continued on page 39)

Truman's Veto of Tax Bill Sustained

House fails to override by narrow margin, following reading of veto message, in which President states measure provides "wrong kind of tax reduction at wrong time" and makes government finances unsafe:

The House of Representatives, on June 17, the day after receiving President Truman's message vetoing the tax bill as passed by Congress two weeks ago, failed to override the veto by a narrow margin of two votes. As the House action makes unnecessary a vote in the Senate, the President's veto practically precludes any changes in the tax law during this session of Congress.

President Truman

In his veto message, the President said the bill, as passed by Congress was both wrong and untimely, and "offered dubious, ill-apportioned and risky benefits at the expense of sound tax policy" and "from the standpoint of government finances," he characterized it as "unsafe."

The full text of the message follows:

Text of Veto Message

Below we give the text of the President's veto message:

To the House of Representatives:

I return herewith, without my approval, H.R. 1 entitled: "An Act to reduce individual income tax payments."

The right kind of tax reduction at the right time, is an [illegible] to which I am deeply committed. But I have reached the conclusion that this bill represents the wrong kind of tax reduction, at the wrong time. It offers dubious, ill apportioned, and risky benefits at the expense of a sound tax policy, and is, from the standpoint of government finances, unsafe. Proposals for tax reduction must be examined in the light of sound and carefully-related fiscal and economic policies. Unless they are consistent with the demand of such policies, they should not be approved.

In my budget message of Jan. 10, 1947, I said:

"As long as business, employment and national income continue high, we should maintain tax revenues at levels that will not only meet current expenditures but also leave a surplus for retirement of the public debt. There is no justification now for tax reduction."

Developments since January do not warrant a change in that conclusion. Total employment in May increased by a million and a half over that in April, and the total now employed is over 58,000,000. The number of unemployed is now less than two million, practically a minimum. Income payments to individuals are estimated to be at the record annual rate of $176 billion. Department store sales in May were up 6% over April and equaled the all-time high in dollar volume. The number of houses begun by private enterprise in May was the largest in any month since V-J Day. Despite many convincing evidence that a recession is imminent.

Says Tax Reduction Is Inflationary

Ample evidence points to the continuation of inflationary pressures. Tax reduction now would increase them. If these pressures are long continued, and if essential readjustments within the price structure are long deferred, we are likely to induce the very recession we seek to avoid.

Reductions in income tax rates are not required now to permit necessary investment and business expansion. There is no shortage of funds for this purpose in any wide sector of our economy. As a matter of fact, the amount of liquid funds in the hands of corporations and individuals at the present time is nearly $200,000,000,000. Under these circumstances, tax reduction is not now needed to provide additional funds for business expansion.

The argument is made that the funds added to consumer purchasing power through this tax reduction are needed to maintain employment and production at maximum levels.

It is true, as I have pointed out many times, that the purchasing power of large groups of our people has been seriously reduced. We must take every step possible to remedy the disparity between prices and the incomes of the rank and file of our people, so as not to put brakes on our continued prosperity and lead us toward a recession. Tax reduction as proposed in H. R. 1 is not the proper way to remedy the current price situation and its effect upon consumers and upon prospective employment. Necessary adjustments in incomes, production, and prices should be made by wise policies and improved practices of business and labor, not by hastily invoking the fiscal powers of government on a broad scale.

The time for tax reduction will come when general inflationary pressures have ceased and the structure of prices is on a more stable basis than now prevails. How long it will take for this point to be reached is impossible to predict. Clearly, it has not been reached as yet. Tax reduction now would add to, rather than correct, maladjustments in the economic structure.

Sound fiscal policy also requires that existing tax rates be maintained for the present. I have always been keenly aware of the necessity for the utmost economy in government and of the need for a progressive reduction in government expenditures to the greatest extent possible consistent with our national interests. However, necessary expenditures for essential government operations are still high. We are still meeting heavy obligations growing out of the war. We continue to be confronted with great responsibilities for international relief and rehabilitation that have an important bearing on our efforts to secure lasting peace. We are still in a transition period in which many uncertainties continue. In the face of these facts, common prudence demands a realistic and conservative management of the fiscal affairs of government.

Wants Revenue Surplus

A time of high employment and high prices, wages and profits, such as the present, calls for a surplus in government revenue over expenditures and the application of all or much of this surplus to the reduction of the public debt. Continuing public confidence in government finances depends upon such a policy. If the government does not reduce the public debt during the most active and inflationary periods there is little prospect of material reduction at any time, and the country

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Railroad Securities

There are many rail analysts who are firmly convinced that the ultimate salvation of the industry lies in wide scale consolidations. It is contended, and with considerable truth, that there are far too many weak units in the field and too much duplication of facilities and services, and that the general credit standing of the entire industry suffers thereby. The answer to this difficulty is seen in the formation of a limited number of large systems while, at the same time, maintaining a full measure of competition. Railroad consolidation has been under discussion for many, many years and a number of comprehensive plans have been drawn up. However, to date there has been very little concrete progress.

Political considerations, the conflicting interests and claims of individual security groups, the question of labors' rights, and many other factors tend at best to delay mergers and consolidations almost endlessly and in most instances have made their consummation impossible. Nevertheless, some progress is being made from time to time and two such mergers that have been under negotiation for a year and a half to two years have recently finally been completed. The Alton was merged into the Gulf, Mobile & Ohio the last day of May. The Pere Marquette was merged into the Chesapeake & Ohio on June 6. By themselves neither of these mergers is particularly important in the general transportation scheme nor in relation to general consolidation. Nevertheless, they are steps in the right direction and do indicate that it is possible, although difficult, to consummate railroad consolidations.

The merger of Alton and Gulf, Mobile & Ohio sets up a new through system from the Gulf of Mexico at Mobile and New Orleans to Chicago and completes an expansion program instituted many years ago. This expansion has been accomplished largely through acquisition of railroads undergoing reorganization. Initially the old Gulf, Mobile & Northern acquired control of, and leased, the New Orleans Great Northern as it emerged from receivership, thus giving the line access to New Orleans. Subsequently the Mobile & Ohio, emerging from reorganization, was merged with the Gulf, Mobile & Northern to form the Gulf, Mobile & Ohio. This merger extended the lines of the Gulf, Mobile & Northern north from Jackson, Tennessee to St. Louis. The latest acquisition extends these owned lines north from St. Louis to Chicago.

The merger of the old Gulf, Mobile & Northern and Mobile & Ohio was of considerable benefit to all concerned, both from the point of view of earnings from the property and the service rendered. In particular, it allowed Mobile & Ohio traffic to reach New Orleans over system lines and Gulf, Mobile & Northern traffic to reach St. Louis over owned lines, thus materially increasing the system haul and revenues on a substantial volume of traffic. It is expected that extension of the system lines as far north as Chicago will have a similar effect. So far as the Kansas City line of the newly acquired Alton is concerned, it is contemplated that it will be sold either to Burlington and Santa Fe together or Burlington alone. In either event Gulf, Mobile & Ohio will retain trackage rights over that section.

Prior to merger Chesapeake & Ohio had exercised stock control over Pere Marquette for a long period of years. Chesapeake & Ohio also controls New York, Chicago & St. Louis which in turn controls Wheeling & Lake Erie. When consolidation was originally contemplated all four of the roads were included. Preferred stockholders of Nickel Plate, however, considered the terms offered as inequitable so that phase of the proposal had to be dropped. By itself the Pere Marquette-Chesapeake & Ohio merger was a logical one, particularly from a traffic point of view. Pere Marquette receives a substantial volume of coal from Chesapeake & Ohio for delivery to industry throughout Michigan.

The next step among this group will presumably be merger of New York, Chicago & St. Louis and Wheeling & Lake Erie. Both boards of directors have already appointed committees to look into the possible means of consummating such a plan. With this further evidence of the feasibility of railroad mergers it is hoped that other carriers will, in the near future, begin to think along the same lines.

Truman's Veto of Tax Bill Sustained

(Continued from page 17)

would, as a result, be in a poorer position to extend supports to the economy should a subsequent reactionary period develop.

With the present huge public debt it is of first importance that every effort now be made to reduce the debt as much as possible. If H. R. 1 were to become law the amount available for debt retirement would be entirely too low for this period of unparalleled high levels of peacetime income and employment.

The integrity of the public debt is the financial bedrock on which our national economy rests. More than half of the American people are direct owner of government securities. A major portion of the assets of banks, insurance companies and trust funds is invested in government bonds. To maintain the integrity of the public debt we must now reduce it by substantial amounts.

Reductions Not Fair and Equitable

In addition to the fact that this is not the time for tax reduction there is a fundamental objection to this particular bill. An adjustment of the tax system should provide fair and equitable relief for individuals from the present tax burden, but the reductions proposed in H. R. 1 are neither fair nor equitable. H. R. 1 reduces taxes in the high income brackets to a grossly disproportionate extent as compared to the reduction in the low income brackets. A good tax reduction bill would give a greater proportion of relief to the low income group.

H. R. 1 fails to give relief where it is needed most. Under H. R. 1 tax savings to the average family with an income of $2,500 would be less than $30, while taxes on an income of $50,000 would be reduced by nearly $5,000, and on an income of $500,000 by nearly $60,000.

Insofar as "take-home" pay is concerned under H. R. 1 the family earning $2,500 would receive an increase of only 1.2%, the family with an income of $50,000 would receive an increase of 18.6% and the family with an income of $500,000 would receive an increase of 62.3%.

If H. R. 1 were to become law, the inequity of its provisions would be frozen into the tax structure. The reduction in government receipts resulting from this bill would be such that the government could ill afford to make fair tax reductions at the proper time in the form of a carefully considered revision of our entire tax structure.

Now is the time to plan for a thoroughgoing revision of the tax system. We should consider not only individual income tax rates, but also the level of personal exemptions and many other adjustments in the personal income tax structure. We should also consider changes in excise tax laws, gift and estate taxes, corporation taxes and, in fact, the entire field of tax revenues. Such a program of tax adjustment and tax reduction should be geared to the financial and economic needs of this country. It will be an important contribution to economic progress. The timing of such a program is highly important to achieve economic stability, to promote the investment of capital and to maintain employment, purchasing power and high levels of production.

For the compelling reasons I have set forth I return H. R. 1 without my approval.

HARRY S. TRUMAN.
The White House, June 16, 1947.

Secy. Snyder Approves

Immediately after the release of the foregoing veto message of the President, Secretary of the Treasury, John W. Snyder, made public the following statement:

"The President's veto of the Tax Reduction Bill is thoroughly justified by the existing financial situation of the government. The President's message is a clear statement of the impropriety of tax reduction at this time.

"It constitutes firm assurance to the American people that the Administration is determined that the finances of its government will continue to be kept on a sound basis. A balanced budget and the maintenance of the integrity of our obligations are, and must be, our foremost considerations. With these objectives clearly attained, then proper attention can be given to tax adjustment."

Mattison Director Of Empire Trust Co.

The election of Graham D. Mattison to the Board of Directors of Empire Trust Company of New York was announced on June 10 by Henry C. Brunie, President of the Bank. Mr. Mattison, a Colonel in the Air Corps during World War II, and a former partner in the law firm of White & Case, is a partner of Dominick & Dominick, members of the New York Stock Exchange, and Director of the American European Securities Corporation.

Carstairs & Co. to Admit Paul Miller

PHILADELPHIA, PA. — Carstairs & Co., 1421 Chestnut Street, members of the New York and Philadelphia Stock Exchanges, will admit Paul F. Miller to partnership in the firm as of July 1st. Mr. Miller was formerly Sales Manager for Paul & Co., Inc.

Our Interest in German Foreign Trade

By M. S. SZYMCZAK*

Director, Economics Division, U. S. Military Government, Germany
Member, Board of Governors, Federal Reserve System

Asserting Europe's reconstruction is inseparable from Germany's rehabilitation, Mr. Szymczak points out difficult situation and financial burden arising from Germany's inability to export. Says efforts to serve German foreign trade would be eased if four Powers agreed on unification of their zones, and predicts, without such agreement, industrial production must be reoriented in U. S.-British zones.

Recovery in Europe is lagging. Since V-E Day, this country has provided billions of dollars of assistance to Europe. Still we find the continent struggling with shortages of food, of fuel, of raw materials, of most of the essential ingredients for economic recovery and stability. Until Europe can export enough to pay its own way in the world, we shall find ourselves continually confronted with a hard choice: We must either provide further billions of assistance or see economic, social, and political disintegration in that vital area. We face exactly this problem in Germany; but more importantly, our failure to handle it there on an adequate scale will seriously reduce the chances of our success in the rest of Europe. Other European countries are vitally dependent upon the renewed flow of supplies from Germany, first and foremost of coal. The reconstruction of the European economy is inseparable from the rehabilitation of Germany.

M. S. Szymczak

Before the war Germany, next to the United States and the United Kingdom, was the most important trading nation in the world. As late as 1937, despite efforts of the Nazi regime to make Germany independent of foreign suplies and markets, the country's foreign trade represented about 9% of the world's entire international commerce. Its exports reached $2.4 billion and its imports $2.2 billion, equivalent at present prices to $4 billion in each direction. More than half of these exports and imports came from or went into those areas of pre-war Germany that today constitute the American and British zones of occupation. About two-thirds of the imports were raw materials and semi-finished goods needed for the operation of the German industrial system. Almost nine-tenths of the exports were finished industrial products. Germany provided a highly important market for many foreign countries, and its exports met essential needs in wide areas, especially in the rest of Continental Europe.

In 1946, imports from other countries into the American and British zones of Germany totaled about $650 million. More than four-fifths of that amount represented foodstuffs needed to avert outright starvation among the German population. Only about one-tenth of the total consisted of raw materials for German industry, mainly American cotton and British wool. The importation of industrial materials thus was only a very small fraction of the quantity which the zones used to import before the war. Exports were equally small. They amounted to only some $150 million and three-fourths of that sum was provided by coal exports from the Ruhr mines in the British zone. Most of the remainder was raw materials like lumber and hops. Exports of industrial goods were negligible.

As a result of this situation, the American and British occupation authorities had to finance an import surplus into their zones of occupation amounting to about $500 million in 1946. Despite such a large outlay of money, the economic situation of the zones remained critical. Food imports were just sufficient to keep the ration of the average consumer around 1,550 calories per day, an amount one-fourth below the minimum standard set up by the United Nations Food and Agricultural Organization, and two-fifths below the quantity needed for the maintenance of an efficient labor force. The scarcity of imported raw materials was an important factor restricting the revival of industrial activity. Stagnation in Germany industry has prevented an adequate flow of German exports to pay for imports and to contribute to the recovery of other European countries.

Anglo-American Program

In December 1946, the United States and the United Kingdom agreed upon a new German foreign trade program based up an economic merger of the American and British zones of occupation. The two occupying powers set the goal of making the combined zones self-supporting within a period of three years by stimulating both imports and exports, and in the meantime agreed to share equally in financing the necessary important surplus. They set up a Joint Export-Import Agency and implemented their agreement a few days ago by establishing a German Economic Council. This Council will be composed of representatives of the legislatures of the German states located in the combined zones. It will be assisted by an Executive Committee representing the governments of the German states, and by a number of executive directors, heading bizonal administrative departments. Through these organizations the population of the occupied zones will be mobilized for attaining the goals set by the Agency. It was hoped that France and the Soviet Union would join in the agreement and thus reestablish the economic unity of Germany, which is indispensable for the eventual rehabilitation of the German economy and to which all four powers had agreed at the Potsdam Conference of 1945. Unfortunately, the other occupying powers refused to join in the merger, and the American and British authorities had to proceed on their own, leaving the door open, however, for future adherence by the other two powers.

In meeting our share of the cost of supporting Germany during this interim period, we rely upon appropriations by the Congress to cover food requirements. Raw materials and equipment for industrial rehabilitation, on the other hand, are financed through credits from U. S. Government agencies. The Commodity Credit Corporation shipped $30 million worth of surplus cotton into the American zone to be processed

*A radio talk by Mr. Szymczak over NBC Network, June 13, 1947.

by German firms. The finished materials are exported to an extent sufficient to pay for the imported cotton and the remainder is either exported in order to pay for the importation of additional raw materials or is made available to the domestic Germany economy. The U. S. Commercial Company agreed to finance similar shipments of raw materials for the ceramics, glass, chemical, toys and other industries. At present, a second cotton credit of $20 million is being negotiated with the Export-Import Bank of Washington and American cotton exporters.

The two occupying powers also have established a joint revolving fund of foreign exchange that can be used for importing other goods needed by German industries. The fund consists of the proceeds of exports from the combined zones in 1945 and 1946, insofar as they have not been used already for import payments, and of German external assets transferred to the two occupying powers by neutral countries. This provides the Joint Export-Import Agency with a necessary working balance for priming the pump of German export industries.

Foreign Trade Drive Delayed

The actual start of the foreign trade drive has been somewhat delayed. For many months the unprecedented hardships of last winter disrupted transportation and production in Europe. The new export-import organizations had to be set up and proper rules of procedure established. The exact specifications for the export-import program, which had to be submitted to the Agency by the German authorities, often were found unworkable. Already, however, the Agency is approving export and import contracts at an accelerating rate. Moreover, the Agency has issued regulations facilitating the renewal of contacts between German and foreign businessmen. American and other businessmen now may visit Germany in substantial numbers, and after June 15 German exporters and foreign importers will be permitted to conclude contract negotiations by mail. The Agency, however, has to approve all import and export contracts, either at its headquarters or through one of its branches, and it is designated to receive all foreign exchange proceeds from export shipments. These precautions are necessary in order to make sure that all export proceeds are mobilized for the payment of essential imports.

Our efforts to reconstruct German foreign trade would be greatly facilitated if Germany's economic unity were restored in accordance with the Potsdam Agreement. Since the four zones are interdependent to a very high degree, full merger would make possible a much more efficient economic operation. If, however, the four powers cannot agree on the terms of unification, the American and British authorities will have to press forward in their efforts to put at least their area of occupation back on its own feet. This will require a reorientation of industrial production in the two zones, and an increase in industrial activity above the level set by the four occupying powers about a year ago. In this framework the foreign trade program will make a decisive contribution to the restoration of economic stability in Germany and thus in all of Europe.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Ernest L. West has become connected with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was previously with First California Company.

Chicago Stock Exch. Elects Officers; Committees Appointed

CHICAGO, ILL. — Homer P. Hargrave, Merrill Lynch, Pierce, Fenner & Beane, newly elected Chairman of the Board of Governors of The Chicago Stock Exchange, announced the re-election of James E. Day to the office of President, and the reappointment of following officers:

F. Joseph Butler, Raymond M. Day, Vice-Presidents; Carl E. Ogren, Vice-President & Secretary; Walter R. Hawes, Treasurer; Martin E. Nelson, Treasurer Emeritus; George J. Bergman, Assistant Secretary.

Mr. Ogren's title was changed from Secretary to Vice-President and Secretary. His appointment to Vice-President was made on the first day of his 20th year with the Exchange. He acted as Secretary since 1942.

Mr. Hargrave also announced the election of Charles R. Perrigo, Hornblower & Weeks, to membership of the Board and the appointment of the following standing committees:

Executive — Reuben Thorson, Paine, Webber, Jackson & Curtis, Chairman; Walter J. Buhler, Vice-Chairman; Francis F. Patton, A. G. Becker & Co., Inc.; Harry M. Payne, Webster, Marsh & Co.; Charles R. Perrigo, Hornblower & Weeks.

Admissions — Barrett Wendell, Lee Higginson Corp., Chairman; Ralph W. Davis, Paul H. Davis & Co., Vice-Chairman; John W. Billings; D. Dean McCormick, Kebbon, McCormick & Co.; Robert F. Schenck, Jr.

Finance — George E. Booth, Lamson Bros. & Co., Chairman Edwin T. Wood, Vice-Chairman; Sidney L. Castle, Lazard Freres & Co.; Norman Freehling, Freehling, Meyerhoff & Co.; William A. Fuller, Wm. A. Fuller & Co.

Floor Procedure — Hugh H. Wilson, Chairman; Chancellor Dougall, Vice-Chairman; George E. Booth; Walter J. Buhler; Irving E. Meyerhoff, Freehling, Meyerhoff & Co.; George F. Noyes, The Illinois Company; Edwin T. Wood.

Judiciary — Robert W. Baird, The Wisconsin Co., Chairman; George E. Booth, Vice-Chairman; John R. Burdick, Jr.; Hulburd Johnston, Hulburd, Warren & Chandler; Barrett Wendell.

New Business and Public Relations — Patrick F. Buckley, Harris Upham & Co., Chairman; Gilbert M. Clayton, Vice-Chairman; James J. McNulty, Ames Emerich & Co.; George F. Noyes; Frederick J. Stannard.

Stock Listing — John J. Griffin, Chairman; Charles R. Perrigo, Hornblower & Weeks, Vice-Chairman; Walter R. Brailsford, Brailsford & Co.; Francis F. Patton, A. G. Becker & Co., Inc.; Alfred E. Turner.

Added to Staff of Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Thomas M. Markham and John R. Molloy have been added to the staff of Thomson & McKinnon, 231 South La Salle Street.

With E. H. Stanley & Co.

(Special to THE FINANCIAL CHRONICLE)

WATERVILLE, MAINE — Kenneth R. Hutchinson has become connected with E. H. Stanley & Co., 177 Main Street.

Ford With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

BOULDER, COLO. — Louis R. Ford has become associated with the staff of J. A. Hogle & Co., Equitable Building, Denver, Colo. Mr. Ford for many years conducted his own investment business in Boulder.

Banks Are in Strong Condition

By ROGER W. BABSON

Mr. Babson, holding that money in the bank today is safer than money in hogs, cautions against savers seeking high interest and sending savings to large cities which may be destroyed in next war.

During my recent western trip I spent most of my time in the six Central States; namely Iowa, Nebraska, Kansas, Missouri, Arkansas and Oklahoma. These comprise the "Magic Circle" of America, "the richest in time of peace and the safest in time of war."

Roger W. Babson

Every farmer in this area, with normal judgment and willingness to work, is now prosperous. Of course, he is obliged to pay high prices for implements, feed and other things; but he is getting very high prices for his products. This means that the farmer who raises his feed is making extraordinary profits on his livestock.

As an illustration of the price increases of farm products: Lard which sold at 5¢ a pound 15 years ago has been up to 35¢ a pound and now sells at 28¢ a pound. Hogs which sold at $2.00 per hundred pounds in the "thirties," now sell at $25.00 per hundred. I attended an auction where the auctioneer sold six-weeks-old pigs at $15.00 a piece; and he told me that he sold them at 5¢ a piece in 1932. Wheat and corn sell at very high prices now, and may sell at even higher levels before the slump comes.

What of the Future?

Every farmer with whom I talked recognizes that he is enjoying a honeymoon and sooner or later there will be trouble. The only difference of opinion is as to how long it will be before farmers must tighten their belts—that is, how long "parity legislation" will hold.

In the last analysis, the price of farm products is tied up with income of the industrial cities of the East. Most things go up and down together. Human nature is hard to change. Farmers, labor leaders, merchants and manufacturers are now thinking only of temporary profits. They refuse to curtail until forced to do so.

What to Do With the Money

A farmer whom I visited sold a lot of cows and hogs. I asked him: "What will you do with your money?" He replied: "Buy some more livestock next week and start over again!" Thereupon he asked me: "What would you do, Mr. Babson, with the money?" To this I replied: "I would put the money in banks and give my wife one good vacation. She certainly deserves it." To this he replied: "I am afraid the banks might bust while I'm away." This last remark brings me to the subject of this week's column.

Let me assure every reader that the banks are strong today. When the price of hogs drops back to $5.00 per hundred the banks will still be open and doing business. They learned their lesson in the thirties and will not get caught during the next depression at least. In my humble judgment, money in the bank is safer today than money in hogs.

All accounts up to $5,000 in all National and most other banks are insured. Farmers can easily distribute their money in a number of banks. Do not bother about interest on your deposits. The man who seeks high interest is usually the man who makes the biggest losses. Another suggestion is to buy government bonds.

Fortunes are made by selling when prices are high and when every one is optimistic; then putting the money in banks and waiting a few years until prices are again low and every one is pessimistic. Those who follow this practice not only roll up wealth for themselves, but also render an important service to the entire country by helping to level off the booms and busts.

Remember that the best investments continue to be in the State where you made the money which you now have. Don't send your savings to any large city which perhaps may be destroyed during the next war if it comes. Invest money at home in property and businesses about which you know the worst!

The World Bank and Loan to Denmark

Further postponement of credit likely, pending clarification of our over-all relief intentions.

WASHINGTON, June 18—(Special to the "Chronicle") — Early during the McCloy administration of the World Bank it was expected that the first loan to be announced by the institution would be to Denmark. Later Mr. McCloy was reported as favoring an announcement of the Danish and French loans simultaneously. The Danish matter did not move along as smoothly as contemplated — reportedly because of complications connected with Denmark's indebtedness to Britain—and the French loan was announced on May 9. At that time Bank officials stated that they expected to announce the Danish loan in about another fortnight. But since then more than a month has elapsed. Now it is reported that Denmark is not in a hurry for World Bank help. It seems Denmark would like to wait and see what emerges from the State Department. If the United States is going to pour a couple of dozen billions into Europe during the next three years or so, perhaps Denmark will not need an expensive World Bank loan after all.

Arthur W. Graham With Cruttenden & Company

Special to THE FINANCIAL CHRONICLE

OMAHA, NEB. — Arthur W. Graham has become associated with Cruttenden & Co., 204 South 17th Street. Mr. Graham was previously with John M. Douglas. Prior thereto he was engaged in government work and in the past conducted his own investment business in Omaha for many years.

Securities Salesman's Corner

By JOHN DUTTON

Protecting the Investor

Quite often a newspaper story relates that the Securities & Exchange Commission is engaged in an investigation. Sometimes it is short selling, or inside manipulaton, or what happened when there was a sharp break in the market, or what was omitted from a registration statement, that is being investigated; yet the public continues to take one licking after another on the funds which it invests.

Yes, American investors are getting a fleecing—they are getting it every day—but not by the same culprits for whom the SEC is constantly seeking. It is their own government that is taking them over the jumps. The government's taxing program is doing more to ruin the value of investments than all the promoters of downright fraud could accomplish since the dawn of history. What do you think happens to the going value of a business venture after the Treasury boys highjack some corporation out of 40% of its net, and if the stock is closely held they force a dividend payment of 70% of the profit which remains? If this sort of thing is continued for any length of time it can destroy the value of more investments than the little barristers in the SEC could protect if they wrote the prospectuses themselves. Double taxation which now has approached the point where it is outright confiscation is killing the incentive to assume risk. Our little friend the American investor needs protection all right—he needs it from fellows like Snyder and all those who think as he does—that taxes should not be reduced and that those who now own securities should be milked dry.

When Mr. American Investor puts up his dough for a new business (the way some I know did last year) and Mr. Truman's OPA went on again and off again, and a fellow named Porter was so busy protecting the great American public from the demon of high prices, this particular segment of the American public that put up the money to start this business practically lost their shirts. Their company is now in the bankruptcy courts, thanks to Messrs. Truman and Porter. Before they could determine the cost of producing a new product, the OPA by switching and turning until no one in business knew whether they were going or coming, caused this business to operate at a loss. Sure the investors who risked their money to start this business need protection. They need it from the kind of ill-considered nonsense that time after time is forced upon them by petty bureaucrats such as Bowles and Porter and that bunch who try to tell us that they know more about what is good for the people of this country than even God himself. This business to which we refer was literally choked to death before it had a chance to breathe.

And what happens if our investor looks around for a good safe bond? His government says to him, "No, Mr. American citizen, you can't own gold, interest rates from now on will be regulated by your government, so if you want to invest, you can buy a bond that yields 2½% instead of 4% the way it used to be. Buy a bond, and then we will once again send some of the Internal Revenue Department boys around to see you and we will even take part of that 2½% away from you. All you have to do, Mr. Investor, is work, struggle and save the dough and your government will allow you the questionable satisfaction of clipping some mighty small coupons while it takes the lion's share of even that greatly reduced return on your investment."

But this all-wise, paternalistic American Government doesn't stop there. No, it doesn't overlook its little friend the American Investor while it is busily engaged in taking care of all the rest of its pals such as the sick, the needy, the veteran, the aged, the indolent, the union labor leader, the Mongols, Turks, Greeks, Armenians, Britons, Bulgars, Russians, etc., including all the boys in Kansas City. No, our government is not yet through with our little pal whom the SEC boys fondly call the investor. After our beneficient government through its fiscal policies forces the returns on bank deposits, insurance policies and good bonds down to the vanishing point, they really start in to do a job on Mr. Investor in earnest. Up go the prices on everything he has to buy to fill his little belly and cover his skinny back to levels that have not been seen in these United States for decades and decades. Mr. Truman's party of the people and savior of the world keeps merrly on spending more and more funny money, all printed up on nice new machines (which print government bonds, too, lots of 'em) and all the while they are increasing the supply of this pretty paper to levels unheard of in the history of this land of the brave and home of the free. There is so much of this lovely stuff around that prices naturally keep on going up and all the while this same benevolent government tells us that all is well. It isn't those fine, honorable statesmen in Washington who by their unsound financial policies have caused inflationary price rises in this country. No, it is these very same investors and owners of businesses that have caused high prices to prevail. Yes, our long suffering, striving, saving, saperoo of an American investor needs protection all right! He needs it from hypocrites—or is it too much to ask that the men who hold public office in this country should not trifle with the very foundation of our civil and religious liberties—in plain English, tamper with the sanctity of the American dollar?

And our investor needs some more protection. He needs to be protected from all those in our government who believe that votes come before property rights. He needs to be protected from the decisions of a Supreme Court that has condoned mob violence, sit down strikes and mass picketing. He needs it from what for many years has been called a New Deal and which is not dead yet and never will be dead until men are elected to Washington that will repeal and correct the fraud, deceit and destruction that is constantly being perpetrated upon the men and women in this country who believe in standing upon their own feet and making their own way in the world.

No investment is safe in this country, including our money itself, as long as our government continues to rob those who save. The end of such a road is state socialism—call it New Dealism or what you will—in the last stages of New Dealism it is the same as Communism or Fascism. All are the same—freedom dies! A government that controls money rates and the banking system makes the possession of gold a criminal offense, imposes ruinous taxation, employs favoritism among groups at the expense of other groups in order to enlist majority support for its unsound policies, destroys the food that divine providence has brought forth upon this earth, refuses to protect property rights, kills initiative, conducts inquisitions against its law abiding citizens, and assassinates the character of those who courageously oppose its corrupt policies, is not only an enemy of the investor group; such a government is a menace to the future welfare and freedom of all the citizens of this Republic whether they understand what is going on or not.

Argentina's Shift to Creditor Status

(Continued from page 8)

patriation of the external debt were financed by an additional issue of 3% internal bonds. The Argentine Government reimbursed the central bank for gold spent in redeeming the foreign debt, by delivering funds raised by the issue of 3% bonds.

The central bank authorities carefully paved the way for the conversion, and for the sale of the new "F" series for debt repatriation, by calling in the 4% mortgage bonds of the National Mortgage Bank (the traditional form of private investments) and replacing them by a 2½% central bank mortgage issue redeemable on demand. The old mortgage bonds, which had been consistently quoted at a higher price than government bonds, were thereby eliminated. As was intended, the public responded by heavy purchases of government obligations. While the conversion of 4% to 3% bonds was successful, the conversion of mortgage bonds into central-bank mortgage bonds proved largely a failure.

By converting the foreign debt into domestic debt, Argentina will save foreign exchange. The Banco Central, in its annual report for 1945, computes the outgo of exchange on account of servicing the total non-sterling debt at 67 million pesos. The annual saving in foreign exchange will amount to some 50 to 55 million pesos annually in the next few years.

International Lending

The second important factor indicative of Argentina's change to a creditor status is its engagement since 1946 in foreign lending operations. Argentina has received several foreign missions seeking its products. As a result of them, treaties have been concluded with Belgium, Brazil, Chili, Ecuador, France, India, Spain, Switzerland, and the Union of South Africa, while negotiations are now taking place with Bolivia, Bulgaria, Czechoslovakia, China, Denmark, Italy, Peru, Paraguay, Sweden, the Soviet Union, the Netherlands, and Uruguay.

The agreements signed follow one of three clear-cut patterns:

(1) *Long-term loans*, amounting to 1,200 million pesos, to buy goods in Argentina or in other markets (600 million pesos to Chile and 200 million pesos to Bolivia), or to pay outstanding balances due to Argentina (400 million pesos to Spain);

(2) *Overdraft facilities* amounting to 1,210 million pesos (350 million pesos to Spain, 110 million to Belgium, 100 million to Chile, 600 million to France, and 50 million pesos to Bolivia);

(3) *Barter agreements* with Bolivia, Brazil, Chile, Ecuador, India, Spain, Switzerland, and the Union of South Africa.

The total amount lent reaches 2,410 million pesos, a sum that might increase if the barter agreements give rise to overdrafts or loans.

The Chilean and Bolivian treaties contain commitments that might call for an actual transfer of Argentine foreign exchange holdings to a maximum of 800 million pesos. By their provisions, Argentina grants 200 million for the development of industries in Bolivia and 600 million for the development of Chilean resources and for the construction of public works in Chile. Total gold and foreign exchange holdings of Argentina, reaching 5.8 billion pesos on Dec. 15, 1946, have since decreased by 927.7 million dollars due to repatriation operations; the credit granted to Chile and Bolivia might further decrease the Argentine holdings by 241 million dollars. Chile and Bolivia, however, will utilize Argentine foreign exchange only when Argentina cannot supply the articles they need at current world prices. Accordingly, a large part of the total may be utilized in Argentina, and if this is done, would not represent a drain on her foreign exchange holdings. Part of the Spanish credit (400 million pesos) represents overdraft facilities granted in 1942 and 1946 now being converted into a long-term debt. The other part (350 million pesos) is a new overdraft facility.

The purpose of the overdraft agreements is to provide the recipients with operating credits with which they can obtain Argentine products, pending the time when their exports can again equalize their balances of payments with Argentina. The ceilings placed on the balances in the Belgian and French agreements are designed to avoid the building up of such unlimited blocked credits as resulted in the British case.

The overdrafts, as well as the barter agreements, can lead to the granting of longer-term credits if the outstanding balances of the overdrafts are not repaid at a later date, or in the case of the barter agreements, when the foreign country is unable to export promised commodities.

All the barter agreements are similar, Argentina promising to export to the partners in the agreement certain percentages of its agricultural export surpluses. The agreements run from 3 to 5 years, and the majority contain specific lists of articles to be exchanged. An interesting clause provides for preferential shipment under the flag of the signatory countries. Since Argentina has been trying to enlarge her merchant marine, this provision is clearly intended to benefit it, and in addition will tend to diminish the payments for freight and shipping that have always constituted an important balance of payments liability.

The scope and terms of these broad programs of international trading and financing can best be gauged from an examination of Table II.

TABLE II

Argentina's International Lending

	Millions of Pesos	Maturity Years	Interest	Amortization	Price at which Placed
I. Long-term Loans					
Bolivia, 3/8/47	100	50	4%	----	----
Chile, 12/13/46	300	50	4%	----	----
Chile, 12/13/46	300	25	3¾%	2.45%	96%
Spain, 10/30/46	400	25	3¾%	2.45%	96%
Bolivia, 3/8/47	100	50	3¾%	----	----
II. Overdraft Facilities					
Belgium, 5/14/46	110	*1	---		
Chile, 12/13/46	100	3	3½%		
France, 12/1/46	600	*3	---		
Spain, 10/30/46	350	*3	---		
Bolivia, 3/8/47	50	5	3½%		

*Renewable

III. Barter Agreements	Maturity	Argentina Will Obtain	Argentina Will Supply
Brazil, 10/4/46	5 yrs.	Tires, raw rubber cotton textile, carded cotton	Wheat, wood and casein
Ecuador, 8/46	3 "	Rubber, petroleum, balsa wood, etc.	Wheat, cattle
India, 9/27/46	-	Burlap, jute	Wheat
Spain, 10/30/46	5 "	Steel flats, block sheets, cork, cigarette paper	Wheat, maize, edible oils, bacon, tallow, eggs
Switzerland, 1/20/47	5 "	Machinery and spare parts, chemicals and pharmaceuticals	Wheat, maize, barley, oats, rye
Union of So. Africa		Coal	Wheat
Bolivia, 3/8/47	5 "	Tin, rubber	Wheat, oil, sugar

Causes of Changed Argentine Economic Position

What were the factors that enabled Argentina to reach the present turning point in her economic position? Argentina has been able to embark upon the far-reaching repatriation and lending policy primarily because of her active balance of payments and the seller's market for her produce.

Argentina has enjoyed active balances of payment steadily since 1941. This has been due to the war, which heavily cut imports from abroad, especially from the United Kingdom and Continental Europe, although the war period also witnessed a threefold expansion in the value of imports from the United States. Total imports, covering mainly textiles and their manufactures, machinery and vehicles, combustibles and lubricants, iron and its manufactures, chemicals and drugs, wood and its manufactures, reached $430 million in 1938, but declined to their lowest point in 1943 when they amounted to only $236 million (a figure not far removed from the lowest reached in 1932 during the depression). Even though the situation improved after 1943, the inability of the foreign manufacturing countries to supply machinery and combustibles needed by Argentina, together with the latter's desire to avoid depletion of her international reserves by using them for purchases of inferior second-hand machinery from abroad, accounted for the continuance of active trade balances in spite of the high prices of merchandise imported from areas other than those under price control.

A very marked increase in the value of exports also contributed. The value of exports to the United States tripled from 1939 to 1944, and almost doubled to the United Kingdom while the Latin American countries imported from Argentina in 1944 more than five times as much as in 1939.

As a result of all these developments, the cumulative net active position in Argentina's balance of payment in the period 1941-45 is estimated to have totaled about 4¼ billion pesos.

Argentina (along with most other countries in the world) is at present experiencing a seller's market for its customary large surpluses, and accordingly can charge higher prices than under normal conditions. The country's agricultural output, however, is much greater than what its relatively small population can consume. Even if the projected relatively large-scale immigration policy is put into effect, the population increase would not suffice to absorb these huge surpluses.

The exceptionally high current demand for Argentina's agricultural exports is not likely to persist indefinitely. When the devastated areas of Europe are again able to produce agricultural products, Argentina will have to depend once more on her traditional customers. This is one of the main reasons that led it, in the recent treaty negotiations with Great Britain, to accept prices for the meat to be exported to England that were relatively lower than the market prices.

During the difficult period of the '30's, grain was burned and the government bought crops at minimum prices in a scheme designed to help farmers, which was financed through the Banco de la Nacion in part with funds obtained from the operation of the exchange control and in part with credit granted by the Banco de la Nacion.

In the period of agricultural prosperity, during and after World War II, the situation has been reversed. The government is buying "cheap" from producers and selling "dear" to buyers. This practice is not followed with all buyers alike, however, because in order to avoid cost of living increases, the government monopoly sells cheap in the domestic market and dear in the foreign. For instance, the government buys wheat from the farmers at 17 pesos per 100 kg up to 300 tons and at 15 pesos per 100 kg for any quantity in excess of 300 tons acquired from any one producer. The Institute for Trade Promotion in turn sells wheat to local millers at 10 pesos per 100 kg, the 7-peso subsidy being paid out of its profits on wheat exports, for which it enjoys a monopoly and for which it charges 35 pesos per 100 kg. These differentials are to be used in the future not only to keep down the domestic cost of living but also to finance the new five-year industrialization plan.

Prospects for Retaining Creditor Status

Is Argentina likely to preserve and enlarge her creditor status? The answer depends on two variables, first the world demand for her products, and secondly the future course of domestic economic policy. With respect to the latter, the success or failure to increase the country's output will greatly depend on government policies. If the five-year industrialization plan is successful, it will result in greater domestic self-sufficiency. Argentina's imports will then decrease while her exports will increase. If the plan should be a failure, its net result may be intensified inflation from the government's pouring 6.5 billion pesos into the economy, and a possible deterioration of the balance of payments position.

The prospect for Argentina's maintaining and possibly strengthening her present favorable position entails an analysis of the balance of payment items over the next few years. Such an anlysis seems to indicate the following:

(1) *On the receipts side.* As regards the export of grain, the situation is not likely to change very much, even if prices should greatly decline, because Argentine production costs are relatively low. Agricultural production, unless serious losses from weather or locusts occur, will not decrease, but on the contrary may be stimulated by mechanization. The prospects for cattle-raising are equally good. Moreover, disposition of the products of agriculture and cattle-raising has been assured until 1951 by the recent commercial treaties, and in any event, Argentina can always subsidize her exports by exchange depreciation as long as she is not a member of the International Monetary Fund. If, however, she should so subsidize her exports, she might lay herself open to collective retaliation under the terms of the charter of the International Trade Organization.

Since domestic industrial output has risen, the country will be in a position to export not only agricultural products but also some finished and semifinished products of its light industry. How far Argentina can compete with older manufacturing countries is not known because the cost of production is only one factor, since the government may subsidize exports of some of the products of the light industries or create markets abroad through barter agreements. Success in selling manufactured goods abroad also depends on world economic conditions. Here two factors need to be considered: first, the ability of other manufacturing countries to supply their foreign markets in the next few years; secondly, the ability of the countries needing manufactures to buy them. As for the first, in the case of the United States and Canada, it will depend on their willingness to allocate a larger part of their output to exports; in the case of Britain and the Western European industrial countries, on their success in meeting their targets for exports to hard currency areas. As for the second, the ability of the countries to import manufactures will depend on the size of their accumulated exchange resources, the prospect of securing reconstruction or developmental credits, and above all, on general economic stability at high levels of international trade.

There is the possibility that in the next few years Argentina will be able to sell extensively the products both of industries that process agricultural products and of the light industries in general. Another item on the receipt side of Argentina's balance of payments that is likely to be favorably affected by her rise to creditor status is the interest and amortization payments accruing from the recent international loans, which will increase her receipts from abroad.

Large movements of capital toward Argentina for investment there do not seem likely. While its creditor position undoubtedly has tended to increase investor confidence, the government's intervention in economic activities and the repatriation of foreign direct investment may have more than offset this. Since Argentina needs capital for its industrial development, the government has declared that direct investments in any other field than public utilities will be welcome. It is expected, however, that a form of mixed enterprise, with participation of Argentine capital and management, will be the outstanding form of foreign investment in the future. Special legislation has been passed to facilitate the establishment of this type of enterprise.

It has rightly been said that in Argentina there will be a place for private enterprise only as a junior partner from 1947 on. An appraisal of businessmen's expectations, however, which so largely determine their decisions to invest, must be largely guesswork in view of the present internal situation.

(2) *On the expenditure side.* The increasing manufacturing production will make for greater self-sufficiency at home. The five-year plan for "Economic and Social Development and Industrial Expansion" has been started. It provides for the development of domestic industries, transportation, public works and natural resources. Other aspects include reorganization of the import tariff and customs administration, education, labor legislation, immigration, social insurance, etc. Its total cost has been estimated at slightly over 6.5 billion pesos (or about \$1.6 billions). Present gold and foreign exchange reserves are able to absorb any moderate disequilibrium in the balance of payments, and the success of the five-year plan will therefore have to be judged by its success in enabling Argentina to cut down imports from abroad in the longer run. How far the government seems willing to go in this direction is indicated by the plan for the domestic production of steel, a plan that may prove uneconomic in view of Argentina's lack of readily available power and iron ore.

The Institute for the Promotion of Trade has been assigned responsibility for the five-year industrialization plan. Through it the government is now the sole internal buyer, at an officially set price (and by implication the only exporter, under government-arranged contracts) of wheat, corn, meat, vegetable oils, oats, barley, millet, rye, sorghum, birdseed, etc. The spread between the buying and selling prices will go to finance the entire five-year plan for Argentine industrialization.

The size of the profits which will arise from the differentials between buying and selling prices is somewhat difficult to estimate. The President of Argentina gave a figure of 780 million pesos on a major sale of linseed alone. The Chairman of the central bank, in conferences held with various groups of businessmen in January, stated that estimated profits for the year 1947 would be around 2 billion pesos. This figure seems to be a good approximation since a few transactions have produced great profits. For instance, sales of wheat up to the 14th of November 1946 totaled nearly 1.3 million tons which, on the basis of a profit of 150 pesos per ton, would afford a total profit to the State of nearly 195 million pesos. These figures represent gross profits, and allowance must be made for subsidies to industries, such as the 70 million peso subsidy granted to the sugar industry. In any case the five-year plan will call for a 1.3 billion peso expenditure annually and it seems that the Institute's profits will be enough to cover this sum.

The foreign trade monopoly, besides enabling the government to subsidize the prices of essentials and to push specific exports, has in effect created a system of hidden taxation of producers and, in certain cases, of domestic consumers.

A further factor in the situation is the fact that the repatriation of foreign investments will decrease public debt service and dividend remittances while the enlargement of the merchant marine will cut payments for shipping services.

Finally, in view of the fact that world demand and economic conditions are likely to be favorable from Argentina's point of view in the near future, it would seem that the preservation and enlargement of her cerditor status will primarily depend on the soundness and success of her domestic policies. The responsibility which Argentine statesman have to shoulder will be correspondingly heavy.

H. Williamson Ghriskey With Neville, Rodie

H. Williamson Ghriskey has become associated with Neville, Rodie & Co., 522 Fifth Avenue, New York City, investment managers. Mr. Ghriskey in the past was with the First Boston Corporation.

Joseph Hammel With Mason, Moran & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Joseph F. Hammel has become associated with Mason, Moran & Co., 135

Joseph F. Hammel

South La Salle Street. Mr. Hammel was previously with J. J. O'Connor & Co. and prior thereto with Doyle, O'Connor & Co.

New York Stock Exchange Weekly Firm Changes

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

Joseph Klein will retire from partnership in Faroll & Company on June 30th.

DeCourcy L. Taylor withdrew from limited partnership in W. R. K. Taylor & Co. on June 18th.

Irene Acosta will be admitted to limited partnership in John J. O'Brien & Co. on July 1st.

Randolph C. Grew, partner in Paine, Webber, Jackson & Curtis, died on June 12th.

Stanley M. Roth & Co. will be dissolved, effective June 26th.

Schafer Bros. will dissolve as of June 30th.

Transfer of the Exchange membership of the late Claude S. Newman to Herbert C. Newman will be considered by the Exchange on June 26th. It is understood that Mr. Newman will do business as an individual floor broker.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is digesting the large amount of securities that were sold by the money managers during May and the early part of June. . . . Inactivity with minor price changes is the characteristic of this process. . . . As a result of the light volume the technical position of the market is building up with investors again showing interest in selected issues. . . .

Nonetheless, there is hope in some quarters that prices may edge off a bit from here so that securities may be picked up at more attractive yields. . . .

The potential demand is still very great, but there does not seem to be the same anxiety there was a few weeks ago, to put funds to work. This is attributed in part to the belief that the month of June could give some clues as to what the authorities are likely to do about the rate pattern. . . .

GOOD RETURN

Nevertheless, income is still very important to investors and they do not like to keep funds idle because there is no nourishment in that. . . . It is also being realized by non-bank buyers that the longest ineligible issues have been in a favorable buying area when they were selling to yield 2.32% as they do now. . . . Quite a few did not take advantage of this opportunity when it was available in the past because they believed the return would go to a 2.35% basis. . . .

To be sure, prices could recede somewhat from these levels, with investors on a kind of buying strike as some of them like to believe they are now. . . . But it should be remembered that the most effective way to acquire a block of securities is by scale purchases, because very few obligations as a rule are bought at the bottom. . . .

The fact that the powers that be stand ready to sell securities in order to keep prices from advancing seems to indicate what they think of the near-term trend of the market. . . .

FAVORABLE FACTORS

There seems to be no disagreement over the fact that Treasury obligations are the most attractive issues available for institutional investors. . . . All one has to do is to compare the spread in yields between governments and other obligations. . . . The risk factor, marketability as well as the protection against wide price movements is so overwhelmingly in favor of government securities, that the narrow spread in return that exists now between Treasuries and other securities does not seem to warrant commitments in other securities. . . .

Nevertheless, there have been substantial purchases of corporate issues by non-bank investors at prices that most certainly make Treasuries look very attractive. . . . Likewise there has been and still is buying by the commercial banks of state and municipal obligations at yields which would indicate that government securities due in 15 to 20 years should sell at substantially higher levels than those currently prevailing. . . .

PRICE RESTRAINTS

The feeling seems to be growing in certain quarters that the monetary authorities will do nothing in the near future to radically change the course of the money market. . . Hints dropped here and there by important monetary powers, appear to give support to the opinion that as long as existing methods of handling the government market will do the job as they want it done, then the authorities are content to let well enough alone. . . .

It is believed by some that the money managers are concerned primarily with keeping prices in tow for the next six months or so, until the mortgage market opens up. . . . With a larger amount of mortgages available for non-bank investors pressure will be off the restricted issues, and it will no longer be a question of keeping prices of these securities from going up too fast and too far. . . .

Member banks will still have a demand for governments but other channels should be opening up about the same time as the mortgage market which would relieve part of their need for Treasury obligations. . . .

SEPTEMBER FINANCING

While there is some discussion going on in financial circles over the way that the September financing could be taken care of, it is still too early to get the market very much excited about it. . . . Exchange offers with rights have been dragged out and dusted off again, because it is believed that such a plan would tend to keep non-bank investors from selling their holdings of maturing or callable issues to the commercial banks. . . .

The talk is that a 1¼% four-year note might be given instead of certificates. . . . There are also rumors of a 2½% long-term issue with greatly restricted marketability. . . .

What will be done will no doubt depend in some measure upon impending developments that should be cleared up during the summer. . . .

PORTFOLIO CHANGES

Portfolio changes among commercial banks are still going on, with these institutions showing a decided liking for the 2s due Dec. 15, 1952/54. . . . The 2¼s due 1956/59 are being acquired from the proceeds of the sale of earlier maturities of bonds. . . .

The partially exempts are being taken on with the 2⅞s due 1955/60 and the 2¾s due 1960/65 the most prominent issues for switching from shorter obligations. . . .

There is some selling of the 2½s due 1956/58 with these funds going into the 2½s due Sept. 15, 1967/72 and the 2¾s due 1960/65. . . .

Savings banks, according to reports, are likewise making portfolio changes, with the 2s due June and December 1952/54 and the 2¼s due 1956/59 being let out. . . These funds are going into the 2¼s due 1959/62 and the Victory 2½s. . . .

HIGH COUPON REDEMPTION

Calling of the 4¼s due 1947/52 on Oct. 15 was a foregone conclusion, in the program to reduce interest charges. . . . The sale of $338,623,000 of government securities during May, by the monetary authorities not only kept prices within trading ranges, but brought about small declines. . . .

It is indicated that sales during the early days of June were also heavy, which probably means that eliminations of Treasury obligations by Federal and government agencies have been in excess of $500,000,000. . . .

There is little doubt the powers that be will continue to dispose of securities in order to keep a ceiling on government security prices until there is clarification of the business picture.

Depression in 1950?—A Challenge

By ALONZO B. MAY*

Professor of Economics, University of Denver

Western economist contends we will have no serious depression until the 1950s and then the problem will be one of deficient purchasing power. Lays down 12 precepts for preventing a serious depression.

We are now in the most publicized price-decline in history. The wholesale Commodity Price Index Number (B. L. S.) for the week ending April 26 was 147 as compared to 149 for the last week of the previous month. For the week ending May 3 the index was 146.7. Some say we are in a recession.

Alonzo B. May

Questions are now being raised. Are we going to a depression? If so, when? Next year? 1950? Can we prevent a depression? How many unemployed people constitute a depression? Can we achieve full employment within a free society?

In my opinion there will be no depression in the near future. The general price level will fall—perhaps as much as 10% within the next 18 months. This will be corrective in character, however, and need not send us into a spiral of deflation and large scale unemployment. Unemployment will tend to increase, however. We now have around 3,000,000 unemployed out of a civilian labor force of around 58½ millions. We can expect the unemployed to increase to a total of five millions by the end of the year. Our unemployed since World War I has averaged 5 to 6% of the nation's labor force.

1950-1951 Critical Years

I believe that 1950 and 1951 will be the critical years. By that time unemployment may be well above average; expenditure may not be sufficient to pay for all that is being produced; a serious shrinkage in our foreign markets may have taken place. This, indeed, will be a serious challenge to the President's Council of Economic Advisors and to the efficacy of the Employment Act of 1946. The character of our response to the challenge of 1950 and 1951 will determine whether the nation will face a grave depression in the 1950s. In my opinion we have the know-how and the resources not only to provide high level employment and consumption for ourselves but also to materially assist the other nations of the world to provide the same for themselves. The only question that I raise on this point is: Do we have the courage? I am reminded of a statement by Andrew Jackson: "One man with courage is a majority."

Arnold J. Toynbee, the English historian, whose work "A Study of History," is now being discovered by the American public, points out that the 26 civilizations in the last 6,000 years rose and declined in accordance with the response of the civilizations to the challenge of the time.

Our own civilization is confronted with a challenge: How can we achieve, within the framework of a free society, a high level of employment and consumption? It is easy to achieve high level employment. All you need to do is to reason or have a super WPA. The challenge, however, is high level employment and high level consumption within the framework of a free society. This is the challenge that confronts us as we draw near the decade of the 1950s. Upon the character of our response rests the fate of our foreign relations program, our economic well-being, the pattern of foreign governments, and to a large degree the question of a third world war.

I think that we will have the courage to prevent a depression in the 1950s. It is necessary for us to face boldly our economic problems and to study our economic institutions with the same scientific attitude that our atomic scientists studied the problem of purifying uranium. Did you ever hear a scientist or engineer call a colleague a communist because he disagreed with him? We must have the courage to listen to new ideas and explore their possibilities.

Problem of Deficient Purchasing Power

The principle problem that our economy faces is the deficiency of purchasing power. When there isn't enough money to buy all the goods produced unemployment results and depression sets in. In recent years we have had too much purchasing power but soon the problem of deficiency will be with us again.

I suggest that we explore the following ideas for use when depression threatens us again:

(1) A program insuring the construction of at least 1,200,000 dwelling units annually for the next 10 years. There are 30,000 parts in a small house. A lively construction industry can do more for employment and small business than any other type of economic activity.

(2) Extension of social security —unemployment insurance and old age and survivors to the 14,000,000 workers who are not covered. We should also abolish the old age Reserve Account and put social security on a pay as you go basis.

(3) Eliminate the trade barriers between the states. Many excises and inspection laws, such as the tax on oleomargarine and truck inspection programs are really protective tariffs enacted by states against each other.

(4) Invest abroad an amount equal to ¼ to ⅓ of the nation's annual savings for at least the next five years.

(5) "Encourage" monopolistic enterprises to pass on decreased production costs to consumers (in the form of lower prices) and to operate close to capacity production.

(6) Provide for needed public works which are not in competition with private enterprise.

(7) Insure an ample supply of money for the economy as it expands. This means cash and credit. In 1800 we had $38 million in cash; by 1929 cash and credit had grown to $55,171,000,000—an increase of more than 1,400 times. In 1933 we had $41,680,000,000 or a shrinkage of $13,491,000,000. Clearly, a failure of the money supply is a depression phenomenon.

(8) Use the new forms of energy as fast as the economy can take it. Einstein's formula E equals mc^2 means that one pound of any matter has the energy equivalent to 14,000,000 tons of exploding TNT.

(9) Management must be improved in government, business, and labor. There must be a reason why before the war more new enterprises failed than succeeded. There is a great need for personnel who are not only adept at solving problems which arise within an institution but who are skilled at handling problems which arise out of changes in mores, philosophy, psychology, technology and power. Business enterprise should provide in its in-service training program seminars which train men to recognize broad social forces in their germinal stages so that management may be able to change the structure and policy of their concerns in time to avoid ruin.

One writer recently described management in the following words:

"The power to determine what shall happen to the personalities and to the happiness of entire peoples, the power to shape the destiny of a nation and of all the nations which make up the world. Executive work, therefore, is statemanship, and the techniques which the executive employs are only incidental to the forces which he sets in motion and helps to direct."

(10) Encourage regional economic development.

(11) Promote tax reforms which will encourage new venture capital.

(12) Business, labor and government must plan together for a program to combat the next depression. This must be done if we are to avoid a Planned Society.

I leave you with one final word: "Be not the first to adopt the new nor the last to give up the old."

*An address by Dr. May before the American Industrial Bankers Association, Denver, Col., June 11, 1947.

Kalb, Voorhis & Co. to Admit Three Partners

Kalb, Voorhis & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, will admit John R. Meaney to partnership on June 26th, and Oscar S. Schafer and Benjamin Miller to partnership on July 1st. Mr. Meaney will acquire the Exchange membership of Stanley M. Roth. Mr. Schafer was previously a partner in Schafer Bros., which is dissolving.

On June 30th, John C. Newsome, Exchange member, will retire from general partnership and Eva E. Merrill and Elaine L. Ross from limited partnership in Kalb, Voorhis & Co.

Clark, Dodge & Co. to Admit Bench & Grant

Clark, Dodge & Co., 61 Wall Street, members of the New York Stock Exchange and other leading Exchanges, will admit Edward C. Bench and Robert Grant 3rd to partnership on July 1st. Mr. Grant in the past was a partner in G. M.-P. Murphy & Co.

Reserve Guarantee of Loans Opposed

Forty-nine members of the Economists' National Committee on Monetary Policy oppose the proposal that any Federal Reserve Bank may guarantee any financing institution against loss up to 90% of the unpaid balance of any loan.

The Tobey Bill, S. 408, introduced in the Senate of the United States on Jan. 27, 1947, and H.R. 3268, introduced by Representative Hays on April 30, 1947, provide in Section 2 that the following new paragraph be added to Section 13 of the Federal Reserve Act:

"Subject to such limitations, restrictions, and regulations as the Board of Governors of the Federal Reserve System may prescribe, any Federal Reserve bank may guarantee any financing institution* against loss of principal or interest on, or may make a commitment to purchase and thereafter purchase from a financing institution, any loan made to a business enterprise which has a maturity of not more than ten years. [At this point the House Bill adds the following words: 'and could not be secured through ordinary banking channels at reasonable rates and terms.'] No Federal Reserve bank under this paragraph shall guarantee or make a commitment to purchase more than 90 per centum of the unpaid balance of any loan. The aggregate amount of guaranties and commitments of the Federal Reserve banks under this paragraph outstanding at any one time, together with the amount of loans acquired thereunder and held by them at the same time, shall not exceed the combined surplus of the Federal Reserve banks at such time; and the aggregate amount of such guaranties and commitments outstanding at any one time and loans held at the same time, which individually are in excess of $100,000, shall not exceed 50 per centum of the combined surplus of the Federal Reserve banks at such time."

Forty-nine members of the *Economists' National Committee on Monetary Policy* consider this proposal unsound and urge Congress to reject it for the following reasons:

(1) There is apparently no defensible basis for subjecting the surplus of the Federal Reserve banks to such contingent liabilities.

(2) The risks in such loans should be shouldered by the lending institutions.

(3) It is undesirable to encourage the loose lending that such an arrangement, as that proposed, probably would invite. It would tend to encourage a speculative type of expansion in manufacturing, commercial, and distributive activities.

(4) In time of business recession the guarantee might be employed to pump credit into uneconomic enterprises in an effort to maintain "full employment" or to accomplish some other social objective.

The economists opposing the bill are:

Benjamin M. Anderson (University of California at Los Angeles); Charles C. Arbuthnot (Western Reserve University); James Washington Bell (Northwestern University); William A. Berridge (Metropolitan Life Insurance Co., New York City); Ernest L. Bogart (New York City); Wilbur P. Calhoun (University of Cincinnati); Edward H. Collins (New York "Times"); Frederick A. Bradford (Lehigh University).

William W. Cumberland (Ladenburg, Thalmann & Co., New York City); William E. Dunkman (The University of Rochester); William D. Ennis (Stevens Institute of Technology); Fred R. Fairchild (Yale University); Clyde Olin Fisher (Wesleyan University); J. Anderson Fitzgerald (The University of Texas); Major B. Foster (Alexander Hamilton Institute and New York University); Roy L. Garis (University of Southern California).

Lewis H. Haney (New York University); E. C. Harwood (American Institute for Economic Research); Hudson B. Hastings (Yale University); William F. Hauhart (Dean Emeritus, Southern Methodist University); John Thom Holdsworth (The University of Miami); Montfort Jones (The University of Pittsburgh); Donald L. Kemmerer (University of Illinois); William H. Kiekhofer (The University of Wisconsin); William H. Kniffin (Bank of Rockville Centre Trust Co., Long Island); J. L. Leonard (University of Southern California).

Philip H Lohman (University of Vermont); A. Wilfred May (Executive Editor, "The Commercial and Financial Chronicle," New York City); Roy W. McDonald (Donovan, Leisure, Newton, Lumbard & Irvine, New York City); Mark C. Mills (Indiana University); Margaret G. Myers (Vassar College); Melchior Palyi (Chicago, Ill.); Frank Parker (University of Pennsylvania); Leland Rex Robinson (2 West 45th Street, New York City); R. G. Rodkey (University of Michigan); Olin Glenn Saxon (Yale University); Joseph A. Schumpeter (Harvard University); Carlton A. Shively (New York "Sun").

Walter E. Spahr (New York University); William H. Steiner (Brooklyn College); Charles S. Tippetts (Mercersburg Academy); Alvin S. Tostlebe (The College of Wooster); James B. Trant (Louisiana State University); Rufus S. Tucker (Westfield, N. J.); Russell Weisman (Western Reserve University); William O. Weyforth (The Johns Hopkins University); Nathanial R. Whitney (The Procter & Gamble Co., Cincinnati); Edward Wiest (University of Kentucky), and Max Winkler (College of the City of New York).

*House bill substitutes words "chartered bank" for "financing institution."

Building Controls Soon To Be Removed

(Continued from page 7)

of the nations history, we should note that this record housing year was accomplished without adversely affecting other parts of the nation's economy.

But if the few remaining controls are lifted at this time, my estimate of 1,000,000 homes will not be reached. We may lose over 200,000 completions. But let us not be misled into believing that the building materials which will not go into these lost houses will go into needed commercial and industrial types of construction. Based on the number of applications of all types of construction which have been denied there is an estimated pent-up demand of $3 billions which may hit the market. This includes a large amount of easily deferrable and much less desirable types of projects. But by a curious paradox these less necessary projects can, in the open market, out-bid the sponsors of commercial and industrial construction as well as housing for the scarce materials which will then become scarcer. If this happens it certainly will not result in lowered prices but the very opposite will happen and you know and I know where prices are today.

Everyone in the country is more or less familiar with rent control on existing housing. Rent control will eventually be lifted but I do not believe that many people will recommend the lifting of rent control entirely at this time. The time to lift rent control, is of course, when the supply of housing has come somewhere nearer meeting the demand. This day will certainly not be reached sooner by doing anything to delay or hamper the construction of new housing.

The building materials situation has improved greatly. Many materials short a year ago are now in plentiful supply. Others in short supply at present are becoming more and more plentiful. There are only a very few which are not satisfactory from the production standpoint. So, I say to you builders who have struggled with shortages and restrictions for almost two years since V-J Day, be patient just a little longer and I believe I can say that all restrictions on construction can be safely removed this fall. I have tried in this brief talk to give you the picture as I see it, without boring you with many of the details.

You all know what happened when L 41, the order which limited building construction, was lifted shortly after V-J Day. Many builders requested that it be restored and controls on building were re-instituted.

Now we are all anxious to remove these few remaining controls. It is my judgment that the time for lifting all controls is approaching—but most assuredly, it is not yet here.

With Buckley Brothers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Edward T. McCune has been added to the staff of Buckley Brothers, 530 West Sixth Street.

With Herman, Hampton

SALINAS, CALIF.—Frank M. Meyer has been added to the staff of Herman, Hampton & Co., 341 Main Street.

A. Cooper Opens

NEWTON, MASS.—Abraham Cooper is engaging in the securities business from offices at 75 Park Avenue.

Wallis S. Turner Dead

Wallis Smythe Turner, a member of the New York Stock Exchange for the past forty-three years, died at his home at the age of sixty-nine.

High Prices and Business Prospects

(Continued from first page)

stable condition; and that they will lead to crisis and depression as they did in 1920.

There is no question that some prices are so high that they are keeping some people from buying. But are average prices too high? Manufacturers' prices have been the target for most official complaint, but prices of industrial goods have risen much less than the prices of many farm products and raw materials. And will enough people stop buying sufficiently to cause a significant lower demand for goods?

These questions can be answered satisfactorily only by asking and answering some other more searching questions. I think it is worth our while to do this so that we can understand the reasons why prices have gone up during every major war, and why they have come down again, and how we should reasonably expect prices to behave during the remaining months of 1947 and over the longer term.

Jean Bodin's Reasoning

Just by way of background, I would like to bring to your attention a small book that was written about 400 years ago, that discusses the reasons for price inflation and the financial crisis from which France suffered in the sixteenth century. The author was a French economist, Jean Bodin, and he is credited with the first extended explanation of the revolution in prices that followed the discovery of the New World. He is given credit also for originating the theory connecting prices with the volume of money.

It is interesting also to note that Jean Bodin's little book was written in refutation of a claim by the King's Minister and Comptroller of the Royal Mint in Paris, to the effect that, in spite of what the people believed, and in spite of what they thought they could see, there really had been no increase in prices for 300 years. It is unnecessary and unprofitable to go into the loyal Minister's reasons, because they were all wrong, as are so many politically-influenced answers to economic problems.

I do wish to point out Jean Bodin's reasons because they were correct 400 years ago and are true today. They have, in fact, a very modern flavor. He pointed to the great stocks of new gold and silver that had been found in South America and shipped to Spain; the great expansion in trade between Spain and neighboring countries, especially France, that brought a flood of new money into France as goods flowed out; the scarcity of commodities in relation to the increased stocks of gold and silver money, because of this trade with Spain and for other reasons, among them high wages and the luxury spending of the nobility and the newly-rich; and, finally, the evil practice of the debasement of the currency by the King's own ministers.

So the problem of high prices is not new. It is a problem that has plagued political rulers, business men, and consumers whenever the money supply has been greatly increased in relation to the goods that can be bought in the market. In our American history, serious maladjustment between goods and money supply has occurred four times in about 150 years: in 1813-14, during the final Napoleonic Wars; in 1861-64, during the Civil War; in 1915-1920, in connection with the First World War; and from 1940 to the present day. In all four of these experiences, major wars led to the curtailment of civilian goods, and the creation of a greatly-enlarged stock of new money.

In the three historical experiences that have been completed, the price rise was followed immediately by an equally disrupting decline. Because of this, many people are looking apprehensively for an equally drastic price correction to follow the price rise of the past seven years.

Analogous Periods

But historical analogies are seldom complete, and are usually misleading. I believe the analogy between our present price situation and the situation that existed in 1920 will also prove an unreliable guide.

It will be useful to look more closely at the two most recent price inflations and their aftermaths. The general shape of their rise and fall differed substantially. Following the Civil War rise, which occurred in about three years, prices declined irregularly for fifteen years, until 1879. Following the First World War rise of nearly five years, the major drop occurred within one year—from the middle of 1920 to the middle of 1921. Judging from these two cases alone, it would be equally reasonable to expect the current price inflation to be followed by a long, irregular fifteen-year drop in prices, or by an explosive one-year drop. Actually, we should expect neither, because the circumstances of the current rise differ radically from those of both of these other war inflations.

One significant difference between the price inflation of World War I and the current price rise is to be seen in the different behavior of farm products and industrial products. In the First World War there was little effective price control. Prices of both farm products and industrial products increased to the same extent—about 150% above 1914. During the current inflation, farm commodity prices have increased more than they did from 1914 to 1920, but industrial products have increased only one-third as much.

The Present Price Inflation

Now, suppose we look at the recent price inflation and what may be expected to come out of it. As I have just indicated, I expect a different pattern will emerge; that we need not fear a deep, sharp price drop such as occurred in 1920-21. On the contrary, I believe any price decline will be gradual, and may extend over a number of years. If this opinion proves to be correct, it will be a very auspicious price adjustment period, and one that should bring about confident optimism rather than fear and pessimism.

What has pushed prices up so much since 1939? I can do no better than call on our Frenchman, Jean Bodin, because many of the same causes have been present.

Our money supply—considering only the most liquid, spendable forms of money, which are currency outside of the banks and bank deposits in checking accounts—has increased more than three times in volume since 1940. On the other hand, the related industrial production has increased only 50% since 1940. Since 1929 our money supply has increased about five times, from 25 billions to 125 billions. This increase is, partly, the result of deficit spending during the 1930's, but mainly it is the result of issuing new money to finance about one-half the war expenditures. This vast money supply gives effective force to the still-unsatisfied demand for durable consumer and producer goods. Many kinds of durable goods are still in short supply.

We have better statistical tools to work with than did Jean Bodin 400 years ago, and we can measure the forces acting on prices and give them their due weight. Suppose we try this for industrial commodities. I will discuss the average prices of industrial goods in terms of the BLS Wholesale Price Index (excluding Farm Products and Foods), with 1939=100. I could use Farm Products or Raw Materials just as well, but the method and the figures would be different. They would lead to the same conclusions.

It is possible to calculate an index of prices that has agreed very closely with the BLS Wholesale Price Index since 1932, and until OPA came into the picture in 1942.

This series of calculated prices is based on three factors that are most important in determining the price level of manufactured goods. These three factors are the best measures we have found of the forces of supply and demand:

(1) National income payments to individuals, which is a good measure of the forces of demand and which acts on the price level in much the same way as total money supply;

(2) The average price of raw materials;

(3) Unit labor cost.

Unit labor cost is increased by any increase in average hourly wage rates, and is decreased by any increase in production per man-hour.

The two latter factors are the cost factors that measure the forces of supply.

This calculated price index followed the actual BLS index closely for the ten years from 1932 until the middle of 1942, when OPA price controls started to hold back the official BLS Price Index.

As nearly as anything is "proven" by statistics, we can say that these factors used in the calculated price index, do account satisfactorily for price changes of manufactured goods over this ten-year period of depression and partial recovery.

Therefore, it is a reasonable deduction that the calculated index continues to show what would have happened to industrial prices without OPA controls during the four years, 1942-46.

What OPA did was to postpone for four years the natural price increase that would have occurred, without OPA, during 1942 and 1943.

Then, during the two years of 1944 and 1945, there was no natural tendency for prices to rise, and OPA had an easy job. There would have been no price rise during these two years without an OPA, but prices would have been at the higher level shown by the calculated index.

When OPA controls were relaxed and finally removed in 1946, the BLS index jumped nearly 40 points. But half of this jump was to close the gap between controlled prices and "free market" prices. There was created the illusion of an extremely steep price inflation during the 12 months from March, 1946 to March, 1947. It is the false impression created by this double jump in prices that has probably caused the concern over the existing price level and the fear of a correspondingly sharp price decline.

In the first quarter of 1947, the official BLS index and the calculated index again came together; since last March prices have been in line with the natural forces of supply and demand.

The real price picture of industrial products since 1940 is a total rise of about 60 points in six years—an average rise of 10 points per year.

To place this World War II price history in its proper perspective, it should be compared with a rise of 135 points (on the same 1939 base) from late 1915 to the middle of 1920, during and after World War I. The World War I average rise of industrial prices was nearly 30 points per year, or three times the rate of the past six years.

But averages never tell the really significant story. Averages can conceal wide disparities, great dissatisfactions, and possible trouble.

There would be no dangers lurking in high prices, if all prices moved up together, and if all incomes increased by the same ratio.

No matter how high average prices rose, under these uniform conditions, everybody would be in exactly the same position as they had been.

Prices and incomes would match.

The difficulty is that prices and incomes do not increase in the same ratio for all commodities and for all groups of workers.

The incomes of some farmers and of some large groups of strongly organized wage earners have increased much more than the incomes of annuitants, school teachers, and white-collar workers, generally. To make matters worse, the prices of such necessities as food and clothing have increased much more than the prices of less necessary things. As a result, the workers whose incomes have lagged behind the average cannot buy the goods produced by the workers whose incomes have exceeded the average. In this sense there can be insufficient purchasing power, because the usual distribution of real income has been disturbed.

Danger of Disparities in Income Adjustments

The chief source of danger to continued prosperity for all lies in the extremes of prices and of incomes—in abnormal differences within the averages. The important watchword over the coming months is orderly adjustments to reduce any extreme differences among incomes and among prices.

Prices of commodities that are abnormally high should and will come down. In this group will be found many foods, cotton textiles, lumber, paints, oils and fats, leather and shoes. Contrary to popular and official opinion, the prices of steel, automobiles, and most durable goods are in line or below their usual position compared with the average price index.

Our price problem is one of orderly adjustment; of bringing individual prices and group incomes in line with the new higher post-war levels. The situation is not one that requires any drastic reduction in the average price level, and, I am tempted to add—any drastic reduction in total national income. I group these, because price and income are two sides of the same coin. They go up together, and they come down together. We all would like to see prices come down—but we don't want incomes to come down.

What kind of adjustment, then, can we achieve? Will the price situation develop into crisis and a steep drop as in 1920? Or can we get by with a slow, step-by-step adjustment of out-of-line prices and incomes, as I believe?

Orderly Adjustment

Orderly adjustment is not an easy job. Time is required for bringing up the incomes of groups that are now below their customary level. Time is required for getting some high prices down. Foreign demand for American farm products may prevent desirable reductions in some food prices. Additional across-the-board wage and salary increases will only serve to make the correction of low salary scales still more difficult. Obviously, those immediately concerned will handle their individual problems more wisely if the nature of the general problem is understood; that the problem is one of bringing up low incomes and bringing down high prices. The problem is not one of total purchasing power nor of the average price level. A further increase of high wage and salary rates would be just as undesirable, at this juncture, as would be a further increase in the highest prices.

But, in spite of all the difficulties, this process of adjustment has been going on since last fall and is continuing.

The question that is really before us is whether time is running out; and whether the process of orderly step-by-step adjustment, that is now going on, will be cut short by some kind of panic or crisis to be followed by depression.

Many people have answered this question in favor of panic and depression simply by the apparent analogy between the price inflations of the first World War and of the recent war. I have pointed out the difference in extent of these two price inflations. The difference in money supply and bank credit is a more important difference. There are other differences that I will refer to later when I discuss the favorable and unfavorable factors of the current business situation.

I believe a more trustworthy measuring rod for estimating the chances of panic and depression can be found in some basic economic relationships that I have already referred to in explaining the causes of price changes.

Factors in Changing Price Levels

We found that changes in the actual price level of industrial products can be accounted for by changes in these four factors:

(1) National income payments to individuals.

(2) Average prices of raw materials.

(3) Average hourly wage rates in manufacturing.

(4) Production per man-hour.

I propose to show that a sizable drop in the average price level can occur only if and when sizable changes occur in all of these related economic factors. In more general terms, a sizable reduction in the price level of manufactured products (and in farm products, also) can occur only if there is such a decline in income, employment, and wage rates, that would mean serious depression. I propose to show that we cannot have a drop of even 10% in the price level of industrial products unless we do have a real depression.

Just as background information, suppose we look at the extent of the changes in these same related economic factors that occurred during the 1920-21 price decline. The index of BLS wholesale prices (excluding farm products and foods) dropped 40% from June, 1920, to June, 1921.

During the same 12 months:

Raw material prices dropped 51%.

Unit labor costs dropped 35%.

Income payments dropped 18%.

It should be noted that all of the other factors dropped substantially when the average price level declined. They are all tied together.

Suppose we assume, for our experiment, that the price level of last March declines by the much smaller amount of 10%.

Under current labor conditions, it would be unrealistic to assume any decline at all in unit labor costs of manufactured products over the next 12 months. Any gain in production per man-hour will undoubtedly be offset by increases in average wage rates.

Suppose also that we assume a decline in the raw material average of 15% (which would be on the high side for a 10% drop in wholesale prices).

With these apparently reasonable assumptions, we can calculate the corresponding value of national income payments to individuals. The calculation shows that under the assumed values, a 10% drop in prices could occur only if income payments declined 25%.

We know from the past behavior of national income statistics that total wages and salaries would drop in step with total income payments. If income payments dropped 25%, wages and salaries would also drop about the same 25%. But we assumed that unit labor costs would remain unchanged. Without burdening you with any more figures, a drop of 25% in total wages at the same unit labor cost would mean, roughly, 25% decline in number of workers employed or more workers employed at reduced hours.

In the actual case, there would be some reduction in average wage rates and less reduction in total employment, income, and wages. But, in any event, no one would be very happy over the consequences if the price level of manufactured goods dropped even 10%, when the other related conditions of income, employment, and total wages became effective and again in equilibrium.

Consequently, any one who recommends a sizable decline in the average prices of manufactured products is in reality recommending a considerable decline in national income, in total wages, and in employment or in wage rates. A recommendation or prediction of a sizable drop in prices is a recommendation or prediction of serious depression.

We find, nevertheless, that some leaders of public opinion are recommending a sizable reduction in industrial average prices in order to prevent depression. We cannot have a change in prices without a change in incomes, and the other factors of which prices are the result. Of course, those who think average prices are too high do not thing average incomes are too high. But these two go together. Let me repeat: Prices and incomes are the two sides of the same coin. One cannot be reduced without reducing the other.

No Serious Depression in Next Year

Why do I question that a serious depression, with its declines in average prices, incomes, and employment, will not happen within the next few years?

The one factor that must be present before a decline in prices, of depression proportions, will occur, is a considerable decline in investment and consumer demand.

The conditions that have led to such declines in the past have usually been brought about by the sudden exhaustion of bank credit; by a sudden drop in exports; or by a sudden change in the favorable expectations of businessmen.

You may wonder why I have not mentioned the fear of a buyers' strike as one of these reasons. I question whether a general consumer refusal to spend has ever occurred except under the obvious condition of a lack of funds. People who habitually spend all of their income do not stop spending because some prices are too high. They buy other things. Also, people who save some of their income, continue to save and to spend according to their habit. Housewives may refuse to buy $1 butter, but they continue to buy food of some kind.

The National Income statistics show that individuals save about 10% of the income payments they receive, when consumer goods are available. During the war years, individual savings rose above 20%. But in 1946, when many kinds of consumer goods were still not available, savings, nevertheless, dropped back to 11%. There is supposed to have been a buyers' strike in 1920, and this buyers' strike initiated the depression. In that year consumers spent more billions than they did in 1919, and saved no more than the usual 10% of the money they received. I am not impressed by the bogey of a "buyers' strike." When all the people stop spending their money, it is because they don't have it to spend.

* * *

There are a number of strong reasons for believing that business and consumer demand will continue at high levels, and that this high level of demand will provide the time for the orderly correction of the current maladjustments among prices and incomes.

There are four highly favorable supports of current demand:

(1) The supply of bank credit.

(2) The conditions within the heavy manufacturing industries.

(3) The export market.

(4) Investment in new facilities.

I will discuss these briefly in turn:

Bank Credit—The present banking situation is unique in our financial history. Bank credit was never so plentiful, nor has it ever had such a permanent foundation. Past price inflations, and specifically those of 1920 and 1929, were induced and supported by private bank credit. They developed into crises largely because of the exhaustion of bank credit. In the present instance, the price rise has been induced, and will be rather permanently supported by the government debt.

Our present inflated money supply cannot be reduced substantially except by paying off government securities held by the banks, or by selling such bank-held securities to private investors. This situation makes it very unlikely that conditions governing bank credit will be changed suddenly, and it is out of sudden changes that panics and crises usually develop.

Heavy Industry — Experience with past business cycles shows that we have recognizable declines in general business only when the heavy manufacturing industries, such as steel, automobiles, electrical equipment, and other machinery industries also decline. These are the industries that fluctuate most widely in boom and depression.

We need fear a decline in general business, that will be sufficiently marked for the general public to know it is going on, only when declines occur in these heavy industries.

In the current situation, these particular industries have the surest prospects of continued demand. I think it is safe to say that no one expects any slump in production of steel, automobiles, electrical equipment, railway equipment, or farm equipment during the next 12 months. And, until we do have appreciable declines in these and similar basic industries, there will be no general business decline.

Export Situation—The largest single physical factor in the 1920-21 depression was the decline in United States exports. There is no danger of any such decline in exports in 1947. Commercial export amounted to about $8 billion in 1946, and the estimated commercial exports for 1947 are 50% larger. There is no threat of nearby depression in these figures.

Investment in New Facilities—Underlying the strength in demand for steel, and for the products of other heavy industry, is the large volume of new investment in production facilities, and in other construction. This kind of investment is the dynamic force that builds up higher levels of total employment and income.

For the 15 years, between 1929 and 1946, the American people added little or nothing to their store of fixed capital in land, buildings and equipment. It is more probable that they lived off their capital to some extent. But since the end of the war, we have been working on the biggest investment program of our history. In 1946, the value of gross capital wealth produced is estimated at $32 billion. The highest corresponding figures for any previous years were $19.4 billion in 1941, and $17.6 billion in 1929. Corresponding figures for investment in producers' durable equipment were $12 billion in 1946, $8.9 billion in 1941, and $7.3 billion in 1929. The Department of Commerce and SEC, in a joint report, estimate 1947 expenditures for construction of new plants and purchases of new equipment at $13.9 billion.

This kind of capital investment activity has moved in fairly long cycles of six years or longer, which promises a sustaining influence for business over the longer term.

* * *

This completes my catalog of favorable factors. I should not leave this subject without saying something about the "signs and portents" of trouble that have caused so much worry since last fall. Although I believe this worry has been unnecessary, it has had one good effect. It has undoubtedly helped in the step-by-step adjustments of prices and inventories that started last fall, and that are still going on.

I have already discussed the current worry about the high level of prices.

There are three other portents of trouble that should be mentioned:

(1) The stock market decline since last August;

(2) The decline in retail sales, and of soft goods, particularly;

(3) The failure of the construction industry to come up to expectations.

How About the Stock Market Decline?

The sharp break in stock market prices early last September was a danger signal that was in the newspaper headlines, and was very generally observed by businessmen and the public.

Emphasis on the decline of security prices is natural enough, because, for as far back as good statistics run, and up to the beginning of the war, general business and stock market prices moved up and down together. In view of this long record, the stock market break was disconcerting, to say the least. What has generally been overlooked is the fact that, beginning with 1939, the stock market broke this long partnership with production. The stock market, on the one hand, and heavy industry (and business, generally), on the other, have followed quite different courses during and since the war, because of the different influences of the war on these two forms of business activity.

Stock prices were in a long cyclical depression during 1940-42; there was a slight decline in 1943-44; the stock market is currently in the depression phase of a bear market. In neither of the declines in stock prices, during the war, did heavy industry follow suit; it has not followed suit so far, in the post-war stock market decline. After V-J Day industrial production and employment declined, but stock prices went right on up. For nearly eight years industrial production and stock prices have been out of step.

Ultimately, the cycles of stock market prices and heavy industry will again get in step; but they are not now in step, nor will they get in step until the abnormal influences of the war have run their course. Until there are signs that business and stock prices again are moving together, businessmen should not be greatly concerned over the present bear market in stock prices.

Decline in Retail Sales

I have mentioned the relatively high rate of consumer spending in 1946, despite the lack of durable consumer goods. Consumer spending in 1946 was heavily weighted in favor of foods, soft goods, furs, jewelry, liquor, night-clubs, and other amusements. In 1947 there will be more consumer spending for durable goods—automobiles, refrigerators, and house furnishings, and less for soft goods and amusements and other less desirable entertainment.

It is not surprising then that retail sales of soft goods are declining in 1947. It is part of the readjustment process, and is not necessarily a forerunner of depression.

On the statistical side, soft goods and hard goods have always snown a different cyclical experience. Cotton consumption, for example, has a short cycle of about two years in length. Heavy industry and general business have a longer cycle whose length has averaged 40 months over a long period. With these different cyclical characteristics, it is obviously impossible for the ups and downs of hard goods and soft goods to follow the same course. The fact that textile production and retail sales are now declining has little significance for the over-all business situation.

The Delayed Building Boom?

High costs have cut down total building activity. How much is anyone's guess. Building costs will be reduced as delays on site are reduced, even if labor rates per hour and the cost of materials are not reduced. The effect of high costs will tend to postpone the rise of the building cycle, rather than bring the cycle to a sudden end. In spite of the adverse effect of high costs, total construction activity, including industrial and commercial buildings and public works, in 1947, is expected to exceed the high volume of 1946. It will still be one of the strong sustaining factors in the near-term situation, even though some residential building may be postponed until price adjustments have been completed. As is well known, construction has the longest industry cycle, and construction will be an important sustaining factor as soon as the current price and cost adjustments are completed.

Conclusion

In concluding this talk, I should not leave with you any impression I may have given that all these favorable conditions of the current business situation will last indefinitely. Business is always in a state of flux, and conditions are changing constantly.

The current heavy demand for automobiles, refrigerators, and house furnishings will gradually decline. The heavy industries will probably decline in new orders within 12 months. Production will decline a few months later.

Heavy investment programs for new facilities will be completed. The situation in Europe will improve, let us hope, and our unwieldy export balance will decline. Still later, the high level of construction will also decline.

I expect there will be a gradual decline in general business, so that 1948 and 1949 will not be as active business years as 1947. But this decline will not mean depression, in my opinion. It will give us the chance to narrow the wide spreads in prices and in incomes that the war and post-war inflations have produced.

Over the longer term—say, during the next five years—there will be more difficult problems associated with declines in exports, in new investment, and in construction. These prospective declines in demand can lead to serious depression over the longer term. But again, I say, our most important problem now is one of adjustment and is not a problem of depression. If we make these price and income adjustments successfully now, and in the months ahead, we will have time to take up other and more difficult problems as they arise.

Form Morfeld, Moss & Hartnett in St. Louis

ST. LOUIS, MO.—Morfeld, Moss and Hartnett has been formed with offices at 818 Olive Street,

Edward H. Morfeld

William H. Hartnett

Morris M. Moss

to act as brokers and dealers in investment securities. Partners are Edward H. Morfeld, Morris M. Moss and William H. Hartnett. All were formerly partners in Friedman, Brokaw & Samish.

Morgan Stanley Group Offers Australian Bonds

Morgan Stanley & Co. headed a nationwide underwriting group that on June 16 publicly offered $38,000,000 Commonwealth of Australia Bonds, comprising $19,000,000 of 10-year 3¼% bonds, due June 1, 1957, and $19,000,000 of 20-year 3½% bonds, due June 1, 1967. The 3¼s were priced at 97½% to yield 3.55% and the 3½s at 97½% to yield 3.68%.

This offering marks the fourth and final step in a program for refunding approximately $126,000,000 of the Commonwealth's callable dollar debt in the United States into lower interest bearing obligations. The only prewar Commonwealth issue payable in dollars which will remain outstanding upon completion of this step is the $71,728,000 issue of 5% bonds due in 1955 and which first become callable in 1952. The earlier steps consisted of the sale last August of $20,000,000 10-year 3¼% bonds due Aug. 1, 1956, the sale in December of $25,000,000 20-year 3½% bonds due Dec. 1, 1966, and the sale in February of this year of $45,000,000 15-year 3⅜% bonds due Feb. 1, 1962. Total debt outstanding in the United States after giving effect to this financing will amount to $199,503,000.

Net proceeds from the sale together with Treasury Funds will be used for the redemption at 102% and interest on Sept. 1, 1947, of the $36,055,000 Commonwealth of Australia 5% bonds, due Sept. 1, 1957, now outstanding.

Each series of bonds of the new issue will have the benefit of a sinking fund of 1% per annum payable semi-annually in cash or in bonds. Cash payments will be applied to the purchase of bonds or their redemption by lot.

The initial redemption price for the 10-year bonds will be 102½% and for the 20-year bonds 103½%. Both maturities are also redeemable by operation of the sinking fund at 100%.

As We See It

(Continued from first page)

Many assertions of this sort are less forthright than might be wished, but, strangely enough, others which spell out such conclusions as this in great detail and directness appear to be fully as effective with the public—at times it appears that the more extreme and the more foolish the statement the more followers it attracts. Without being unduly cynical, it might be observed that the ease with which some of the prospective recipients appear able to convince themselves of these strange beliefs is possibly less mystifying than the readiness with which so many of our own citizens accept and parrot-like repeat them.

The True Inwardness

Now what is the true inwardness of this situation? Let it be very positively asserted at the outset that we regard that impulse in the American individual which leads him to be generous with any human being in trouble—particularly those human beings who either are not to blame for their own predicament or are without the ability to help themselves—as altogether praiseworthy. There have been both in Europe and Asia many individuals and many groups which were able to continue to live, certainly to retain their health, only by American generosity. Doubtless there are still a good many in that predicament—some from causes quite beyond their control, and some as a result of our policies and practices. No one in his senses could find fault with us for dealing as generously as circumstances permit with these cases.

A number of analysts of the situation in Europe have reached the conclusion that the most effective way to deal with at least some of this destitution is to take steps which would enable the victims to return as quickly as possible to a fully self-sustaining basis. For such purposes, supplies of raw materials, aid in restoring capital equipment, as well as the more direct forms of relief have been suggested, and at times provided. Where steps of this sort are indicated, they should of course be taken. Relief does not cease to be relief merely because it goes to industry rather than direct to the consumer, or take the form of wheat rather than flour, copper rather than of eggs, or locomotives rather than meat.

But all this is as nothing compared with what is now being suggested every day—suggested by many of our own leaders of political thought, and by as many abroad. Some have spoken directly and forthrightly. Others do not always give chapter and verse, but obviously are under the spell of the doctrine which places the United States as the economic patron (and often political patron) of the world. There are those who bluntly say that our gifts to the world must assume lend-lease proportions in the very near future, and be made as free of "the curse of the dollar sign" as were lend-lease shipments. They usually do not specify the length of time they think this kind of generosity should continue, but such details or the mountainous cost of such procedure does not appear to trouble these day dreamers. What is more important is the fact that ideas of this nature, even if they do not reach its grandioseness, are by no means confined to a few "on the fringe" of economic sanity.

Basic Facts

As to all this there are a few fundamental facts which must never be lost to sight. One of them is that all that we can produce could not even nearly suffice to achieve the ends to which many of the current commentators apparently aspire. We can not restore European and Asiatic production to normal or provide the peoples of those continents with the goods which they lack by reason of subnormal production. We may as well understand that fact here and now. Neither our resources nor our manpower—nor yet our production genius—could turn out the goods necessary for the purpose. We could not do so regardless of how generous we might be in sharing our own with others.

This means, of course, that as any sensible man must know without being told that Europe, regardless of our generosity, must work out its own salvation. It must go to work to provide for itself. It must—all of it—forsake the notion that the outside world somehow owes it a living, or, at all events, a very large part of its living. And in all candor, it appears from the record that most of the countries of Europe, regardless of what they may demand or expect of the United States, are making real headway in restoring their economies to something approximately prewar normalcy.

The one giant exception, of course, is Germany, and as to that country the course of affairs is far more largely in the hands of the victor powers than in those of the people of Germany. These victors, Russia, Britain, France and the United States have created conditions in Germany which very nearly precludes real recovery.

The German Mess

If current commentators were fully informed and fully frank, they would, we suspect, associate most of their assertions of continued dire straits in Europe with the situation existing in Germany. They apparently often exaggerate actual conditions in any case, but where they relate the story with fidelity to fact the extreme situations to which they refer usually either are within Germany or else grow rather directly out of conditions in Germany. Once the politicians here and in other countries bring themselves to face this fact squarely and candidly a beginning will have been made in the real rehabilitation of Europe—and much less would be heard of the mountains of goods we must deliver free.

As to the rest of the nonsense of the day on this topic, let just two questions suffice:

Precisely how does a nation, more than an individual, either prosper or ward off poverty by giving away its resources and its work with a reckless hand?

If any country across the Atlantic thinks it can restore its economy more quickly and more vigorously by adopting some political system which we do not approve, had we not better let them experiment—with their own resources, of course. Indeed, is there really anything else we can do?

I Am an Optimistic Pessimist!

(Continued from page 7)

such forecasts will once more prove to be inaccurate.

Retail Sales and Consumers' Incomes

The general level of retail sales is usually determined by the amount of income available to consumers. During the war years, a shortage of goods and services made it impossible for people to spend as much as they normally would have from their current incomes. Finally, in 1946, when goods became available in more adequate supply, although many shortages continued to prevail, the normal relationship once more prevailed. During the first quarter of 1947, however, retail sales on an annual basis were about $6.0 billion higher than indicated on the basis of available disposable income. This situation reflected the combination of price increases and meeting some of the demand deferred during the war.

The data for all retail stores shows only part of the picture. There is the relationship for durable goods as contrasted with non-durable goods. It will be noted that throughout the war years the volume of sales of non-durable goods was about in line with incomes. In contrast, the volume of sales of durable goods were sharply below the level warranted by the prevailing disposable income. Starting in 1946, sales of non-durable goods stores jumped sharply above the long-term relationship. In the first quarter of 1947 total volume of non-durable goods sales was estimated to be at the annual rate of $15.0 billion above the level warranted by current income. While the sales of durable goods also rose in 1946 and 1947, the total volume was still at the annual rate of $9.0 billion below the level called for by today's incomes—to say nothing of the huge deferred demands which accumulated during the war years and is particularly important in this field.

Many close observers of the business situation are convinced that the "out of line" sales for non-durable goods in 1946 and the early part of 1947 reflected in part, if not to a major extent, the inability of consumers to secure durable goods in the quantities they desired. One of the elements of distortion which is today present in the business picture and which is now in the process of being corrected, is this unbalance between non-durable goods sales and durable goods sales. **The correction of this unbalance, it seems to me, will necessarily mean a reduction in the volume of textiles and other non-durable goods sales,** while durable goods sales continue to be maintained and probably will expand. Evidence of this readjustment is already clearly available in a number of industries including textiles, liquor, cosmetics, etc.

Then there is the picture for building supplies and hardware, the classification which is reported by the U. S. Department of Commerce which compiles these data. It is evident that during the 1930's and in 1940 and 1941 there was a close relationship between the volume of hardware and building supply sales and disposable income. It is equally clear that during the war years, particularly in 1942, 1943 and 1944, the total level of sales failed to change much from 1941 despite the sharp increase in consumers' incomes during that period. In 1945, the total volume of hardware sales increased sharply and in 1946 reached new high level records. In the first half of 1946, sales were about in line with consumers' incomes while since that time they have been moderately higher than warranted by such incomes. However, this is not a disturbing situation in this industry because the large deferred demand which accumulated during the war years would call for sales which were substantially higher than warranted by the level of current consumers' incomes.

Retail sales of hardware and building supplies were at an all-time peak in 1946 and in the first quarter of 1947.

RETAIL SALES OF HARDWARE STORES
(Source: U. S. Dept. of Commerce)

Year—	Retail Sales (Millions of Dollars)
1936	$ 576
1937	651
1938	563
1939	629
1940	709
1941	903
1942	980
1943	902
1944	1,007
1945	1,177
1946, total	1,700
1st half*	1,608
2nd half*	1,792
1947	
1st quarter*	1,872

*Seasonally adjusted at annual rates.

In the four years, 1936 to 1939, sales averaged about $600 million annually; in 1929 the total was about $700 million. During the war years 1941 to 1944, annual sales exceeded $900 million. Last year, the total had increased to $1,700 million. In the first quarter of 1947, sales of hardware and building supplies were at the annual rate of $1,872 million. This was three times as large as in 1936 to '39; 2½ times as large as in 1929 and more than double sales in the banner year 1941. Let me put it differently. For retail sales of your products to decline to the record level (up to then) of 1941, a cut of more than 50% would have to take place.

Factors Affecting the Outlook

In the foregoing survey, I have attempted to sketch the highlights of where we are today. The problem in which you are most interested, however, is where we are going. Let us now examine the factors which will influence that trend.

Since the level of disposable income is a fundamental factor in determining the total volume of retail sales, we can best relate the present situation to the future by examining the outlook for disposable income. A balance sheet of the forces affecting the volume of disposable income indicates some which are pressing for a decline in income, some which will remain about unchanged, and others which will be somewhat higher. The factors which will contribute to a decline in disposable income include the following:

(1) Farm prices seem headed downward with an accompanying reduction in farm incomes.

(2) Some decline in government spending is scheduled. However, the magnitude of this decline will be determined by the extent of our foreign commitments and the ability of Congress to reduce the area of entrenched bureaucracy.

(3) A decline in the volume of business profits. This decline has already been apparent in the retail field where first quarterly profits have been as much as 50% below those in the first quarter of 1946. However, it is probable that dividend payments will not show any decline because such payments have represented in most industries only about half the 1946 earnings.

(4) The high level of building costs has caused some businesses to defer expansion programs. But despite these deferments, the total volume will remain high. According to the estimates of the U. S. Department of Commerce, expenditures for new plant and equipment aggregated $7,040,000,000 in the last half of 1946. For the first half of 1947, estimated spending will be $7,000,000,000 while the estimates for the second half are $6,890,000,000. For manufacturing industries alone, the total was $3,410,000,000 in the second half of 1946. It is expected that this total will decline to $3,150,000,000 in the first half of 1947 and to $3,020,000,000 in the second half of 1947. However, for the entire year of 1947, it is estimated that total spending of $13,890,000,000 will be about 15% higher than the $12.040.000,000 in 1946.

(5) Declines in activity in some

industries have already appeared. These include not only the non-durable goods industries previously described, but also residential building. Business inventories were expanded at a record rate in 1946. This was inevitable because of the need to fill the inventory pipelines and make up for the wartime depletion of inventory. A curtailment of inventory accumulation will also act to slow up production.

On the other hand, there are powerful forces contributing to a maintenance or an increase in the levels of disposable income. These include:

(1) The increases in wages which have taken place since V-J Day and which have been expanded in the past two months. However, to the extent that unemployment increases moderately as a result of a non-durable goods recession, there will be at least a partial offset to the increase in wages insofar as the contribution of wages and salaries to total disposable income is concerned.

(2) The high level of production which seems likely to continue over the remainder of this year in such key industries as steel, automobiles, electrical equipment, railroad equipment, farm equipment, and building.

(3) The continued high level of export trade.

A balancing of these factors suggests the probability of a moderate reduction in the level of disposable income as the current year progresses and in the early part of 1948.

A second major factor which receives too little attention in many appraisals of the business picture is the major increase in incomes which has taken place during the war and postwar years. To my mind, there are few figures which are so significant in appraising the businses picture as those which show that the number of families in the $2,000 to $5,000 bracket has increased to around 20,000,000 as compared with only 6,000,000 before the war. This development assures a broader base for demand than has ever before existed in this country. This is a particularly important development for an industry such as hardware, because as incomes expand, larger sums become available with which to make purchases of products other than the basic necessaries of life and with which to improve the home.

While no current data are available, the tendencies of spending can be indicated on the basis of data collected by the U. S. Bureau of Labor Statistics in a study of average expenditures of urban families and single consumers in 1941. Consumers in the $1,000 to $1,500 income group in that year spent $15.66 on kitchen equipment. The $2,500-$3,000 group spent $42.65 and the $3,000-$5,000 income group spent $48.85.[1]

Income Group—	—Expenditures for— Kitchen Equipm't	Cleaning Equipm't
Under $500	$1.40	$0.19
$ 500-1,000	5.75	0.42
1,000-1,500	15.66	1.95
1,500-2,000	24.06	3.14
2,000-2,500	28.18	5.51
2,500-3,000	42.65	8.60
3,000-5,000	48.85	7.74

A similar trend is shown for individual items. For example, expenditures for electric light bulbs averaged 31 cents for the $1,000 to $1,500 income group, $1.35 for the $2,500-$3,000 group, and $1.55 for the $3,000-$5,000 group. In light of such spending patterns, the importance of this large increase in the number of families in the $2,000-$5,000 category should be apparent.

Areas of Unbalance

A third factor of considerable importance is the development of several areas of unbalance in our economy. I have described earlier, the unbalance which has developed between retail sales of durable and non-durable goods even though total sales are not far out of line with incomes. This unbalance must lead to one of two types of correction, either of which will mean a lower level of business activity or lower profits. If we continue to spend a disproportionate amount for food and clothing regardless of the reason, there will be less available for the purchase of durable goods with the consequent adverse impact on that sector of the economy. If, on the other hand, spending returns to its prewar pattern, then sales of non-durables will fall off and a recession in that sector will take place. The only way to avoid either of these alternatives is to have a large increase in disposable income, with the additional amounts spent for durable goods. As I indicated earlier, I do not believe such a development is probable.

Similarly, building costs have risen so sharply that the majority of our people cannot afford to buy new homes despite their pressing needs. Investors have become increasingly reluctant to assume the heavy risks involved in building new rental housing. This is an important area of unbalance, which if not corrected soon, will have repercussions throughout the economy.

Income-price relationships have also become seriously distorted for a large sector of the population. Rises in living costs and taxes during the war and postwar period have reduced significantly the ability to buy of those living on fixed incomes, government employees, many white collar workers and others who have not participated in the rise in income previously described. Recent increases in wages, low productivity, and extensive programs of relief to unfortunate peoples abroad have contributed to holding back the decline in living costs so urgently needed by these fixed income groups. Let me emphasize that this comment is not intended to be a criticism of our foreign relief program—which I favor—but rather a description of the forces now at work in our economy.

The foregoing areas of unbalance reflect in large part the distortions which have developed in our price structure. Declines in prices of food, clothing, and building materials would go far to correct these areas of danger. However, we cannot talk these prices down. Lower prices will develop only with high level production. One important factor in maintaining or increasing production is greater labor productivity.

Price Disparities

In this connection too, I would like to emphasize that much of the recent criticism directed at industrial prices by high government officials has been pointed in the wrong direction. For example, of the increase in living costs since January 1946, about 70 cents out of every dollar increase has been due to higher food prices. Industry can do little to lower food prices. Processor's profit margins in 1946 averaged 2 to 5% of sales depending upon the company. The difficulty here is high farm prices over which industry has no control. That it is farm prices and food prices which are out of line can be indicated by comparisons with the past. Thus, since 1941 farm prices have risen 155% and food prices by 127.4% while products other than farm products and foods have risen only 55.8%.

Admittedly, farm prices were relatively low before the war. So let us see what longer range comparison would show. As compared with 1926, farm products currently are 79.5% higher, food prices are 63% higher while items other than farm products and foods are only 32% higher. One group of non-food products does show a rise comparable to that for farm products. I refer to building materials which now are 77.5% higher than in 1926.

Finally, a comparison with the post World War I peak reached by wholesale prices in 1920 shows that these same three groups are the only ones for which prices in June, 1947 were higher than at the peak of the 1920 inflation.

Wholesale Prices (1926=100)
(Source: U. S. Bureau of Labor Statistics)

	1920	June 7, 1947
Farm Products	150.7	179.5
Foods	137.4	163.1
Hides and Leather	171.3	156.6
Textile Products	164.8	138.5
Fuel and Lighting	163.7	104.4
Metals and Metal Products	149.4	142.5
Building Materials	150.1	177.5
Chemicals and Allied Products	164.7	124.7
House Furnishings	141.8	129.5
Miscellaneous	167.5	115.9
All Commodities	154.4	147.9

These comparisons are significant because it is sometimes argued that since we can't push down farm prices by government action (although we might get them down by government **inaction**), some relief from high prices can be obtained through lower industrial prices. Two observations may be made concerning this approach to the price problem. First, the unbalance in our economy which needs correction requires lower farm, food, and building material prices, the latter of course falling in the industrial category. But second, and equally important, is the fact that reductions in other prices while farm and food prices remain high will only aggravate the currently distorted price structure. **We cannot correct the adverse effects of high farm and food prices by lowering the prices of other products.**

It should also be noted that the Administration is calling for price reductions in those sectors of the economy in which higher wages have played an important role in pushing up costs and hence in limiting the magnitude of any price cut that can be made without reducing profits significantly or converting them into losses.

One effect of relatively high farm prices has been to raise farm incomes to record levels—far surpassing even the inflationary peaks of the post World War I inflation. Record farm incomes in turn have been reflected in rural retail sales. In the first quarter of this year rural retail sales were more than 15% above the same period of 1946 as compared with a rise of less than 10% for department store sales nationally and a decline in apparel store sales in New York City.

How will these price distortions be corrected? I believe that the correction necessarily will take the form of a lowering of the prices which have shown the largest advances rather than by price declines for those products which have risen the least. I look for lower prices for farm products, foods, and building materials. Since the March peaks wholesale food prices have recorded a decline of about 10%. Prices of lumber and certain other building materials have already begun to ease off from recent peak levels. I expect these trends to continue. In addition, it seems likely that textile prices will decline as a result of forces previously described. **Although higher rents seem inevitable, on balance, we can look forward to a moderately lower level of living costs.**

An evaluation of the factors affecting the business outlook, suggests that it is highly probable that the peak was reached during the first half of 1947. During this period, the total volume of business activity has remained relatively stable at the highest peacetime plateau in history. While a number of weak spots have developed—particularly in soft goods and building—there are other points of strength—particularly the heavy goods industries. I find it difficult to visualize a major decline in business activity while the automobile industry can sell all the cars it can produce and while other durable goods industries are assured of high volume production for a number of months ahead. At the same time, we cannot ignore the signs pointing to a reduction in soft goods activity and the other areas of unbalance I have previously described. This combination of factors spells out a moderate reduction in business activity. But when this small recession has reached its low point, you will still find yourselves with a volume of hardware sales substantially greater than in the prosperous year 1941, which was the year of greatest activity prior to Pearl Harbor.

1 "Family Spending and Saving in Wartime," *Bulletin No. 822*, U. S. Bureau of Labor Statistics.

Two Issues Marketed For Toledo Edison

First Boston—Blyth & Co. Head Syndicates

Two new issues of senior securities of the Toledo Edison Co., with an aggregate par value of $48,000,000 were offered to investors June 18 by underwriting managers as follows:

The First Boston Corp. headed a nationwide group of 60 investment banking firms which offered at 103.1647 $32,000,000 first mortgage bonds 2⅞% series due 1977. The issue was awarded to the group at competitive bidding on June 16 on a bid of 102.589.

Blyth & Co., Inc. headed a group of investment banking firms which is offered at 103.625 per share and accrued dividends, 160,000 shares of 4¼% cumulative preferred stock, $100 par value. The issue was awarded to the group at competitive bidding on June 16 on its bid of 101.19. Concession to selected dealers is $1.25 per share with 25 cents a share re-allowance to other NASD members.

The company will use the proceeds from the sale of the new bonds and the 160,000 shares of its 4¼% cumulative preferred stock to adjust its capitalization through the redemption of its presently outstanding bonds, debentures and preferred shares aggregating $53,836,000. A $4,500,000 bank loan from the Chase National Bank and a $5,000,000 cash contribution from its parent company, Cities Service Co., will be used by Toledo Edison to supply additional funds for the retirement of the securities.

Upon completion of the refinancing the company will have outstanding the $32,000,000 of 2⅞% bonds, the $4,500,000 bank loan, 160,000 shares of 4¼% cumulative preferred stock, and 2,775,000 shares of $5 par common stock.

L. B. Scranton With Newman, Brown Co.

NEW ORLEANS, LA. Lewis B. Scranton is now associated with Newman, Brown & Co., Inc., Hibernia Bank Building, as representative in South Louisiana. Mr. Scranton, a native of New Orleans, entered the investment banking business with the National City Company in 1921. He was later with Dillon, Reed & Company, and conducted his own investment business for many years. He served in World War I and again in World War II as a Lieutenant Colonel in the Air Corps and saw action in England, North Africa and Italy.

Los Angeles Bond Club Organized

LOS ANGELES, CALIF.—Organization of The Bond Club of Los Angeles was made public with the announcement of the issuance of a charter to the new group by the Secretary of State. Los Angeles has long been the only major city in the United States without such a club and its organization has come about as the result of a survey made last spring among local security dealers, which indicated virtually unanimous approval of the formation of such a group.

Carey S. Hill

Rudolph Eichler

Gerald Goodman

The purposes of the club, as set forth in its charter, are the promotion and maintenance of high standards and principles in the securities business and the encouragement of good fellowship and a spirit of cooperation among members.

Officers elected for the first year are as follows: President, Rudolph J. Eichler, Bateman, Eichler & Co.; Vice-President, Carey S. Hill, Hill, Richards & Co.; Secretary, Gerald M. Goodman, Lord, Abbett & Co.; and Treasurer, Benjamin A. Walter, Bingham, Walter & Hurry.

Members of the Board of Directors are: John E. Jardine, Sr., William Staats Co.; Robert H. Parsons, Pacific Company; Francis Moulton, R. H. Moulton & Company; Guy Witter, Dean Witter & Co.; and Willis H. Durst, Wagenseller & Durst, Inc.

"Invitations to membership in The Bond Club will be extended immediately to every registered security dealer and to the bond departments of commercial banks," Mr. Eichler said. "It is expected that the membership of the club will represent a cross section of the investment industry in the city of Los Angeles and will establish a closer personal relationship among those actively engaged in our business."

Two With Soden-Zahner

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—John F. Fogarty, Jr. and Joseph M. Luby have joined the staff of Soden-Zahner Co., Dwight Building.

Stewart, Scanlon Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Jack L. Block has been added to the staff of Stewart, Scanlon & Co., 220 Montgomery Street, members of the San Francisco Stock Exchange. He was previously with the First California Co.

We Must Fight for Freedom

(Continued from page 3)

the people . . . under these war powers, they have the authority to do what they have always dreamed of . . . to take complete control of the fortunes and the conduct of every citizen."

Unless the press exposes those who have been attempting to destroy our form of life for other "isms," if they fail to do so, they the press are in danger of their freedom. Little Hungary is now a land of Russia. Freedom of the press in that country no longer exists. It is now a government press. Our press should be on guard. It can happen here. But not, if the people are told how and why it can happen. The press should be feeding the people this type of news. Permit them to know the directions of world events and the dangers to their liberty right here in the U. S. A. It is—our Republic form of government or Communism. I repeat: **one of us is going to be strong. . . . not two of us. One will survive.** The first line of defense of our liberty and the front line of attack in defense of our liberty is the press of America. In no uncertain terms, the press should resume the responsibilities that were vested in it at the birth of liberty, the voice of we, the people.

When groups or individuals assault our system, the press should flank it with the truth. Once a week or more, run an editorial on your front page in defense of liberty, and in language we the people can understand. Show the trends, point out the dangers, state both sides, expose those who exercise free speech under the Bill of Rights to discredit the American system. Would it be news if their bills were paid by a foreign paymaster? Would it be news that if the foreign idea to take over is accomplished, you would not be a newspaper and we the people would be in a closed shop, the communistic closed shop? Then, what becomes of liberty and Freedom? If that is a fact, tell us, would that be news? So much for the press.

The Bar's Responsibility

The Bar Association also has a responsibility. Every man and woman practicing law took an oath to uphold and defend the Constitution "so help me God." If there has been any public protest respecting the whittling away of the rights of the people by the Bar Association, I have not heard of it. The lawyers and the Bar Association have put aside their oath of office for legal expediencies. If America loses its freedom, then the gentlemen of the Bar Association will not be practicing law. If you want to continue your legal activities, your obligation is to protect your right under the constitutional Bill of Rights to continue to practice law.

The businessmen of our country have the same responsibility. They are spending in national and local advertising over $2 billion reaching the consuming public to promote acceptance of their products. They fight like a pack of wildcats to protect their competitive positions while neglecting the very product which gives them the right to advertise and remain in business. That product is the Constitution and Bill of Rights **and that is the one product which must be re-sold to the American people.**

The existence of freedom can be held and secured by an aroused and informed public opinion. This can be accomplished only by the awakening as to the consequences of their loss of liberty. Abraham Lincoln summed it all up when he stated: "Public sentiment is everything. With public sentiment, nothing can fail. Without it, nothing can succeed." Consequently, he who molds public sentiment goes deeper than he who enacts statutes or pronounces decisions. He makes statutes and decisions possible, or impossible, to be executed.

This is a big undertaking at this present moment. Seeking courage, fortitude and self-sacrifice from the businessmen, from the Bar Association, from the Life Insurance companies who advertise security and longevity to sell their products and also the press is not an easy road to contentment. Those who are willing to carry the torch for freedom are far and few between. It is the obligation of we of this generation to keep open the road for the young, our children and posterity, which road today has been darkened by philosophies foreign to liberty. Our press, American business, Bar Association and life insurance companies, should be telling the people how and why this country grew from three cornered pants into the No. 1 world power, because we had a Constitution and Bill of Rights. This gave us liberty, freedom and enterprise. This developed the romance of American business, high wages and mass production. Mass production created high wages and less hours of work. But high wages and less work did not create mass production.

The Bill of Rights and You

What has the Bill of Rights done for you gentlemen here tonight? Without our Bill of Rights, I couldn't be talking to you and you couldn't be listening! We are what we are, whether it be doctor, lawyer, businessman, scientist, because our Bill of Rights permitted us to choose to climb the rungs of the ladder to success. Without that document, we would not have had such rights. Communism does not give the right to success, to ambition or the right to exercise our affairs within the framework of law and order. If we want to change this atmosphere, we must have a stomach for a fight and a combative instinct. Otherwise, the picture of America as we know it and see it is over.

To most people, our Constitution is an abstract document. Maybe it has ceased to be a human document, born of blood and tears. Unless the press, American business, and the Bar Association, do a good selling job on these two foundation stones of the American people, then our Republic will be out of business.

If only the press will re-sell the fact that our system is far from obsolete, decrepit and in need of replacement by a glorious Communistic State. If they would recite the fact that we are not a downtrodden, frustrated exploited people, not yet, but we could be. Those who are frustrated and downtrodden need our dollars because their system has failed to produce that which our system has produced. That is the great prize the Communist party wants to grab. Recite these truths and state them often; shout them out loud. The press, which stretches across our free land, can carry such messages. Otherwise, the future looks dark.

The Communists here have the right of free speech—so have the press—and we, the people, businessmen, life insurance activities, Bar Association, should exercise that God-given gift and do more shouting than those who would take from us our rights to conduct our affairs, own our own homes and live within the Constitution. Save our country? It can only be done by those, I repeat, who have a stomach for a fight and a combative instinct. It means just this: Americanism or Communism! That is the issue facing us.

These United States are confronted by the biggest problems history has revealed within its recorded past. If we discover a lasting solution, it will come from ordered thinking backed by courage by those who, I repeat, have a stomach for fight.

Expediency is a vicious task maker. What we pile up ahead always turns into a mortgage, falling due at the most inopportune time. The world has a cancer. That's the first thing to consider. It serves no purpose to direct our thinking to how nice it would be if the world didn't have a cancer. It has, that's a fact, not a theory. We ask for a remedy, not just to help the pain but to prevent recurrence. No palliative will suffice. It must be a cure or it will develop into a fatality later. The cancer centers wherever our mortal enemy Communism spreads its talons.

One of us, Communism or our Republic form of government, is going to be strong. Not two of us. One will survive. If ever a people were charged by Almighty God with the preservation of freedom on earth, that people is this generation.

We cannot buy with American dollars the cure for Communism. America did not buy with its dollars our freedom. If we could buy peace, it would be cheap. And we could forget the price, but money will not suffice, no matter how much there is. A dissipation of our national wealth will serve only the purpose of removing the one remaining strong hand in the world. That is the first thing, we should put it first. If the last few years have failed to convince us of the need of our fullest possible strength, then it would appear that nothing will ever convince us. That is unthinkable. We stand as a people consecrated to liberty. We oppose Communism. Let us not by incipient appeasement debilitate the very power we have to keep freedom.

"A task without vision is
drudgery . . .
A vision without task is
a dream . . .
A task with vision is victory."

Will the press, the Bar Association, the businessmen, the churches, accept this challenge to save our country with vision and make it your task?

Implications of Interest Rate Controls

(Continued from first page)

tinuously down at the short term end was almost an unknown phenomenon. Indeed, the National Bureau of Economic Research, in a detailed study of yields from 1900 to date, tells us that in only two years prior to 1930, in 1916 and again in 1925, was there a definite, though brief, tendency for short term rates to hold below long term rates. Mr. Aubrey Lanston of the First Boston Corporation says that January, 1930, marks the approximate date of change over to a convex curve. The question is, why has this very radical change taken place. In an attempt to answer this question, let me review the recent history of the yield curve.

It is always difficult to be sure of economic causes, but there have, it seems to me, been four periods since 1929 each one of which has been characterized by a different set of causal factors working on the yield curve, where each succeeding set of factors has been more artificial than its predecessor. I want to discuss these four periods and their causal factors in chronological order because they have, it seems, an important bearing on our present monetary situation, how it operates and how we should interpret it.

The first period included very roughly the years 1930-1931. A general easing of interest rates took place in those years, both under the influence of Federal Reserve Bank open market and rediscount policies, and because of a tendency for bank loans and bank deposits to decline under the impact of a general deterioration in business. Short term interest rates were the first to feel this easing and they felt it most. They fell somewhat below long terms in what presumably started out to be nothing but a perfectly understandable, normal and probably temporary movement.

The second period into which I am dividing the recent history of the yield curve includes the years 1932 and 1933. In this period the forces working on interest rates and on the curve began more clearly to reflect the powers of the monetary control authorities. But the measures adopted by these authorities were orthodox in that they were in line with current thinking on central bank policy; they were taken for the purpose of arresting the cycle of deflation, liquidation and bankruptcy which, if uncontrolled, appear to have no predetermined stopping place.

Effect of Open Market Operations

The particular measure to which I want to call attention was this: Immediately after the passage of the Glass-Steagall Law in February, 1932, the Federal Reserve Banks went in for what at that time seemed very heavy open market operations. Mainly in the second quarter of 1932, they purchased about $900 million of Government securities, and in the final three quarters of 1933, they purchased another $600 million They thus created sizable amounts of excess reserves. By September, 1932, total excess reserves exceeded total bills discounted, and you might say that the commercial banks, for the first time in the history of the Federal Reserve System, were, on a consolidated basis, out of debt to the Federal. That made money conditions very easy and brought short term interest rates to well below long term rates, and the yield curve began to assume something of its present appearance. However, no great assurance of permanence to this situation was given because excess reserves were still, at the end of 1933, well under $1 billion, and the open market operation was not necessarily a one way affair.

The third period into which the recent history of interest rates divides itself is the period 1934 to 1941, inclusive, when gold, both because of its revaluation and its physical inflow, became the dominant factor working on the monetary situation. I want to speak particularly about this period because the influence that gold, of recent years, has had on the yield curve has, it seems to me, been the most powerful and the most lasting, and because gold itself has been subject to highly arbitrary and artificial manipulation for the express purpose of restoring the 1926 price level—a dubious objective by dubious means.

Gold Price Manipulation

No doubt many of you read the dispatch to the "New York Times" last December in which the first details of the contents of Secretary Morgenthau's diary were made public. That dispatch dealt particularly with the gold buying program late in 1933 that constituted the transition from a price of $20.67 to a price of $35.00 for an ounce of gold. It seems almost unbelievable that matters of such world-wide importance should have been so carelessly determined. As Mr. Morgenthau wrote "if anybody ever knew how we really set the gold price through a combination of lucky numbers, etc., I think they would be really frightened."

Mr. Morgenthau's description of how the daily buying price for gold was increased from day to day may give us some insight into the reasoning or lack of reasoning behind the eventual price that was given to gold by Presidential proclamation. Certainly, so far as I know, that price of $35.00 has never been given statistical justification except that it was a nice round figure.

My economist friends will not like what I am now going to say about gold because it isn't very scholarly. But I am going to say it anyway because I think it gives a good non-technical idea of the fundamental importance that the price of gold plays in international gold movements.

If a man came down from Mars, without any predilection as to the country in which he should live, and carrying with him several thousand ounces of gold, he would be greatly interested in seeing in what country his gold would provide him with the best all around living arrangements. He would try to answer this question, first, in terms of the number of francs, rubles, pounds or dollars that he could get for one ounce of gold; second, in terms of the comforts of living that he could buy for his francs, rubles, pounds or dollars; third, in terms of the physical, social and political climate of the various countries; and, fourth, in terms of movement out of the country of his choice, into some other country, in case his first selection was wrong.

If the man from Mars had, from 1934 to 1941, been able to get only $20.67 for each ounce of his gold it may be that he would have decided that, all things considered, the United States offered him the best run for his money, anyway. We don't know about that. But when the United States suddenly increased the exchange value of gold from $20.67 to $35.00, then there was only one place for the inter-planetary traveller to go with his gold if he wanted real value then, and peace, safety and comfort in his old age; and that was to the United States. We do know about that, because, beginning with the new price in 1934 and ending with the inauguration of lend-lease in 1941, all the men from Mars of whom we have any record, together with a lot of people from this earth, brought gold to the United States and were pleased indeed to turn it over to the United States Treasury and to take advantage of the Treasury's arbitrary and very generous offer of 35 good American dollars for every ounce of gold turned over to it.

To me that unacademic discussion largely explains the movement of gold into the United States. Gold came in because, all things considered—exchange value, purchasing power, liquidity, and political and social security—the United States offered the best "deal" of any country on earth.

The movement was preceded, on February 1, 1934, by an arbitrary write up of the monetary value of our gold stock from a little over $4 billion to slightly under $7 billion. Then came the movement itself; it further increased the monetary value of our gold stock from almost $7 billion in February, 1934, to almost $23 billion near the end of 1941. And this movement took place, don't forget, because Americans and foreigners, and maybe some Martians too, for all I know, practically tumbled over themselves in their desire to turn in their gold at the rate of one ounce for the physical comforts and the safety, peace and security purchasable in this country for $35.00.

Gold Accumulation and Excess Reserves

But the movement of gold into our monetary system was by all odds the chief factor which, from early in 1934 to 1941, built excess reserves up from under $1 billion to almost $7 billion. And it was this unbelievably huge volume of excess reserves, in turn, which put the commercial banks under heavy pressure to acquire income producing assets, particularly short terms, at higher and higher prices and lower and lower yields and which, by 1941, had securely established the yield curve in about its present form, with the short term end close to zero and with the long term end close to 2½%.

If the cause and effect relationship that I have just described is a correct one, then we can say that the yield curve that existed in 1941 was largely attributable to the fact that gold had been arbitrarily revalued at $35.00. The point that I want to make is that when this country began to fight the second World War, the existing interest rate structure was a legacy of depression economy and of monetary action that had been taken some seven or eight years earlier in a futile attempt to cure the depression.

That brings me to the fourth period in this history of the yield curve—a period that covers approximately the full calendar years of 1942 to 1945, inclusive. Early in 1942, the monetary control authorities, not wanting to do anything, so to speak, to rock the boat, decided to fight the war and to finance it on approximately the pattern of interest rates that then existed. However, by that time, gold had stopped coming into our monetary system; currency was expanding; excess reserves were tending to be rapidly eliminated; and it was obvious that, if the then existing yield curve was to be maintained, strong measures, possibly of a highly artificial nature, would have to be resorted to.

The chief measure that the monetary control authorities adopted was the pegging of the Treasury bill rate at ⅜% early in 1942, and later, of the certificate rate at ⅞%. In themselves these pegs might, at first plance, seem of no more importance than any other attempts at price control. But when you think how such pegs are maintained, you can immediately realize that they have effects which greatly transcend in importance the mere fixing of a price.

Pegging the Bill Rate

The way that the Federal Reserve Banks peg the interest rate of a certain security is to stand ready to buy all of that security that is offered at the interest rate in question. That means, in plainest terms, that the peg, provided it is seriously and determinedly maintained, constitutes an abdication by the Federal Reserve Banks of quantitative control over the money market in favor of the maintenance of pegged interest rates. For under the conditions of these pegs, the commercial banks know that they can sell all their holdings of the pegged securities to the Federal, they know that as long as they own the pegged securities they can never be caught short of reserves, and they feel therefore that they can go about their business of expanding their own credit and of acquiring income producing assets almost without regard to the restriction of reserve requirements or to a lack of excess reserves.

The pegging device proved to be strong medicine. It was so strong, in fact, that even under the impact of the Treasury's wartime borrowing of as much as $70 billion in a twelve-month period, on the one hand, and the elimination of most of the excess reserves, on the other hand, interest rates did not rise during the war except, of course, that short term rates moved up fractionally to the ⅜-⅞% level of the pegs. If anything, I think one would probably say that the overall tendency during this fourth period, the war-borrowing period, was for interest rates to sag rather than to rise.

This was a most remarkable achievement. During the war, and particularly since the end of the war, we have heard many criticisms of the financing methods that were used—the pegs that were established, the type of bonds that were sold, the taxes that were levied. Just how justified these criticisms were we will probably never be able to decide, and it is not my purpose to discuss them now. The fact of the matter is that the monetary control authorities were faced with the greatest financing problem of all history. They accepted the challenge; they supplied the money; the country won the war. I think we can all say, well done!

Postwar Continuation of Pegged Rates

However, with the final War Loan Drive of December, 1945, the financial emergency incident to conducting a great war was over. Logically, we should have entered a fifth period in the recent casual history of the yield curve. For, with the termination of the war emergency, there are at least two reasons why you would have thought that the monetary control authorities would be quick to scrap the pegging device and to allow interest rates more nearly to reflect the relationship between the supply of and the demand for credit.

First: The pegging of the yield curve was a wartime device, and as early as Aug. 18, 1945, President Truman had indicated that, to the extent possible without endangering the stability of the economy, he favored the removal of price, wage, production and other controls and the restoration of collective bargaining and the free market.

Second: As I have just pointed out, the curve itself is abnormal and the pegs with which it is maintained constitute one of those tremendously powerful and arbitrary devices which in this country we think of as desirable, if ever, only in time of war. As a matter of fact, the very effectiveness of the device during the war years, when borrowings were so excessive, indicated that this particular control should be carefully re-examined before it was applied to the more moderate financial requirements of peace.

Up to the present time, however, the monetary control authorities have not scrapped the wartime device of pegging the yield curve. And interest rates continue in a pattern that was conceived in depression, accepted as a matter of wartime expediency and carried over into the boom conditions of postwar.

Unfavorable Consequences

Now let me discuss what, as I see it, are the unfavorable consequences of the pegs and of the pattern of interest rates (the yield curve) that is maintained by them. Perhaps the best way to see how the yield curve works is for us to think of how a banker tends to react when he is given a permanent bid for a one-year obligation at ⅞% when other obligations of the same credit rating and of a little longer maturity are available at a slightly higher yield. His tendency first is, within the limits of a properly balanced portfolio, to reach out and acquire some of the higher yielding obligations and then, as and if he needs funds, to sell the ⅞% obligation against the permanent offer that he has already received. But the reaching out for the acquisition of the slightly longer term credit instrument has two very important effects: First, it constitutes an addition to the total volume of bank credit and hence of the money supply. This is because the sale of ⅞% security to the Federal does not eliminate this short-term security from the monetary and banking system: It merely shifts it from one part of the system to another. Second, the acquisition of the longer term, higher yielding obligation tends to raise the price and lower the yield of that obligation.

During the war these two effects were not without their advantages. The government had to borrow simply staggering amounts of money, and it was almost unthinkable that these amounts could be borrowed entirely out of the savings of individuals and corporations. Or, at least it was almost a foregone conclusion that if they had been so borrowed in a reasonably free market, interest rates would have risen substantially. Hence there may have been merit in having a wartime control device which put so much pressure on commercial banks to expand credit that they took up the excess of the government's borrowings over and above what could be readily sold to individuals, institutions and corporations. There may have been merit, too, in having this wartime control device react so strongly upon bank credit expansion and thence upon interest rates that the yield curve tended to remain fixed or perhaps to sag a little rather than to move dramatically upward as it otherwise might have done.

I said above that there may have been merit in the two effects that I have just been discussing because there are many thoughtful people who feel that these effects, even under the stress of war, were achieved at too great a cost. Largely because of the monetary and banking system's acquisition of government securities, the public's money supply increased during the war from $64 billion at the end of 1941 to $132 billion at the end of 1945. This increase in the money supply is rather generally considered to have exercised a dominant influence in bringing about the war and postwar inflation of living costs and in increasing, therefore, the costs of the government's wartime as well as peacetime operations. Under the circumstances, there is some reason to believe that the twofold effect of financing the war partly by bank credit and of simultaneously keeping interest rates down was achieved at too great a sacrifice, and that the control device which caused this twofold effect was too powerful. That we will probably never know, although the fact that the Treasury found it necessary to restrain the commercial banks' appetite for credit expansion by issuing over $50 billion of bank restricted bonds is certainly a straw blowing in that direction.

Too Strong a Peacetime Device

What we do know is that for peacetime, the pegging device, together with its resulting yield curve, is altogether too strong. It continues gradually and irregularly to push the commercial banks towards an over-expansion of their credit. And it continues gradually and irregularly to press downward on interest rates. Of course, it is hard, if not impossible, to prove these statements statistically. I think, however, that all of you who are following monetary developments and are concerned with investment problems will probably recognize the truth of what I say. In any case, here are a few indications that the pressures set up by the pegging of the yield curve are in fact too strong for peacetime use.

In the first place, the device was so powerful that it almost completely neutralized the effect on short-term interest rates of having the Treasury, in 1946, redeem for cash over $4 billion of government securities, other than bills, from the portfolios of the Federal Reserve Banks. Such taking of securities out of these portfolios would, of course, have brought about a forced reduction of Federal Reserve Bank credit had it not been for the offsetting effect of purchases by these banks. As it was, the necessary purchase took place, apparently, almost automatically through the powerful operation of the pegs at the short end of the yield curve, and the Treasury's redemption pressure exercised very little upward pressure on interest rates. In fact, one would almost conclude that about the only constructive effect of the Treasury's rapid redemptions was to prevent the pegging device from making interest rates go as low as they otherwise might have gone.

Here is a second indication of the strength of the pegging device. At the end of 1945, it was very generally supposed that the public's money supply, the sum of currency and commercial bank deposits owned by the public, was excessive. And in January 1946 President Truman, in his message to Congress, said that our chief worry was still inflation. However, so little quantitative control over credit did the monetary control authorities exercise that the public's money supply actually increased during 1946 by $12 billion to the huge total of $144 billion on Dec. 31, last.

No Check on Inflation

With the public's money supply expanding as rapidly as $12 billion in a year, it is small wonder that inflation, in 1946, continued unchecked. Furthermore, with public debt being redeemed by the government and with private debt being monetized by the monetary and banking system, it is small wonder that investors other than banks experienced renewed difficulty, during 1946, in investing their funds at satisfactory yields.

Let me give you one more indication that the pressure set up by the pegging of the yield curve are too strong for peacetime use. In its Annual Report for 1945 the Federal Reserve Board recommended that three additional powers of a very broad nature be given to it whose objective was to provide tighter quantitative control over commercial bank credit. It was my own feeling, very generally shared, I think, by other commentators on the subject, that none of these powers would be necessary if only the Federal would regain quantitative control over the money market by eliminating its pegged buying rates.

The thought that I get from a consideration of this whole subject is that we have adopted and are still clinging to an artificial and a dangerous yield curve. As yet there are no definite indications that we propose to give up either the curve or the wartime control device by which the curve has been preserved. There has, of course, been much talk about unpegging the bill rate which has been at ⅜% for over five years, and there has been some talk about raising the certificate rate a little. As yet, however, the monetary control authorities have always shied away from taking the actual plunge. I myself feel that unpegging the bill rate and allowing it to move upward to the certificate rate would make no real change in the underlying pressures that I have been discussing, although, of course, it would make a change in some of the day-to-day operations both of the commercial banks and of the Federal Reserve banks.

The reason why an unpegging of the bill rate would not be an important step is because most of the bills are held by the Federal Reserve banks anyway, and the bill rate, at about ⅜ of 1% for any of the 13 maturities, seems to be out of line with other rates and certainly does not form a part of the yield curve. Furthermore, the unpegging of the bill rate would still leave the certificate rate pegged at ⅞% with the commercial banks still owning enough certificates to give them a lot of room for credit expansion on the basis of the sale of additional certificates to the Federal.

What we need is a step of a more fundamental nature than merely raising the bill rate, although that might perhaps be a first and preliminary step. What we need is to unpeg the certificate rates. For with that step, quantitative control over credit, rather than the maintenance of an arbitrary ⅞% short-term interest rate, could again become the chief criterion of Federal Reserve Bank open-market operations.

Conclusions

This talk has already been too long. But because of the importance of this subject, and because you have asked me to come here to give you my opinions, I should like, before I close, to take the time that is necessary to give you the conclusions that I myself draw from this discussion.

I think we should unpeg the short-term end of the yield curve and re-establish quantitative control by the Federal Reserve banks over the money market. Quite obviously, because of the magnitude and importance of the forces with which we are dealing, that process would necessarily be slow and might, for a long time, be expressed in terms of policy rather than in terms of important changes in interest rates.

If we do not unpeg the short-term end of the yield curve, then I believe the results will be a continuation of trends that we have already witnessed. These are:

(1) A broad, long-range tendency for bank credit and the money supply to expand out of proportion to the country's needs, and, therefore, for the value of money to be slowly diluted.

(2) A broad, long-range tendency for the whole yield curve to sag, with both intermediate and long-term interest rates tending very slowly and irregularly to move in the direction of the short-term rate.

I think that both these results are undesirable. For one thing, they exercise a two-way squeeze on what I think is the backbone of American democracy—laborers and white-collar workers of moderate incomes who have enough faith in themselves and their country to put aside some of their earnings into government bonds, other investments, banks and life insurance. A second point is that this same two-way squeeze also applies to all of our endowed institutions — hospitals, churches, schools and colleges, and makes them less able to render public service and more in need of government help.

Finally, I find it impossible to believe that our economic goal of full production and a rising standard of living is well served by having a financial system that tends to discourage thrift and the savings that result from it. It is savings and the physical wealth into which they are translated that have given us our productive capacity and our high standard of living. I say that we should do everything we can to encourage them, and we should avoid devices that discourage them.

McMannus & Mackey Admit

Frank A. Shea, Jr., member of the New York Stock Exchange, will be admitted to partnership in the Exchange firm of McMannus & Mackey, 1 Wall Street, New York City, on July 1st.

Is There Really "Too Much Money"?

(Continued from page 2)
is in the administration of the Federal Reserve System today.

(6) This matter is of so much importance to all citizens that the time has come for a re-examination of the whole working of our Federal Reserve System by a monetary commission or some similar committee, created by the Congress to do the same sort of job as was done by the National Monetary Commission which evolved the Federal Reserve System in 1913.

I don't believe I have done violence to Mr. Parkinson's views—certainly not consciously—and I think his bill of particulars reads very well as I have set it down. Why, then, do I take up your time and my own in going over the same ground? Only because there were certain simplifications in his remarks which seemed to me to be obscure rather than to clarify, because there were certain inferences or implications which I cannot accept, because I do not agree with part of his solution of our immediate problem, and because I think it important that these matters be clearly understood by the business community.

I have another reason, also. It seems to me that it is time that we neighbors of Liberty Street were getting a little better acquained. A few weeks ago I read in the paper that the Chamber had declared that Regulation W. which relates to consumer credit, had outlived its usefulness and should be eliminated. The Federal Reserve System, including the Federal Reserve Bank of New York, administers Regulation W and yet, so far as I know, no one from the Chamber talked with us about the regulation and heard our point of view. At about the same time, I read that a committee of the Chamber is considering the question of a return to the gold standard. That is a pretty complex question and we central bankers have given it quite a bit of attention—it might be useful to consult us as well as the gold miners. I am moved to suggest that if your committees which are concerned with monetary and credit problems care to talk with us at any time, they will find good neighbors at 33 Liberty Street.

An Overgrown Money Supply

Now let me address myself to to the points of Mr. Parkinson's indictment of present monetary and credit policy. I share fully his concern about our overgrown money supply. It is an actual and a potential menace. Despite the possibility of a decline, or a recession, or a mild readjustment in business this year we still have an explosive situation on our hands. The public's holdings of money—currency and deposits—are at the highest point on record in relation to the gross national product, and the velocity of these funds is still low. It may well be that we haven't yet seen the last of the monetary consequences of the war. This swollen money supply did not come into existence, however, solely or even primarily because of the failures of particular men in particular positions of responsibility during the war years. Expansion of the money supply, given our kind of economic system, is an inevitable result of war. No country, and certainly not ours, was ready, willing, and able to finance its recent war expenditures without an increase in the money supply—without some borrowing from the banks. Despite increases in tax rates which seemed pretty burdensome, only a little more than 40% of our Government's wartime expenditures was met out of tax revenues. Of the remaining 60%, borrowings from non-bank investors accounted for 32%, and borrowing from banks, including savings banks, to 28%. Maybe we could have increased taxes further, but there comes a point where you run the risk of gross inequities and impaired productive effort. Probably we should have sold more Government securities to non-bank investors; certainly some aspects of war-drive financing contributed to the large bank purchases of Government securities. But within the realm of practical possibilities, the overall picture at the end of the war wouldn't have been greatly different. If you want to place the primary blame for our now having "too much money," place it on war. If you want to be sure it will never happen again, abolish war.

The Inflationary Influence

It is also true that this great volume of money—of purchasing power—is an important inflationary influence in our economic situation. But the relationship between the quantity of money and prices is not so direct and causal as is often implied. The volume of production of goods and services and the velocity of money are important parts of the equation. If the volume of money unrestrainedly expressed itself in terms of a static volume of production, we should indeed be in a mess. But the expansion of output was the outstanding economic feature of the war, and the view is widely held among students of money, in other countries as well as ours, that the wartime monetary expansion was an essential contributing factor in the expansion of production. For our present relative well-being, we must give credit also to the horse sense of that part of the American public which has preferred, in some measure, to maintain idle balances rather than to engage in a spending spree which could only bid up prices. We must hope that this good sense will continue to prevail until rising peacetime production — rising production per unit of capital equipment and per manhour—comes to help redress the balance and to begin to offset our swollen money supply.

Recent Happenings

I have already indicated the extent of my agreement with Mr. Parkinson's statement, in so far as it relates to the war period, that the principal reason for our excessive money supply has been commercial bank buying of Government securities. It remains for me to take up what has been happening since. There was a further increase in the total of currency outstanding and of bank deposits belonging to the public during 1946, although the rate of increase was considerably below that of the war years. The significant fact is, however, that this postwar increase was not due to bank buying of Government securities. During the first months of 1946 there was, to be sure, a further "monetization" of the public debt through bank purchases of Government securities from non-bank investors. For the year as a whole, however, such transactions had little net effect on the money supply. Bank purchases of Treasury bonds were offset by sales of short-term securities by the banks to non-bank investors. The principal factor in the growth of the money supply during the past year was the rapid increase in bank loans other than loans on securities. Business loans increased by an amount greater than in any previous year, and there were also substantial increases in consumer loans and loans on real estate. In so far as these loans were necessary to finance expansion of peacetime production, which is essential to a better balance between the supply of and demand for goods, they were desirable, even though they did result in a further increase in the money supply.

It might be argued, however, that the increase in the money supply due to business and commercial lending in 1946 could have been offset, or more than offset, if we were really intent on avoiding the inflationary effects of an excessive money supply inherited from our war financing. That would encompass Mr. Parkinson's next point—the necessity for reducing or at least preventing a further increase in the money supply. To accomplish this, two methods were suggested: (1) achieving a surplus in the Federal budget and paying off debt; (2) refinancing bank-held debt with longer term bonds and a higher coupon attractive to permanent non-bank investors.

Heading Off Inflation

In effect, that is just what was done, so that evidently it is the speed of the operation or the method of its accomplishment which is called into question. I think that most of us realized that the first problem of monetary and credit policy in 1946 was to try to keep the enormous supply of purchasing power, which had been created during the war, from increasing further in undesirable ways which would accentuate inflationary pressures. During the year three restraints were put upon the banks by means of credit policy, debt management, and talk—what has been referred to as an open mouth operation as distinguished from an open market operation. In April and May the Federal Reserve Banks eliminated the preferential discount rate of ½ of 1% on borrowing collateraled by Government securities maturing within one year, so that all borrowing thereafter was at the regular discount rate of 1%. That was a small move in itself, but larger in its implications. It carried the very important implication that the pressure for easier credit and lower interest rates was off. We were left, however, with a commitment to support the ⅞% rate on certificates of indebtedness, which tied our hands with respect to any increase in short-term interest rates and, more important, left the availability of Federal Reserve credit largely to be determined by our member banks. Despite this handicap, the volume of Federal Reserve credit outstanding was reduced by approximately $1 billion during the year—the principal offset being a decline of $900 million in the excess reserves of member banks.

The admitted gap in our defenses was partially plugged by debt management. During the last ten months of 1946 and the first five months of 1947, the Treasury redeemed a substantial amount ($29.9 billion) of its outstanding market securities, first out of balances accumulated during the Victory Loan in December, 1945 and, this year out of budget surpluses. The debt retirement program exerted recurrent pressure on the reserve positions of members banks, as it involved the withdrawal of funds from these banks to redeem securities held by the Federal Reserve Banks. These periodic squeezes on the reserve positions of member banks tended to limit their ability or, rather, restrain their eagerness, to make further purchases of Government securities or to extend credit in other ways. Even such a program can be overdone, however. I should not want to continue a program involving net cash receipts, by the Treasury, at the rate of $6 billion each three months, as was the case during the first quarter of 1947—that is too brisk a deflationary pace. But there is, of course, no prospect that the Treasury will continue to have net cash receipts of this magnitude, so that we probably need not worry about excessive deflationary pressure from this source.

In the field of debt management there remains the question of the refinancing of bank-held debt with longer term bonds and a higher coupon attractive to permanent non-bank investors. I think it is too often overlooked that the retirement of bank-held Government debt during 1946 was an operation of this sort. This is not surprising since the cart seemed to be pulling the horse. The fact is, of course, that the Treasury overborrowed very heavily in the Victory Loan drive of December, 1945, and that most of the overborrowing was represented by sales of 2½% long-term bonds to insurance companies and other non-bank investors. As Government receipts and expenditures came more nearly into balance, these superfluous funds were used during 1946 to pay off short-term debt, mostly held by the banking system. This was a refunding operation in reverse.

Higher Debt-Carryover Cost

Since further replacement of maturing debt with long rather than short-term issues will result in a higher cost of carrying the debt, such a program must be tested against broad objectives of credit and debt management policy. I think the proposal can meet this test, but care must be taken that we do not merely provide a "safe haven" for institutional and savings funds which should be placed in private investment; that we do not recreate the "rollover racket," and that we do not upset the balance in the market for existing long-term Government obligations. These caveats suggest, first, that the issue should not be too attractive; that business and mortgage borrowers should have first call on our savings for investment. They suggest, second, that the new issue should not be a fully marketable issue, and that it should not encourage sales of outstanding issues, in order to obtain funds for its purchase. That sort of rollover was one of the headaches of the war loan drives, and one of the reasons that too many Government securities went into the banking system. Institutional and other investors, in order to pad their subscriptions and to make a profit, sold large amounts of outstanding issues, at a premium, to the banks and subscribed for new issues of long-term securities in amounts in excess of their currently accumulating cash. The result was, and could easily be again, increased rather than reduced monetization of the public debt. Finally, these caveats suggest that to breach the 2½% rate on long-term Government securities, except in the case of a bond of the type of Series E, would have results in terms of prices of outstanding obligations which we have no reason to precipitate, and which private investors, or investing institutions should have no reason to desire.

Defrosting Short-Term Rates

Finally, in our battle to hold down the supply of money, there was the third restraint I mentioned earlier—talk—talk about possible changes in policy which would lead to the defrosting of frozen short-term interest rates on Government securities which would, in turn, narrow the spread in rates between short and long-term securities, and reintroduce some element of uncertainty into the interest rate picture. I think this discussion of the problem had a salutary effect, largely because the action proposed seemed logical and desirable to the business and banking community, and because the discussion gave evidence that the monetary authorities were thinking in terms of shifting the emphasis from maintaining a wartime pattern of rates to preventing an unnecessary expansion of bank credit. The continuance of the debt retirement program, out of net cash receipts of the Treasury, during recent months, and changes in the immediate business outlook, have made action on this front less urgent, but meanwhile steps have been taken to clear the ground for action when the time comes. It would be unprecedented if, after the tremendous dislocations of the war and immediate postwar period, some readjustment in our economy were not necessary to provide a firm basis for an extended period of high level production and employment. It is unlikely that this adjustment can be achieved without temporary curtailment of business activity, and some loss of employment and income in some occupations. I would not want monetary policy or action to accentuate these deflationary tendencies, because while they should be temporary and mild, the increased rigidities in our economic system do enhance the danger of a recession feeding on itself.

Treasury Dominance

Up to now, I have tried to tell you what we in the Federal Reserve System have been doing, in cooperation with the Treasury, to discharge our responsibilities in these postwar months. We have not done all I should like to have done, and we have done some things I would not have done, but I submit that we have done something even though it has not been as "astute, skillful, patriotic and far-seeing" as Mr. Parkinson might have wished. He goes on to say that our failures arise from the fact that we have fallen under the control of the Treasury. That is an opinion that is quite widely held, I know, and to a certain extent it is true. Indeed, properly stated and understood, to a certain extent it should and must be true. But it carries a false connotation — a connotation that the Federal Reserve System has become a sort of bureau of the Treasury without will or purpose of its own. That is not true. The Federal Reserve System develops its own independent views about credit policy, advocates them strongly, and carries some of them through independently, but the fact is that you cannot now discuss credit policy without discussing debt management. That is one of the major facts of our economy growing largely out of the financing of the war. With an interest-bearing Federal debt of approximately $250 billion, with the gross service on that debt totaling $5 billion, or around one-seventh of the Federal budget (more or less), and with commercial banks of the country holding about $68 billion, or 40% of the $170 billion of marketable United States Government securities outstanding, you cannot get very far away from debt management in considering credit policy. It isn't a question of abject subservience of the central banks to the Treasury—it is part of the economic landscape. What it should mean is that the Treasury and the central banking system have to work together on this problem, with due regard for one another's powers and responsibilities. This has been difficult, at times, but it is not impossible; in my judgment, the difficulties at present are being overcome.

I hope I have made it clear that the questions which were raised by Mr. Parkinson about credit policy and debt management are precisely the questions which have demanded and received the attention of the Treasury and the Federal Reserve System, and I think I have made it clear that we have been moving in the direction in which he would have us go. Evidently, in his view, we have not moved far enough nor fast enough. That is a matter of opinion and judgment. I can only say that his mood might be less uncompromising if he were charged with the fateful decision of determining how much of a decrease in the money supply is compatible with continued high production and high employment, how rapidly it should be attempted, and how it can best be brought about.

These questions, which face us here and now, cannot be solved by the appointment of a national monetary commission such as preceded the establishment of the Federal Reserve System in 1913. That commission took four years to complete its job. Yet I would agree that it is time for a similarly conceived study of the organization and operations of the Federal Reserve System, and of our whole credit mechanism and Government lending machinery. Probably because of the intrusion of two world wars, we have gone too long without a thorough and objective study of our central banking system, and its relations to Government agencies and private business. Amendments to the original law, sweeping as some of them have been, have not represented an overall appraisal of performance in the light of original conceptions and subsequent developments. It is time we had a new statement from the people, through the Congress, of our responsibilities and of our powers.

And now, having taken up a good deal of your time, I should like to try to bring my remarks into focus. I would not want you to gain the impression that I think monetary and credit policy is controlling in our economic affairs, nor that monetary and credit policy combined with debt management and fiscal policy have given us the power to control economic fluctuations. These weapons can be used for good or ill, but they are at best only part of a well-rounded economic policy. Nor can we find domestic shelter, by whatever policies, in a world swept by unrest and hunger. Repair of the political, social and economic dislocations of war proceeds with maddening slowness. The burdens we must bear are larger and will have to be borne longer than the more sanguine among us anticipated. These matters impinge upon our domestic economy with brutal force, and knock awry the little adjustments we may make in interest rates or in our management of the public debt. It is high time that we again took stock of the world situation and of our position in it, for admittedly the schedules originally set down for the postwar period are not being met. It is reassuring to know that the Government has taken cognizance of this problem, and that the Secretary of State has called for a world-wide survey of economic conditions to determine what are the present demands upon the United States for reconstruction aid. In the light of that survey we shall have to determine how those demands can best be met, and what will be the repercussions in our domestic situation. One thing seems obvious—we cannot be effective everywhere, in the same strength, at the same time. We must decide what are our major objectives and what are minor objectives. We must clear our minds of slogans and redefine our purpose in fighting the war. I think the kernel of the answer can be found in the words of Professor Robert Warren of Princeton, when he said a year and a half ago that the war was primarily a war for the salvation of European integrity, and that until European integrity has been restored and the continued existence of European culture and civilization has been assured, the war is not over. This overriding task to which we put our hand, and to which we sacrificed hundreds of thousands of lives and billions of dollars, cannot now be approached in a niggling spirit. Great generosity and great sacrifice still lie ahead.

Bruen and Dunn to Be W. B. Hibbs Co. Partners

WASHINGTON, D. C.—W. B. Hibbs & Co., 725 15th Street, N. W., members of the New York and Washington Stock Exchanges and other Exchanges, will admit James A. Bruen and John J. Dunn to partnership on July 1st.

Federal Reserve Board Out of Bounds Again

(Continued from page 2)

notes, under Section 16 of the Federal Reserve Act, was to enable the Board to exercise some restrictive power, in this form, over the volume of Federal Reserve notes being issued, to aid in forcing their retirement, and to exert some pressure on the volume of reserves held against these notes. The rate of interest (tax), according to the law, is to be levied "on only the amount of such notes which equals the total amount of its outstanding notes less the amount of gold certificates held by the Federal Reserve agent as collateral security." (Sec. 16.)

This author has never seen any evidence that the provisions of Section 16 were to serve any other purpose. The fact that the "interest charge" was to be levied only against the amount of Reserve notes outstanding to the extent that they are not covered by gold certificates should reveal reasonably well the intent of Congress in this matter.

Had Congress intended to place in the hands of the Reserve Board authority to use Section 16 to pay any percentage of earnings of the Reserve banks to the Treasury that the Reserve Board might decide upon, there is no good reason to suppose that Congress would not have written such authority into the Federal Reserve Act. It would have been pointless to confine the "interest charge" to that part of the Federal Reserve notes, not covered by gold certificates, if Congress had intended to give the Reserve Board authority to fix a tax rate high enough to dispose of 90% of the net earnings of the Reserve banks. A simpler procedure would have been to authorize the "interest charge" on the total notes outstanding. It would have been even simpler to specify that the Reserve Board had the authority to pay into the Treasury any percentage of the net earnings of the Reserve banks.

The fact that Congress has at times specified by legislation the portion of the net earnings of the Reserve banks that was to be paid into the Treasury, without any reference to the provisions of Section 16, should be further and conclusive proof as to the intent of Congress and of the fact that the Reserve Board is out of bounds legally and has again decided to distort the clear meaning of the Federal Reserve Act to accomplish a purpose not authorized in law.

If one needed any further evidence on this matter the official statements of the Reserve Board provide it. For example, "A Memorandum by Counsel of the Federal Reserve Board" to Paul M. Warburg, of the Board, Oct. 15, 1915, says in part that "the obvious intent of Congress [in respect to interest charges on Federal Reserve notes in Section 16 was] to enable the Federal Reserve Board to control and to enable the Board to adapt not only rediscount rates but also the volume of Federal Reserve notes to the varying needs of different sections of the country. There would not seem to be a more effective way of checking an undesirable inflation of credits than to enable the Board to impose different rates of interest on the various issues of Federal Reserve notes. The paragraph quoted above [from Section 16 relating to interest on Federal Reserve notes] clearly authorizes the Board to control not only the issue of notes to a particular bank but also to fix or determine the pressure to be put upon any particular bank to retire such notes when issued." (Reproduced in Henry Parker Willis', "The Federal Reserve System," The Ronald Press Co., New York, 1923, pp. 883-884.)

The "Digest of Rulings of the Board of Governors of the Federal Reserve System to Oct. 1, 1937," says, p. 183: **"Tax on notes in form of interest charges—** One of the primary purposes of this provision is to enable the Board to control the volume of the notes placed in circulation."

Weakness of Board's Position

The statements of the present Reserve Board in describing this current transaction reveal in large degree the weakness of the Board's position. Although the Board insists that it is exercising authority granted it under Section 16 of the Federal Reserve Act, it does not demonstrate that it is levying this so-called rate of interest in accordance with the intent of that Act. After pointing out in its release of April 23, 1947, that the surplus of the Reserve banks at the end of 1946 was equal to their subscribed capital, the Board said that it "has now decided to establish such rates of interest as will make it possible to transmit to the Treasury approximately 90% of the net earnings after dividends of each of the Federal Reserve Banks for 1947." It says specifically that "The purpose of this interest charge is to pay into the Treasury approximately 90% of the net earnings of the Federal Reserve Banks for 1947."

The Board's own argument in its release makes it quite clear that it is acting in the absence of statutory authority repealed in 1933 under which the Reserve banks were "required to pay a franchise tax to the government equal to 90% of its earnings after it had accumulated a surplus equal to its subscribed capital." But inasmuch as Congress has not so legislated since, the Board decided, so it points out, to restore the terms of the law repealed in 1933. In other words, it decided to do the legislating itself. It says that since earnings are now relatively large "the Board concluded that it would be appropriate for the Reserve banks to pay to the Treasury the bulk of their net earnings after providing for necessary expenses and the statutory dividend." (A copy of release Z-2040, dated April 23, may be found in "Federal Bank Service" Prentice-Hall, Inc., New York, Vol. II, "Current Matter," pp. 25,589-25,590. It is also in the "Federal Reserve Bulletin" of May, but there it bears the date of April 24.)

The Board says further in its statement of April 23 or 24: "In effect, this will involve paying currently to the Treasury funds which *under existing law* [italics by this author], would otherwise come to it only in the event of liquidation of the Federal Reserve Banks."

No Right to Alter Provisions of the Law

If existing law provides in a specific manner for the disposal of the earnings of the Reserve banks, as the Board by its statement indicates it understands, the question arises as to why the Board thinks it has the right to alter the provisions of the law.

It seems quite clear that if the Reserve Board can decide to distribute the earnings of the Reserve banks to the Treasury in accordance with any notions it may have—for example, 90, 80, or 50%—it could distribute the earnings in some other manner. The fact that Congress levied a franchise tax of 90% on net earnings at one time does not mean that the Board is justified now, in the absence of statutory authority and contrary to a law passed by Congress, to exact 90% of the net earnings and turn this amount over to the Treasury.

The Federal Reserve banks are owned by the member banks of this country, and it is Congress, not the Reserve Board, that has the authority to determine how their earnings shall be distributed. Congress might very well have decided to declare an extra dividend for the member banks—the owners of these Reserve banks.

Not First Violation

This step taken by the Board recalls that Board's violation of the Federal Reserve Act in December, 1942, in connection with the Treasury's unauthorized issuance of "National Currency" notes. At that time the Treasury and Reserve Board, by a manipulation, involving a so-called "retirement" before "issuance," entered into an agreement under which the Treasury began to pump $660,000,000 of "National Currency" notes into circulation through the Federal Reserve banks. These partially-printed notes, intended to be Federal Reserve bank notes and issuable only by the Reserve banks as their liabilities, were, by a sleight-of-hand performance, put out by the Treasury as its liabilities and received by the Reserve banks as reserve assets rather than as their liabilities. This was outright fiat money and the procedure followed was not authorized in any law. The Treasury improperly and illegally received a deposit on the books of the Reserve banks for the $660,000,000 of Federal Reserve bank or "National Currency" notes turned over to the Reserve banks. These banks improperly and illegally added $660,000,000 of fiat paper money to their reserves.

A particularly noteworthy aspect of the Board's manipulation of December, 1942, is this: Had those notes been issued in accordance with the law, they would have borne a tax. But that legally-required tax was set aside by the Reserve Board in cooperation with the Treasury.

In short, that episode of December, 1942, and the present levy on Federal Reserve notes provide this picture: The Reserve Board in 1942 set aside a tax required by Congress, and in 1947 it levied a tax to accomplish a purpose not authorized in the Reserve Act and one that involves a matter falling solely within the jurisdiction and responsibility of Congress.

One of the outstanding characteristics of the Board's statements of April 23-24, 1947, is the large porportion of irrelevancies incorporated in it. For example, the Board points out that "As a result of operations essential to government financing . . . earnings of the 12 Federal Reserve Banks have been at relatively high levels." This does not justify the step taken by the Board.

The Board also reviews at some length the "so-called franchise tax provisions of the law which had a similar effect," as related to the action now taken by the Board. It points out what the law was in respect to the disposal of Reserve bank earnings before the so-called franchise tax law was repealed in 1933, and discusses the subsequent treatment of earnings and surplus under existing law. After stating what the law is—specifically, that all earnings above expenses and dividends are to be paid into the surpluses of the Reserve Banks—the Board then says: "Under the circumstances the Board concluded it would be appropriate for the Federal Reserve banks to pay to the Treasury the bulk of their net earnings. . . ." Just what justification for its action the Board could find in this review of the law and earnings of the Reserve banks is not clear to this author. The Board's discussion not only seems irrelevant but it also would appear that a review of the facts should have demonstrated to the Board the extent to which it was out of bounds in undertaking to give 90% of the net earnings of the Reserve banks for 1947 to the United States Treasury.

The Board's statement also contains what would appear to be other irrelevancies such as a discussion of the requirement, *by Act of Congress* in 1933, that the Reserve banks subscribe to the capital stock of the Federal Deposit Insurance Corporation; recommended provisions for a return of this sum to the Treasury in a bill now before Congress; and the proposal that Federal Reserve banks guarantee bank loans. There seems to be nothing in this discussion that justifies the invasion of the province of Congress by the Reserve Board in respect to the disposal of the earnings of the Reserve banks.

There are some other questions involved in this action by the Reserve Board. To the extent that there is a payment of Reserve bank earnings into the Treasury, the government is reducing its cost of borrowing from and through the Reserve banks. The Board offers as an excuse for its action the fact that the earnings of the Reserve banks are relatively high "as a result of operations essential to government financing." This points in the direction of a belief on the part of the Board that it is proper for the Treasury to borrow from the Reserve banks at little or no cost to itself. This sort of thinking approaches too closely, for comfort, the fiat money brand of thought.

The question also arises as to just what official at the Treasury becomes a party to this transaction by receiving the funds paid into the Treasury by the Reserve Board without legal authority. Does an official of the Treasury accept all money offered it regardless of the fact that it may represent funds taken improperly from the rightful owners—in this case, the Federal Reserve banks?

What have the Presidents, other officers, and directors of the Federal Reserve banks done about this appropriation and gift to the Treasury, by the Reserve Board, of 90% of the net earnings of the Reserve banks for 1947? What of their responsibilities under the law and to the owners of these Reserve banks? What, in particular, of the responsibilities of the Class A directors who are supposed to represent the stockholding banks?

Above all, what is Congress going to do about this matter?

New York Curb Exch. Nominating Comm.

Walter E. Kimm, Sr. of Kimm & Co.; James A. McDermott; Charles M. Finn of Adriance & Finn; and Joseph F. Reilly were elected Class A members of the New York Curb Exchange nominating committee for a one year term at the final elections held on the floor of the exchange, June 10th.

Albert G. Redpath of Auchincloss, Parker & Redpath; Marshall S. Foster of Gammack & Co.; and Conrad H. Liebenfrost of Stern, Lauer & Co. were elected Class B members of the committee for a similar term.

The nominating committe reports to the exchange membership at least five weeks prior to the annual election in February nominees for members of the board of governors, chairman of the board, and trustees of the exchange gratuity fund.

David D. Greenspan, Frank J. McCormack and Joseph E. Petta acted as tellers of election.

Industry's Responsibility for Employment

(Continued from page 9)

its aftermath. We are living today in an inflationary fool's paradise.

Foreign Trade Policies

The strikes of 1946 in our country and the continued disorganization abroad, probably will prolong the post-war boom, although this is a high price to pay. Our expanded commitments abroad, our financial aid and participation in the World Bank and Fund, all help to underwrite the boom at home. Funds are spent here and we export the products of our man-hours. At present our exports are running nearly $20 billion annually, while our imports are only about $8 billion. We may be riding for a fall.

While the only gain from foreign trade to a nation consists of its imports, it is important that a proper balance, different for every country at a given time, between exports and imports be established. While military exigencies may influence come of our aid to other countries, every effort should be made at the same time to encourage the peoples in all countries to direct their efforts where they will yield the largest return. In this way we build for our own sustained prosperity as well as for others abroad.

Is it not just a little ridiculous to ask "business' to stabilize our economy, in the face of these world-shaking forces which are beyond the control of the hamburger stand down the street, or the lumber dealer in your town, or General Motors in Detroit, or General Electric in Schenectady? Can these firms really be expected to operate on an even keel?

Governmental Expenditures

When private economic activity is operating at all time highs, we should shrink governmental activities to the minimum. The idea that government should hoard public works, improvements and even some maintenance during periods of prosperity and expand these activities during periods of reduced private activity is of long standing. While there are many practical difficulties standing in the way of such a program, now certainly is the time when governmental activities should be pared to the bone.

The Administration's budget of $37.5 billion for 1948 was a shock to the people. The Administration should constantly examine every item closely, including that of the military, not merely in terms of reducing the tax burden upon the people, but also in terms of seeing what expenditures can safely be delayed until some future date when private activity threatens to move to a lower ebb. We are told that there are many reasons why little can be done in this direction; if this is true, then we are forced to the conclusion that government is booming the boom and is not capable of planning its own expenditures so as to have a contracyclical effect. We should not accept such a defeatist view, without the most critical examination.

Debt Retirement During Prosperity

When the boom is threatening to reach irrational proportions, the government should generate a substantial surplus of revenue over expenditures and retire that part of the debt held by banks. The inflationary forces are fed by the enormous amount of currency and bank deposits outstanding in the hands of their owners. A selective reduction of the debt would do much to temper private spending and if skillfully handled could do much to sustain prosperity.

Monetary Policy

While monetary and fiscal (taxation and expenditures) problems are inextricably intertwined today, it is peculiarly the function of government to concern itself with the supply of money. The Constitution gives Congress the power to "coin money, regulate the value thereof." (Art. I, Sec. 8.) From 1929 to the depression-low we experienced an unpardonable shrinkage of our money supply. This shrinkage of bank deposits greatly deepened the depression. Never again should such shrinkage take place, and now is the time for Congress to make a study, with the aid of expert talent, of ways and means to develop a monetary system which, while it may not by itself prevent depression, will at least not become an aggravating factor.

All this suggests how difficult it is to stabilize our economy at a high level. But let us assume, for the sake of the argument, that we are moving into an era of peace, what then can the individual business do?

Private Capital Construction

Private business does not have the power by itself to create prosperity, nor prevent a depression; yet it has a possible range of operations which may reduce the amplitude of cyclical swings.

When boom conditions prevail, such as after a major war, the tendency toward overexpansion of housing, commercial property, as well as manufacturing facilities, is strong. This expansion itself generates an enormous increase of incomes and may give a false sense of prosperity, as when a dozen skyscrapers are built in New York simultaneously. If subsequent contraction is to be avoided, then ways and means must be found for discovering the differences between artificially stimulated capital expansion and the kind of expansion which rests on demand which is more nearly capable of being sustained. But what is "overexpansion," "undue" or "artificial" is not easy to determine in advance.

Strong, growing and well-established business units might experiment with the possibility of ignoring, in whole or in part, threatening unemployment, in their investment and expansion policies.

This may be regarded as dangerous. But if all businesses, when facing a depression, drastically cut the outlays for replacements, new equipment and plant, this is also dangerous, both in terms of the bankruptcy rate and in terms of the political counter-forces which extreme contraction generates, as in the 1930's both here and in Europe. By avoiding overexpansion when others are expanding in response to a mere speculative boom, the long-run basis for steady expansion is more thoroughly grounded.

Business Borrowing

Every effort should be made by borrowers especially in boom times to avoid short-term financing of expansion which should be financed by long-term capital. On the other hand, in recessions and depressions every effort should be made to make bank credit more available. The larger manufacturing companies catering to the consumer durable goods market in which installment financing is important have it within their power to introduce an important corrective factor in this same connection.

Credit policies should avoid undue expansion in any line, and especially should avoid undue expansion of credit simultaneously in many lines or in the whole economy. This requires the leadership of the Board of Governors of the Federal Reserve System and of other supervisory and administrative agencies as well as the cooperation of both banks and business.

Excessive Inventory Accumulation

The 1937 recession was in no small part due to the prior accumulation in inventories. Once this forward buying had reached a certain stage, contraction was almost inevitable. Better understanding among businessmen of the effect of these fluctuations in buying would do something to reduce them. A refusal to accumulate inventory on a speculative basis, both raw materials and finished goods, would eliminate this disturbing element. As a corrective, a special tax on inventory profits has been suggested; but because of its complexities and inevitable arbitrariness, it is of doubtful utility.

Unquestionably, labor unions have a partial but direct responsibility for this periodic inventory accumulation. It would appear that every business recovery at an early stage reaches a "flash point" when the unions, growing restless, make demands for higher wages; this causes consumers, retailers, wholesalers and manufacturers to attempt to accumulate inventory at the current prices and before the union demands have been implemented. This phenomenon was responsible, in part, in 1936-37, for the premature collapse of the partial recovery.

Better Statistical and Other Information

With the benefit of hindsight, it is easy to see that certain types of construction were over-developed in the 1920's. The American Hotel Association in its report, entitled: "The Future Outlook of the Hotel Industry," engages in an excellent self-analysis of the causes of the plight to which this industry was subjected in the 1930's. A more careful analysis of demand, a searching examination industry by industry of mistakes as to expansion, as to methods of financing and related matters could do a great deal to mitigate depression. The only danger from such an industry by industry self-analysis is that over-caution might retard economic progress.

Had we had better information and more prompt statistics and better interpretation of statistics in the 1920's, then more investors, credit agencies, contractors, building material suppliers and others, would have been apprised of over-expansion earlier. This would encourage the long view, rather than the short view and could do much to mitigate collapse.

During periods of shortages, buyers frequently place multiple orders, with different suppliers, expecting to take delivery from only one and cancelling the others at the time. Some persons today boast that they have placed a half dozen orders for new motor cars. Better statistical information on the normal relation of new orders, sales and inventories to each other would help distinguish between such artificial demand and genuine intentions.

Trade associations could greatly improve their reporting facilities to this end and business firms should cooperate in furnishing this type of information. Unless data from an adequate and representative number of firms is reported consistently and promptly, confidence in the reports cannot be built up.

Introducing New Consumer Products

A number of companies have experimented with the possibility of hastening the introduction of new products during periods when the demand for established products begins to fall off. This does not mean that profitable opportunities must be sacrificed but, rather, that a firmer foundation for long-run successful operation is laid down.

The war experience has greatly diversified the manufacturing know-how of many establishments. While demand for specific durable goods may at times become more or less saturated, demand for goods in general is never saturated. If the wartime experience of many concerns in making new products can be translated into action when the next depression threatens, it may be possible for many producers to mitigate or avoid declines in their own operations. The way in which the production and sales of radios and mechanical refrigerators resisted the depression in 1931-35 indicates that general over-production or general saturation of demand does not take place even during a major depression. By more skillful analysis of market conditions, greatly expanded pure and applied research, and better preparation for periods of greater sales resistance, it should be possible for many business units to aid themselves, as well as the entire economy, to resist layoffs and production cutbacks.

As a buffer against impending decline, it is possible frequently to accelerate research, development and market testing activities in order to introduce new products somewhat more quickly.

Price Policy

General price and wage cutting when depression threatens may not prevent depression because, while this would cut costs, it may also cut incomes leaving the general situation just where it was before the cuts, and even more important it may raise anticipations of further cuts and thereby further paralyze the economy. However, selective price and wage adjustments on a more or less *continuous* basis may do much to clear markets.

During booms, the short-lived excessive demand may push some prices and wages upward and out of line. When demand threatens to recede, a careful examination of costs and prices may in many cases indicate possibilities of promptly tapping new but lower levels of demand and thereby mitigate the tendency toward recession. In the early stages of the depression of the 1930's, in some cases both wages and prices were actually raised as volume declined and overhead costs had to be spread over a smaller output. This was self-defeating. Each business concern should review constantly its price policies in terms of counteracting these alternate booms and depressions. This requires a high order of business statesmanship and economic analysis.

Wage Policy

With 15 million workers in labor unions, and with wage demands highly contagious, a heavy responsibility for economic stability rests upon organized labor. If the American people are confronted with demands backed by strikes and threats of strikes for large annual wage increases, economic stability cannot be attained.

Efficiency rises only about 2 or 3% per year. General, massive wage movements across the board demanding more than 2 or 3% annual increases will mean alternately booming the boom and causing depression.

Because of its cohesiveness and power and because the labor movement is highly political, a great responsibility rests on union leadership to undertake some basic reconsideration of the implications of the labor movement for economic instability. Unless we can develop more responsible leadership along these lines within the next year or two, it will be impossible to create economic stability within a free society.[3] And if we are forced into a regimented society, free labor and free industry will disappear together and other freedoms will also be liquidated.

Conclusion

The problem of economic stability has been of concern to the Chamber of Commerce of the U. S. A. for many years. Its publication, "A Program for Sustaining Employment," brings together the basic suggestions of our Committee on Economic Policy.

Government, banks, business management and labor, only with the closest and most sympathetic cooperation, can solve the problems of economic instability. The foregoing analysis and suggestions merely outline the broad issues and counter-measures. But to repeat, unless we can remove the scourge of war from our society these suggestions cannot be given a fair trial.

3 For an extended discussion of the labor problem see: "Industrial Relations—Frustruated and Perverted," Chamber of Commerce of USA.

Bond Club of Cleveland Anniversary Party

CLEVELAND, OHIO—The Bond Club of Cleveland held its 25th Anniversary celebration on Friday, June 13th. A special Silver Anniversary booklet, issued by the Club as a souvenir, contains a history of the organization to date.

Pictures taken at the anniversary party will appear in the "Financial Chronicle" of June 26th.

Wall St. Soft Ball League Scores Reported

The teams representing Josephthal & Co. and the New York Curb in the Wall Street softball league each won both games of their doubleheaders played during the week ended June 13th. The Curb Exchange defeated Hirsch & Co. by 6 to 1 and 4 to 2 scores, while Josephthal & Co. bested Carlisle & Jacqueline 6 to 0 and 10 to 4. The Curb Exchange remains undefeated with six games won and no losses, while the Josephthal & Co. team is in second place with a five and one record.

In other doubleheaders played this week Carl M. Loeb, Rhoades & Co. won the first contest from Merrill Lynch, Pierce, Fenner & Beane 6 to 1 and lost the nightcap 5 to 2, while F. V. Foster and DeCoppet & Doremus also split, F. V. Foster winning the opener 7 to 1 and DeCoppet & Doremus the second 2 to 0.

The league standings at the close of the week follow:

LEAGUE STANDINGS
Friday, June 13

Team	Won	Lost	Percentage
New York Curb Exchange	6	0	1.000
Josephthal & Co.	5	1	.833
Carl M. Loeb, Rhoades & Co.	4	2	.667
Hirsch & Co.	2	4	.333
F. V. Foster	2	4	.333
Merrill Lynch, Pierce, Fenner & Beane	2	4	.333
DeCoppet & Doremus	2	4	.333
Carlisle & Jacquelin	1	5	.167

Constantine Hutchins Is Suspended by NYSE

Constantine Hutchins, a partner in Hutchins & Parkinson of Boston, has been suspended by the Board of Governors of the New York Stock Exchange for a period of three months. Mr. Hutchins was found guilty of having "violated Rule 515 by failing to place account names or designations on certain orders for certain accounts over which he had discretionary authority until after such orders were executed."

The Employment Act and Economic Outlook

(Continued from page 7)

basic purpose of that legislation is to be achieved.

The Act is based on a reaffirmation of the system of "private competitive enterprise" and a fresh affirmation of the economic responsibility of government. That is, after private enterprise has utilized the resources of the nation as fully as it can or will, it is provided that these same people shall utilize the organizational machinery of democratic government so that complementary public enterprise shall enable us to come as close as a free, ingenious, and economically literate people may toward "maximum production, employment, and purchasing power."

Although this Act is known as the Employment Act of 1946 and a predecessor bill was known as the "Full Employment" bill, I am inclined to think that the longer we live under the work with this measure, the more our interpretation will center on the first of its three terms, namely maximum production. We might have maximum number of jobs but many of them so reduced in time under a work-spreading program that we would not be having an adequate total work input. We might even have this large number of jobs raised to a full-time basis and, through lack of proper equipment or organization, be working at such low efficiency that we were still falling far short of maximum production. But if we really have maximum production, both the desirable amount and highly efficient quality of employment must be going forward.

As to "maximum purchasing power" too, it seems to me that that is an incidental factor or an accompaniment of maximum production rather than a state that can be brought about as a means of securing maximum production over the years, which is the primary purpose of those who framed the Employment Act and of us who must wrestle with the problem of how to make it work. The Scriptures say, "Seek first the Kingdom of God and all these things will be added unto you." To me the Employment Act says: Seek first the kingdom of abundant production—the practicable maximum, quantitatively and qualitatively, in the use of the nation's resources, human and material, and all these other things such as employment and purchasing power will be added unto you. You can't attain and maintain maximum production without them.

If such a statement of the current drive to prove that the American way of economic life can be made a truly satisfying way for the whole people is accepted, what does that mean on the marketing sector? Before I attempt to sketch a few points in the answer I would propose to that question, let me say just a word about sectors in general—or groups or interests or factions.

It is of the very essence of the President's Economic Report, the Joint Congressional Committee on the Economic Report and the advisory labors of the Council of Economic Advisers that the national economy be looked at as a whole. From this time forward, it is intended that the welfare of the nation shall be approached through integrated study and action. In this approach, the needs, the aims, and the responsibilities of capital and labor, of industry and agriculture, of city and country, of producer and consumer shall, so far as is humanly possible, be considered and dealt with in a way which is both comprehensive and co-ordinated. If we are thus to mobilize ourselves to deal with the problems of the economy as such, the test question for any agency is not: "What can we get out of it?" but "How will this line of economic action affect the productive functioning of the nation's business?" This focuses attention on functional relationships and the promotion of interrelated economic efficiency.

Marketing is one of the major functional divisions within our economy. Among academic economists, operative businessmen, and the consuming public, there has been debate, both long and at times acrimonious, as to just how that function should be performed and just what criteria for approval or blame could properly be applied to the men or agencies that operate in this area. The whole issue now reappears in new guise because we have to reaffirm and realign our business relations in the light of our transition from a gigantic war to what we hope will be a long-continued peace. This refurbishing of our marketing system takes place at a time when, as I have already indicated, we are trying to inaugurate a more systematic and effective way of co-ordinating all agencies within the national economy. It is in this context that I raise the central question of my paper: How must the functions of marketing be organized and its responsibilities be discharged if we are to reach our goal of maximum national production?

What Should Be Expected of Marketing?

We are hearing a great deal these days about the restoration of marketng functions after the disruption of the war years. Everyone is saying that market agencies must gird themselves for a greater service than ever known in the past. With this general proposition, I am, of course, in full agreement. I would, however, like to see this important role interpreted in terms of efficiency of economic service, not merely quantity or vigor of commercial effort.

Marketing, of course, consists of two quite dissimilar parts: one, physical handling and the other that rather ill-defined array of functions known as selling. It really should include commercial and institutional buying also since the procurement office and purchasing agent are part of the machinery of distribution quite as much as the minions of the sales department or the wholesale, jobbing, or retail firm.

As to the technical processes of assembling, packaging, storing, and delivering goods, I am not much concerned. These are concrete and technical jobs. They lie so well within the proven abilities of our people that I am sure they will be handled efficiently. If wastes creep in, such as burdensome cross-hauling charges, excessive storage costs, or inordinate packaging expense, they are due, not so much to poor technical performance as to failure to handle skillfully the economic issues of cost-price relations.

What I shall discuss with you therefore will relate exclusively to the interrelated problems of price strategy, interpretation of the selling function, and the impact of selling costs on the actual standard of living attained. If we take too many of our labor force to perform the function of transferring ownership from the producer to the consumer, we shall achieve less than maximum production and purchasing power or real income for consumers even with maximum employment—and a disproportionately low standard of living with any lower level of employment.

I have seen the statement made in a business paper within the last few days that recruitment of two million salesmen is required. Certainly many companies are restaffing their sales departments and training new men or retraining old workers for the expected task of selling a national product far greater than any we have ever distributed in the past. With more goods and different goods; with new consumers and with consumers shifted to unaccustomed income brackets; with changed tastes and possibilities for many people to gratify new tastes if we really utilize our productive power in the future, we shall need more salesmen and new sales techniques.

Two million more salesmen may not be too large a part of our labor force to allocate to the task of stimulating the consumer desires of our people and guiding them to the most suitable and most economical sources for satisfying them. But before we accept this disposition of the labor force we must satisfy ourselves that most of this effort is really being usefully expended toward thus serving the consumer rather than being frittered away in proselyting each other's customers within the same or a shrinking area of final consumption. We must satisfy ourselves too that the consumer needs this amount of needling to overcome a dangerous propensity to save.

In a word, I sometimes wonder if current thinking on the place of marketing in our economic reconversion is not tinged too much with that easy "back to normalcy" quality. Are we not too prone to lapse back into the comfortable pattern of economic behavior and company development that we have been familiar with rather than facing robustly the changes that will have to be made if we are to establish a more fully and steadily productive economic system in the future?

It is a matter of common knowledge that during the war, the percentage of national effort that went into marketing was enormously reduced. In a seller's market, the cost of finding, stimulating, or directing demand practically disappears. To some extent this drop is fictitious since a certain amount of effort is simply shifted to the buyer, who now bears the cost of trying to locate and "land" a seller. Insofar, however, as war demand meant that Uncle Sam became the only buyer and his need for the utmost speed of output called for the highest possible standardization, merchandising costs—even manufacturing costs—were absolutely reduced and not merely shifted from the market to the procurement agencies of government.

But all that is behind us now, and the question is: How perfect a service can marketing agencies render by way of attaining maximum production in terms of goods delivered to the final user, with all their time, place, and possession utilities wrapped up in the consumer bundle? The other side of the question is how high a degree of efficiency can our market agencies attain, or how low a cost will they exact for their contribution to this end product?

There are two ways of describing the marketing situation and problem that lie ahead of us. One is to call it a buyers' market, the other to say it will be a highly competitive market. They amount to pretty much the same thing. But what do you do about a buyers' market? Or how can you make the competition of a highly competitive market beneficial and not wasteful? A sellers' market is one which is abnormal and to be found only in periods of deficit financing and inflationary conditions. The normal market for a healthy enterprise system is one in which producers turn out products that they believe consumers want and for which they will trade and then find the ones who will trade on advantageous or at least workable terms. Our free enterprise system demands not merely that the producer shall have the chance to produce what and how he pleases, but also that the buyer shall be free to buy what and where he likes. "The customer is always right"—which simply means that he (or she) must be wooed by the competitive suitors of the market place.

American men are said to be poor lovers. We are often told that they are prone to crude displays of wealth or domineering personality instead of practicing the suaver ways that subtly win a woman's heart. This seems to me to be true also of the American businessman in his effort to compete for the favor of the market. He is prone to put more and more force into high-pressure salesmanship and to overlook the subtler problem of gauging price to the buying power and basic preference of the consumer.

It has become pretty well established in American business that a competitor can pour on sales effort, pile on advertising expense, and develop the most novel and glamorous finish or package and be strictly within the competitive code. But when he starts to cut prices, he is a "chiseler" and a renegade from his lodge. These added costs may and normally do pay the individual seller when looked at in the short run and narrow perspective of the individual firm. But from the standpoint of the economy they lie right athwart the purposes of attaining maximum production and the highest real income for our people as a whole. Price reduction in step with every technological and organization improvement, however, moves directly toward that goal.

If our post-war industrial product were of a staple or undifferentiated character and moved through organized commodity markets, I would have a great deal of confidence in the way the "impersonal forces of the market" would work matters out—except when either a supply or a demand factor got frozen for a time. Marketing effort would naturally focus almost entirely on expediting the flow of goods from producers, often scattered, through the most direct and economical channels to ultimate consumers. But even in normal times, the modern industrial product is a highly differentiated array of goods and is sold by a most varied merchandising system. It operates not on a basis of fungible supply competition but under arrangements of monopolistic competition in which every device for the differentiation of product or of marketing service is invoked to attract and hold some coveted part of market demand for each particular seller.

Now this general situation is not going to change in its basic outlines. I am not proposing that it should be abolished or that anyone should try to root it out. What I am saying is that it, like any other set of economic arrangements, has its peculiar difficulties, weaknesses, and dangers. With the great rush to reconstitute our marketing facilities and to see that they promote the market absorption of our enlarged postwar product with the greatest certainty and completeness, it seems to me highly important that marketing men re-think their responsibility and their opportunity in serious contemplation of the meaning of the Employment Act. I do not presume to know just what that will mean in terms of new structures or changed practices but I do feel sure it does not mean merely "doing what comes naturally."

Let us not multiply so-called service to the consumer in ways that waste his time in fighting off a horde of solicitors and technical advisers who confuse his mind and burden his time rather than really helping him to select a better product and procure it more economically; let us not cumber appliances with features that only make "talking points" to confuse the buyer rather than serve the actual user. All these things add to costs and thus put sand in the bearings of consumer acceptance and of producer operation on an efficient and profitable basis.

The one point I have sought to comment to your attention may be very briefly summarized. Perhaps we do need to add two million to our marketing force in order to operate the whole system efficiently from producer to consumer. But if two million men and women are allocated to that work, we shall have just that many fewer persons applying their labor to enlarging the stock of goods to be distributed. Here is one of the sources of discrepancy between maximum production and real income that must, in my judgment, command the thoughtful attention of this association and of marketing men and marketing agencies generally.

Postlethwaite, Ames Lundborg Partners

SAN FRANCISCO, CALIF.—J. Russell Postlethwaite and Lawrence C. Ames will be admitted to

J. R. Postlethwaite Lawrence C. Ames

partnership in Irving Lundborg & Co., 486 California Street, members of the New York and San Francisco Stock Exchanges, on July 1st. Both were formerly officers of the First California Company.

National Federation of Analyst Societies

Representatives of the Financial Analyst Societies operating in Boston, Chicago, Philadelphia and New York, met last week as guests of the New York Society of Security Analysts, Inc. and organized a national organization to be known as the National Federation of Financial Analyst Societies.

Kennard Woodworth of Eaton & Howard, Incorporated, Boston, was elected President; Lucien O. Hooper of W. E. Hutton & Co., New York, was named Vice-President, and Richard H. Samuels of Continental Casualty Co. of Chicago was elected as Secretary-Treasurer.

The Federation will coordinate the work of the Societies working in various cities and expects to extend its membership to cities not yet represented.

Cohu & Torrey Opens Branch in Los Angeles

LOS ANGELES, CALIF.—Cohu & Torrey, members of the New York Stock Exchange, have opened a branch office at 634 South Spring Street under the management of Charles F. Sill, resident partner. Mr. Sill's admission to the firm was previously reported in the "Financial Chronicle" of May 29th.

Nobles With Schermer

Special to THE FINANCIAL CHRONICLE

GRAND RAPIDS, MICH.—Elmo S. Nobles has been added to the staff of John R. Schermer and Company, Grand Rapids National Bank Building.

The State of Trade and Industry

(Continued from page 5)

and, as in past months, demand for refrigerators, freezers, and washing machines continued unabated.

AUTOMOTIVE OUTPUT TAPERS SLIGHTLY IN WEEK

Car and truck production in the United States and Canada was hampered somewhat last week by labor disputes, model changeover operations and material shortages and again failed to reach the 100,000 unit mark, states Ward's Automotive Reports.

Total output is estimated at 98,471, against a revised figure of 98,499 for last week, and comparing with 50,206 vehicles in like week last year and 136,682 in the corresponding week of 1941.

Among the labor difficulties hindering operations noted by the agency were the continued strike of the Foremen's Association of America, which indirectly hurt production at Ford's Rouge plant.

STEEL DEMAND HOLDS AT HIGH RATE

The expected decline in steel activity is months away. No substantial drop in steel ingot output because of the demand factor is expected to take place much before the first quarter of 1948, if then, according to "The Iron Age," national metalworking weekly. This strong surge in steel buying which has been maintained for months on end has confounded some observers who had expected a definite easing in steel products by July 1.

Some minor soft spots have developed in recent weeks but these are offset by the overall strong requirements from other steel consuming customers. A quick survey indicates that major steel companies are only placing orders on their books which they know can be completed within the steel mill production schedules. Were all bars to be let down incoming steel order volume, the magazine reports, would be far greater than at the present time.

Large consumers such as automotive companies, while maintaining tremendous stocks of steel, continue to find these inventories unbalanced with the result that no complete use of these stocks can be made until the hard-to-get items have been built up. Industrial construction has picked up recently with some jobs going forward which had previously been postponed, "The Iron Age" notes. Demand from oil, water and gas companies is at an unprecedented high with small chance of pipe requirements being completely met for at least the next two years.

Steel output, according to the above trade authority, should remain around 96.5% until steel mills are forced to make definite plans should the coal miners fail to return from their vacation on July 7. The probability of a "no contract, no work" strike is increasing as valuable time is lost without wage negotiations between coal operators and the United Mine Workers.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel capacity of the industry will be 95.8% of capacity for the week beginning June 16, 1947, as compared with 96.9% one week ago, 96.1% one month ago and 84.2% one year ago. This represents a decrease of 1.1 points or 1.1% from the preceding week.

The week's operating rate is equivalent to 1,676,400 tons of steel ingots and castings compared to 1,695,700 tons one week ago, 1,681,700 tons one month ago and 1,483,900 tons one year ago.

ELECTRIC PRODUCTION 16.7% ABOVE A YEAR AGO

The Edison Electric Institute reports that the output of electricity increased 4,701,992,000 kwh. in the week ended June 14, 1947, from 4,635,218,000 kwh. in the preceding week. Output for the week ended June 14, 1947, was 16.7% above that for the corresponding weekly period one year ago.

RAILROAD FREIGHT LOADINGS RISE UP 8.5% OVER 1946

Car loadings of revenue freight for the week ended June 7, 1947, totaled $900,747 cars, the Association of American Railroads announced. This was an increase of 70,364 cars, or 8.5% above the preceding week, which included the Memorial Day holiday, and 70,619 cars, or 8.5% above the corresponding week for 1946. Compared with the similar period of 1945, an increase of 16,089 cars, or 1.8%, is shown.

PAPER AND PAPERBOARD PRODUCTION ABOVE YEAR AGO

Paper production in the United States for the week ended June 7 was 104.4% of mill capacity, against 105.6% (revised figures) in the preceding week and 104% in the like 1946 week, according to the American Paper & Pulp Association. This does not include mills producing newsprint exclusively. Paperboard output for the same week was 98% compared with 98% in the preceding week and 96% for the corresponding week a year ago.

SUMMARY OF TRADE

With consumer buying for the summer in full swing and stores offering goods in greater quantities and styles than a year ago, retail sales volume moved upward during the week. Promotions and markdowns were used to maintain sales volume at a level slightly above that of a year ago.

Wholesale centers were active last week but the caution noted in previous weeks continued to be apparent. There was no evidence of a slackening in demand but buyers were restricting their orders to immediate needs. The volume of sales in the week was slightly above that of the previous holiday week.

THE COURSE OF THE STOCK MARKET

The Stock Market last week took another big step forward and chalked up the fourth consecutive week of advancing prices. It is also worthy to note that all of the losses sustained in the previous month were recouped.

Following moderate selling on Monday of last week the market at mid-week came in for a sharp upward revision in prices which lifted better stocks by from 2 to 8 points.

In view of the fact that all sections of the big board participated in the advance the market's improved tone could be interpreted in the light of a more optimistic outlook by traders with regard to the prospects for business and industry in the future.

On Monday of this week President Truman did what the trading fraternity expected he would do by vetoing the much discussed tax bill. The House sustained the President's veto on the following day.

TOTAL EMPLOYMENT IN MAY AT 58 MILLION

The number of persons employed between April and May, the Census Bureau reports, showed an increase of approximately 1,500,000, lifting the total working force in May to 58,300,000.

It further reports that about 1,000,000 of the gain was in agricultural employment, which was in a state of seasonal expansion, but even more notable was the increase of about 500,000 in non-farming work as this reversed a decline in factory employment the month before.

In the week ended May 17 insured unemployment totaled 1,950,700, up 6% from the previous week.

BUSINESS FAILURES SHOW LITTLE CHANGE

In the week ending June 12, commercial and industrial failures remained at 66, the same as in the previous week, Dun & Bradstreet, Inc., reports. Concerns failing, however, continued to be over five times as numerous as a year ago. In the comparable week of 1946, only 12 failures were reported.

While no change appeared in the total failures registered during the week, considerable fluctuations did occur in the size and type of concerns going out of business with loss to creditors. Small failures involving liabilities of less than $5,000 fell off to half the number in the previous week, declining from 20 to 9. This compared with four failures in this size class a year ago. Failures with losses of more than $5,000 increased this week from 46 to 57, some seven times the eight occurring in the corresponding week a year ago.

FOOD PRICE INDEX SHOWS THIRD SUCCESSIVE RISE

Food prices developed highly irregular trends in the past week. With eleven commodities moving higher as against ten declines, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose for the third consecutive week to stand at $6.12 on June 10. This compared with $6.09 a week earlier, and with $4.21 on the corresponding date a year ago.

DAILY WHOLESALE COMMODITY PRICE INDEX HIGHER

The general price level registered a slight gain in the past week, largely reflecting a stiffening of prices for farm and food products. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 256.76 on June 10, as compared with 255.71 on June 3, and with 195.79 at this time a year ago.

Grain markets were more active in the past week and prices, except for wheat, moved higher. Sales volume on the Chicago Board of Trade was more than three times that of the corresponding 1946 period. Corn was the feature as prices rose sharply following reports of delayed planting due to adverse weather and a scarcity of offerings in the cash market.

Government buying of wheat reached substantial proportions but prices worked downward under pressure of hedging sales, after fluctuating erratically during the week. Oats followed corn and prices moved up despite the closeness of the new crop harvest. Flour sales dropped off after early activity.

Cotton prices advanced steadily during the past week. The futures market was featured by tightness in the July contract which rose more than 100 points in the week and widened its premium over the new crop months. Spot cotton on the New York Cotton Exchange closed at 37.74 cents per pound, up 111 points over a week earlier. Demand was stimulated by reports from textile markets indicating a further stiffening in gray goods prices and a good volume of business booked through the third and fourth quarters of this year.

There was some pick up in activity in the Boston raw wool market in the past week. Inquiries in woolen types were more numerous but interest was centered chiefly in the worsted types. Volume consisted mostly of odd lots to fill out existing orders.

RETAIL AND WHOLESALE TRADE ABOVE WEEK AGO

Reflecting the influence of better weather and a full business week, over-all retail volume for the week rose slightly above that of the previous week, Dun & Bradstreet, Inc., reports in its summary of retail trade. Sales volume continued to be somewhat above last year's level. Extensive advertising campaigns were undertaken to help spur buying. Clearance sales continued to be numerous and mark-downs occurred in many items.

Food prices generally continued to be high and sales volume rose during the week despite indications of some price resistance. Prices of some meats rose as a consequence of lower supplies after the reduced Memorial week output. Sugar was in good supply following the removal of rationing to all but industrial users. As fresh fruits and vegetables became more plentiful, frozen food sales declined. Dairy products were easily available.

There was a seasonal pick up in apparel buying. Men's lightweight suits, slacks, and straw hats sold in increasingly large volume. With the approaching vacation time, women's resort wear was eagerly bought.

The volume of sales of durable goods continued to increase as demand for hard goods remained strong. Buying of sporting goods, garden supplies and summer furniture was seasonally heavy. Automotive parts and accessories sold in good volume during the week.

The dollar volume of retail trade for the week ended last Wednesday was estimated to be from 6 to 10% above that of the same week a year ago.

Activity increased in wholesale centers last week after slowing down in the previous holiday shortened week. Although ordering generally was restricted to immediate needs in the week, wholesale volume rose above that of the previous week and continued moderately above that of a year ago. Deliveries of many items improved as production levels remained steady. An increasingly large percentage of sales were being financed by credit and reports indicated that payments were slowing on accounts of all sizes.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 7, 1947, increased 7% above the same period of last year. This compared with an increase of 12% in the preceding week. For the four weeks ended June 7, 1947, sales increased by 11% and for the year to date by 11%.

As a result of Father's Day retail stores in New York City chalked up fractional gains in sales volume above last week with estimates placing turnover at 5% ahead of last year.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to June 7, 1947, increased 4% above the same period last year. This compared with an increase of 15% in the preceding week. For the four weeks ended June 7, 1947, sales rose 9% and for the year to date 10%.

Unscrambling The Indian Eggs

(Continued from first page)

damage the new Indian States will have a chance of starting without a major handicap imposed on them by the necessity of physical reconstruction on a large scale. What is equally important, the paralyzing effect of the uncertainty on business has now been materially mitigated if not altogether removed.

From a British point of view, the absence of a civil war has greatly raised the capital value and the potential yield of British investments in India. Owing to the uncertainty of the outlook, many Britons owning investments or enterprise in India were very anxious to realize their holdings. And owing to the uncertainty, together with the competition of many such attempts to sell, the prices they would have been able to obtain would have been unsatisfactory. As it is, they now may prefer to stay in India, at any rate until they are in a position to dispose of their holdings at a leisurely pace and at a good price.

The negotiations for the funding of Indian sterling balances, which were to begin in June, had to be postponed, partly because the Ministers of the provisional Government are too busy, and partly because it will be necessary first to form some kind of new authority representing both Pakistan and Hindustan. As far as Britain is concerned, the matter has to be negotiated with India as a whole, and the division of the amount agreed upon between the Indian States is a purely Indian responsibility.

This leads us to the question of the unscrambling of the Indian eggs from an economic point of view. Difficult as the political disentanglement is bound to be, it will be simplicity itself compared with the problems raised by the economic disentanglement. On what basis are the assets and liabilities of India to be divided? It is almost inconceivable that the parties could reach an agreement on this question. Yet some agreement must be reached. Britain will stand apart, unless she is asked to assist in the capacity of mediator or arbitrator.

Nobody pretends that, from an economic point of view any more than from any other point of view, the partition of India is an ideal solution. Far from it. All that can be said in its favor is that it is a necessary evil. Its disadvantages are fully realized in London. In particular it is feared that Pakistan will be gravely handicapped by her lack of industrial and financial resources. The partition of Bengal means the separation of the industrial and commercial center of Calcutta from its natural agricultural hinterland, to the grave detriment of both sides. It remains yet to be seen whether it will be possible to maintain a customs union between various parts of India, and whether the same currency system will operate all over the sub-continent. The severance of innumerable financial and commercial links would be even then a difficult and painful operation. Should the Indian States embark on a policy of economic nationalism and isolationism then the difficulties would become materially aggravated.

However, in the face of the elimination or reduction of the immediate danger of collapse and chaos, all disadvantages and difficulties disappear in significance. Difficult as it will be to unscramble the eggs, their total destruction, which would have been a major disaster, has fortunately been obviated.

Our Foreign Aid Policy

(Continued from page 6)

surplus in our free economy is to raise prices. From that we get a dangerous spiral of increased costs of living and wages.

Our Present Economic Situation

To appraise our present national situation, it is necessary to examine our experience in the two years since the war. In so doing, many debit and credit items must be estimated. We must estimate the exports, including army supplies to foreign civilians, and we must estimate imports of the last months of the present fiscal year. Until full data is available many months hence, the sums given must be considered as illustrative of the situation.

Our exports of goods and services in dollars were about as follows:

(In billions of dollars)

	1945-46	1946-47
Exports	13.5	15.5
Imports	7.2	7.7
Excess of exports over imports	6.3	7.8

We have provided for the excess of exports over imports by loans or gifts.

An examination of the sources and amounts of these loans and gifts for the combined two years since the war was about as follows:

We have provided about $4.5 billion in gifts from our government through relief. We have provided about $1.5 billion in gifts by our citizens for relief and by way of remittances to relatives abroad.

We have provided about $5.5 billion in credits by government agencies including the Export-Import Bank loans, subscription to the World Bank and the Stabilization Fund. Loans by these institutions are, in the final anlysis, largely drafts on American dollars and are dependent upon us for resources to maintain their operations. We have provided about $1.5 billion in private credits and loans.

Thus we have provided in the last two years about $6 billion in relief and gifts together with about $7 billion in loans or credits, or a total of $13 billion. The differences between these amounts and the trade deficits given above are no doubt accounted for by drawing upon previous foreign dollar balances in the United States.

Our Commitments for the Next 12 Months

The estimated unexpended balances of appropriations and various credit commitments to foreign nations on July 1, 1947, are not included in the above. They already amount to over $5,000,000,000. We should add further probable loans and expected private gifts of $1,000,000,000. And we must add unknown further calls from the World Bank and Stabilization Funds.

There is also a further liability of the United States in the shape of the foreign deposits in American banks, including ear-marked gold and foreign ownership of American securities. These aggregate at least $14,000,000,000. We must at all times be prepared to meet, their withdrawal. Some withdrawals are likely to be used to pay for exports during next year, thus increasing the total volume of exports required from us. And to all these commitments and liabilities we must add the exports necessary to pay for our imports amounting to probably $7.5 billion.

Any study of our international balance sheet, taking into account, on one hand, our commitments in loans, foreign deposits, and investments in the United States, etc., and on the other hand probable returns from previous loans and Lend-lease, including our citizens' greatly impaired foreign investments, will likely discover that the United States is today a debtor rather than a creditor nation.

There is another angle of our national situation that we cannot ignore. These gifts and loans to foreign nations are spent in current purchase of goods. These gifts are an immediate burden on the taxpayer. The goods furnished under loans also must be paid for immediately while the repayment is deferred for years. This has a bearing upon our tax burdens. Including local government expenditures, they now amount to about 35% of our national income. No free nation can continue at that rate for long without impairing its productivity.

To pay for our imports and to satisfy the probable gift and loan commitments already made for the next fiscal year, and assuming present prices, we would need to export at about the same ratio as during the past two years $14 to $16 billion annually of goods and services.

A Test of the Limits of Loans and Relief

The most definite test of the extent of our ability to aid foreign nations is whether we have been over-exporting our resources during the past two years, and thus unduly straining our economy. For example, we have exported gigantic amounts of agricultural products. During the past 12 months the index of our cost of living has advanced more than 20%. Increases in the cost of agricultural products were responsible for about 70% of this increase. This has contributed greatly to set in motion the inflation spiral of increasing wages with more increases in prices. A good deal of economic disorder and waste was created by interruptions in production in making these adjustments.

Other examples could be cited. Some of our exports have been taken from our own possible railway, factory and housing reconstruction. Some part of the rise in prices of these materials is due to exports. So much have prices risen in the construction industries with the accompanying wage spiral and costs that we now have considerable unemployment in these trades while at the same time, the country is crying for homes and buildings.

I would not contend that the whole rise in living costs, with its inflation spiral has been due to our large exports. But it cannot be denied that with fewer exports that increase would not have been so great.

The conclusion seems to me irrefutable that as the result of our rate of giving and lending we are over-exporting goods and cannot continue at such a rate with our present production and consumption without further evil consequences to our stability.

We cannot estimate how much the curtailment in exports, and hence in giving and lending to finance the trade deficit, might be for the next year until we are able to estimate our next year's surplus in agriculture and other major commodities.

While the world situation requires that we do our best, my own view is that, unless we can undertake to increase our productivity or decrease our consumption of goods, we must seriously reduce the volume of exports below the rate of the last two years with a corresponding reduction in the gifts and loans for which we supply goods.

Various proposals have been made for expansion of loans by $50 or more billion. The impracticability of these ideas with our present rate of production must be obvious.

Strain on Our Natural Resources

There is a further question of the impairment of our natural resources involved in the export of such materials as iron, oil, metals, lumber and some other items. As our resources in this sort of commodities are not renewable, their shipment abroad is a depletion of our resources and a charge against our future economy. While such exports may be necessary to restore the world, we cannot ignore the consequences.

Possibilities of Increasing Our Aids and Making Them More Effective

There are certain measures which have been suggested as enabling us to better bear the load or to increase our exports and to make more effective our aid to foreign countries.

Exporting Gold

(1) It has been suggested that we can export gold from our seeming large stocks and thus enable other nations to buy elsewhere than in the United States. With our present requirements for currency and bank reserves, and to cover the very large foreign demand deposits in our banks, it is necessary that we hold a large stock in reserve. The amount of gold that we have free of such necessities is not material in this situation.

Increasing Imports by Stockpiling

(2) One proposal is that we at once import more goods and thus diminish the amount of gifts and loans necessary to furnish. This is a very minor help in the immediate world situation. It would be no help to the world to import materials into the United States which are needed elsewhere. Nor would it help to import goods which we ourselves produce economically. That would create unemployment in the United States and weaken our productivity.

There is, however, a method of increasing our imports which should have serious consideration. We could import and stockpile for national defense many commodities, both those we do not produce and those in which our natural resources are being depleted. We do not have enough of such resources to assure our national defense. Commodities of this kind are tin, manganese, iron ore, mercury, copper, lead, zinc, tungsten, chromite, nickel, and rubber. There are few immediate surpluses of these commodities abroad, but such surpluses will be available within a reasonable time. It happens that few of such commodities are produced by our direct debtors, but our purchase of them would, through multilateral trade, strengthen the whole international financial structure and we would be receiving commodities instead of obligations.

Re-establishment of War-time Control Measures

(3) Another proposal is that we re-establish wartime control measures to increase our productivity or reduce our consumption and thus increase our ability to export more goods. The seeming warranty of this idea arises out of the fact that we exported in goods and services over $15 billion in some war years in addition to many billions in supplies to our armies. But we must remember that war-purpose production was greatly expanded and consumption restricted through war-inspired patriotic impulses.

The restoration of these controls would require again the abolition of the production of important commodities; the restoration of longer work hours in labor; the return of women to industry and agriculture, rationing of most commodities, and total government control of all economic activities. That is a form of totalitarian economy which the American people are not likely to accept in peace for it would do violence to our whole concept of freedom. Moreover, without emotional background of fighting for national defense, such measures would more likely decrease than increase our productivity.

A Method of Increasing Food Exports

(4) Should the next world harvest indicate dangerous shortages, it is possible to increase our food exports for limited periods by voluntarily reducing our own food consumption and altering certain food manufacturing practices. We have here a great spiritual impulse to save starving people. And we may be called upon to do it again unless there is a world increase in food production.

Cooperation of Other Nations Vital to Salvation

(5) A most productive field of action by which the limited American economic resources can be made more effective for world reconstruction lies in cooperation of foreign nations in the political field.

The obstruction of the Soviet Government to peace has, during the past two years, imposed billions in expenditures upon us through support of occupation armies and relief to starvation which would not otherwise have been required. However, we can apparently expect little cooperation from that quarter.

But if there were full mutual cooperation from the other nations, it would lessen our burdens, and divert much of our dead loss expenditures to more constructive channels abroad.

For instance, cooperation in the three western zones in Germany and in Japan to abolish the inhibitions on their productivity due to wrong concepts of reparations, and levels of industry, would increase their productivity and exports, and thus would greatly reduce the drains upon us for food and other supplies. Restoration of their productivity would aid all other nations. Cooperative action to speed peace, such as I recently outlined in a letter to Congressman Taber, would greatly reduce demands upon us.

Such cooperation would allow our resources to flow into channels more beneficial to all the world.

Policies to Be Adopted

In my view we need to develop or expand the following policies, some of which are already partially in action:

(1) We must have in our own foreign economic relations single, coordinated action in all direct and indirect agencies of government—the relief funds, the Export-Import Bank, the World Bank, the Stabilization Fund, the Federal Reserve system, and all those agencies which administer our exports. We must consolidate our front if we are to succeed in our policies.

(2) We must prevent excessive exports and by so doing reduce excessive prices. In the matter of food we should begin about Aug. 1st with the new harvest.

(3) If necessary to prevent starvation we should increase our available export surplus volume by voluntary reduction of consumption by the public and alteration of some trade practices.

(4) We should periodically estimate the goods and services which we can safely export and limit purchases of our commodities by limiting gifts and loans.

(5) We should prepare to stockpile for national defense certain commodities from abroad when they are available in surplus.

(6) We should bluntly insist that in return for our sacrifices, which are inherent in all loans and gifts that all nations recipient of our economic aid cooperate with us in measures to reduce the burdens upon us, to promote productivity and bring peace for the world at large.

(7) We should insist upon certain principles in operation of gifts and loans, whether directly from our government or through government-supported agencies. These principles involve important questions of security, inspection of use, and application to the utmost in increase of productivity.

(8) We should concentrate our limited resources in the areas in which Western Civilization can be preserved.

This problem can be solved if there is prompt unity and mutual aid between other nations, resolution on their part to build back their productivity, and if we act, on our side, with sense and devotion in this great crisis of mankind.

Yours faithfully,
HERBERT HOOVER.

Asks Capitalists Seek Labor's Support

Cyrus S. Eaton decries restrictive labor legislation and suggests muzzling NAM. Praises restraint of John L. Lewis.

In an article, captioned "A Capitalist Looks at Labor," in the current issue of the University of Chicago "Law Review," Cyrus S. Eaton, investment banker and industrialist of Cleveland, Ohio, advises capitalists to placate labor, "since it cannot survive without the support of labor." He urged a change in the attitude of industrialists toward labor and new methods in dealing with labor, saying, "We will have to begin by muzzling such organizations as the National Association of Manufacturers and by recognizing, and sincerely regretting, that there is bad feeling on both sides."

Cyrus S. Eaton

In discussing labor legislation, Mr. Eaton warned, "Let no business man be naive enough to believe . . . that restrictive legislation will be any more effective in bringing about industrial harmony than the Volstead Act was in discouraging drinking." And he adds: "I am afraid that too many, both in and out of Congress, have misled themselves into thinking that a maximum of industrial freedom in this country can be attained by putting American labor in a straitjacket."

Mr. Eaton warned that labor "not only produces the goods and consumes a large part of them," but "also has the votes, and that eventual political unity of labor" is practically a foregone conclusion.

In his article, Mr. Eaton took occasion to praise John L. Lewis, President of the United Mine Workers, for exercising wisdom and restraint during the soft coal dispute, because during the time the mine owners "kept a torrent of abuse against the miners" pouring into all branches of the government, against which "John L. Lewis never uttered a syllable of complaint and never issued a statement criticizing anybody." He decried the decision of the Supreme Court against Lewis as "productive of untold evil in the whole field of labor relations."

With Bailey and Selland

Special to THE FINANCIAL CHRONICLE

FRESNO, CALIF.—Paul C. Rudolph, Jr. has become associated with Bailey and Selland, 1157 Fulton Street. Mr. Rudolph was previously with Elworthy & Co.

Observations

(Continued from page 5)

bile time purchasing. These agencies will hardly set unhealthy credit terms to enable automobile manufacturers to charge unwarranted prices. As in the past, terms will be soundly correlated with the credit-worthiness and needs of the buying public. And it must be remembered that it is at the retail level that consumer credit terms are fixed, that the storekeeper is the lender of the credit. Surely retailers, even if they could, will not embark on risky credit courses to maintain high wholesale price levels.

Economic Planning Again!

In its context of the larger sphere of economic planning and overall price control, the President is re-offering a theory which is at least highly doubtful. This espouses administrative tinkering with economic forces, depending on the judgment of government officials, or their ability (free of political interference) to evaluate current cyclical movements, and accurately to prohesy their future direction and velocity.

In any event, this is inconsistent with the Administration's professed post-war willingness to withdraw from price-control and economic regimentation. Also inconsistent is the Truman-Federal Reserve theory with the Administration's recurrently and volubly expressed solicitude for the low-income consumer. For tight credit terms constitute a weapon discriminating against the would-be buyer without capital reserves. That this is understood better by the workingman than by the President is indicated in an article appearing in "The Union," official organ of the Southern Lake Erie Association of central labor unions, entitled "Depression Is Threatened By Choked Buying."

So here the President seems to be playing both bad economics and bad politics!

Future of Our Exports

(Continued from page 4

rebuilding factories, harbors, railroads and the like. The facilities of the Bank were to be available, of course, not solely to the war-devastated countries but also would be used for development purposes in other countries. On the basis of resources and guarantees of all member countries, it would, as an international agency, tap various sources of investment and give reconstruction and development credits to governments and to government-sponsored borrowers.

These two organizations, UNRRA and the Bank, were thus to deal with the financial needs of the war-devastated countries during the early postwar period—the first meeting the relief needs in insolvent situations and the second providing credits which might be transformed into the physical capital needed to recover from the devastation of global war and to encourage economic progress in underdeveloped areas. It was, of course, the hope that private investment would resume its historic role once the critical period had been passed.

The two remaining institutions, the International Monetary Fund and the International Trade Organization, were to assure a living and expanding pattern for the new postwar world. It was clearly recognized that they could not function with full effectiveness at once, but would increase in significance as recovery brought the economic situation more nearly into balance. The first was to offer some assurance that currencies would be convertible and to provide a means of stabilizing currencies and to do away with discriminatory financial arrangements, thus reducing the monetary hazard in the exchange of goods across national boundaries. The second was to deal with the problem of reducing public and private barriers to trade and to abolish trade discriminations. This was planning for the long-run rather than the immediate postwar period. These institutions rested on the conviction that, in a world with currencies and commodities readily exchangeable, foreign trade would expand, the goal of easy access to materials and markets would be achieved and we could all benefit from a more efficient use than ever before of the world's resources—men, machines and raw materials.

These four institutions provided the framework for the postwar economic plan. It was a revolutionary plan. It established international responsibilities where they had never existed before, and it still is the framework within which we must hope that a better future can be achieved—but it is now two years since the end of the war and the hoped-for economic recovery of the world has not yet been accomplished. It is not even just around the corner. In too many countries, people are still at or below the subsistence level. Commodities of all types are still in short supply. Prewar production figures still look like distant goals. And the spirit of man in many areas is not one of excited and enthusiastic recovery with high hopes ahead, but of weariness, hunger and dismay. This is evident not merely in the economic field, but in the political field as well. Men who go to bed hungry are not too critical of those who make glittering promises—and wide swings of political emotion seem to be somehow related to economic misery.

A first superficial explanation of the gloomy economic picture might be that the failure lies in the fact that the international institutions themselves were too slow in getting under way. That certainly cannot be said of UNRRA. In fact, its full and active life is nearly over. It was ready to function as soon as the military operations ceased and for two years it has provided relief at close to the limit of available supplies. Thousands of people are alive today who would have died without its help. On the other hand, the International Bank, scheduled to carry the brunt of the reconstruction, made its first loan early in May of this year. Its organization problems were many and consequently it has been a minor factor in the picture up to the present. The Fund is only beginning to function and the Trade Organization is not yet organized, but neither of these institutions was designed to be a major contributor to immediate recovery.

U. S. Commitments

However, the delay in the operation of the Bank cannot be the explanation of the delay in recovery because various individual governments, particularly that of the United States, stepped into the breach. In addition to participation in the international institutions, the United States has committed itself to foreign grants and loans totaling about $13 billions. Of this amount, close to $9 billions has already been spent. Other countries, like Canada, also extended credits to less fortunate countries to help them over the critical period.

This total figure of $13 billions is the sum total of a number of different operations. It includes loans made by the Export-Import Bank and the loan to the United Kingdom specifically authorized by Congress. It includes the dollar credits representing far greater amounts of goods on a cost basis, transferred in the form of the postwar lend-lease civilian goods pipeline, as surplus property, and as sales of merchant ships. It includes civilian supplies distributed in the occupied areas, and special assistance to the Philippine Republic and to China. While these operations are recorded in dollar terms, in actual fact they represent almost entirely commodities and services made available by the United States to the economies of other countries.

Nevertheless, in spite of this volume of credits and grants, the critical period continues. It appears that the problem was more than one of providing bare subsistence and of replacing machines and mortar. The economies were disrupted and disorganized. Not merely fixed capital but working capital was absent. And the great shortage of goods was itself a deterrent whose effects were felt everywhere. Absence of goods in the market-place removed the incentive to produce for the market. What could the farmer buy who brought his goods to the city? Why should the coal miner work six days if he could buy his allowed ration with three days' work? Better that he stay home and repair his house or, even better, travel to his cousin on a farm to get some additional food. The shortage of food and the shortage of coal set the limit on the possibility of recovery. And other bottlenecks at various points keep emerging from the postwar disorganization.

The situation is full of vicious circles. The shortage of goods in foreign countries greatly limits the possibility of their exporting goods—a process so necessary for the obtaining of materials and finished products by countries which cannot possibly be fully self-sufficient. Their need is for imports, but the normal processes for obtaining imports are restricted by the absence of goods to export.

To be sure, the situation is better than that of two years ago. People are alive who could not have survived without outside aid. And bridges have been rebuilt, railroads are functioning, traffic is able to move on the rivers, more people have roofs over their heads, and many factories are at least in part able to produce when the necessary ingredients for production are at hand. But it is not the recovery which had been devoutly hoped. It is still a grim picture, with dark overtones.

We should feel thankful but not gratified to compare this picture with that of the United States. Our capacity to produce is greater than ever before, and we have been producing at record levels. To be sure, a substantial part of that production has gone to foreign markets. However, when compared to total production, the percentage is not greater than our volume of exports of the past for both are at record high levels.

In substantial measure, therefore, American production has been supporting the economies in other countries. In 1946, our exports of commodities and services were steadily increasing and totaled almost $15 billions for the year. The total for the first three months of 1947 was $4.9 billions, or an annual rate of nearly $20 billions.

This is a tremendous amount. In the month of May, for example, we sent 427 ships to Europe loaded with coal—about 3,800,000 tons. Without this specific aid, the European economy would virtually collapse for its own coal production is far below prewar levels. Similarly, shipments of wheat and flour have required a tremendous fleet to keep the flow of food to the various countries of the world at levels far above those of earlier years.

To the American businessman and the farmer, the foreign market has been booming. There is no question about the need on the part of the purchasers. But the significant part is that it has been to a large degree a supported market—supported by the American Government. As far as the individual businessman is concerned, the situation, on a much smaller scale, resembles the activity of the war period when the Government provided him with a market. The present foreign market is likewise in large part the creation of the United States Government.

To be more specific, in 1946, according to the estimates of the Department of Commerce, we sent abroad about $15 billions of goods and services. During the same period we imported about $7 billions of goods and services. That left $8 billions still to be paid for. Of this deficit, $2 billions was paid for by gold or other assets belonging to foreign countries. The remaining $6 billions is the measure of U. S. aid—about half in the form of grants and half in the form of loans. As far as the individual businessman or shipping man was concerned, he received full payment. However, in the last analysis, about two-fifths of the settlement was with funds originating in the U. S. Treasury.

This $15 billions record summarizes the 1946 picture of the exports of goods and services from the United States to all the rest of the world. As I have said, imports were much less, leaving a substantial gap. Slightly more than two-thirds of the total gap between commodity exports and imports arose from our trade with Europe. In the prewar years, our shipments to Europe exceeded our purchases by close to half a billion dollars per year but as compared with prewar, our exports to Europe today have increased far more than imports from there. For the rest of the world, where our exports and imports used to be approximately equal, today there is a substantial excess of American exports over imports. Thus, while the European economic situation is undoubtedly more critical, the same general problem appears in the balance of payments everywhere. And even the Far East, which used to be a substantial net supplier has also shifted to a deficit position.

Imbalance

The situation in recent months is even more out of balance. Using the rate recorded in the first quarter of 1947, the annual rate of exports is about $20 billions. Against that, can be set $8 billions of imports. At the first quarter's rate, the projected year's payment made by assets of foreign countries would be $4 billions and the balance which would have to be filled by grants or credits, about $8 billions. There were special factors in the first quarter which make it doubtful as to whether it will be typical of the entire year. Perhaps the 1946 gap of $6 billions is more realistic as a forecast for 1947. However, that rests on the assumption that there will be no major adjustments in other items in the trade balance.

Of course, the balance of exports and imports, including the so-called invisible items, may be achieved by adjustments in any of the items, so the various elements should be reviewed. It is highly improbable that commodity imports to the United States can be greatly increased in the immediate future. In a world of shortages in other countries, this is difficult to accomplish. To be sure, as the raw material areas of the Far East resume their activity, there can be further advances and as the more industrialized countries resume their specialty production, shipments to the United States may increase. However, this is a slow process and probably will be timed along with the general recovery rate of the rest of the world.

As to the gold or other liquid foreign assets available for use as payment, these resources are decidedly limited in amount and are held in large part in countries where the pressure of an unfavorable balance is not so great—countries like Switzerland. Nor can they be used to any great extent without jeopardizing the currencies against which they act as a reserve. The possibility of something like the figure of $4 billions in 1947 from this source is therefore very doubtful and certainly cannot be repeated for several years in the future.

Consequently, the situation narrows down to a very specific alternative. Either the rate of American exports to other countries must be reduced or the payments gap must be filled by credits or grants. Of course these are not mutually exclusive solutions. But they are interdependent—the more of one, the less of the other and vice versa.

There are various signs that the present situation will lead in part to increased restrictions against American goods by foreign countries in an effort to husband their resources in hard currencies and to make sure that only essential imports are permitted. Thus the tobacco tax in the United Kingdom was inspired in large part by the desire to save dollars. The import restrictions imposed by Sweden in March were clearly intended to halt the drain on her resources resulting from the high level of imports from the United States. The American motion picture industry has come under particular pressure by various countries to make arrangements which would not lead to a flow of dollars fully corresponding to net earnings.

Effect of Export Reductions

Undoubtedly, some reductions can be made in American exports without seriously jeopardizing the processes of recovery. However, it must be remembered that many of the apparently non-essential items act as incentive goods in the other countries, providing a kind of pump-priming for the process of production and exchange.

Such restrictions as foreign countries may place on purchases in the United States will probably be operated to limit transactions to the supply of available dollars and not to endeavor to accumulate dollars. Therefore, it seems clear that the level of our foreign trade in the immediate future will be largely determined by the volume of American aid and assistance. At the moment, there remain less than $5 billions of unused governmental commitments, plus the resources of the International Bank and Fund. However, much of these funds are restricted as to use or limited to a particular area or both—the new grant of $350 million is limited to relief purposes within a rather elaborate set of conditions and the $400 million can be used only for Greece and Turkey and the $1.8 billions not yet drawn down by the British under the British loan agreement are obviously only available in the first instance to the United Kingdom.

One certainly should not disregard the International Bank as a factor in the situation. It has begun to extend credits and can take much of the responsibility for reconstruction requirements in the future. However, its resources cannot be used for such immediate necessities as food and other consumers' goods. It is essentially an institution for aiding the purchase of capital goods. This is, of course, a prime function. However, one of the serious flaws in the original plans was the failure to realize how extensive would be the requirements for commodities of the general class of consumers' goods and raw materials, both in terms of volume and in terms of the higher price level. And this in turn was the result of the failure to take into account all the economic, political and psychological factors which have delayed the recovery of productivity.

Reviewing all the sources of payments now in sight, it is obvious that they will not support the present level of exports from the United States for any considerable period of time. On the other hand, failure to continue essential exports for the critical period will undoubtedly result in a serious setback to the process of recovery. Thus the longer range future of foreign trade is greatly dependent upon the nature of developments during the next several years. And, in turn, absence of improvement in other countries will be a persistent drag upon our own economic system.

Dollars Not Enough

It would be completely erroneous to create the impression that the problem of economic recovery throughout the world is merely one of American dollars or American commodities. To be sure, that is the type of assistance which we have been providing, but much more than dollars are needed. For example, consider the food situation. American wheat cannot be, in a sense, more than a stop-gap. The basic problem is the recovery of agricultural production in France, Italy, Siam, Japan and all other countries themselves. To some extent, American dollars can help when expressed in terms of fertilizer, seeds, and agricultural implements. But the problem is so much more than that—a problem which the local authorities must deal with—a problem of getting the farmer and the land to maximum productivity. This does not mean, of course, that each country should try to be self-supporting in food—that would be most uneconomic. But the present levels of output, appreciably below the prewar levels in many areas, represent a problem which must be tackled by the various governments and the appropriate international organizations. This problem cannot be solved for other countries by the United States except as we can help others to help themselves. It is so much more a matter of internal domestic policies than of outside aid. It is not merely a question of scientific agriculture, but one of economic organization. Future planning in the food field involves a reconsideration of compulsory collection systems, rationing, open markets and price structures, all in relation to such incentives as may be required to raise production sharply. It involves questions of domestic priorities and support. These are all matters in which the domestic policy of each country is paramount and where vigorous and carefully planned action is vitally needed. It is to be hoped that the Conference of Food Ministers scheduled to begin in Paris on July 9 will make substantial progress in dealing with these problems.

Domestic Politics in Indonesia

To take another type of case where American assistance can be effective only if internal policies are propitions, an illustration can be found on the other side of the globe in Indonesia. Here in the East Indies are customary sources of raw materials needed by the rest of the world and presently in great demand—rubber, sugar, copra and many other tropical items. Nevertheless, there is no flow—the volume is a mere trickle of what it could be. A new set of political arrangements is being painfully constructed—and during the process, no economic progress has been possible. There is reason to hope that an interim modus vivendi can be set up, although this is difficult because of the fear that any temporary arrangement might prejudice the final settlement. Under these conditions, production elsewhere in the world is retarded and the needed reconstruction in the area itself is not moving forward. This case is merely an example of a condition which is widespread, though in differing degrees. Political controversies all too often are responsible for confusion and disorganization in the economic field. During the War, political differences were subordinated to the basic objective. Now the over-riding objective must be economic recovery. Unless this is clearly recognized by a nation and its people as their basic purpose, it is hard to see how outside assistance can be fully effective.

U. S. Responsibility

In five countries, the United States has a special responsibility with respect to the kinds of internal policy which I have been discussing, the cases of the ex-enemy states of Germany and Japan, the liberated states of Austria and Korea, and the special instance where we have accepted a major role for a limited period, Greece. These countries represent an important part of the world's economy. There can be no question but that the failure of Germany to make substantial progress in productivity has held back the processes of European recovery in general. Germany used to be a major element in the pattern of European trade, and her coal, steel and machinery were basic to other European countries. There have been various factors holding back her progress, the most important of which was the degree of destruction and disorganization resulting from the War. The fundamental economic requirements in all the cases are no different from those of the victorious countries, except perhaps in degree. And the interdependence of modern economic life makes it necessary for recovery to be general in order to be specific.

This is not a happy picture. The war was more destructive of the economic machine than had been realized. After the last war, it took seven years for the world to get back to its prewar level of operation. The United States gave its assistance then through an unorganized process of private so-called investment. It is obvious that the destruction and disorganization created by World War II was much more extensive, and recovery and reconstruction correspondingly difficult.

This is the problem of the immediate future. On its answer, depend both the short-run and long-run possibilities of foreign markets for American goods. More broadly, on it depend the short-run and long-run prospects for stability and security in the wartorn world.

The answer cannot be given solely by the United States. After all, the fundamental steps towards recovery must be taken by other countries. However, it is important to us that they do recover, and as quickly as possible. We aided them during the War because we were clearly agreed on our great objective and were following a common plan for its accomplishment. If there can be a clear indication of a joint effort to achieve recovery, we should continue to be generous with our support. In the long run, the cost will be relatively small, and the enormous dollar and cents dividends will be far exceeded by the intangible items of goodwill. That is the entry which the accountants use to represent the increased value of economic assets when they take the form of a "going concern." But goodwill is more than an accounting phrase. Although it is frequently omitted from the financial balance sheet, it is perhaps the most important item in the balance sheet of the world. Goodwill cannot flourish in an atmosphere of economic disorder. Not only is it important for the world to be a going concern, but in one of the greatest expressions of hope in the Bible, goodwill is intimately related to "peace on earth."

Banking—the Heart Of Free Enterprise

Banking is an extremely important part of our system of free enterprise. It is the heart which pumps the savings of our people into the thousands of places where these savings build homes, railroads, automobiles, steamships, airplanes and supply the vitamins to our great industries. We bankers know that free enterprise works. We know that it has made our country great. It is up to use to keep remininidg our people about this fact and to keep them from embracing any "ism" other than Americanism. While we do not have any technical obligation, I believe that because we are actually the stewards of so much of the wealth of this nation the bankers of New York State have a moral obligation to hold forth the beacon and to lead the way for smaller associations to follow.—**William A. Kielmann, newly elected President of the N. Y. State Bankers Association and President of the Peoples National Bank & Trust Co., Lynbrook, L. I.**

William A. Kielmann

S. D. Fuller Incorporates

S. D. Fuller & Co., 39 Broadway, New York City, is now doing business as a corporation. Officers are Stephen D. Fuller, President; Arthur Gibb, Vice-President and Treasurer; James H. McGean, Secretary, and Stephen L. Blanchard, Assistant Vice-President. Mr. Fuller and Mr. Gibb were previously partners in the firm, with which Mr. McGean and Mr. Blanchard were also associated.

Bradshaw Now Incorporated

BOSTON, MASS. — George L. Bradshaw has formed George L. Bradshaw, Inc., with offices at 24 Federal Street. Mr. Bradshaw, President and Treasurer of the corporation, formerly did business as an individual dealer. John J. Fitzgerald is clerk for the firm.

With Slayton & Co., Inc.

Special to The Financial Chronicle

LOS ANGELES, CALIF.—John H. Ashum is now connected with Slayton & Co., Inc., 3277 Wilshire Boulevard. Mr. Ashum was previously with William Walters Securities Co. and Carter H. Corbrey & Co.

Dean Witter Co. Adds

Special to The Financial Chronicle

SAN FRANCISCO, CALIF.—E. Frederick Korb has become associated with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges and other leading national exchanges.

With Milton C. Powell Co.

Special to The Financial Chronicle

PASADENA, CALIF. — William E. Acker is with Milton C. Powell Co., Security Building.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market now starting to show top signs in isolated stocks. Expect some more strength followed by a reaction.

It must be as boring for you to read these columns of late as it is for me to write them. I am aware that readers want to be told what to buy; instead recent columns have merely told them to abstain. There is no money in that kind of advice. The broker doesn't get any commission and the potential buyer does not make any money.

It is occasionally amusing to be flip and poke fun at the market. I know, however, that that sort of a thing does not fatten anybody's pocket book.

Yet, in retrospect, I doubt if there is anything else I would have done in the past few weeks. Actually I don't know why I'm apologizing. In fact I didn't intend for this to be an apology at all, even though it reads like that, because the truth is that I still feel the market is going nowhere on the upside in the foreseeable future.

Last week the signs of a rally were becoming apparent. Before the week was over, I pointed out, the chances were that enough shorts would be driven to cover to carry the familiar averages to about 175. Apparently I underestimated their power. The rally carried the averages to 177.23 Monday, June 16, even though the close was at 175.81. On a day to day indication, the market now shows an important level at 174. This point should be held if the current rally is to mean anything. Whether it will or not is doubtful.

Last week I wrote that it would be interesting to see the kind of selling that would come in once the averages crossed the 175 level or approximated it. I emphasized the selling at that point would be more important than the buying. The buying, I pointed out, would be mostly from the short interest and therefor had no meat in it.

The first indication of better than average selling appeared late Friday. The next signs appeared Monday noon and persisted the rest of the day. At no time was this selling obvious and neither did it press. When a bid came in some long stock hit it. As the day progressed the buying tended to dry up and so did the selling. Early Tuesday the selling cropped up again, and again it was during a rally phase of the market.

Selling such as this is typical of a closing phase in a market cycle and usually indicates the beginning of a decline. This doesn't detract from further rally. In fact it is quite likely that before you read this the average price will move up another point or two. But such gains are full of froth and are likely to disappear with the first adverse breeze.

Summing it up this means that the recent rally, fed almost entirely by a weak short interest, is over; that another decline is in the making. How far this decline will carry stocks is problematical. It is possible they won't go under the 170 figure, which if true, would make it impractical to sell. Yet I have seen markets which give every indication of nothing more serious than a minor turn suddenly take on the characteristics that sweep everything before it. Long ago I learned that a turn of any kind is not to be shrugged off as a "technical" phenomenon. If it develops that way, fine and good. But in any case it is wise to guard against the unexpected as well as the expected. Maybe the black figures won't be as pretty at the end of a certain period. But by the same token, neither will the red figures snow you under.

Together with the top signs now appearing there are some clues that point to a possible substantial up move. More substantial evidence of this trend will be seen during a market break. So it is likely that next week's column will give you a few buying points.

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.]

World Bank Loan to France and Future of Foreign Private Lending

(Continued from page 10)

soon as they are eligible to go into the free market.

Interest Rates Should Be More Uniform

Despite the low interest rate of the French loan, there have been complaints in the French press that the rate is too high in comparison with the British loan where interest charges are only 2% p. a. That debtors should carefully watch interest differentials is quite natural. As a matter of fact, foreign countries make little distinction among the several American lending agencies. They do not care very much about the "legal lender" and are willing to take the money wherever they can get it. But they are often hard put to find any reasonable explanation for rate differentials applied by the various agencies.

To avoid unnecessary irritation, similar rates should be fixed by all the agencies concerned for similar kinds of loans. The National Advisory Council which has to pass upon every loan application should be in a position to bring about such streamlining of interest rates. Lower rates should be charged for short-term loans and those designed for purchase of food and raw materials. The rates might be higher for long-term reconstruction loans as are granted by the World Bank.

One provision of Article II deserves attention from a long range viewpoint. Sect. 8 directs a borrower who purchases in a country outside the dollar area to make a "reasonable effort" to arrange for payment in domestic currency rather than in dollars. Since France is reported to have appropriated in advance in this country virtually the total proceeds of the loan, that clause will not be operative in this instance. But it may become more significant as production in other countries increases gradually. Thus if a borrower makes purchases in Canada or in Great Britain, payment would be made in domestic currency. This would not only reduce the outflow of scarce U. S. dollars but also afford the Bank an opportunity to use some of the funds which members paid in their domestic currencies[2] provided they give permission to such use in accordance with the Charter (Art. IV, Sect. 2(a)). No country except the U. S. has done this up to now.

The following Articles III and IV are the most important of the agreement. They deal with the use of the loan and the procedures of withdrawal. The purpose is to implement the basic provisions of Article III of the Charter.[3] According to the agreement, proceeds of the loan will be applied to payments of the cost of purchasing and importing goods required and used exclusively for productive purposes related to the general reconstruction and development of productive facilities and resources of France. The specific goods to be purchased shall be determined by agreement with the Bank whose approval is required for any re-exports.

Safeguards For the Use of Loan Funds

Article IV is headed "Withdrawal of Proceeds of the Loan" and includes the most controversial provisions of the agreement. Withdrawals may be made only upon furnishing of a detailed statement showing the cost, date of payment, name of supplier and purchaser, destination and end use of the goods in question. Proof that payment has been actually made has to be furnished (Sect. 2). Moreover, the borrower will have to submit receipted bills, invoices or other documents for inspection by representatives of the Bank (Sect. 3); the Bank may also request other documents as evidence (Sect. 4).

2 Only one-tenth of the 20% of the capital subscriptions paid in had to be made in gold or U. S. dollars while 90% could be made in domestic currency of the member country.

3 See the article mentioned above.

Under certain special circumstances, the Bank may be relieved from its obligations under the agreement (Sect. 7), particularly in case that any extraordinary situation shall develop which shall make it improbable that the borrower or guarantor shall be able to perform its obligation under the agreement. This clause has been vehemently attacked in the French press as an interference in her domestic political affairs under the assumption that a change in the composition of the French government may be considered to be such an "extraordinary situation." The Bank has offered no interpretation of this controversial clause; but it may be assumed that it has been clarified in the course of the negotiations.

From this brief outline of the main provisions of these two articles it should appear that the Bank has made a determined effort to implement the somewhat vague clauses of the Charter in order to assure that the proceeds of the loan are used in accordance with the intentions of the Bank and the terms of the agreement. Undoubtedly, the Bank kept in mind the experience of UNRRA when goods were simply turned over to the recipient government with little supervision of their final use. The Bank, however, has shown its determination to assure that no funds are used in a way not intended or foreseen by the lender. The management of the Bank deserves high credit for having introduced this basic principle in the French loan agreement and thus having set a precedent not only for its own future loans but beyond that for other lending contracts as well.

Article V deals with the contents and the execution of the Bonds representing the outstanding debt. Article VI regulates the redemption of these bonds. The debtor has a right to redeem the outstanding bonds at any time at par. A redemption premium of ½% to 2% can be waived by the Bank if it is able to retire its own outstanding bonds without a premium or to use the funds otherwise in its operations (Sect. 1 and 5). This policy of encouraging redemption of outstanding bonds before maturity is very commendable. But to be effective it needs to be supported by an appropriate interest policy as discussed before.

Article VII sets forth some particular obligations of the borrower. No other external debt shall be given any special security prior to the claims of the Bank (Sect. 1). The borrower shall furnish information regarding the use of the goods purchased as well as the economic and financial conditions of the borrower and the guarantor (the French Government). There shall be consultations and representatives of the Bank shall have a right to inspect goods purchased as well as contracts, documents and books of accounts related to such goods and their end-use (Sect. 2).

Full Cooperation of Bank and Fund Advisable

As far as the matter of information is concerned, it seems somewhat surprising that no special provisions are made for the use of the data which members of the International Monetary Fund are pledged to furnish currently (Article VIII, Sect. 5 of the Fund Agreement). It appears that the Bank is asking for a number of data which will be available to the Fund as a matter of routine. This may involve unnecessary duplication of effort and expense. The Bank should have access to all information available to the Fund (as a matter of fact, both institutions are housed in the same building) and should not be in need for special files except those directly related to its lending operations. The Fund, on the other hand, should give full consideration to the claims of the Bank outstanding in determining its policies toward member countries that are indebted to the Bank. In particular, the Fund should always earmark a part of such a country's quota which should be sufficient to cover its debt service to the Bank for the next maturity date. Such a policy would greatly strengthen the Bank and reassure its bondholders. It should be closely studied by the existing coordinating committee of the two organizations and a policy statement to that effect should be adopted by the Boards of Governors at their forthcoming fall meetings.

The remaining articles of the agreement deal with procedures in case of a debtor's default (Art. VIII), Interpretation and arbitration (Art. IX), and, finally, provisions for notifications and ratification (Art. X and XI).

No Provision Made for Securing Loans

These conclusions may be drawn from an analysis of the loan agreement:

(1) The Bank has made a strong and successful effort to give full and positive interpretation to the Charter.

(2) As a result, satisfactory safeguards are available for supervising disbursements of the loan and to make sure that they are made in strict accordance with the agreed terms.

(3) But the Bank has been unable to go beyond the Charter provisions and to get some real collateral or security as may assure continued debt service.

As a matter of fact, once the proceeds of a loan are paid out, the only reliance is upon the promises of the borrower and the guarantor. Industrial and transportation equipment to be purchased from the proceeds of the French loan would be well suited as a collateral in case of default. But this has not been agreed upon.[4]

The management of the Bank has been right in taking first things first and to proceed from a short-run point of view. Thus it has been concentrating upon preparations to sell the Bank's debentures and officials have been making speeches which emphasized the high rating of these bonds.

Simultaneously, they tend to play down the transfer problem and other possible difficulties of the debt service.

But there is a need and a duty to look ahead to the period when all the bonds covered by the U. S. guarantee will have been issued. Then will come the real test of the Bank's future. Certainly, it is not too soon to study means for dealing with the situation as will arise at that time.

Bond Issues Might Be Limited By the U. S. Subscription

One possible solution has been advanced frequently during the last few months. Let the Bank sell bonds up to the limit of the U. S. subscription ($3,175 million), say its proponents, and perhaps include the subscriptions of a few other solvent countries. After this has been done, confine its activities to lending funds available from regular amortization payments. This, of course, would avoid troubles and assure full protection to bondholders.

4 The bondholders, of course, will have additional protection through the three-and-a-half billion dollar guarantee of the United States Government.

The Bank may even find, writes the National City Bank of New York,[5] with the numerous intergovernment credits and the availability of private credits to top-grade borrowers (such as Australia and Norway) that the scope of its credits may not extend beyond $3-4 billion. Moreover, as world conditions improve the number of borderline cases which the Bank is designed to handle should decrease. This *theory of limited activity* will probably find a good many advocates for it is the simple way out of a complex dilemma.

However, such a policy would not be in line with the original purposes of the Bank and, if adopted, would mean complete failure of the whole ambitious plan. For no international Bank had been required to achieve such limited end; the U. S. Treasury or one of its subsidiaries could have done the job with less friction and expense.

The mere fact that the original plan faces considerable difficulties and obstacles should be no reason for discarding it but rather an incentive to redouble the effort for putting it into practice.

Although all French political parties finally voted in favor of the loan, there was strong public opposition to the limited control provisions of the agreement. Unfortunately, the sovereignty dogma is now stronger than ever before. Moreover, it is used as a convenient and always successful front by those groups which are against American financial aid as a matter of principle. The provision which reserved to the Bank the right to check upon the agreed use of the loan was denounced as an unwarranted interference in French domestic affairs.

New Devices for Protection of Investors Required

On the other side, it is obvious that large-scale private lending particularly to foreign governments or to enterprises owned or controlled by foreign governments (and most borrowers will be of this type) will be impossible without appropriate safeguards to protect the investor. The London "Economist"—reflecting the opinion of those groups which for a century successfully guided British investments overseas—emphasized in a recent editorial that private investors always relied upon their governments to provide security "by means varying from direct control to diplomatic pressure and influence."[6] These nineteen-century practices have become outmoded and any attempt to revive them would be futile indeed. However, they need to be replaced by some other and equally effective method to revive private foreign lending upon which development of world economic resources and international peace are dependent to a considerable degree.

A Code of International Lending

Professor Jacob Viner has suggested the need for developing a code to govern the relations of government debtors to foreign private creditors. Otherwise he sees great difficulties in reviving an international private market for government securities.[7] His stand is strongly supported by the experience of the World Bank. This is the more true since many countries do not consider the Bank a real international organization. The Bank cannot grant any loan without the consent of the American Government, writes a French commentator, and this makes it in fact an American institution. It can hardly be denied that such reasoning is in accordance with actual conditions. Yet it is important to preserve the international character of the Bank in principle though it may be inoperative and obscured for the time being.

5 International Fund and Bank. Bulletion May, 1947.

6 Asia and the Truman Doctrine, Apr. 5, 1947.

7 International Finance in the Post War World Lloyd's Bank Review, October, 1946.

The International Chamber of Commerce has published a set of rules for international lending, but the World Bank seems to be particularly well equipped to reconcile the interest of private investors and debtor governments. Its directors are government representatives and most of these governments are prospective borrowers. The directors and the staff of the Bank should prepare drafts for such a code which should be submitted to an international conference for discussion and eventual adoption as a set of international principles. Fortunately, activities of the Bank would not be delayed for a considerable time will be required (perhaps a couple of years) to sell the first three billion debentures of the Bank.

The problem is not so much a technical than an educational one. Technical experts might be able to reach agreement without particular trouble. But politicians are afraid to make even reasonable concessions if they are confronted by an opposition wearing the mantle of sovereignty and national independence. Moreover, there are still vivid recollections how lending countries abused their prerogatives for selfish purposes.

But prospective borrowers will not overlook the fact that there is an institution willing to lend out some five billion dollars for international reconstruction and development (and the need for such loans has no practical limit) provided it can satisfy the just interests of investors to safeguard their savings.

Plans for European recovery will have to be made by the Europeans themselves rather than by the United States, as Walter Lippmann has pointed out.[8] There is a similar situation with regard to the World Bank. It will be up to the debtors, in the first place, to work out proposals which afford satisfactory security to foreign private investors without undue interference with the domestic affairs of the borrowers. The Bank as a representative of lenders and borrowers but particularly of the latter should be in a special position to act as an intermediary and trustee so it may be enabled to make full use of its statutory lending capacity in the interest of the many members who are in urgent need of development capital.

Evidently, a tremendous wall of distrust and suspicion has to be overcome. The job is a tough one and it may fail. But surely it is worth while undertaking. Why not try it rather than concede defeat in advance as proposed by the advocates of the "limited activity" theory.

8 May 29, 1947.

With J. Arthur Warner

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS.—Royal T. Arthur is now connected with J. Arthur Warner & Co., Inc., 89 Devonshire Street. He was formerly with Hooper-Kimball, Inc.

Dudley Hawley Dies

Dudley A. Hawley, member of the Cleveland Stock Exchange, and senior partner in Hawley, Shepard & Co. Union Commerce Building Cleveland was drowned accidentally on Saturday, June 14.

High Personal Taxes Slash Stock Values

(Continued from page 4)

The Dow Jones Industrial Average so far this year has ranged slightly below 10 years ago, although national income, industrial production and corporate profits are about twice as high. This comparison is particularly interesting because of the many similarities between the two periods. Both periods represent the top of a business boom accompanied by rising commodity prices and inventory accumulation. Furthermore, a number of economists predicted a business recession while the Secretary of the Treasury and many businessmen expressed optimism regarding the business outlook in both periods. In the second half of 1937, stock prices declined about 50%. Many investment analysts believe there will not be a similar decline in the second half of 1947 because corporate profits will be substantially higher next year than they were in 1938, even if industrial production declines substantially from the current abnormally high level.

The reason why some believe stock prices already discount the business recession is disclosed in Table II. Average earnings per share reported for the preceding six month on the stocks comprising the Dow Jones Industrial Average in 1947 were two-thirds higher than in 1937. This gives the false impression that earnings could decline 40% to the 1937 level without justifying any further decline in stock prices.

Table II

Earnings per Share on Dow Jones Industrials

	1937	1947
4th Quarter Preceding Year	$2.91	$4.87
1st Quarter Current Year	2.92	4.77
Total for 6 Months	5.83	9.64
Annual Rate	12.00	20.00

In early 1937, the Dow Jones Industrials were selling 15 times their current annual rate of earnings. They are now selling about nine times the earnings calculated in this table.

Taxes Explain Low Stock Prices

Those who think stocks are cheap, have overlooked the fact that investors do not receive all of these earnings. Uncle Sam takes a large cut out of dividends, thus reducing the net income yield received by most investors. When the earnings shown in Table II are adjusted for personal taxes paid on dividend income, one discovers that stocks are no cheaper than they were in the first half of 1937.

In Table III, earnings per share on the Dow Jones Industrials are adjusted to reflect the taxes paid by investors in various income brackets. The brackets indicate the taxable incomes of investors. The tax rates used to reduce earnings are the average rates levied on additions to income in these brackets. To illustrate, an investor has $18,000 net taxable income after all deductions. If he then receives $2,000 in dividends, he pays a 50% tax on that additional income, leaving his only $1,000 net. In 1937, he would have paid a tax of 17%, leaving him $1,660 net.

Table III.

Earnings Per Share After Personal Taxes

Tax Bracket	1937	1947	1947*
$4,000— $6,000	$11.00	$15.00	$16.00
8,000— 10,000	11.00	13.50	15.00
10,000— 25,000	10.00	10.50	12.50
25,000— 50,000	9.00	7.00	10.00
50,000—100,000	6.00	4.50	7.50
100,000—150,000	4.50	3.00	6.00

*Adjusted for tax cuts in recent bill.

If taxes are take into consideration, it is obvious that high quality, dividend paying stocks at today's prices are cheap only to small investors with taxable incomes below $10,000. Stocks are decidedly too high in price for wealthy investors with taxable incomes above $25,000. Stocks are apparently priced exactly right for the average investors in between.

For example, an investor in the $4,000 — $6,000 brackets who bought the Dow Jones Industrials at 170 would theoretically get an income yield (after personal taxes) of 9%, if all earnings were paid out in dividends. Investors in the brackets between $10,000 and $25,000 would get 6%. Investors having taxable incomes above $100,000 would get less than 2%.

Tax Bracket of Typical Investor

Table III indicates that the value of a stock to a particular investor depends upon what tax bracket he is in. This raises the question—which of the tax brackets in that table is most typical of all investors whose purchases and sales determine the prices of stocks in the Dow Jones Averages? It is probable that the $10,000—$25,000 tax bracket is the answer to this question. Here are the reasons why. The U. S. Treasury has published tables showing the amount of dividends received by taxpayers in each bracket. If it is assumed that the amount of dividends received is fairly proportional to the amount of stock owned, it is possible to estimate the distribution of stocks by seeing what proportion of total dividends was received by taxpayers in each bracket. This is shown in Table IV:

Table IV.

Distribution of Dividends Received, 1942

Tax Bracket	% of Total Dividends
Under $5,000	31.0
$5,000—$10,000	13.5
10,000— 25,000	19.6
25,000— 50,000	13.8
50,000—100,000	10.4
100,000—150,000	4.0
Over $150,000	8.0

Source: Statistics of Income, Part I, 1942

About 20% of all dividends reported were received by individuals having taxable incomes between $10,000 and $25,000. About 45% of dividends went to individuals earning less than $10,000 and 55% to investors with incomes above $10,000. This indicates that the typical investor has a taxable income somewhat above $10,000.

A second glance at Table III shows that the average investor who buys the Dow Jones Industrial is buying earnings of $10.50 per share after his taxes, compared to $10.00 per share in 1937. That explains why the Dow Jones Industrials are now selling at about the same prices as they were ten years ago.

Effect of Tax Reduction Bill

How important the reduction in tax rates recently passed by Congress and sent to President Truman would have been to the average investor, is shown in the last column of Table III. These proposed tax reductions would increase earnings per share by $2.00 for the average investor and by $3.00 for the wealthiest investors. Theoretically, such a reduction in taxes would justify a rise in the Dow Jones Industrials to 200, other things being equal. While the largest investors would receive the greatest increases in dividend income after taxes, the smallest investors would enjoy an equal increase in market value of their stocks.

Explanation of 1946 Market Break

Understanding of the impact of personal taxes on the market value of dividend-paying stocks makes it possible to construct a logical explanation of the behavior of the stock market since the end of the war. From September, 1945, to June, 1946, speculators bought stocks aggressively in expectation of capital gains as a result of a typical postwar inflationary boom. Since the tax on capital gains is only 25%, it was worthwhile to speculate in the stock market so long as the speculator could sell his stock to another speculator who thought it would go higher. As stock prices rose, investors holding stocks for income reduced their stock holdings. A study made by the Federal Reserve Bank of New York revealed that stocks were bought by odd-lot buyers during that period but were sold on balance by large investors and by partners in stock exchange firms.

In June, 1946, speculators decided to cash in on their capital gains. They did not know when the inflationary boom would burst, but they wanted to be sure to get out in plenty of time, just as speculators did in 1919. When they sold their stocks, however, there were no investors around to buy them, because current tax rates made these stocks unattractive for investment at those prices. The decline from June to August, 1946, was accordingly the correction of too much speculation. When stock prices fell to a level justified by current tax rates, they became stabilized. In other words, prices in the spring of 1946 over-discounted stock earnings after taxes at the top of the inflationary boom. When this over-discounting was corrected, stock prices became stabilized in line with current earnings after adjustment for taxes.

Current Market Situation

The rallies and declines in the market since last fall have been based on alternating hopes and fears regarding the outlook for business in the second half of 1947 and regarding the outlook for tax reduction. Therefore, if President Truman signs the tax reduction bill, the Dow Jones Industrials should rally substantially until investors become convinced the business recession is really under way.

When they become so convinced, stocks will probably decline in the same way they declined in the second half of 1937.

Different Trends in Speculative and Investment Stocks

Tax changes do not affect all stocks equally. Stocks which do not pay dividends, and stocks whose earnings fluctuate extremely, are usually bought for the purpose of getting a capital gain, and sold to avoid a capital loss. That explains why stocks of speculative rather than investment quality are much higher relatively to 1937 than the Dow Jones Industrials. While such stocks follow the Dow Jones Industrials over short periods of time, their movements differ from the Dow Jones Industrials over a period of several months. It is interesting to note that these speculative stocks have been in a declining trend. They have broken the lows of October, 1946, significantly, whereas the Dow Jones Industrials have held above those lows. This would indicate that speculators are more certain of a business recession today than they were last fall. Now that President Truman's veto of the tax bill has been sustained by the House, the possibilities favor lower prices for both groups.

The Canadian Dollar

(Continued from page 16)

August, 1946, had expressed the view that the reserve of U. S. dollars and gold might be halved in the next two years. Thus the loss in 1946 of $260 millions odd, bringing reserves down to $1,245 millions, may not appear to be unduly great.

The deficit in our current accounts with the United States last year was $600 millions but the loss in official reserves was less than half that much by virtue of other dollar receipts and of certain capital transactions. Most of the countries receiving credits from Canada have, as part of the agreements, undertaken to pay for a portion of their purchases in convertible foreign exchange. In 1946, some $237 millions in gold or U. S. dollars were received through transactions with countries other than the United States. In addition, there was a net sale of U. S. securities held by Canadians of some $50 millions.

In the present year, the drain on reserves may be larger than in 1946. The merchandise trade deficit this year has been notably higher than in the early months of 1946. As the year goes on, and particularly if there is some reaction in U. S. prices, the upward trend in the deficit may be checked and possibly even reversed. But taking the year as a whole it appears reasonable to expect a larger merchandise trade deficit than in 1946. A significant offsetting factor is that, in the words of the Minister of Finance, "this year we expect to receive substantially larger payments in convertible exchange from the United Kingdom and from a number of other countries." In addition, loans and advances through the World Bank and International Monetary Fund may help to ease the acute worldwide shortage of U. S. dollars.

Canada's Economic Outlook

The final test of the value of a currency is the economic outlook for the country concerned. If its residents take a gloomy view of its prospects they will attempt to increase their assets in other countries, and foreign investors will likewise attempt to liquidate part of their investments. Under exchange control such actions can be severely restricted if not entirely prevented, though control of capital movements cannot induce foreigners to increase their investments in the country concerned.

Canada's economic position is a strong one in comparison with most other countries today. This country has come through the war with increased productive capacity, with a larger and more skilled working force, with a comparatively low price structure, and with an economic machinery that is functioning in an orderly manner. Canada has also developed greater independence and self-reliance and a much greater ability to handle her own economic affairs. The nature of her resources and capital equipment, of course, continue to emphasize her great dependence on international trade, and if reconstruction proceeds succesfully and if a multilateral and relatively free trading system is established, her future is bright. Even if the process of rebuilding production and trade in Europe and Asia is disappointingly slow, it is hard to believe that her position will not compare favorably with that of most other countries.

In assessing Canada's economic prospects, too much emphasis should not be placed on the restricted unofficial market for the Canadian dollar in New York. It is supplied almost solely by nonresidents who wish to liquidate Canadian investments or bank balances but who are not authorized to convert such funds at the official rate. The buyers are nonresidents who purchase funds largely to invest in Canada. It is a narrow market with a fluctuating supply and the Canadian dollars purchased in it have only a limited use—they cannot be used to buy Canadian goods or to settle current payments owing to Canadians. According to the last Annual Report of the Foreign Exchange Control Board, "all but a very small fraction of Canada's international transactions take place at official exchange rates."

Summary

To sum up, there are clear and basic factors of strength in the position of the Canadian dollar. By the test of comparative prices, the currency is a strong one. By the test of the overall balance of receipts and payments, it also appears to be soundly based. The gold and U. S. dollar reserves are still substantial. The general economic prospects of the country are better than those of most others. The big question mark is the prospect for exchange convertibility under conditions of freer and expanding international trade. That depends largely on recovery of production and restoration of economic order in the war-ravaged countries of Europe and Asia, which in turn depends heavily upon the provision of sufficient aid in U. S. dollars to permit the rest of the world to finance urgently needed purchases from North America. In closing, it should be added that even if the international economic outlook is regarded as discouraging, there is very serious question as to whether a reduction in the exchange rate would in present circumstances have much effect in correcting Canada's U. S. dollar deficiency. Referring to suggestions that the official rate on the Canadian dollar should be returned to a discount in U. S. funds, the Minister of Finance said in his budget address: "This argument is based largely on prewar conditions of unused capacity and limited demand that do not exist today. It sems to asume that exchange depreciation would restrict the flow of imports or increase the flow of exports. A large proportion of our imports from the United States, including for instance, such necessary products as coal, petroleum and raw cotton, would clearly not be affected at all, and under present conditions of shortages on the supply side and urgent and unsatisfied demands on the other, the effect on our volume of imports of, say, a 10% change in the cost of most other import items would be very slight indeed. . . . On the export side, too, the change in the exchange rate [the return to par last July] has had relatively little, if any, effect in reducing the amount of our exports, except possibly to some extent in the case of gold. . . . Our judgment on this matter has, I think, been confirmed by the action of many other governments. The exchange rates which they have selected and maintained indicate fairly clearly their view that under prevailing conditions of widespread shortages, limited supplies and urgent needs, the possibility of a country improving its exchange position by currency depreciation is extremely limited."

News About Banks and Bankers

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NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Following the meeting of the Board of Trustees of **The New York Trust Co.**, held June 17, John E. Bierwirth, President, announced the election of Clinton D. MacConnell, formerly Assistant Vice-President, as a Vice-President. He also announced the promotions of Thomas Hildt, Jr., and Edmund A. Mays, Jr., from Assistant Treasurers to Assistant Vice-Presidents. At the same time, Mr. Bierwirth appointed Edward L. Palmer, Assistant Treasurer, and John H. Baile and Edwin A. Lee Assistant Secretaries. Mr. MacConnell has been with The New York Trust Company since 1909 and has for many years specialized in corporate trust work. Prior to receiving a leave of absence to join the armed forces in 1941, Mr. Hildt had been associated with the Trust Company since 1936. He was appointed Assistant Treasurer in 1945. Mr. Mays joined the Trust Company in September, 1934. He was granted a leave of absence to serve in the United States Air Force and was appointed Assistant Treasurer in 1946. Mr. Palmer joined the Trust Company in 1941. He was granted a leave of absence to serve in the United States Navy and returned to the Trust Company in June, 1946. Mr. Baile and Mr. Lee have been associated with the Trust Company for many years and have served in several capacities in the Corporate Trust Division.

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S. Sloan Colt, President of **Bankers Trust Company of New York**, announced on June 18 the promotion of Paul Bonynge, Jr. from Assistant Treasurer to Assistant Vice-President. At the same time Mr. Colt announced the election to Assistant Treasurer of C. W. Kreider, Everett Orr, Jr., and John Henry Schroeder.

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Justin R. Whiting, President of **Commonwealth & Southern Corp.**, was on June 13 elected a member of the board of directors of **Bankers Trust Company of New York**, it was announced by S. Sloan Colt, President of the Bank, following a meeting of the board. Mr. Whiting became President of the utility corporation in 1940, succeeding Wendell L. Willkie. He is also President of Consumers Power Company in Michigan.

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Stewart E. Morris, Assistant Vice-President of **Manufacturers Trust Company of New York**, died on June 10, at his home in Rye, N. Y. He was 53 years old and had been with the bank since 1932 when the merger took place between Manufacturers Trust Company and the Chatham Phenix National Bank, with which latter institution he had been connected since 1923.

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The **National City Bank of New York** celebrated its 135th anniversary on Monday, June 16. Established in 1812 as the City Bank of New York, the Bank it is claimed has grown to be next to the largest bank in the United States. It is noted that the outstanding feature of the National City Bank is its 'round-the-world service, with branches and correspondents in every commercially important city on the globe. The Bank has 46 branches overseas, 66 branches in Greater New York and hundreds of correspondent affiliations in this country and abroad. In 1812 the paid-in capital with which City Bank started business was $800,000. Today, the National City Bank of New York has a capital of $77,500,000, and total resources of nearly $5,000,000,000. The Bank began the development of its overseas branch system in 1914 with the establishment of its first branch at Buenos Aires, Argentina. This development continues, with the establishment on May 26 of this year of the Bank's 46th overseas branch—at Cebu, in the Philippine Islands. An event in bank history was the inauguration of the Personal Credit Department in 1928, marking the first time that a large bank had interested itself in the small borrower. Last month the Bank granted its billionth dollar in personal loans, and today it is said enjoys the highest personal loan volume in the banking field. Gordon S. Rentschler is Chairman of the Board of the **National City Bank** and its trust affiliate, **City Bank Farmers Trust Company.** William Gage Brady, Jr. is President of the Bank and Lindsay Bradford is President of the Trust Company.

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The election of John M. Fisher, Treasurer of **Standard Brands Incorporated** and its subsidiary companies, as a Director of the **Clinton Trust Company,** New York, was announced on June 16 by Robert K. Christenberry, Board Chairman, following a meeting of the Board. Mr. Fisher has been Treasurer of Standard Brands since 1942. Previously he was engaged in the investment banking business, being associated with Morgan Stanley & Co. immediately before joining Standard Brands. Earlier he had been associated with the National City Company and Lazard Freres & Co.

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Announcement of the appointment of Joseph R. Brennan as a Vice-President of the **Emigrant Industrial Savings Bank of New York** was made on June 16 by John T. Madden, President of the Bank. Mr. Brennan, who advances from the post of Assistant Vice-President, which he has held for three years, has been connected with the bank for 26 years. He is in charge of the 42nd Street office. It was also made known at the same time that Lawrence O'Connell was named as an Assistant Vice-President; Arthur J. Voute, as Assistant Secretary and Robert A. Gay, was named to the new position of Personnel Officer.

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William J. Rommel has been appointed Manager of the 96th Street office of the **East River Savings Bank of New York.** Mr. Rommel, former Assistant Manager has been with the bank since 1926 and has been at 96th Street since 1940.

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J. Edwin Lewis, Vice-President of the Aetna Life and Affiliated Companies, was elected a trustee of the **Harlem Savings Bank of New York** at a recent meeting of the Board of Trustees, it was announced by Glover Beardsley, President of the Bank. The Bank has four offices in New York. The main office is at 125th Street and Lexington Avenue.

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The **Broadway Savings Bank of New York City,** has received authorization from the Facilities Review Committee of the Office of the Housing Expediter to partially construct a three-story bank building at 250 West 23rd Street at an estimated cost of $175,000. The authorization permits construction of foundations, masonry walls, concrete floors, and partitions. Aproval was on the basis of negligible impact on the Veterans Housing Program. The project was the only authorization exceeding $100,000 on June 10 when 30 applications were approved and 29 denied.

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William J. Elster, an Assistant Vice-President of **Brooklyn Trust Company of Brooklyn, N. Y.** and regional officer in charge of the company's offices in Flatbush, died on June 10. Mr. Elster joined the staff of the Mechanics Bank of Brooklyn in 1915 and was an Assistant Cashier of that institution from 1923 until it was merged with Brooklyn Trust Company in February, 1929. Following the merger he was appointed an Assistant Secretary of Brooklyn Trust Company, and on Jan. 17, 1946, was elected an Assistant Vice-President.

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Lewis G. Deane was elected Trustee and Treasurer of **South Brooklyn Savings Bank, Brooklyn, N. Y.** at the recent meeting of the Board of Trustees, it was announced by David Irving Mead, President. Mr. Deane has been with the bank for 30 years and has served as secretary since 1936. Other elections by the trustees were announced as follows:

Bernard A. Burger, who was Vice-President and Treasurer, was made Vice-President and Investment Officer; David C. Dalziel, Assistant Vice-President, was made Assistant Vice-President and Assistant Mortgage Officer; Daniel P. Pirrmann was elevated from Assistant Secretary to Secretary; J. Kenneth Strifert from Auditor to Assistant Vice-President; FrederickW. Paterson from chief clerk to Auditor; and Edgar H. J. Rademacher from head teller to Assistant Secretary.

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An increase in the capital of the **Franklin Square National Bank of Franklin Square, (Nassau County), N. Y.** from $500,000 to $625,000 became effective on June 4. The Bank is to open its enlarged bank building on June 21, and in the meantime a preview of the new features therein was held on June 18 from 3:30 to 5:30 o'clock. An unusual feature of the enlarged building is the suspension from the ceiling of the new lobby of an airplane—a Republic Seabee. Arthur T. Roth, President of the Bank explains that this is one of the innovations. Others are a new children's banking department, a travel bureau, architectural library and new banking safeguards installed, including the use of television to verify check signatures. Dade Brothers, Inc., of Mineola, shippers, and Republic Aviation Corp. of Farmingdale will jointly sponsor the Seabee exhibit, according to the bank's announcement.

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Effective May 28th the **First National Bank and Trust Company of Bay Shore, N. Y.** increased its capital from $125,000 to $175,000 through the sale of $50,000 of new stock, according to the weekly "Bulletin" of the Office of the Comptroller of the Currency.

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The **Union National Bank of Schenectady, N. Y.** was placed in voluntary liquidation effective June 2, having been absorbed by the Schenectady Trust Company. The Bank had a capital of $400,000.

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Appointment by the **Buffalo Industrial Bank of Buffalo N. Y.** of James J. Driscoll as Manager of its Automobile Finance Division, was announced on June 9 by President Carlton P. Cooke, according to the Buffalo "Evening News" of June 9.

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The Directors of the **Pilgrim Trust Company of Boston, Mass.,** at a recent meeting appointed Donald K. Taylor as an Assistant Treasurer. Mr. Taylor had been senior examiner for the State Banking Commission since 1933 it was stated in the Boston "Herald" of June 14; from that paper we also quote:

> Prior to his connection with the Bank Commissioner's office, he had served with the Old Colony Trust Company, the Beacon Trust Company, and the Liberty Trust Company.

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The election as Vice-Presidents of the **Farmers Deposit National Bank of Pittsburgh,** of Elbert L. Frank and Richard H. Wells was announced on June 9 by John S. Smith, President of the Bank. Reporting this the Pittsburgh "Post Gazette" also said:

> William A. Korb, formerly Assistant Cashier, was elected Cashier, and Willis E. Duff, also a former Assistant Cashier, was named Comptroller. Mervyn E. Boyle, formerly Vice-President and Cashier, will continue as Vice-President.

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The **Central Bank and Trust Company of Harrisburg, Pa.** announced through Ernest Keys, Vice-President and Treasurer that the Board of Directors of the Institution at their regular meeting on June 5, declared the usual dividend of 30 cents per share, plus an extra dividend of 10 cents per share, payable June 25 to shareholders of record June 9, 1947.

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The election of Charles P. Crane, as a Director of the **Baltimore National Bank of Baltimore, Md.,** was announced on June 13. Mr. Crane is Executive Vice-President of the Consolidated Gas, Electric Light and Power Company, it was noted in the Baltimore "Sun," which stated that Mr. Crane was named to fill a vacancy on the Bank's Board.

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The directors of the **First National Bank of Chicago,** at their meeting on June 13 directed the transfer of $5,000,000 from Undivided Profits to Surplus account. The Capital of the First National Bank of Chicago is $60,000,000, and with this transfer the surplus account is $65,000,000.

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James H. Clarke, Assistant Vice-President of **American National Bank and Trust Company, of Chicago,** was elected Vice-President of the bank on June 11 by the Board of Directors. J. M. Herrmann, Personnel Director, and C. A. Hemminger, Public Relations Director, were elected Assistant Cashiers.

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Through the sale of $50,000 of new stock, the **Merchants National Bank of Sacramento, Calif.** has increased its capital from $200,000 to $250,000, it is learned from the June 9 issue of the "Bulletin" of the Office of the Comptroller of the Currency.

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The Board of Directors of **Barclays Bank (Dominion, Colonial and Overseas)** have declared Interim Dividends in respect of the year ending 30th Sept., 1947, of 4% actual on the old 'A' Stock and on the 'A' Stock recently issued in exchange for the 8% Cumulative Preference Stock and on the 'B' Shares, subject in each case to the deduction of income tax at the standard rate of 9/- in the £. In announcing this on May 22 the advices added:

"Interim dividends will be payable on the 18th June, to holders of the above Stocks and Shares on the Register on the 27th May. These interim dividends compare with 3% for the corresponding period in 1946 and were foreshadowed in the Chairman's last statement to stockholders when he mentioned the desirability of evening out the disparity between the interim and final distributions. As already announced, the £2,146,000 'A' Stock which was issued on 15th Jan. last does not rank for this interim dividend but only for subsequent dividends."

J. H. Case Honored

(Continued from page 12)

—all of whom paid warm tributes of appreciation to Mr. Case for his work as Chairman of the Finance Board.

After Dr. Clarence M. Gallup followed with a presentation of a book of engrossed resolutions, Mr. Case, in a reminiscent and deeply moving speech, made interesting remarks regarding his stewardship and had the following to say on prevailing low interest rates:

"Now a word or two about the future outlook for this and similar organizations based upon current interest rates. I recently read in the New York "Times," the following statement concerning life insurance earnings in 1946:

"'Life insurance companies of the United States earned 2.92% on their invested funds in 1946, *the first time the net rate dropped under 3% in the history of the business, the Institute of Life Insurance reported yesterday.* The 1945 rate of 3.07% contrasted with 3.61% in the prewar year of 1940.

"'The investment earning rate of the life insurance business has been declining almost continuously since 1925 when an earning rate of about 5.25% was reported, the Institute of Life Insurance commented.'

"It is interesting to note that less than 25 years ago they were earning 5¼%, while in 1946, the net result was but 2.92%.

"We have been traveling a one-way street on interest rates for a long time and this has been accentuated since 1933. Possibly we may have to leave it to the historians to appraise the value of this change, particularly as to whether or not this course has been an advantageous one to our people generally. Personally, I do not think it has. Certainly it has been and is a tough period for that fairly large segment of society who are obliged to live on income from securities. Today those who have been thrifty and saved money in the past or who have set up trust funds for the benefit of their families have been and are being penalized in having to face a much lower return than was formerly anticipated. This, of course, applies to life insurance benefits as well as all other forms of savings.

"I, for one, do not like it! Perhaps if it were not for the ladies present, I might express myself even more forcibly in good Ministers and Missionaries terms.

"It is a pretty serious matter to see the annual net income on an invested fund of $30,000,000, such as ours, drop from a return of 5%, or $1,500,000, to a return of possibly 3% or $900,000, indicating a shrinkage of 40%. I fear it all has a political flavor.

"Nevertheless, this is the problem which we have to face. All of our good 5% bonds held 15 years ago have been called for payment, or refunded into securities paying 3½% and refinanced currently a second time as low as 2½%. Consequently, we, like the life insurance companies, have been obliged to adjust our reserves. Notwithstanding all this, our fund, in my opinion, is in an impregnable position and I think there are many good reasons for being optimistic about the future."

Fairman Adds to Staff

Special to The Financial Chronicle

LOS ANGELES, CALIF.—Betty B. Auerswald has been added to the staff of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

With Flynn & Levitt

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Raymond O. Lewis has joined the staff of Flynn & Levitt, 411 West Seventh Street.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y. (7/7)
June 26 filed 123,246 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 58,880 shares and four selling stockholders the proceeds from the sale of 64,366 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $2,000. Net proceeds will be used to pay current bank loans and for working capital.

Allied Finance Co., Dallas, Texas
May 26 filed 25,000 shares ($20 par) 5% cumulative convertible preferred. **Underwriting**—None. **Offering**—To be offered to present stockholders in the ratio of one share for each two shares of common held. Any shares not taken up to and including 18,750 shares will be purchased by Republic Insurance Co.; balance will be sold to or through the Dallas Texas National Association of Security Dealers. **Price**—$20 a share. **Proceeds**—To retire present indebtedness.

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 Cyanamid Co., New York (6/26)
May 13 filed 391,076 shares ($100 par) 3½% cumul. preferred, Series A. **Underwriter**—White, Weld & Co., New York. **Offering**—Offered for subscription to common stockholders of record June 10 on the basis of one share of new preferred for each seven shares of common held at $102 per share. Rights expire June 25. **Proceeds**—To redeem outstanding 5% cumulative preference stock and to finance expansion program.

American Machinery Corp.
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. **Price**—$3.50 per share. **Proceeds**—For general corporate purposes including reduction of bank loans and outstanding notes.

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.

● **Arcady Farms Milling Co., Chicago**
June 17 filed 96,000 shares ($5 par) common. **Underwriter**—Central Republic Co. (Inc.), Chicago. Price by amendment. **Proceeds**—Of the total, company is selling 30,000 shares while the remaining 66,000 shares are being sold by stockholders. Company will use its proceeds for payment of its indebtedness of $400,000 to the First National Bank of Chicago. **Business** — Manufacture of mixed feeds for livestock and poultry.

Arden Farms Co., Los Angeles, Calif.
June 4 filed 70,000 shares (no par) preferred. **Underwriting**—No underwriting. **Offering**—The shares initially will be offered for subscription to present preferred stockholders in the ratio of one share for each 2½ shares held. Unsubscribed shares will be offered publicly. Price by amendment. **Proceeds**—To pay off bank loans and to provide funds for construction.

Armour and Co., Chicago
July 12, 1946, filed 350,000 shares (no par) cumul. first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). **Underwriting**—Kuhn, Loeb & Co., New York. **Offering**—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,996 shares of $6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of $6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. **Price**—Public offering prices by amendment. **Proceeds**—Net proceeds will be used to retire all unexchanged shares of $6 prior stock and to redeem its outstanding 7% preferred stock.

George Eastwood, President, in letter to stockholders, Dec. 22 said "we have come to the conclusion it will not be necessary to issue any additional shares of common stock" as part of company's refinancing plan.

● **Associated Magazine Contributors, Inc.**
June 12 (letter of notification) $100,000 3% convertible notes, due March 25, 1948. **Underwriters**—None. **Price**—Par. To increase working capital for publication of "47—The Magazine of the Year."

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 was to become effective June 15 and continue to the end of 1948. The SEC has granted American Gas & Electric Co. until Aug. 5, 1947, to sell the shares.

● **Barium Steel Corp., New York**
June 17 filed $3,000,000 15-year sinking fund debentures, due 1962, with non-detachable subscription warrants for purchase of common stock. **Underwriter** — Name by amendment. Price by amendment. **Proceeds**—For payment of loans and for other corporate purposes. **Business**—Holding company whose subsidiaries manufacture steel products.

● **Beckworth Corp., Los Angeles**
June 12 (letter of notification) 500 shares of Series A stock and 500 shares of Series B stock. **Price**—$100 per share. No underwriting. The shares will be sold to screen star Rita Hayworth, who is Vice-President of the company; Columbia Pictures Corp., Los Angeles, and William Morris Agency, Inc., Beverly Hills, Calif. The proceeds will be used for production of motion pictures.

Benrus Watch Co., Inc., N. Y. (6/24-25)
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, 1946 (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.

● **Blackstone-Lister Schools, Inc., Chicago**
June 11 (letter of notification) Harold R. Lister, Chicago, as trustee for the corporation, to be organized under the laws of Illinois, filed $25,000 of pre-organization subscriptions. **Price**—$5 minimum subscription. No underwriting. To acquire instruction material, furniture and equipment, and for working capital.

Blumenthal (Sidney) & Co. Inc., New York
Aug. 30, 1946, filed 119,706 shs. (no par) common and subscription warrants relating to 30,000 shs. 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.

● **Boston Fund, Inc., Boston, Mass.**
June 18 filed 500,000 shares ($1 par) common. **Underwriter**—Vance, Sanders & Co., Boston. **Price**—Based on market. **Proceeds**—For investment. **Business**—Investment business.

Bowman Gum, Philadelphia
Sept. 27, 1946, filed 268,875 shs. ($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.

Brayton Flying Service, Inc., Robertson, Mo.
March 24 (letter of notification) 50,000 shares ($1 par) 27½ cent cumulative, convertible preferred and 50,000 shares (10c par) common. **Price**—$5 per unit, consisting of one share of each. **Underwriter**—White and Co., St. Louis, Mo. For expansion of operating facilities and for working capital.

Brooklyn (N. Y.) Union Gas Co.
May 3, 1946 filed 70,000 shares of cumu. 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.

California Electric Power Co.
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. **Bids**—The company asked for bids for the purchase of the bonds on June 3, but the sale was postponed.

California Oregon Power Co.
March 26 filed 60,000 shares ($100 par) cumulative preferred and 408,000 shares ($20 par) common. **Underwriters**—To be determined by competitive bidding. Probable bidders include: 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**—Bids for the purchase of the securities scheduled for May and postponed to June 10, further delayed. It is stated that the SEC may approve a negotiated sale of the common, but it is expected the preferred will be sold competitively.

Capper Publications, Inc., Topeka, Kans.
May 28 filed $2,000,000, series 6, 4% first mortgage 5-year bonds, and $2,000,000, series 7, 5% first mortgage 10-year bonds. **Underwriters**—None. **Price**—At par. **Proceeds**—To finance improvement program and to re-

(Continued on page 42)

NEW ISSUE CALENDAR

(Showing probable date of offering)

June 19, 1947

Wheeling & Lake Erie Ry	Equip. Trust Ctfs.

June 23, 1947

Doug Allan Productions, Inc.	Common
Kay's-Newport, Inc.	Preferred
Kentucky Utilities Co.	Bonds and Preferred
National Glass Co.	Pref. and Common
Nevada-Wyoming Mines Co.	Common
Public Service Co. of N. H., noon (EDT)	Bonds
Southern California Gas Co., 9:30 a.m.(PST)	Bonds

June 24, 1947

Benrus Watch Co.	Common
Clopay Corp.	Common
Continental Body Co.	Common
National Supply Co.	Debentures
Pennsylvania RR., noon	Equip. Trust Ctfs.

June 26, 1947

American Cyanamid Co.	Preferred
Hawaiian Electric Co., Ltd.	Bonds
May Department Stores Co.	Debs. and Preferred
New York New Haven & Hartford	Equip. Tr. Ctfs.
Seaboard Container Corp.	Pref. and Class A
Southern Bell Tel. & Tel. Co. 11:30 a.m. (EDT)	Debentures

June 30, 1947

Chicago Milwaukee St. Paul & Pacific RR., noon (CDT)	Equip. Trust Ctfs.

July 1, 1947

Manhattan Oil Corp.	Debs., Pref. and Common
Mechanics Finance Co.	Pref. and Common

July 7, 1947

Acme Electric Corp.	Common

(Continued from page 41)

deem outstanding bonds. Balance will be added to working capital.

• Carlin-McCutcheon Mining Corp., Las Vegas, Nevada

June 10 (letter of notification) 250,000 shares of common, of which 100,000 shares will be used as promotion stock. The balance may be offered at $1 a share. No underwriting. For development of mining property.

Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario

June 24, 1946, filed 400,000 shares of common. **Underwriter**—No underwriters. **Offering** — To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

Central Soya Co., Inc., Fort Wayne, Ind.

Aug. 21, 1946, filed 90,000 shares (no par) common. **Underwriter**—None. **Offering**—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.

• Clary Multiplier Corp., Los Angeles

June 16 filed $750,000 15-year 5% sinking fund debentures. **Underwriter**—Maxwell, Marshall & Co., Los Angeles. **Proceeds**—Estimated proceeds of $681,000 will be used to retire $250,000 of bank loans. The balance will be added to working capital. **Business**—Manufacture of adding machines.

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**—The North American Co. owned all the shares and offered 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 expired May 27 and 1,648,275 shares were subscribed for. 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.

Clopay Corp., Cincinnati (6/24-25)

May 28 filed 250,000 shares ($1 par) common. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Price**—By amendment. **Proceeds**—Company is selling 35,000 shares and 215,000 shares are being sold by stockholders. Company will use its proceeds to repay bank loans, retire outstanding closed mortgage 4% registered serial bonds and to purchase plant property at Elmwood Place, Ohio.

Coast Counties Gas & Electric Co.

May 22 filed 140,000 shares ($25 par) 4% preferred, Series A. **Underwriter**—Dean Witter & Co., San Francisco. **Offering**—Of the total, 75,000 shares will be offered in exchange for the company's ($25 par) 5% first preferred stock on a share for share basis, plus accrued dividends on the old stock. The remaining 65,000 shares and all unexchanged shares of new preferred will be offered publicly. **Price**—$26 a share. **Proceeds**—To retire all unexchanged shares of 5% preferred and to repay $1,150,000 of short term bank loans.

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 Natural Gas Co., New York

May 15 filed 545,672 shares ($15 par) capital stock. **Underwriting**—None. **Offering**—The shares will be offered to the common stockholders of record June 20 on the basis of one share for each five shares presently held. Rights will expire July 11. **Price**—$37.50 per share. **Proceeds**—Proceeds, together with other funds, will be used to purchase additional shares of four operating companies, Peoples Natural Gas Co. (Penna.), Hope Natural Gas Co. (W. Va.), East Ohio Gas Co., and New York State Natural Gas Corp.

Continental Body, Inc. (6/24)

June 6 (letter of notification) 60,000 shares ($1 par) common. **Price**—$1 a share. **Underwriter**—Moreland & Co. To be offered to residents of Michigan only. For additional machinery and equipment and for working capital.

Crawford Clothes, Inc., L. I. City, N. Y.

Aug. 9, 1946, filed 300,000 shares ($5 par) common. **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.**

• Cuddy Mountain Mining Co., Spokane, Wash.

June 11 (letter of notification) 200,000 shares of common. **Price**—25¢ a share. To be sold through officers of company. For mine exploration and for machinery and equipment.

Cyprus Mines, Ltd., Montreal, Canada

May 31, 1946, filed 500,000 shares of common (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.**

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.

• Doug Allan Productions, Inc., N. Y. (6/23)

June 12 (letter of notification) 100,000 shares ($1 par) common **Price**—$1 a share. **Underwriter**—Dickerson & Co., New York. For purchase of equipment to soundtrack, edit, and package film and for other corporate purposes.

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.

Mar. 28 filed 60,000 shares of $10 par common. **Underwriters**—To be determined by competitive biding. Probable bidders include Harris, Hall & Co. (Inc.); Otis & Co.; Kidder, Peabody & Co. The stock is being offered by East Coast Public Service Co., parent. Bids for purchase of the stock scheduled for May 19 has been postponed indefinitely.

Edelbrew Brewery, Inc., Brooklyn, N. Y.

Dec. 31, 1946, filed 5,000 shares ($100 par) 5% non-cumul. 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.

• Electrodrill Corp., Bartlesville, Okla.

June 9 (letter of notification) 2,500 shares ($100 par) 6% class A cumulative preferred. **Price**—$100 a share. No underwriting. To purchase machinery, trucks and equipment.

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, 1946 filed 100,000 shs. ($5 par) Cl. 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.

Fleming-Hall Tobacco Co., Inc.

June 10 (letter of notification) 50,000 shares of common stock (par $1). Name of underwriter by amendment. **Price**—To be sold at market, total price not to exceed $87,500. **Proceeds** to S. C. Korn.

Florida Power Corp., St. Petersburg, Fla.

June 4 filed 100,000 shares ($7.50 par) common. **Underwriters**—To be filed by amendment. **Offering**—The shares will be offered for subscription to common stockholders in the ratio of one share for each 10 shares held. **Price**—By amendment. **Proceeds**—To be used in $9,450,000 construction program.

• Fundamental Investors, Inc., New York

June 16 filed 600,000 shares ($2 par) capital stock. **Underwriter**—Hugh W. Long & Co., Inc., New York, is the exclusive wholesale distributor of the company's stock. **Price**—Based on market price. **Proceeds**—For investment.

General Foods Corp.

June 11 filed 250,000 shares of preferred stock (no par). **Underwriters**—Goldman, Sachs & Co., and Lehman Bros. **Proceeds**—Money will be used for the company's new building, for replacements and renewals and for the increased cash requirements due mainly to higher cost inventories and to repay bank loans required for these purposes.

Glensder Textile Corp., New York

Aug. 28, 1946, filed 355,000 shs. ($1 par) common, of which 55,000 shs. 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.

Greil Drug & Chemical Co., Pittsburgh

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. Offering will not be made until company has qualified the sale of its shares in various bluesky states.

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.

Hartfield Stores, Inc., Los Angeles
June 27, 1946 filed 120,000 shares ($1 par) common. **Underwriters**—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. **Offering**—To be offered to the public at $5 a share. **Proceeds**—Company is selling 50,000 shares and stockholders are selling 75,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. Offering temporarily postponed.

Hawaiian Electric Co., Ltd., Honolulu (6/26)
Mar. 31 filed $5,000,000 first mortgage bonds, series F, due 1977. **Underwriters**—Dillon, Read & Co., Inc., New York, and Dean Witter & Co., San Francisco. Price by amendment. **Proceeds**—To repay $3,000,000 of short term promissory notes and to reimburse its treasury for previous construction expenditures.

Helicopter Air Transport, Inc., Camden, N. J.
March 14 filed 270,000 shares of capital stock. **Underwriter**—Strauss Bros., Inc., New York. Underwriters may withdraw as such. **Price**—$3.50 a share. **Proceeds**—Net proceeds will be used to pay obligations, purchase helicopters and equipment and for working capital.

Household Service, Inc., Clinton, N. Y.
June 9 (letter of notification) $50,000 5% sinking fund 10-year serial debentures, series B. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y. To erect plant for bulk storage of propane, for installation of equipment on customers' premises and for other plant expansion.

Illinois Power Co., Decatur, Ill.
June 17, 1946 filed 200,000 shares ($50 par) cumu. 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.

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: Lehman Brothers; Goldman, Sachs & Co., and The First Boston Corp. (jointly); Halsey, Stuart & Co. Inc. (bond only); Harriman Ripley & Co., and Dillon, Read & Co. Inc. (stock only). **Proceeds**—For debt retirement, finance new construction and for working capital.

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.

● **K. C. Working Chemical Co., Long Beach, Calif.**
June 10 (letter of notification) 15,000 shares ($10 par) preferred, to be offered publicly at par, and 10,000 shares ($10 par) preferred to be offered to officers, directors and employees at par. To be sold through Pearson, Richards & Co., San Francisco. To decrease current liabilities and for working capital.

Kansas-Nebraska Natural Gas Co.
June 5 filed 5,000 shares (no par) $5 cumulative preferred and 56,992 shares ($5 par) common. **Underwriters**—Preferred shares will be underwritten by The First Trust Co. of Lincoln, Neb., and Cruttenden & Co., Chicago. **Offering**—Preferred publicly at a price to be supplied by amendment. Common will be offered initially at $10 a share to common stockholders in ratio of one share to each six shares held. **Proceeds**—For additional field lines, well drilling and new compressor units for the company's distributing system.

Kay's-Newport, Inc., Providence (6/23-27)
June 5 (letter of notification) 4,080 shares of 5½% ($50 par) preferred. **Price** — $50 a share. **Underwriter** — G. H. Walker & Co., Providence, R. I. For payment of bank loan and expansion of business.

Kentucky Utilities Co., Lexington, Ky. (6/23)
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. **Bids**—The sale of the securities has been tentatively set for June 23.

La Plant-Choate Manufacturing Co., Inc., Cedar Rapids, Iowa
April 30 filed 60,000 shares ($25 par) 5% cumul. convertible preferred. **Underwriter**—Paul H. Davis & Co., Chicago. **Price**—$25 per share. **Proceeds**—To be added to working capital and will be used in part to reduce current bank loans.

Lay (H. W.) & Co., Inc., Atlanta
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. Offering indefinitely postponed.

Lerner Stores Corp., Baltimore, Md.
May 2 filed 100,000 shares ($100 par) cumulative preferred. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, N. Y. Price by amendment. **Proceeds**—To retire 31,870 shares of 4½% preferred at $105 a share and to repay $4,500,000 bank loan.

Libby, McNeill & Libby
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. Offering temporarily postponed.

Livingston Mines, Inc., Seattle, Wash.
June 5 (letter of notification) 40,000 shares (5 cent par) common and $40,000 6% promissory notes. **Price**—5 cents per common share and notes in any denomination. **Underwriting**—Lobe, Inc., and A. M. Lind, both of Seattle. For operating expenses.

● **Lock Nut Corp. of America, Chicago**
June 17 filed 50,000 shares ($12.50 par) 5% cumulative preferred and 250,000 shares ($1 par) common. **Underwriting**—No underwriting. **Price**—$17.50 per unit consisting of one share of preferred and five shares of common. **Proceeds**—For payment of outstanding notes and for purchase of machinery and equipment. **Business**—Manufacture of nuts, bolts, washers and rivets.

● **Long Beach (Calif.) Record Publishing Co.**
June 12 (letter of notification) 1,000 shares of preferred and 25,000 shares of common. **Price**—$100 a preferred share and $1 a common share. No underwriting. For purchase of supplies, equipment and machinery.

● **Mallory (W. E.) & Co., Ann Arbor, Mich.**
June 10 (letter of notification) 160,000 shares of common. **Price**—$1 a share. No underwriting. For capital items, chiefly research.

Manhattan Coil Corp., Atlanta, Ga. (7/1-3)
May 20 filed $500,000 5% serial debentures, due 1949-1957; 12,000 shares ($25 par) 5½% cumulative convertible preferred and 85,000 shares ($1 par) common. **Underwriter**—Kirchofer & Arnold, Inc., Raleigh, N. C. **Price**—The debentures at 102.507, while the preferred shares will be offered at part and the common shares at $4 each. **Proceeds**—To retire bank indebtedness and to finance purchase of machinery and other plant equipment.

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.

May Department Stores Co. (6/26)
June 6 filed $15,000,000 25-year debentures, due 1972, and 89,467 shares (no par) cumulative preferred. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, New York. Price by amendment. **Proceeds**—For construction of five new stores estimated to cost a total of $30,000,000. **Business**—Operation of department stores.

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.

● **Mechanics Finance Co., Jersey City (7/1)**
June 12 (letter of notification) 20,000 shares of preferred and 10,000 shares of common, class A. **Price**—$10 per unit. No underwriting. For working capital.

Mid-Continent Airlines, Inc., Kansas City, Mo.
May 14 (letter of notification) 30,601.4 shares of common. **Price**—$7.50 a share. No underwriting. To be added to working capital.

Midland Cooperative Wholesale, Minneapolis
May 29 filed $1,000,000 4% non-cumulative preferred Stock "D." **Underwriting**—None. **Price**—$103 a share. **Proceeds**—For operating capital and other corporate purposes.

● **Mineola Farmers Market, Mineola, Texas**
June 6 (letter of notification) $7,500 of $25 par common. **Price**—$25 a share. To be sold through Joe Stallings, Mineola, Tex. To erect and maintain market houses and market places.

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.

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.

● **Mono Kearsarge Consolidated Mining Co., Salt Lake City**
June 9 (letter of notification) 1,500,000 shares (10¢ par) common. **Price**—10¢ a share. No underwriting. For purchase of mining machinery and equipment and for development of mines.

Morris Plan Corp. of America, N. Y.
Mar. 31 filed $3,000,000 debentures. **Underwriter**—Eastman, Dillon & Co., New York. Price by amendment. **Proceeds**—To retire outstanding bank loans.

● **National Glass Co., Inc., Providence (6/23)**
June 11 (letter of notification) 15,000 shares 6% cumulative convertible preferred ($10 par), and 30,000 shares ($1 par) com. **Price**—$10 a preferred share and $5 a com. share. **Underwriter**—Bond & Goodwin Inc., Boston, Mass. For payment of outstanding bank loans, purchase of new machinery and for additional working capital.

● **National Securities & Research Corp., New York**
June 17 filed 44,404 shares in an investment trust fund. **Underwriter**—The sponsor of the shares is National Securities & Research Corp., New York. Price based on market. **Proceeds**—For investment.

National Securities & Research Corp., New York
May 29 filed 2,000,000 shares in investment trust fund, open-end diversified management type. **Underwriting**—National Securities & Research Corp., New York. **Price**—$10 a share. **Proceeds**—For investment.

National Supply Co., Pittsburgh, Pa. (6/24)
June 4 filed $15,000,000 debentures, due 1967. **Underwriters**—Goldman Sachs & Co. and Lehman Bros. **Price**—By amendment. **Proceeds**—To repay $11,250,000 instalment bank loans and other corporate purposes. **Business**—Manufacture of oil and gas well equipment.

Nevada Gold Dredges, Inc., Reno, Nev.
June 3 (letter of notification) 30,000 shares ($10 par) preferred. **Price**—$10 a share. **Underwriters**—James K. Sloan and Ewing Harper, both of San Francisco. To acquire complete ownership of Idaho-Canadian Dredging Co.

Nevada-Wyoming Mines Co. (6/23)
May 26 (letter of notification) 250,000 shares ($1 par) common. **Price**—$1 a share. **Underwriter**—Steele and Co., New York. For working capital.

New York Telephone Co.
May 23 filed $125,000,000 of 35-year debentures. **Underwriters**—To be sold at competitive bidding. Probable billers: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; Harris Hall & Co (Inc.). **Proceeds**—Proceeds will be used to repay $79,300,000 of demand notes to its parent, American Telephone & Telegraph Co., and a $3,000,000 short term note owing the Chase National Bank, New York, plus $25,000,000 it expects to borrow from Chase

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prior to the sale of the debentures. The balance of proceeds will be used to meet further construction requirements. **Petition Denied**—Although company had issued invitations for bids to be received June 24, the N. Y. Public Service Commission denied application to issue the debentures. Company states that, subject to corporate and Commission action, it will issue $125,000,000 35-year 1st mtge. bonds.

Nickel Cadmium Battery Corp., Easthampton, Mass.

June 2 (letter of notification) 30,000 shares ($10 par) 6% cumulative convertible preferred. **Price**—$10 a share. **Underwriter**—Harrison White, Inc., New York. **Proceeds**—To be added to general funds for general corporate purposes.

● **Nu-Lite Insulated Homes, Inc., Fontana, Calif.**

June 12 (letter of notification) 1,000 shares of preferred and 50,000 shares of common. **Price**—$100 a preferred share and $1 a common share. No underwriting. To purchase supplies, equipment and machinery and for other corporate purposes.

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.

Oneida, Ltd., Oneida, N. Y.

May 27 (letter of notification) 20,500 shares ($12.50 par) common. **Price**—$12.50 a share. Offered at par to common stockholders of record June 13 at rate of one new share for each 10 shares held. Rights expire Aug. 13. No underwriting. For additional working capital.

Oregon-Washington Telephone Co., Hood River, Oregon

June 2 (letter of notification) 1,000 shares ($100 par) preferred and 2,000 shares (no par) common. **Price**—$103 a preferred share and $20 a common share. **Underwriter**—Conrad, Bruce & Co., Seattle. To reimburse company for extensions and betterments.

● **Pacific Power & Light Co., Portland, Ore.**

June 18 filed $29,000,000 30-year first mortgage bonds. **Underwriting**—Of the total, $26,900,000 will be offered at competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.; Harriman Ripley & Co. **Offering**—$2,100,000 of the bonds will be issued to Pacific's parent, American Power & Light Co., in exchange for the same principal amount of 4½% debentures due 1959. **Price**—To be determined by competitive bidding. **Proceeds**—For redemption of 5% first mortgage and prior lien gold bonds due 1955. For construction program and for payment of indebtedness.

● **Pelican Cold Storage Co., Juneau, Alaska**

June 6 (letter of notification) $201,012 of capital stock. **Price**—$1 a share. No underwriting. To reduce indebtedness and to enlarge plant.

Pennsylvania-Central Airlines Corp.

May 29 filed $9,850,000 15-year 3½% convertible income debentures, due 1960. The registration was filed as a step in obtaining consent of two-thirds of the holders of the outstanding income debentures to changes in the indenture to permit extension of a $4,000,000 bank loan. White, Weld & Co. will act as dealer-manager to engage in proxy solicitation. Holders of the outstanding debentures will be asked to approve changes in the indenture to eliminate present restrictions against creation of debt and give relief from any obligations to the sinking fund until 1950.

● **Pennsylvania (Pa.) Salt Manufacturing Co.**

June 18 filed 50,000 shares ($100 par) convertible preferred series A stock. **Underwriter**—No underwriting. **Offering**—Shares will be offered to the company's common stockholders on the basis of one share of preferred for each 15 shares of common held. **Price**—By amendment. **Proceeds**—For expansion of production facilities and other corporate purposes. **Business**—Manufacture of chemicals.

● **Phillips Petroleum Co.**

June 18 filed 109,821 shares of common stock. **Underwriters**—None. **Offering**—To be issued in exchange, 64,025 shares for 19,971 shares of Wasatch Oil Refining Co. and 45,796 shares for 75,768 shares of Idaho Refining Co. under agreement of June 12.

Popular Home Products Corp., N. Y.

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 (6/23)

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.; Lazard Freres & Co. and White, Weld & Co. (jointly); Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly). **Proceeds**—To finance in part a proposed construction program. **Bids Invited**—Bids for the purchase of the bonds will be received up to noon (EDT) June 23 at 1087 Elm St., Manchester, N. H.

Public Service Co. of New Mexico

May 29 filed $6,800,000 30-year first mortgage bonds and 20,000 shares ($100 par) cumulative preferred. **Underwriters**—To be sold through competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp. and White Weld & Co. (jointly); Otis & Co.; Glore, Forgan & Co.; Halsey, Stuart & Co. Inc. (bonds only). **Proceeds**—For redemption and prepayment of $6,684,220 of indebtedness. The balance will be added to general funds to be used for expansion program.

Quebec Gold Rocks Exploration Ltd., Montreal

Nov. 13, 1946, filed 100,000 shs. (50¢ par) capital stock. **Underwriter**—Robert B. Soden, Montreal, director of company. **Price**—50¢ a share. **Proceeds**—For exploration and development of mining property.

Raleigh Red Lake Mines, Ltd., Toronto, Can.

June 9 filed 460,000 shares of stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—25 cents a share. **Proceeds**—To finance diamond drilling and land surveys.

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, 1946, covered 184,823 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company decided to issue 454,465 shares of common stock only, which were to be offered for subscription to stockholders of record Sept. 5, 1946, to the extent of one share for each five held. Issue not to be underwritten.

Rochester (N. Y.) Gas & Electric Corp.

May 26 filed $16,677,000 first mortgage bonds, Series L, due 1977, and 50,000 shares ($100 par) preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley; Lehman Brothers; The First Boston Corp. and Smith, Barney & Co. (jointly). **Proceeds**—To redeem all of its outstanding $7,675,000 bonds and to repay $3,500,000 bank loan and to finance new construction. Corporation has temporarily abandoned the proposed financing. It was announced June 17, due to "unacceptable" conditions of New York P. S. Commission. Instead company June 18 asked SEC permission to issue unsecured notes.

Rochester (N. Y.) Telephone Corp.

June 4 filed 67,500 shares ($100 par) cumulative preferred. **Underwriting**—By competitive bidding. Probable bidders—Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co.; Blyth & Co., Inc.; Glore, Forgan & Co. **Proceeds**—To redeem 4½% Series A first cumulative preferred, pay off demand notes, and for property expansion and conversion of telephone system from manual to automatic dial operation in Rochester.

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.

Santa Maria Mines, Ltd., Toronto, Can.

June 10 filed 500,000 shares of stock. **Underwriting**—Mark Daniels & Co., Toronto. **Price**—50 cents a share. **Proceeds**—For mining activities.

Seaboard Container Corp. (6/26)

May 9 filed 75,000 shares ($20 par) 5½% cumulative convertible preferred and 112,500 class A shares ($1 par) common (also 225,000 shares class A reserved for conversion and 69,000 reserved for warrants). Underwriter will make special offering of 12,500 shs. of pfd. to holders of 6% debs. at $18.15 for a limited period. **Underwriter**—Herrick, Waddell & Co., Inc., New York. **Price**—$20 a preferred share and $6 a common share. **Proceeds**—The company will receive proceeds from the sale of all the preferred and 37,500 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.

Service Caster & Truck Corp., Albion, Mich.

April 10 filed 32,000 shares ($25 par) $1.40 convertible preferred and 53,962 shares ($1 par) common. **Underwriter**—Smith, Burris & Co., Chicago. **Price**—$25 a preferred share and $10 a common share. **Proceeds**—Proceeds, together with funds to be provided by a term bank loan, will be used to discharge indebtedness to Domestic Credit Corp.

Solar Manufacturing Corp.

March 19 (by amendment) filed 110,000 shares of 75c cumulative convertible preferred stock, series B (par $5) **Underwriters**—Van Alstyne, Noel & Co. Price per share $12.50 **Proceeds**—Net proceeds will be applied to redemption of bank loans and to cover part of cost of expansion program.

Southern Airways, Inc., Birmingham, Ala.

May 19 (letter of notification) 81,500 shares ($1 par) common. **Price**—$1 a share. No underwriting. To reduce bank loans and to increase working capital.

Southern Bell Telephone & Telegraph Co. (6/26)

June 9 filed $75,000,000 40-year debentures, due 1987. **Underwriter**—By competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. **Proceeds**—For payment of demand notes held by the company's parent, American Telephone & Telegraph Co., and to meet further requirements of its nine-state expansion program. **Bids Invited**—Bids for the purchase of the bonds will be received up to 11:30 a.m. (EDT) June 26 at 195 Broadway, New York.

Southern California Gas Co. (6/23)

May 15 filed $12,000,000 first mortgage bonds, 2⅞% series, due 1977. **Underwriting**—To be sold at competitive bidding. Probable bidders include Blyth & Co., Inc.; Halsey, Stuart & Co., Inc.; Harris Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co. **Proceeds**—To construct natural gas pipe line connection to the Hugoton-Panhandle Fields, Texas, and to reimburse company treasury for construction expenses. **Bids Invited**—Bids for purchase of bonds will be received up to 9:30 a.m. (PST) June 23, at company's office, 810 South Flower Street, Los Angeles, Calif.

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.

● **Swel Products Co., Salt Lake City**

June 9 (letter of notification) 25,000 units, consisting of one share of 6% preferred and one share of common, and 225,000 shares of common. **Price**—$10 per unit and 25¢ per common share. To be sold through George F. Schultz, a director. To acquire inventory, machinery and for other corporate purposes.

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.

Thomas (I. P.) & Son Co., Camden

June 6 (letter of notification) 3,000 shares ($100 par) preferred, and 2,500 shares ($100 par) 5% preferred. **Price**—$100 a share for 3,000 shares of preferred, while the 2,500 shares of preferred are to be issued in connection with the exchange of old 7% preferred for the new. **Underwriting**—Suplee, Yeatman & Co., Inc., Philadelphia. To redeem outstanding 7% preferred and for additional working capital.

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. The SEC June 11 started stop order proceedings due to the fact that the registration statement "appears to include untrue statements of material facts." On June 17 the SEC granted company's request to waive a trial examiner's report in stop-order proceedings. This will expedite the SEC's decision on the public offering of the stock.

● **United States Television Mfg. Corp., N. Y.**

June 18 filed 75,000 shares of 5% convertible preferred stock (par $4). **Underwriters**—William E. Burnside & Co., Inc. and Mercer, Hicks & Co. **Offering**—To be offered at par. **Proceeds**—For general corporate purposes, additional working capital.

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.

● **Veterans Alaska Cooperative Co., Chilkoot, Alaska**
June 6 (letter of notification) 2,000 shares ($100 par) common and 1,000 shares ($100 par) preferred. **Price**—$100 per share each. No underwriting. For promoting small business enterprises in Alaska.

● **Victoria Gold Mines Inc., Oatman, Ariz.**
June 9 (letter of notification) 300,000 shares of common. **Price**—50¢ a share. To be sold through officers of company. For purchase of cyanide milling plant and for other mining equipment.

Weber Showcase & Fixture Co., Inc.
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 Electric Co., New York
April 16 (letter of notification) 1,500,000 shares (no par) common. Stockholders of record May 14 are given the right to subscribe for the additional shares at $40 per share in ratio of one new for each five shares held. Rights expire June 27. No underwriting. To reduce indebtedness and to reimburse its treasury.

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.**

Workers Finance Co., Newark, N. J.
May 26 (letter of notification) $225,000 6% 20-year debentures. **Price**—$100 per unit. No underwriting. To be sold direct or in exchange for outstanding preferred and debentures. **Purpose**—To eliminate outstanding preferred and debentures and to carry on business.

● **Wyoming Wholesale Drug Co., Casper, Wyo.**
June 12 (letter of notification) 500 shares ($100 par) common. **Price**—$100 a share. No underwriting. For merchandise inventory.

Prospective Security Offerings

(NOT YET IN REGISTRATION)
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● **Arkansas Power & Light Co.**
June, 1947, the Arkansas P. S. Commission has approved the issuance of $11,000,000 first mortgage bonds to finance property expansion. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co., Inc.; The First Boston Corp.; Glore, Forgan & Co. and Harriman Ripley & Co. (jointly). Lehman Brothers and Stone & Webster Securities Corp. (jointly); Central Republic Co. and Equitable Securities Corp. (jointly). Bidding expected before end of July.

● **Central Illinois Light Co.**
June 25 stockholders will vote to increase the authorized common shares from 250,000 to 1,500,000 shares and to change outstanding 210,000 shares to 800,000 shares to facilitate the disposal of the holdings of its parent, the Commonwealth & Southern Corp. in Central Illinois.

● **Chicago Milwaukee St. Paul & Pacific RR. (6/30)**
Company has issued invitations for bids to be received up to noon (CDT) June 30 at Room 744, Union Station Bldg., Chicago, for $6,000,000 of equipment trust certificates, series Z. The certificates will be dated July 1, 1947, and are to mature semi-annually from Jan. 1, 1948, to July 1, 1957. Probable bidders include: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Chicago & North Western Ry.**
Company has asked the ICC for authority to issue $4,650,000 of equipment trust certificates to be dated Aug. 1, 1947, and due in 10 equal annual instalments. Probable bidders include: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● **Continental Casualty Co.**
July 23 stockholders will vote on increasing stock from 5,000,000 to $6,000,000 (par $10), the additional 100,000 shares to be offered for subscription to stockholders on basis of one new for each five shares held. Unsubscribed shares will be purchased by investment bankers acting as underwriters.

● **Mississippi Power Co.**
June 13 company, a subsidiary of Commonwealth & Southern Corp., asked the SEC for authority to sell at competitive bidding $2,500,000 first mortgage bonds to aid its construction program. The company also proposes to exchange or sell 20,099 shares of new preferred stock to refund a like number of outstanding $6 dividend preferred. Company plans to ask for proposals, also under the competitive bidding rules, for services in obtaining the exchange of preferred stock and for the purchase of unexchanged new preferred. The exchange will be on a share-for-share basis plus a cash adjustment. Any old preferred shares not exchanged will be redeemed at $110 and accrued dividends. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp.; Blyth & Co., Inc.

● **New York New Haven & Hartford RR. (6/26)**
The trustees have issued invitations for bids to be received June 26 for $5,955,000 of 1-to-15-year equipment trust certificates. The certificates are designed to finance not more than 80% of the purchase price of new equipment. Probable bidders include: Salomon Bros. & Hutzler; Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc).

● **Pennsylvania Railroad (6/24)**
The company has issued invitations for bids to be received before noon June 24 for $11,025,000 of equipment trust certificates. The certificates are to be dated July 1, 1947, and will mature serially from July 1, 1948, to July 1, 1962. They are part of a $32,910,000 aggregate of series S certificates to be issued to finance construction and acquisition of new equipment. Probable bidders include: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Warren Petroleum Corp.**
June 30 stockholders will vote on authorizing an issue of 150,000 shares of preferred stock (par $100), of which 100,000 will be offered publicly. Traditional underwriter, Merrill Lynch, Pierce, Fenner & Beane.

Wheeling & Lake Erie Ry. (6/19)
Bids for the purchase of $2,940,000 equipment trust certificates will be received by the company up to June 19. The certificates will mature semi-annually from January, 1948, to July, 1957, and will finance not more than 80% of the cost of the equipment. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Our Reporter's Report

Gratifying response to two substantial public utility offerings brought out this week removed any lingering doubts of the market's ability to absorb new offerings provided they are priced in keeping with the ideas of investors in the matter of return afforded.

The issues in point were both of the type which appeal chiefly to institutional investors and it is quite evident that portfolio managers for the latter are standing fast to their demand for a minimum return slightly above the 2.70% figure.

Both issues were priced to afford a yield of approximately 2.72% to maturity and the task of placement required but a brief period following the opening of the books.

Toledo Edison Co.'s $32,000,000 of new first mortgage 2⅞s, due 1977, brought the company a top bid of 102.589, with the successful syndicate pricing the issue at 103.1647 for public offering. This operation was a quick success.

A second group, on Tuesday, paid Public Service Co. of Colorado a price of 102.7099 for $40,000,000 new first mortgage bonds, also due 1977, specifying a 2⅞% coupon.

This issue is on the market today, priced at 103¼, but reports indicated that orders reaching the sponsoring bankers for consideration were sufficient within an hour to have taken up the entire issue. Thus actual offering today is little more than the mere formality of going through the motions.

World Bank Flotation

Consensus among investment bankers is that the World Bank will undertake its first flotation of securities about the middle of next month. And the forecast is for better than clear sailing.

As a matter of fact preliminary discussions seem to indicate what one banker termed as a "grand demands" in prospect for the $250,000,000 issue.

But there is the usual fly in the ointment, judging from some comment around the Street. It seems that the World Bank's financing plans have put a bit of a drag on the several recent foreign dollar flotations.

Report has it that Australian bonds, brought out early this week, are still available and the same is said to hold true in the case of the Kingdom of Norway loan brought out several weeks ago.

Good Week Ahead

The underwriting fraternity should find little to complain about next week, what with some $92,500,000 in new securities slated for marketing or bids, exclusive of the usual run of municipals.

Five companies are set to market new issues, two of them by the negotiated route and the other three through the usual competitive bidding channels set up for public utilities.

Monday promises to be a busy period with three utility companies having securities up for bids. Kentucky Utilities Co. is offering $24,000,000 of first mortgage, series A bonds, 30-year maturity, plus 130,000 shares of new cumulative preferred stock. Southern California Gas Co., is seeking bids for $12,000,000 of new 2⅞% 30-year first mortgage bonds, and Public Service of New Hampshire will open tenders for $4,500,000 of first mortgage series B bonds, also due in 1977.

On Tuesday bankers are scheduled to offer $15,000,000 of 20-year debentures of National Supply Co., for retirement of $11,250,000 bank loans and to bolster general funds. On Thursday, bankers are slated to bring out $15,000,000 of 25-year debentures of May Department Stores, plus 89,467 shares of cumulative preferred.

50 Million Deal Sidetracked

A head-on collision with the New York State Public Service Commission which probably will wind up in litigation resulted this week in decision by the Rochester Gas & Electric Corp. to abandon temporarily, its projected financing.

The up-State utility had planned on the sale of $50,000,000 of new securities late this month to put it in funds to finance expansion plans and at the same time retire outstanding issues at lower cost.

In assaying the program, however, the PSC called for changes whch the company declared unacceptable since, as directors hold, they would work undue hardship. The board is determined to seek court review of the matter.

Meantime the company plans to finance its building program through the medium of short-term borrowing, though calling this an "unsatisfactory expedient."

Business Man's Bookshelf

Liberty and Taxes—Brandford B. Smith—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—paper—25¢ (lower rate on quantity orders).

Survey of Labor Economics—Florence Peterson—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y.—cloth—$4.00.

Planned Chaos—Ludwig von Mises—The Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—Paper—65c.

International Trade and Commercial Policy—Lawrence W. Towle—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y.—cloth—$4.50.

Study in Investment Mortality, A—O. K. Burrell—Bureau of Business Research, School of Business Administration, University of Oregon, Eugene, Oreg.—paper—$1.00.

Operation Immigration—Percy L. Greaves, Jr.—Foundation for Freedom, Inc., 1638 Connecticut Avenue, N. W., Washington 9, D. C.—paper—25¢ (lower price in quantity).

Machinery Industry, The—Part II—Study and Analysis of Outlook—E. W. Axe & Co., Inc.—Tarrytown Press, P. O. Box 147, Tarrytown, N. Y.—Paper—50c a copy (25c to public libraries and non-profit institutions).

Manual of Sugar Companies, 24th edition—Farr & Co., 120 Wall Street, New York 5, N. Y.—$2.00 (plus 2% sales tax in New York City).

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 22	95.8%	96.9%	96.1%	84.2%
Equivalent to—					
Steel ingots and castings produced (net tons)	June 22	1,676,400	1,695,700	1,681,700	1,483,900
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	June 7	5,064,200	5,024,350	5,004,600	4,895,650
Crude runs to stills—daily average (bbls.)	June 7	5,148,000	5,000,000	4,840,000	4,830,000
Gasoline output (bbls.)	June 7	15,350,000	14,709,000	14,351,000	13,924,000
Kerosine output (bbls.)	June 7	2,311,000	2,002,000	1,921,000	1,814,000
Gas oil and distillate fuel oil output (bbls.)	June 7	5,286,000	5,732,000	5,514,000	5,413,000
Residual fuel oil output (bbls.)	June 7	9,032,000	8,910,000	8,224,000	8,691,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 7	94,802,000	95,876,000	100,934,000	93,113,000
Kerosine (bbls.) at	June 7	12,678,000	12,066,000	10,152,000	13,271,000
Gas oil and distillate fuel oil (bbls.) at	June 7	37,173,000	36,032,000	33,363,000	34,737,000
Residual fuel oil (bbls.) at	June 7	46,779,000	45,224,000	42,875,000	45,411,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 7	900,747	830,383	884,242	830,128
Revenue freight rec'd from connections (number of cars)	June 7	666,071	690,912	703,509	639,124
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	June 12	$158,140,000	$121,077,000	$102,480,000	$138,911,000
Private construction	June 12	91,981,000	48,970,000	54,724,000	86,367,000
Public construction	June 12	66,159,000	72,107,000	47,756,000	52,544,000
State and municipal	June 12	40,201,000	39,297,000	33,108,000	29,842,000
Federal	June 12	25,958,000	32,810,000	14,648,000	22,702,000
COAL OUTPUT (U. S. BUREAU OF MINES AND NATIONAL COAL ASSOCIATION):					
Bituminous coal and lignite (tons)	June 7	13,500,000	12,050,000	13,155,000	12,742,000
Pennsylvania anthracite (tons)	June 7	1,108,000	835,000	1,057,000	46,000
Beehive coke (tons)	June 7	128,700	124,500	137,200	46,900
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	June 7	292	250	311	273
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 14	4,701,992	4,635,218	4,615,983	4,030,058
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 10	2.85664c	2.85664c	2.85664c	2.73011c
Pig iron (per gross ton)	June 10	$33.15	$33.15	$33.15	$26.12
Scrap steel (per gross ton)	June 10	$32.00	$31.17	$29.58	$19.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 11	21.475c	21.625c	21.225c	14.150c
Export refinery at	June 11	21.425c	22.825c	23.675c	14.425c
Straits tin (New York) at	June 11	80.000c	80.000c	80.000c	52.000c
Lead (New York) at	June 11	15.000c	15.000c	15.000c	8.250c
Lead (St. Louis) at	June 11	14.800c	14.800c	14.800c	8.100c
Zinc (East St. Louis) at	June 11	10.500c	10.500c	10.500c	8.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	June 17	121.55	121.64	121.64	124.17
Average corporate	June 17	116.80	116.80	117.20	118.80
Aaa	June 17	122.09	122.09	122.50	123.56
Aa	June 17	120.22	120.02	120.43	121.46
A	June 17	116.61	116.61	116.41	118.40
Baa	June 17	109.06	109.06	109.97	112.56
Railroad Group	June 17	111.25	111.25	112.00	116.02
Public Utilities Group	June 17	118.60	118.60	118.60	119.20
Industrials Group	June 17	120.84	120.84	121.04	121.46
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	June 17	1.58	1.57	1.57	1.46
Average corporate	June 17	2.81	2.81	2.79	2.71
Aaa	June 17	2.55	2.54	2.53	2.48
Aa	June 17	2.64	2.64	2.63	2.58
A	June 17	2.82	2.82	2.83	2.73
Baa	June 17	3.22	3.22	3.17	3.03
Railroad Group	June 17	3.10	3.10	3.06	2.85
Public Utilities Group	June 17	2.72	2.72	2.72	2.69
Industrials Group	June 17	2.61	2.61	2.60	2.58
MOODY'S COMMODITY INDEX	June 17	403.4	397.8	400.6	286.7
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:					
Foods	June 14	216.2	216.3	213.8	147.6
Fats and oils	June 14	204.3	214.6	225.0	147.4
Cottonseed oil	June 14	267.8	273.5	307.7	163.1
Farm products	June 14	248.1	245.4	245.4	181.1
Cotton	June 14	354.5	347.7	342.1	276.2
Grains	June 14	252.8	259.2	253.4	190.3
Livestock	June 14	232.3	227.6	230.4	163.5
Fuels	June 14	172.2	172.2	170.4	131.4
Miscellaneous commodities	June 14	158.9	158.4	160.5	138.6
Textiles	June 14	217.8	216.4	215.8	169.6
Metals	June 14	148.2	150.6	149.3	122.2
Building materials	June 14	185.7	187.2	198.3	168.1
Chemical and drugs	June 14	155.6	154.7	157.4	127.5
Fertilizer materials	June 14	125.9	125.8	127.5	114.8
Fertilizers	June 14	134.5	134.5	134.5	119.8
Farm machinery	June 14	125.3	125.3	125.5	105.8
All groups combined	June 14	192.2	196.7	196.6	149.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 7	217,658	181,398	159,888	186,073
Production (tons)	June 7	171,855	177,998	179,059	160,607
Percentage of activity	June 7	98	98	101	96
Unfilled orders (tons) at	June 7	552,280	511,918	560,526	591,496
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	June 12	144.6	144.6	145.8	132.3
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:					
All commodities	June 7	147.9	147.4	146.7	111.5
Farm products	June 7	179.5	178.4	174.6	139.4
Foods	June 7	163.1	161.6	162.7	111.9
Hides and leather products	June 7	166.6	166.5	166.7	120.9
Textile products	June 7	138.5	138.5	138.0	108.03
Fuel and lighting materials	June 7	104.4	104.1	104.0	86.9
Metal and metal products	June 7	142.5	142.3	140.7	110.5
Building materials	June 7	177.5	178.0	178.5	128.2
Chemicals and allied products	June 7	124.7	126.4	128.6	96.8
Housefurnishing goods	June 7	129.5	129.5	128.6	110.2
Miscellaneous commodities	June 7	115.9	116.1	115.4	97.9
Special groups—					
Raw materials	June 7	161.8	161.1	159.4	125.5
Semi-manufactured articles	June 7	142.5	143.1	142.2	103.4
Manufactured products	June 7	142.9	142.5	142.2	106.6
All commodities other than farm products	June 7	141.0	140.7	140.6	105.4
All commodities other than farm products and foods	June 7	132.2	132.3	131.8	104.6

	Latest Month	Previous Month	Year Ago
BANK DEBITS BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—For Month of May (in billions)	$87,833,000	$87,766,000	$85,908,000
BANKERS DOLLAR ACCEPTANCES OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of April 30—			
Imports	$139,828,000	$157,709,000	$114,224,000
Exports	42,035,000	35,887,000	15,519,000
Domestic Shipments	12,191,000	13,506,000	11,029,000
Domestic Warehouse Credits	13,259,000	13,536,000	18,634,000
Dollar Exchange	101,000	101,000	386,000
Based on goods stored and shipped between foreign countries	7,686,000	7,289,000	9,087,000
Total	215,100,000	228,030,000	168,879,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of May 29	$250,000,000	$256,000,000	$126,000,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—For Month of May—			
Manufacturing number	155	117	41
Wholesale number	51	37	4
Retail number	119	84	26
Construction number	20	16	8
Commercial service number	33	23	13
Total number	378	277	92
Manufacturing liabilities	$10,971,000	$11,822,000	$2,066,000
Wholesale liabilities	12,258,000	1,493,000	16,000
Retail liabilities	3,037,000	1,503,000	1,323,000
Construction liabilities	321,000	247,000	191,000
Commercial service liabilities	739,000	1,015,000	60,000
Total liabilities	17,326,000	16,080,000	3,656,000
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS RECORD—For Month of May—			
Total U. S. Construction	$514,343,000	$454,471,000	$560,244,000
Private Construction	282,328,000	213,667,000	327,600,000
Public Construction	232,328,000	240,804,000	232,644,000
State & Municipal	159,373,000	174,821,000	157,154,000
Federal	72,642,000	65,983,000	75,490,000
COTTON SEED—DEPT. OF COMMERCE—			
Received at Mills tons Aug. 1 to May 31	2,991,857	—	3,092,674
Crushed tons Aug. 1 to May 31	2,945,837	—	3,168,450
Stock tons May 31	163,726	—	142,573
COTTON SEED PRODUCTS DEPT. OF COMMERCE—			
Crude Oil—			
Stocks (pounds) May 31	33,593,000	—	44,682,000
Produced (pounds) Aug. 1 to May 31	925,296,000	—	988,016,000
Shipped (pounds) Aug. 1 to May 31	925,266,000	—	987,894,000
Refined Oil—			
Stocks (pounds) May 31	217,204,000	—	354,793,000
Produced lbs. Aug. to May 31	849,870,000	—	905,075,000
Cake and Meal—			
Stocks tons May 31	116,987	—	46,782
Produced tons Aug. 1 to May 31	1,297,571	—	1,393,708
Shipped tons Aug. 1 to May 31	1,212,212	—	1,399,184
Hulls—			
Stocks tons May 31	44,718	—	39,879
Produced tons Aug. 1 to May 31	692,166	—	761,260
Shipped tons Aug. 1 to May 31	673,373	—	783,078
Linters—running bales—			
Stocks May 31	99,861	—	51,926
Produced Aug. 1 to May 31	945,325	—	960,491
Shipped Aug. 1 to May 31	880,518	—	927,141
Hull fiber (500 lb. bales)—			
Stocks May 31	604	—	348
Produced Aug. 1 to May 31	18,291	—	16,593
Shipped Aug. 1 to May 31	18,190	—	16,568
Moates, grabbots, etc. (500 lb. bales)—			
Stocks May 31	12,841	—	3,628
Produced Aug. 1 to May 31	37,296	—	41,083
Shipped Aug. 1 to May 31	26,185	—	39,906
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S.—NATIONAL HOUSING AGENCY—For Month of April—			
Savings and loan Associations	$299,690,000	$270,724,000	—
Insurance A	58,912,000	50,955,000	—
Bank and Trust companies	248,907,000	229,862,000	—
Mutual Savings banks	44,890,000	39,961,000	—
Industrials	166,094,000	157,802,000	—
Miscellaneous lending institutions	122,527,000	109,371,000	—
Total	941,020,000	858,675,000	—
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS For Month of May—			
Industrials (125)	5.3	5.0	3.2
Railroads (25)	7.5	7.3	4.5
Utilities (25)	5.0	4.9	3.7
Banks (15)	4.6	4.6	3.7
Insurance (10)	3.7	3.6	3.0
Average yield (200)	5.3	5.1	3.4
NEW YORK STOCK EXCHANGE As of May 29—			
Member firms carrying margin accounts			
Total of customers net debit balances	$530,330,192	$552,533,818	$856,186,164
Credit extended to customers	62,771,012	61,922,510	143,830,277
Cash on hand and in banks in U. S.	420,495,662	416,700,862	368,591,057
Total of customers' free credit balance	651,605,136	664,915,016	669,452,645
AMERICAN GAS ASSOCIATION For Month of April—	**Latest Month**	**Previous Month**	**Year Ago**
Total gas sales (M therms)	2,726,603	2,926,617	2,190,074
Natural gas sales (M therms)	2,368,287	2,509,343	1,913,949
Manufactured gas sales (M therms)	206,814	232,583	172,829
Mixed gas sales (M therms)	151,502	184,691	103,236
AMERICAN IRON AND STEEL INSTITUTE For Month of May—			
Steel ingots and steel for castings produced (net tons)	7,332,828	7,042,813	4,072,620
AMERICAN TRUCKING ASSOCIATIONS For Month of April—			
No. of motor carriers reporting	270	270	270
Volume of freight transported (tons)	2,436,145	2,463,736	2,207,950
AMERICAN ZINC INSTITUTE, INC. For Month of May—			
Slab zinc smelter output, all grades (tons of 2000 lbs.)	73,970	73,891	62,416
Shipments (tons of 2000 lbs.)	70,803	72,243	69,489
Stock at end of period (tons)	166,864	163,697	241,633
Unfilled orders at end of period (tons)	51,418	53,184	38,791
COPPER INSTITUTE For Month of May—			
Copper production—			
Crude (tons of 2000 lbs.)	90,556	*86,927	31,897
Refined (tons of 2000 lbs.)	110,670	107,270	20,551
Deliveries to customers—			
In U. S. A. (tons of 2000 lbs.)	122,968	120,089	93,647
Export (tons of 2000 lbs.)		222	
Refined copper stocks at end of period (tons of 2000 lbs.)	77,716	*81,643	75,754

*Revised figures.

SEC Lifts Curb on Sale of State Banned Issues

Revises Regulation A of Securities Act of 1933 by permitting registration of security issues under $300,000 when distribution is prohibited by State Authority.

On June 13, 1947, the Securities and Exchange Commission announced that it has amended Regulation A under the Securities Act of 1933 by permitting registration of exempt securities which are banned by a State order. Under regulation A, in the case of security issues up to $300,000 in amounts the Commission refused sale in a state if the right to offer or to sell such securities in that state "is prohibited, denied or suspended by any regulatory body of that state for any reason other than the misconduct of a dealer." Under the revision, the SEC would leave the enforcement of the state prohibition to a stop order or other action by the authorities of the state. However, the Commission would still retain its jurisdiction over a fraudulent sale of the security.

The text of the SEC announcement is as follows:

The Securities and Exchange Commission today announced the adoption of an amendment to Regulation A deleting the restriction imposed by subparagraph (h) of Rule 221.

This action was taken by the Commission after general circulation of the proposal and the receipt of comments from interested parties. The removal of the restriction does not affect the authority of the various state regulatory bodies over securities transactions within the states, nor the application of the anti fraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934.

The text of the Commission's action follows:

"Acting pursuant to the Securities Act of 1933, particularly Sections 3 (b) and 19 (a) thereof and after consideration of all relevant matter presented, the Securities and Exchange Commission here by amends Regulation A to delete therefrom subparagraph (h) of Rule 221 which excludes from the exemption provided by Regulation A 'Securities sold or delivered after sale in, or orders for which are accepted from, a State while the right to offer or sell such securities in that State is prohibited, denied, or suspended by any regulatory body of the State for any reason other than the misconduct of a dealer in the securities.'

"The Commission finds that continuation of the above restriction is no longer necessary in the public interest, for the protection of investors, or to carry out the provisions of the Securities Act of 1933. It further finds that this amendment removes restriction and may be declared effective immediately pursuant to Section 4 (c) of the Administrative Procedure Act.

"The basis and purpose of this amendment are to remove a restriction no longer necessary in the public interest or for the protection of investors."

"By the Commission.

"ORVAL L. DuBOIS,
"Secretary."

Effective June 13, 1947

Wants Treasury to Use Flexible Exchange Rates

On June 12, Rep. Robert W. Kean (R.-N.J.) introduced a bill (H.R. 3810) in Congress which would empower the Treasury Department to fix daily an exchange rate in assessing duties on imports that would be between the highest and lowest current rate as certified for that day by the Federal Reserve Bank of New York. In pointing out the need and significance of his measure, Rep. Kean stated:

"For the past few years due to unstable exchange rates importers of merchandise have found it impossible to determine their costs. Many of the countries of the world have set up systems of multiple exchange rates and both the United States Government and the importer have been at sea as to exactly what rates should be charged for customs purposes. This situation has not only made it difficult for businessmen to close out transactions, but has also prevented many of them from importing goods since they could not be assured of their costs.

"To improve this situation I am today introducing a bill which in short provides that when there are dual or multiple exchange rates, the Federal Reserve Bank of New York shall certify to the Secretary of the Treasury daily what are these rates and the Secretary of the Treasury shall select a rate between the highest and lowest and certify one which shall be as nearly representative as is practicable of the rates used most generally in foreign exchange transactions on that day. This figure will then be used by the customs to assess duties and both the Government and the importer will then know where they are at.

"I understand that today there are some 60,000 cases where firms are awaiting a decision as to what the exchange rate should be.

"I believe that this bill should have the support of all of those who import merchandise; and, with some modifications, it meets the suggestions of the Treasury Department for legislation on this subject as expressed by them in a letter to the Speaker dated May 21st.

"The need for speedy legislation on this subject is apparent."

World Bank Loan Requests Now More Than $2\frac{1}{2}$ Billion

Charles C. Pineo, Loan Director, says loan requests will be considered in light of urgency and usefulness of projects for which funds are to be used as well as ability to repay.

Speaking at the 27th Anniversary Luncheon of the Better Business Bureau of Washington, D. C., on June 17, 1947, Charles C. Pineo, Loan Director of the International Bank for Reconstruction and Development, reported that loan applications to the Bank already exceed $2½ billions. These applications, he said, will be considered in the light of the urgency and usefulness of the project for which the funds will be used, the usefulness of the loan to both the borrower and world trade, the willingness and ability of the borrower to use its own resources to the fullest extent, whether the loan can do what the borrower expects, and whether the borrower can maintain service of the loan.

Charles C. Pineo

Mr. Pineo, in his address, stressed the development of a relationship between the Bank and the borrower which will result in continuous consultation and exchange of information during the whole of the time that the loan is outstanding.

"International Bank loans . . . 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," Mr. Pineo concluded.

Eberstadt & Co. Offers Beech-Nut Common

An issue of 140,000 shares of common stock, par $10, of Beech-Nut Packing Co. was offered June 18 after the close of business, by F. Eberstadt & Co. The net proceeds will accrue to the estate of Barlett Arkell, a founder of the company and President until 1940. The stock was offered at $31.75 per share.

Halsey, Stuart Offers Public Service of Colo. Bonds—Underwrites Debs.

Halsey, Stuart & Co. Inc. and associates are offering to the public today (Thursday) $40,000,000 Public Service Co. of Colorado first mortgage bonds, 2⅞% series due June 1, 1977 at 103¼% and accrued interest. The group won the award of the bonds at competitive bidding on a bid of 102.70999.

Net proceeds from the sale of the bonds, together with cash from the general funds of the company, will be used to redeem, at 104¼%, $40,000,000 principal amount of first mortgage bonds, 3½% series due 1964. The sale of the bonds is part of a comprehensive financing program to be undertaken by the company.

The $7,000,000 in 3% convertible debentures are being offered to common stockholders of record June 17 at 100% and accrued interest on the basis of $8 of debentures for each share held. The offer, which expires at 3 P.M. (EDT), July 1, is being underwritten by Halsey, Stuart & Co. Inc. and associates who offered the company $100 for the privilege of the underwriting. Any debentures not subscribed for by common stockholders will be taken by the underwriters at the offering price plus accrued interest, the underwriters to pay the company an additional amount aggregating $100.

Following consummation of the refinancing program, the company's funded debt will comprise the $40,000,000 in new bonds and $7,000,000 in 3% convertible debentures due 1962.

Hubert O'Neil, Jr. With Edw. Bourbeau

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Hubert R. O'Neil, Jr. has become associated with Edward J. Bourbeau & Co., 510 South Spring Street. Mr. O'Neil was formerly Manager of the trading department for Buckley Brothers in Los Angeles. Prior thereto he was with Butler-Huff & Co. and Hill, Richards & Co. In the past he conducted his own investment business in Los Angeles.

Hubert R. O'Neil, Jr.

Washington . . . And You

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

Biggest Washington question right now is international rather than domestic—whether President Truman will risk letting Congress go home without seeking additional authority to pump American dollars abroad.

* * *

The President's agents have planned to concoct a foreign rehabilitation capsule this summer for administration to Congress next year. Now there's a possibility—not yet a probability—the White House will bid for interim dollar divvying powers. Watch for an early decision.

* * *

Here's the Truman dilemma: (1) He's told by State Department gumshoe men the economic situation outside our hemisphere is deteriorating with greater than anticipated rapidity. (2) He knows Congress is set for a vacation and dead-set against enlarging foreign handouts right now. Those are the factors that must shape his decision. How would you handle such chestnuts?

* * *

Attention former President Hoover: Your honest warning this week that shipping too many dollars abroad means dollar starvation at home may be the straw that breaks the camel's back of Republican collaboration with extremist Democratic internationalists. There's a good chance now Republican Senator Vandenberg may see the wisdom of diluting his concentrated support of the Truman global policy.

* * *

Federal Power Commission's grab for authority beyond the intent of Congress goes under the microscope June 23 when a House Commerce subcommittee opens hearings on amendments to the Federal Power Act. The hearings will run through the week, will draw national acclaim. Federal Power Act was last amended in 1935 when the New Deal wrote in authority for the Government to seize utilities 50 years after the FPC establishes control over them.

* * *

The pending amendments have two objectives. They would (1) protect industries producing power for their own use from FPC domination, and (2) redefine interstate commerce and navigable waters in such manner as to restrict FPC jurisdiction to utilities actually selling or transmitting power across State lines. They can't get through Congress this session, may be tagged for approval next year by the Commerce Committee.

* * *

Connecticut's Republican Representative Miller told Congress this week . . . "The Federal Power Commission has gone far afield of the interstate power business. The Commission in my opinion will never impose limitations on itself, rather it reaches out in an attempt to grab power by asserting jurisdiction over companies and activities never intended by Congress. The operations of the Commission in recent years make it apparent that Congress must specifically define the area in which the Commission may operate."

* * *

And now comes the White House with another "Sacred Cow." After slashing other budget requests by billions and squeezing thousands of Government workers from their jobs, the House Appropriations Committee has voted to give President Truman every dime he sought for fiscal 1948, has even hiked the White House kitty by $568,840. There'll be no savings—or firings—at the Executive Mansion. No indeed, the President isn't contributing to that Republican economy drive.

* * *

SEC Chairman Caffrey sounds moderately bullish on the business outlook. He told House appropriators his agency needs more money, expects to be busier this coming fiscal year because . . . "we judge there is going to be a considerable increase in the number of public offerings of securities by corporations which will have to register with us. I take it times will get better. I hope that increase will continue."

* * *

House Appropriations Committee has nailed down SEC ambitions to hire more people and do more things. SEC now has 1,270 employes, wants 1,587, requested that its funds for fiscal 1948 be boosted by $966,300. Appropriations committeemen have whittled that grab down to $205,000. Congress will concur, and that means SEC can't expand according to plans.

* * *

SEC now has 22 agents observing the listed securities market for signs of manipulation, aspires to hire eight more and extend this snooping to over-the-counter deals.

* * *

Another SEC craving is the trebling of yearly broker-dealer examinations. Such inspections now average 500 to 600 annually. SEC yearns for enough inspectors to hike this level to 1,800 or 2,000. The purpose: inspection of each registered broker-dealer every two years.

* * *

Commissioner Caffrey reacts coldly, says broker-dealers would react hotly, to the idea of an SEC examination charge similar to bank examiners' fees. "You would certainly have an outcry," he assured Congressional exponents of the fee theory.

* * *

Joint SEC-FTC study of corporation finance is dying in the bud. The survey was started years back by SEC with WPA funds, transferred to OPA during the war. Early this year FTC and SEC schemed to renew it jointly, have now been denied necessary money by the House Appropriations Committee. That probably will end it.

* * *

FTC was to collect from unlisted corporations the same type of profit and loss and operating data extracted by SEC from listed corporations. These statistics were to be blended into reports for investors, business and industry and Governmental agencies.

Looking Before We Leap!

"Current discussion, in and out of official life, is directed toward new foreign programs of large-scale post-war American rehabilitation—as distinguished from direct relief—to prevent social and economic collapse in many parts of the world. It is a good thing that these discussions are under way in the open. But they should not be misunderstood at home or abroad. At home, they should not invite anxieties that we shall rush into imprudent or inadequately seasoned plans. Abroad, they should not be taken as evidence that our foreign friends can depend upon us as a substitute for depending on themselves.

A. H. Vandenberg

* * *

"In the final analysis all of these programs—though measured in dollars—involve, at base, a burden upon American production out of American resources. It is vitally necessary that our studies should mobilize our surest information and our best available advice respecting (1) the over-all latitude within which America may safely and wisely plan these foreign cooperation; (2) the basis upon which they should be undertaken, including reciprocal considerations; and (3) the over-all necessities, in Asia as well as Europe, which are calculated to be involved. We need a total balance sheet."—Senator Arthur H. Vandenberg.

Yes, let us at least look before we leap!

Chalk up a round for the industrial North in its freight rate feud with the South. The Reed-Bulwinkle bill, passed by the Senate last Wednesday, immunizes the carriers from antitrust prosecutions for fixing rates in conference with the Interstate Commerce Commission, thereby takes a poke at Southerners trying to prove the rails have jointly prescribed unfair rates for the South in contravention of Federal Law. The legislation has energetic House support, but talk of a Presidential veto is heard at high levels.

* * *

Moans Georgia's Democratic Senator Russell . . . "The Reed bill will take the heart out of the Georgia case." The Georgia case, now before Supreme Court Special Master Lloyd K. Garrison, charges the railroads violated antitrust statutes by conspiring to levy rates discriminatory against Southern shippers.

* * *

There's to be a deadlock on airline legislation. Involved are proposals that (1) steamship companies be authorized to fly, and (2) American international airlines be blended into a single carrier. Neither can pass this session.

* * *

House Commerce Committee has wasted weeks quibbling over the single American line philosophy, won't endorse that, will compromise on a bill empowering CAB to grant airline licenses to ship operators. That can't hurdle the Senate. End result—nothing but talk.

Export-Import Bank has been told by the House Banking Committee . . . "While there might have been considerations in the national interest for making such loans (huge reconstruction loans) during the period immediately following the end of hostilities, and before the International Bank for Reconstruction and Development was prepared to transact business, the committee feels very strongly that the Export-Import Bank should forthwith revert to its traditional function of engaging only in such banking activities as directly stimulate the foreign trade of the United States." Bank President Martin concurs.

* * *

Regulation W is as good as dead, will shortly be buried by White House mandate. Don't be surprised if the President writes the epitaph even before Congress adjourns.

* * *

Guaranteed annual wage is to be the next labor-management irritant. You'll see confirmation of this before long, but don't look for a showdown until union contract renegotiations get going in 1949. President Truman's Economic Council is now devising a guaranteed wage formula, might tumble it into the 1948 Presidential tournament.

* * *

Safe wager right now is that the Congressional joint legislative commission, created by the Hartley-Taft labor bill, will snag the guaranteed wage issue for its own agenda.

* * *

You can look for decontrol of industrial use sugar in late August or early September. The release of household sugar from rationing is not expected to delay industrial decontrol.

* * *

Watch for innovations in the $5 billion container industry. Supply is now overtaking demand after the war years lag, and Commerce Department trade specialists foresee competitive emphasis on containers with a multitude of end uses after they have been emptied.