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OUR REPORTER'S REPORT

The interval between now and April 12, when the Treasury launches its next enormous Victory Loan Drive, promises to produce the greatest activity of the year to date in the field of corporate underwriting.

And from a look at the calendar of prospective offerings, it appears that the Treasury is assured of a clear track for its April operation designed to raise at least $13,000,000,000 in new funds for financing of the war.

With the Erie RR.'s revised refinancing out of the way through the sale of its $10,000,000 of 1- to 10-year collateral notes yesterday, underwriters have immediately ahead of them the task of marketing two sizable public utility refunding issues, both recently approved by the Securities and Exchange Commission.

Bids are due to be opened tomorrow on the Public Service Co. of New Hampshire's $20,500,000 of 30-year first mortgage bonds, and it was indicated as the time drew near that at

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The Effect Of Inflation Upon The Values Of Securities

By DR. IVAN WRIGHT

Professor of Economics, Brooklyn College, Brooklyn, N. Y.

The cases and exhibits presented have been selected from the experiences of France and Germany after World War One and the experience of France 1789-1796.

The important questions which concern us are:

What is the situation in the United States at this time with respect to a dangerous inflation?

Will the inflation in this country differ materially from the inflations in other countries or other times?

How can savings and investments be protected against inflation?

How will the various forms of investments be affected in the value of their purchasing power?

What investments will probably furnish the greatest protection to purchasing power?

Are We in Danger of a Serious Inflation?

In answer to this question I will furnish you a few significant items of evidence. Our present currency outstanding is around $15,000,000,000. This is about three times the currency outstanding at the end of World War One in 1918. In addition to this increase in currency in circulation from June,

(Continued on page 1103)

Can America Conquer Inflation?

By Dr. Felix Bernstein

Editor's Note—Dr. Bernstein is Professor of Biometrics at New York University and was formerly Professor of Statistics and Actuarial Mathematics at the University of Goettingen. He was an adviser of the German Treasury and Reichsbank and was officially in charge of floating the first German loan after World War I, the unique provisions of which were devised by him.

How serious is the threat of inflation? Can we in this country prevent inflation? As one who has had practical experience in fighting inflation in the past, I will try to answer that question as forthrightly as possible.

I think I should at the very outset reassure those individuals who live in panicky fear that we may have here an inflation of the German postwar brand—an inflation during which the mark sank to infinitely low levels, while the dollar rose to astronomical heights.

That reassurance is simply this:

(Continued on page 1100)

Special Editorial Material Pertaining to Savings and Loan Associations Starts on Page 1106—The States of Colorado and Michigan Are Featured This Week

Program To Salvage Fiscal And Monetary Solvency

In an enlightening article appearing in the "Chronicle" of March 4, bearing the above caption, Dr. Walter E. Spahr, Professor of Economics, New York University, and Executive Secretary of the Economists' National Committee on Monetary Policy, condemned various moves leading us into serious inflation and expressed faith in our ability to carry our post-war national debt without backbreaking taxation or resorting to currency dilution in any form.

Recognizing the vital importance of this subject, which will obviously constitute the foremost of our post-war problems, the "Chronicle" invited comments regarding the views and beliefs expressed by Dr. Spahr in his article. A considerable number of letters which were received originally were given in the "Chronicle" of March 11th and 18th. Others are now given below, and the remaining ones which came to hand more recently will be published in the April 1st number.

JOHN J. ROWE

President, the Fifth Third Union Trust Co., Cincinnati, O.

Individual thrift and governmental thrift have, in my opinion, been disregarded for many years.

John J. Rowe

Debt is for most people to be avoided, and similarly our Government should follow the pattern of its previous history, namely, go into debt when necessary, but start getting out of debt as soon as possible.

The cornerstone of true Democracy is, in my opinion, that the Government is the servant of the people, and subject to the same rules of prudence and economy which govern individuals.

W. H. WOOD

Chairman of the Board, American Trust Company, Charlotte, N. C.

I agree with Dr. W. H. Spahr . . . it seems to me the only alternative would be some plan of diluting our present money in some way that would mean future devaluation of the dollar. I think we should avoid this if it is humanly possible.

Word H. Wood

No one knows how long the war will last or how much our debt will be. It will be colossal, we know that, and a difficult problem.

JOSEPH STAGG LAWRENCE

Vice-President, Empire Trust Co., New York City

Mr. Spahr has stated fairly the case for orthodoxy in the man-

(Continued on page 1104)

PERSONNEL ITEMS

If you contemplate making additions to your personnel, please send in particulars to the Editor of the Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

CHICAGO, Ill.—**Daniel D. O'Connell**, formerly with the First Natnonal Bank of Chicago, is now connected with **Glore, Forgan & Co.**, 135 South La Salle Street.

(Special to The Financial Chronicle)

CINCINNATI, OHIO—**Lawrence G. Gessing** has rejoined the staff of **Edward Brockhaus & Co.**, Union Trust Building.

(Special to The Financial Chronicle)

INDIANAPOLIS, IND.—**Maurice D. Sims** has become affiliated with **Hemphill, Noyes & Co.**, Merchants Bank Building. Mr. Sims was formerly representative for Blyth & Co., Inc.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Augusta M. Turner** is with **Reinholdt & Gardner**, 400 Locust Street.

Banks Indispensable Part Of Economy, Survey Says

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange and other leading national Exchanges, have just issued an attractive 44-page booklet entitled "The Bank Stock Survey—1943 Edition," which reviews the private and public functions of banks, recent developments in commercial banking which has improved their outlook, a detailed explanation of a typical statement of condition, and a discussion of bank stock analysis, in addition to other interesting material. Copies of this informative booklet may be had upon request from Merrill Lynch, Pierce, Fenner & Beane.

UGI Liquidation Plan Presents Profit Opportunity

The Securities and Exchange Commission has approved the plan of liquidation proposed by the United Gas Improvement Company and the value likely to accrue to common shares of the company under the plan makes an interesting current situation with attractive possibilities, according to a circular issued by Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this circular, containing a summary of the plan of liquidation and an estimate of the value of the common shares, may be had from Wertheim & Co. upon request.

P. F. Fox Elected Director Of STANY

P. Fred Fox of P. F. Fox & Co., 120 Broadway, New York City, has been unanimously elected to the Board of Directors of the Security Traders Association of New York.

St. Paul & Western Pacific Decisions Interesting

An interesting resume of the St. Paul and Western Pacific decisions has been prepared by Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange. Copies may be obtained by writing to Pflugfelder, Bampton & Rust.

Insurance Stock Earnings

An interesting bulletin on 1942 earnings and statistical comparison of insurance stocks has just been issued by Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this bulletin are available on request from Laird, Bissell & Meeds.

John Straley Joins Hugh W. Long & Co. As Syndicate Manager

Bawl Street Journal Editor John A. Straley has joined the firm of Hugh W. Long and Company, Incorporated as Syndicate Manager. He will be in general charge of sales promotion and dealer relations. The firm is national distributor of New York Stocks, Inc., Manhattan Bond Fund, and Fundamental Investors.

John A. Straley

Mr. Straley entered Wall Street in 1914 as an employee of William A. Read & Co., and became secretary to Clarence Dillon. He left Dillon, Read & Co., to join Shields & Co., Inc., where he was sales manager. During the last decade he has been prominently identified with the distribution of investment company shares and is well known for his serious articles on a variety of financial subjects as well as lighter topics.

Chas. Boigegrain Now With Keane & Co.

(Special to The Financial Chronicle)

DETROIT, MICH.—Charles J. Boigegrain has become affiliated with Keane & Company, Penobscot Building, members of the Detroit Stock Exchange. Mr. Boigegrain was formerly in charge of the trading department of the local office of Straus Securities Company. In the past he was in the trading department of John B. Dunbar & Co. of Chicago.

A. E. Loyd Exec.-Sec. Of NY Dealers Ass'n

Alfred E. Loyd has been appointed Executive Secretary of the New York Security Dealers Association, succeeding Henry H. Kohl. Mr. Loyd for nearly 40 years has been executive head of Alfred E. Loyd & Co., dealers in unlisted over-the-counter securities and specialists in out-of-town bank stocks, more recently located at White Plains, N. Y.

Henry H. Kohl, the retiring Executive Secretary of the Association, is now with Van Alstyne, Noel & Co., New York City.

Va. Pub. Serv. Looks Good

Preferred stock of the Virginia Public Service Company offers attractive possibilities according to a circular just issued by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of the circular discussing the situation in detail may be had upon request from Ira Haupt & Co.

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Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.
Subscriptions in United States and Posessions, $26.00 per year; in Dominion of Canada, $27.50 per year; South and Central America, Spain, Mexico and Cuba, $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year.
NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Cayne, Ralston Co. Formed In Cleveland

CLEVELAND, OHIO — Announcement is made of the formation of Cayne, Ralston & Co., with new quarters at 2027 Union Commerce Building, as successors to M. A. Cayne & Co. Cayne, Ralston & Co. holds membership in the Cleveland Stock Exchange.

Partners in the firm are Morton A. Cayne, the firm's Exchange member; Frederick W. Smith, and George B. Ralston.

Wilber Wittenberg Is Now With Blyth & Co.

MINNEAPOLIS, MINN.—Blyth & Co., Inc., announce that Wilber W. Wittenberg has become associated with them as manager of their Minneapolis office, Northwestern Bank Building. Mr. Wittenberg, who has been in the investment business in Minneapolis for many years, was formerly proprietor of Wittenberg Merrick Co.

Harold Temple With Hemphill-Fenton Co.

PORTLAND, ORE.—Harold L. Temple has become associated with Hemphill, Fenton & Campbell, Inc., Porter Building. Mr. Temple was formerly Manager of the Municipal Department of A. D. Wakeman Co. In the past he was with Jaxtheimer & Co.

To Form J. B. Joseph & Co.

J. Bernard Joseph, member of the New York Stock Exchange, in partnership with Maurice Joseph will form J. Bernard Joseph & Co., effective April 1, 1943, with offices at 60 Beaver Street, New York City. Mr. Joseph has been an individual floor broker for many years.

DEALER BRIEFS

New Haven, Conn.

Connecticut securities have always held a very unique position of confidence in the minds of Connecticut investors and justly so, as most of the industrials, utilities, insurance companies and banks of the State are in unusually sound financial condition and have long records of achievement. Many of the companies have unbroken dividend records of over 50 years.

We anticipate a slackening in demand for all investments until the Second War Loan has been placed during the month of April. However, after that draft upon the cash resources of the country has been successfully absorbed, we believe that May will bring an increasing demand for sound dividend paying stocks of New England and especially Connecticut.—*Edward M. Bradley, President Edward M. Bradley & Co., Inc.*

MacMurdy Connected With Mitchell & Co.

Mitchell & Company, 120 Broadway, New York City, members of the Baltimore Stock Exchange, announce that John H. MacMurdy has become associated with them. Mr. MacMurdy has been in Wall Street for many years as head of his own investment business.

Dawn of a New Day in RR. Security Valuations

An interesting study has been prepared by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, entitled "The Dawn of a New Day in Railroad Security Valuations." Copies of this study may be had from Vilas & Hickey upon written request.

To Be N. Y. S. E. Members

Bruns, Nordeman & Co., 323 Broadway, New York City, will become members of the New York Stock Exchange as of April 1, when Jacques C. Nordeman acquires the Exchange membership of M. Hubert Hilder. Partners of the firm are J. Bowling Bruns, Jacques C. Nordeman, Alice M. Bruns, and Marion C. Nordeman.

Murty With Gruntal Co.

Gruntal & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, announce the association with them of William J. Murty in their Municipal Bond Department. Mr. Murty was formerly associated with F. B. Eyre & Co. and prior thereto was manager of the municipal department of Lee, Ralli & Co.

Our Reporter On "Governments"

By S. F. PORTER

The Government market is strong, quiet. . . . The minor reactions of the last few weeks mean nothing, indicate realignment of portfolios or just dealer activities rather than any important selling. . . . Firmness of the list is exceedingly pleasing considering the prospect for borrowing within a few weeks and gives us some idea of the extent of control these days. . . . All attention is centered on the pending deal, with selling groups arranging their structures, dealers figuring out potential customers and possible buying amounts and the authorities—the Federal Reserve and Treasury—set to tender whatever buying support will be necessary. . . . Treasury's sales of securities through the Reserve last month will give its trust accounts and agencies additional buying power to apply to April operation. . . . Same sentence may be written about the Reserve Open Market Committee. . . . So, the story of the Government market today may be boiled down to one sentence: "It's preparing and waiting for April 12." . . .

And on that subject, here's a point that deserves serious study, according to some of the most informed sources in the field. . . . Just how do the certificates of indebtedness line up in attractiveness with the longer-term notes and bonds? . . . Just what is the reason for accepting a 7/8% return on a one-year issue today when you can get 1¾% or 2% on a security, carrying a longer maturity, admittedly, but certain to get the same support as the shorter issue? . . . Why take them, if you don't need the protection of equivalent-to-cash at a moment's notce? . . .

These questions are asked with a definite answer in mind. . . . If you can't justify your purchase of shortest-term stuff on a basis other than "maximum caution," then you don't have a reason for confining your purchases to the 7/8s, experts believe. . . .

"SACRIFICE" OR SUCKERS?

The best way to handle this angle is to quote the remark of one of the most intelligent bond traders in New York:

"Any one who thinks he is protecting himself through purchase of the ceritficates now is a sucker," said he. . . . "The buyer may think he must make that sacrifice for the sake of his depositors or bondholders, but he's wrong. The preferable security by far is a longer-term bearing a more sensible interest return." . . .

That's strong language but it tells the tale. . . .

In April, we're going to be offered new 7/8% c.is, due April 1, 1944. . . . Banks may buy these up to $2,000,000,000 during the first three days of the drive—April 12, 13 and 14. . . . All other classes of investors may subscribe to the ceritficates during the entire period of the drive.

At the same time, we're going to get 2% bonds due in 1952, callable in 1950, and 2½% bonds due in 1969, callable in 1964. . . . Banks can buy up to $2,000,000,000 of the 2s and may not buy any of the 2½s until April 15, 1953. . . . All other investors may buy what they want of any of the issues. . . .

It is entirely right that banks should buy the certificates and it may be entirely proper for a non-banking institution to pick up some of the c.is to employ its on-demand cash. . . But buying the c.is in large quantities is not the best sense. . . . If you compare the return on the 1¾s of 1948 with the 7/8s of 1944, you'll see the whole point. . . .

As for support, the question here may be answered simply by a quick analysis of the current situation. . . .

For the time being, any serious decline in the 10-year bracket is unthinkable. . . . It just can't be permitted to happen and, therefore, won't happen. . . .

Perhaps years from now, when the war is over and the control is relaxed—which doesn't seem likely even then—there may be reason for going back to the old rules of "shorts for protection and caution" and "longs for earnings."

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Forms Geo. H. Willis Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—George H. Willis & Co. has been formed with offices at 209 South La Salle Street, to engage in a general securities business. Partners in the firm are George H. Willis and Priscilla D. Willis. Mr. Willis was formerly for many years with The First Boston Corporation.

REAL ESTATE SECURITIES

LEASEHOLD BONDS

This type of bond represents a mortgage on a lease of real estate together with a mortgage on the improvement made to the property. It does not, however, represent a lien on the land. In the majority of cases, however, the land is kept free and clear and a provision is made that no lien may be placed upon the land prior to the lease.

Because of the nature of this security, usually a much larger yield can be obtained than that on fee bonds. We believe that this type of bond, if selected carefully, can be the means of a good income and is worth the speculation.

Several leasehold bonds have actually been called before maturity, among them the well-known Chrysler Building, Postum Building and Millinery Center Building.

Some leasehold bonds have never failed to make large interest payments since the date they were issued, such as the 5% Graybar Building bonds issued in 1928; the 6% Marcy Hotel bonds also issued in 1928 and the 7% Broadway & 38th Street Corporation bonds issued in 1925.

At current market price of the Broadway & 38th Street bonds, a yield of almost 14% is obtainable. The feature of the bonds is the large reduction of the bond issue. Bonds outstanding amount to only $680,000, compared to $2,000,000 originally issued. It is interesting to compare the present outstanding bond issue with the cost of the building, which amounted to $2,640,000. The bonds are secured by a first mortgage on the lease of the land on the southwest corner of Broadway (104 feet) and 38th Street (174.6 feet) and the 23-story store, office and showroom building erected thereon. Land comprises about 19,000 square feet and the building has a rentable area of approximately 345,600 square feet. Land is held under a 21-year lease with two renewals of 21 years each at a rental of $138,000 per annum plus real estate and other taxes. Land is free of liens and no mortgage can be placed on either land or building ranking prior to or ratably with the rights under the lease.

Bonds are due Jan. 1, 1945, and interest is fixed at 7% per annum. Interest payments have been made regularly to date.

Since July, 1938, the owners have taken advantage of the New York State Mortgage Moratorium Act and have not met sinking fund requirement of $110,000 per annum. However, this law now requires that the principal of a mortgage must be reduced at least 1% per annum.

Of course, like many fee issues, some leasehold bonds have had to be reorganized. Since reorganization these issues have continued to offer high yields.

As an example—the following resume of two reorganized leasehold loans:

National Tower Building—First mortgage on land part owned in fee and part leasehold at the corner of 37th Street and Broadway, and 12-story mercantile building erected thereon. Building has a rentable area of 436,000 square feet. Issue reorganized in 1937. Bonds due 1949. Interest payments made promptly since reorganization and paid to date. Originally issued, $2,000,000. Bonds outstanding $949,000. **Feature of Issue:** $50,000 par value bonds retired per annum and large reduction in outstanding issue. **Current yield 10%.**

1400 Broadway. First mortgage on lease of land on the northeast corner of Broadway and 38th Street and the 35-story mercantile building erected thereon in 1930. Issue reorganized in 1938. Bonds due 1948. Interest rate 4½% to 1946; 5% thereafter. Interest payments made promptly since reorganization and paid to date. Originally issued, $3,700,000. Bonds outstanding $3,300,000. **Feature of issue:** $100,000 par amount of bonds retired per annum. **Current yield 10%.**

Among leasehold bonds are 40 Wall Street, Herald Square Building, Broadway Motors Building, 1410 Broadway, Broadway & 41st Street, 80 Broad Street, 11 West 42nd Street, Waldorf Astoria Hotel and many others.

Hill Thompson Offers Dealers News Service

Hill, Thompson & Co., Inc., 120 Broadway, New York City, because of the shortage of manpower in the securities industry, have at the request of many dealers instituted a new idea for dealers only. They will furnish to interested dealers a supply of memorandums on special situations without their imprint so that the dealer may affix his own name for distribution to his customers. Currently they have available memorandums on Quaker City Cold Storage first mortgage 5s of 1953 and American Business Credit Corp. class A stock. Others are in preparation.

Seaboard Air Line RR. Looks Good

A most interesting comparison of the 1942 earnings of various railroads compared with those of Seaboard Air Line has been prepared by L. H. Rothchild & Co., 11 Wall Street, New York City. Copies of this comparison may be had from the firm upon request.

Can America Conquer Inflation?

(Continued from first page)

There is absolutely no comparison between the situation existing in Germany at that time and the present situation here in the United States. The luckless Weimar Republic from the very start was subjected to intolerable pressure from within and without. Every countermeasure undertaken against inflation was a victim of some blow or other coming from some unexpected angle. And when, with infinite deligence the authorities finally established a kind of semi-stabilization, the military invasion of the industrial Ruhr district destroyed the delicate equilibrium and hopelessly doomed the mark.

It may well be admitted that it was scarcely possible to prevent or control inflation in a country defeated and hard pressed by its former enemies, and this admission affords the quite able financial leaders of the German postwar Republic ample exoneration. In contrast, however, it would be simply a public crime to permit inflation to develop here in a country which is on the road to victory.

Nevertheless it must be admitted frankly that this country already has suffered initial defeats in its battle with inflation. It is moreover quite conceivable that further and worse reverses will be experienced before the proper steps are taken—measures which as yet have not been adopted.

What are the proper measures? That question can be answered only when the facts which are responsible for the continued trend towards inflation are briefly analyzed. There is little disagreement among competent students of the subject.

In the years from 1939 to 1943, war expenditures rose from $16,000,000,000 to $74,000,000,000, and will go still higher to reach the gigantic figure of $97,000,000,000 during the fiscal year, 1943-1944, beginning July 1, 1943. These enormous figures have produced a budgetary deficit which, for the current fiscal year 1942-1943, is estimated at $57,500,000,000 and which, without the new taxes now before Congress, would rise to $71,000,000,000 during the next fiscal year 1943-1944. With the $16,000,000,000 tax bill now before Congress in effect the deficit next year would be reduced to $55,000,000,000.

These large deficits are the main cause of the trend toward inflation.

What is the effect of these deficits on the national economy? The effect is easily understood when one realizes that these large sums represent government spending not covered by tax receipts. In order to finance these enormous deficits, the government can borrow from the people so long as the people still possess the means which they are willing to invest in government bonds. When, however, this process does not cover the whole deficit, then the government has no way of closing the gap other than by creating new money (or its equivalent in bank deposits) and pumping it into the channels of trade. Thus 39% of the borrowed total of $13,000,000,000 in December, 1942, was borrowed from the banks. This 39%, amounting to $5,200,000,000, represents the equivalent of fiat money created in the one month of December, 1942. These are the facts which we have to face.

The effect of this newly created deposit money is to produce an upward pressure against all prices. This pressure, of course, does not depend only on the amount of the funds injected into the blood stream of the economy, but also on the spot where they are injected and on the velocity of their subsequent circulation.

The velocity of the circulation, judging from reports of the Federal Reserve, has not heretofore been very high. In many cases the new money has been used simply to wipe out old debts. The repayment of these debts created an investment problem, but did not make for speed of circulation of the newly created money and therefore did not add to the pressure on prices of consumer goods. But newly created funds otherwise used are already exerting a strong upward pressure on the prices of consumer goods which the wage earner buys, in particular on the prices of food.

The policy of the government itself bears part of the responsibility for the fact that the inflationary rise in prices has met so little resistance. The government has allowed a rise of the farm income of 71%. Wages of industrial labor have risen from $7,500,000,000 to $9,500,000,000. The increase in industrial wages has been so great that it has produced a labor shortage in agricultural areas which is now estimated at 30%, and which will be further accentuated by the increasing military draft.

Naturally also, individual employers and large corporations have received their share from the new money. With the unprecedented taxation of corporations and individuals with higher incomes, however, the wealthier groups in our population have not made the large gains which they enjoyed during the last war. Stockholders of the many large companies have not appreciably benefited. The new buying power created by borrowing from the banks, therefore, resides mainly with the wage earners in the defense industries and with the the farmers.

With these facts clearly in mind, we can easily see what could and should be done to prevent further inflation. First, let it be said that price regulation is not likely to prevent or halt inflation. It has proven impossible to extend price regulation to wages, and to the basic agricultural production, but even if we could expect some progress in this direction in the future, we cannot wait until this is accomplished. Price regulation, as we have seen it, and as we see it at work now, has not and never has in any past experience proven an adequate means of stopping inflation.

As long as sufficient stocks are at hand price regulation may seem to be working well. Since, however, price regulation does not extend to all items entering into costs of production, stocks of goods cannot be replenished at prevailing prices. Production, becoming largely unprofitable, ceases, or at least lags and supplies dwindle, with part of them sucked up by black markets. Then prices have to be raised. But with the stocks near exhaustion and production reduced, rationing has to be introduced, and under this system there must be more and more rationing and the distribution of smaller and smaller quantities of goods, and for these diminished quantities of goods competes an ever increasing buying power of the public.

But it is against common sense to assume when the first line of defense against creation of new buying power was breached by the farm-bloc and by labor, that a second line of defense will hold. You cannot place dynamite in the hands of an ever enlarging crowd and prevent its use. That second line of defense will be broken easily, probably with a rise of a criminal black market. This is no approach to the problem of inflation.

But what is the proper approach to the problem of inflation?

The right and only method is to absorb this newly created money quickly, and to prevent further creation of it as far as possible.

(Continued on page 1112)

Tomorrow's Markets Walter Whyte Says—

Ability of market to show four rallies in a month without cracking has bullish implications. An inflationary blaze fed by a short-sighted Congress can now burst into flame any day.

By WALTER WHYTE

If the market hasn't done anything outstanding in the last seven days it has brought out all the tips that used to circulate so widely in the old days. And like all tips these are naturally bullish. For market tips to attract audiences have to be bullish.

* * *

Tell anyone that his stock, or the market trend, doesn't look good and right away you're looked upon as a crackpot or a subversive influence with unpatriotic motives. It's the way of the world summed up in those lines: "Laugh, and the world laughs with you. Cry, and you cry alone."

* * *

Yet, despite the preponderance of latent market optimism, the market, oddly enough, possesses a quality that is not bearish. I called attention to this change in last week's column, though I'll admit I didn't trust it.

* * *

An up market with a bullish public has always been a dangerous combination to me. But if there is one thing I've learned it is never to argue with markets. Either you accept them as they are or you leave them alone.

* * *

As this is being typed the Dow figures are once again across the 130 point. This is the fourth time in the last month that the widely watched averages have done this. Ordinarily such action is not good. It frequently precedes a market break brought about by various factors, the most important of which is a heavily overbought public. Sometimes it also precedes the beginning of a bear trend. But these are not ordinary times. There's a war going on and there are changes in our domestic picture, all of which the market tries to mirror.

For months I have believed a war Congress would forget its party and personal interests to work together in national harmony. I thought the lessons of a pre-Hitler French Chamber of Deputies would be kept in mind and the mistakes would not be repeated. Obviously I am wrong. Inflation, perhaps wild inflation, is in the cards. Price ceilings are now merely something for prices to go through. The OPA, handcuffed by lack of funds, is waging a losing battle. The farm bloc, under the guise of parity, is winning its fight to raise farm prices. Labor and its Little Steel formula is also on the rampage. The answer is that, despite the efforts of the Government to keep prices in check, inflation is around the corner.

* * *

I have been walking on egg shells for the past four weeks refusing to recognize the signs that are now becoming apparent. The market, I reasoned, is in trouble. The public is in. So, while I don't know when and if the crack will come, I'll take it easy.

* * *

Of course I knew that the public was in the market on a cash position. But that didn't influence me. The feeling of security one gets from buying stocks outright has, in my experience, been a false one. But there are certain indications it would be stupid to disregard.

* * *

Here we see a market which to all intents and purposes has made a top. But instead of deteriorating into a lackadaisical affair with prices backing off from previous highs and little leaks developing in the list we have a strange picture in which the market stands up there inviting people to take profits. I know the market is no be-

(Continued on page 1102)

RAILROAD SECURITIES

One of the most pronounced effects of the Supreme Court railroad reorganization decisions handed down on Monday, March 15, was the immediate sharp rise of approximately 25% in quotations for Western Pacific first 5s, 1946. This plan was upheld in its entirety by the court and "when issued" trading in the new securities was instituted the next day.

By the end of the week the new income 4½s, carrying accumulations of 18% for back interest, were bid at 71. This represented a "net" price of 53 or just slightly below the current "net" price for the Erie income bonds which have actually been outstanding for nearly a year and a half. Considering the proposed new capital set up of Western Pacific, and the general feeling that by the time of consummation of reorganization there may be no fixed interest mortgage ranking ahead of the 4½% incomes, a net price of 53 appears low on a long-term basis. Nevertheless, from a trading viewpoint, considering the general market level and the fact that the bonds are completely unseasoned, there would not appear to be any considerable speculative appeal left in the new income bonds.

Much the same is true of the preferred stock which was bid at 43 by the end of the week. It is indicated that there are accrued dividends of about $11 a share on this senior equity which would work out to a "net" evaluation of 32. The past earnings record of the preferred is not inspiring. There are extenuating circumstances in that the record for many years was distorted by extraordinary rehabilitation costs which have now resulted in a far greater operating efficiency and which should add permanently to the earning power of the stock. Also, industrial development in parts of the service area are considered to have improved the fundamental long-term prospects of the property. However, it seems optimistic to expect that these considerations, not subject to accurate measurement or definite proof, can have much market influence over the near term. The common stock was bid at 14¾ at the end of last week.

On the basis of the above quotations, the old 5s, 1946, had an indicated value of approximately 61⅛. The old bonds were selling at 57 to afford an arbitrage spread of only a little better than 7%. Appreciation from here on will be confined to the gradual closing of this arbitrage spread as the plan is consummated, plus any further advance there may be in prices for the new "when issued" securities. As stated above, there appears to be little likelihood of further substantial appreciation in the new income 4½s and 5% preferred stock over the near, and perhaps intermediate, term.

The common stock, however, does appear to have further price enhancement potentialities between now and the probable date of consummation of the plan, which might be late this year. Each point rise in the common stock would add only about a half point to the value of the old 5s, 1946. These old bonds are allocated 4.67 shares of new common, in addition to $400 of new income 4½s and $600 in new preferred. As the new common is the only one of the new securities which seems likely to advance materially from current levels at this time, and price appreciation in the old bonds is largely dependent on further advances in the new securities, holders of the old first 5s would improve their appreciation prospects materially by switching into the "when issued" new common.

Western Pacific has been one of the most phenomenal beneficiaries of the war traffic, and the excellent physical condition into which the properties had been put during the trusteeship has allowed the management to carry through a particularly large proportion of the revenue gains to net. Last year it is indicated that earnings on the new common amounted to roundly $18 a share after the additions and betterment deductions but before making adjustments for the increased taxes that will accrue on the new capitalization. During the latter part of January it is believed that operations were adversely affected by weather conditions. Even at that net operating income increased 150% over a year ago to $515,000. Certainly earnings this year should top $23 a share on the new common and even under present conditions a reorganization common stock should be entitled to sell at least at its annual earnings.

Louis H. Whitehead Co.

Louis H. Whitehead announces that he is continuing the business of Whitehead & Fischer formerly conducted by the late H. Franklin Fischer and himself. The firm is now known as Louis H. Whitehead Co.

Formation of Louis H. Whitehead Co. was previously reported in the "Chronicle" of March 11.

Central NJ Looks Good

The current situation in general first mortgage 5s and 4s (coupon and registered) of the Central RR. of New Jersey offers interesting possibilities, according to Ward & Co., 120 Broadway, New York City. Special reports prepared by the Research Department will be mailed upon request by Ward & Co.

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

Many students of bank stocks make it a practice to watch the weekly deposit totals of New York City Clearing House banks in order to observe their growth or decline. This is done on the theory that the relative progress of the different banks throughout the year can thus be appraised.

To some extent this is true, since the earning assets of banks tend to parallel the course of their deposits. But discrimination and judgment must be exercised, for the earnings characteristics of the different banks are quite dissimilar, and furthermore, such other factors in the general situation as excess reserves, for example, have to be given consideration. Nevertheless, the weekly deposit figures can serve as a helpful index.

For the week ending Dec. 30, 1942, net deposit totals of New York City Clearing House banks were reported at $19,857,499,000, and for the week ending March 11, 1943, $19,145,879,000. The decline between the two dates amounted to $711,620,000 or 3.6%. Over the same period total loans and investments of New York City Federal Reserve Member Banks moved from $16,642,000,000 to $16,242,000,000, a decline of 2.4%. The closeness of the percentage declines is striking especially since the two groups of banks are not identical. In the main, however, both groups comprise the same list of leading banks and trust companies, with relatively minor exceptions.

It is now of interest to turn to a period in which a substantial expansion in deposits and earning assets occurred, viz: the last quarter of 1942, which period includes the Government's December financing program. Net deposits of Clearing House banks were reported at $16,934,512,000 on Oct. 1, 1942 and $19,857,499,000 on Dec. 30, 1942. Over the same period total loans and investments of New York City Member banks moved from $13,980,000,000 to $16,642,000,000. Again, the percentage movement of the two sets of figures are closely comparable being +17.5% for deposits and +19.0% for loans and investments.

The experience of individual banks within these groups, however, was quite varied, though all followed the same upward trend, as the following examples indicate:

	Deposits Reported by Clearing House Oct. 1, 1942	Dec. 30, 1942	% Increase
Bank of Manhattan	$795,258,000	$827,545,000	+ 4.1
Chase National	3,452,011,000	4,001,720,000	+15.9
Corn Exchange	412,473,000	496,511,000	+20.4
Irving Trust	784,744,000	870,435,000	+10.9
Manufacturers Trust	1,036,753,000	1,209,337,000	+16.6
National City	2,861,820,000	3,412,267,000	+19.2

	Earning Assets Reported on Balance Sheets Sept. 30, 1942	Dec. 31, 1942	% Increase
Bank of Manhattan	$655,763,000	$711,127,000	+ 8.4
Chase National	2,939,298,000	3,422,368,000	+16.4
Corn Exchange	344,932,000	414,384,000	+20.1
Irving Trust	708,093,000	793,498,000	+12.1
Manufacturers Trust	866,123,000	1,042,879,000	+20.4
National City	2,465,362,000	2,958,809,000	+20.0

It will be noted that the percent growth of earning assets approximates very closely that of deposits with the exception of Bank of Manhattan and Manufacturers Trust, in which instances earning assets expanded considerably faster than deposits. This was occasioned by the fact that, as of 10/1/42, a lower percentage of their reported deposits were invested in loans and securities than in the case of the other four banks, while on Dec. 30, they were up to the average of the group.

It is significant that all of these banks showed higher operating earnings in 1942 than in 1941, and furthermore, that their "indicated earnings," as calculated from their balance sheets, were higher for the fourth quarter of 1942 than for the third quarter, and also than for the fourth quarter of 1941. However, the effect of an expansion in earning assets on the net operating profits of the various banks is anything but uniform. With one bank net profits for a year on $1,000,000 might be $15,000, and with another bank only $5,000. The following tabulation serves to illustrate this point.

	% Earned on Earning Assets, 1942 (Net Operating Profits)
Bank of Manhattan	0.67%
Bank of New York	0.62
Bankers Trust	0.90
Central Hanover	0.62
Chase National	0.49
Chemical	0.75
Corn Exchange	0.79
First National	1.73
Guaranty	0.77
Irving Trust	0.69
Manufacturers Trust	0.87
National City	0.60
New York Trust	0.73
Public National	0.76
United States Trust	1.62
Average	0.84

It will be noted that Chase National received the lowest net return of 0.49%. First National the highest of 1.73%, while Manufacturers Trust with 0.87% ran about average. These percentages are calculated against earning assets as reported at the mid-year, rather than at the beginning of the year or at the year-end, in order to obtain a simple yet fair approximation of the year's average.

In 1941 the average net return, on a lower volume of earning assets, was slightly higher viz: 0.87%. Presumably in 1943, due to higher taxes and expenses, and also to the changing character of earning assets, the net return will average lower than in 1942. But the volume of earning assets, augmented by the war financing program of the Government, will undoubtedly be sufficiently greater to produce higher net operating profits per share of stock despite the lower rate of net return.

By all means the student of bank stocks should study the Clearing House reports on deposits week by week. But he should also bear in mind the low rate of return which the banks will net on the Government's war issues, as well as the strikingly divergent profit results netted by each bank last year, as tabulated above.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1101)

nevolent affair. Prices don't stay up there unless they mean to go higher. Even reactions are small. A one-day sell-off which threatens to become something bigger stops after one market session and is either followed by dullness or outright rally. The answer is that the present market does not act like a "coming down" market.

* * *

Technicians will tell you that bear markets don't go down like bull markets go up. The characteristics are entirely different. Yet this market has the characteristics of a bear market in its latent intensity. There is only one answer to this. The panic attendant a market break is now being built up for a market upsurge. In simple language it means a strong market with panic influences dominating the advance. All the signs of the past week show too much force underneath to check this rise any further.

* * *

I am afraid the explosion will come soon. Feeling that way, I suppose I should advise readers to jump in and buy any old stocks. Unfortunately I can't bring myself to this. For even in a wild inflationary market there will be stocks that will not go up as much as the market.

* * *

A few sentences back I said I am afraid the explosion will come soon. I say "afraid", because the aftermath of such an explosion is nothing to cheer about. It will bring results that may well prove more damaging than any temporary monetary profits.

* * *

Last week this column recommended raising of stops in the stocks held by readers. Of the six mentioned, one, Air Reduction, broke its figure of 43. You originally bought this at 30. You can figure your own profit. Of the others the stops still hold. I repeat them: Bethlehem Steel 61, Goodyear 31, Harvester 62, Superheater 15 and U. S. Steel 52.

* * *

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.]

Safanie Resigns

Murray D. Safanie resigned on March 11 as a member of the Board of Governors of the New York Stock Exchange.

Evers Mgr. in Stamford For Merrill Lynch Firm

STAMFORD, CONN. — Merrill Lynch, Pierce, Fenner & Beane announce that Donald W. Evers has become associated with them. Mr. Evers will be manager of the Stamford, Conn., office which has been enlarged with a view to broadening the activities of the firm in that city.

Mr. Evers was formerly proprietor of The Donald W. Evers Company. In the past he was with Reynolds Co. and Arthur B. Treman & Co.

Effect Of Inflation Upon The Values Of Securities

(Continued from first page)

1940, to December, 1942, demand deposits of reporting member banks in New York increased 15%, and in banks outside of New York, 60%. During the first 30 months of war finance demand deposits of the reporting member banks have increased about 50%, which is not out of line with the increase in production. The banks, however, are of necessity steadily increasing their holdings of Federal securities and deposit liabilities resulting therefrom. The commercial bank holdings of direct United States obligations and obligations guaranteed by the U. S. Government increased $9,000,000,000 from June 30 to December, 1942. A further increase of more than $2,000,000,000 in December was expected.

These purchases of Government bonds by the commercial banks represent for the most part manufactured bank credit produced by deficit Government financing, the total amount of which is now well above $35,000,000,000 and undoubtedly headed for much higher levels. This manufactured purchasing power is very inflationary unless recaptured promptly by taxes, forced savings or in some other way controlled.

Our Federal Debt

It has been estimated by a careful examination of the present known facts that the gross public debt of the Federal Government will reach about $220,000,000,000 during the fiscal year beginning July 1, 1943, and this takes into consideration the present tax structure and the probable outlays for war purposes. The total spending for war purposes for the coming year is estimated at $100,000,000,000 against $78,000,000,000 for the current fiscal year. Non-war spending will increase some of necessity. The increase in the interest on the public debt alone will be about $900,000,000. In spite of the increasing taxes the estimated deficits for the fiscal year 1943 and 1944, respectively, will be about $62,000,000,000 and $77,000,000,000. All of these deficits must be paid for now by the purchase of Government bonds either by the public or by the banks. The purchases by the public for cash will reduce savings and money available for immediate spending and thereby help hold inflation back for a time. The purchases by the commercial banks must be largely with manufactured credit and thereby increase the inflation dangers.

Present Prices and Purchasing Power

According to the U. S. Bureau of Labor (using August, 1939, as a base of 100), on Aug. 31, 1942, the price of foods had risen to 186, and industrial products to 153.1. These prices have advanced sharply during the past six months in many instances, and the index is undoubtedly much higher at this time.

The National Industrial Conference Board finds that using August, 1939, as a base of 100, that the combined cost of living had reached 118.6 in November of 1942.

It is estimated that the difference between the spending power in the hands of the public and (Continued on page 1110)

Investment Trusts

"The Shape of Things to Come"

Borrowing the above title from H. G. Wells, Calvin Bullock's current issue of **Perspective** paints in broad outline our post-war industrial future. Point is made of the tremendous stimulation that war imparts to the development of new inventions and improved techniques.

"Research activities which in peacetime would ordinarily take years from test tube or planning board to commercial exploitation have been compressed into the space of months as a result of the demands and disruptions of war. Short-cut methods are of partmount importance. With military needs taking precedence over all others, the full benefits of these developments will not be felt by the civilian population until the conflict has been brought to a successful conclusion."

No detailed predictions are attempted. However, the bulletin draws a challenging conclusion of which the following shrewd observations are a part:

"History shows that great upheavals and industrial revolutions such as may well come about after the war inevitably cause some casulaties. Those who keep abreast of the march of events go on to greater prosperity; those who do not fall by the wayside. It is during such periods that new industries are born and the coming era, according to all indications, will be no exception. Not only will be post-war period bring about many infant industries but many venerable businesses will enter a period of industrial second childhood."

* * *

Among the items discussed in the last issue of Hugh W. Long & Co.'s **New York Letter** is the performance record of Fundamental Investors since Dunkirk. In the nearly three years since that fateful event Fundamental has consistently and substantially out-performed the Dow-Jones Industrial Average. For the entire period Fundamental, with no adjustment for dividends paid, has risen 49.5%. This compares with a rise of 16.7% for the Dow-Jones Industrials. In addition, Fundamental has provided the investor with a yield of better than 6% during this difficult period.

Another item reported in the Long Company **Letter** which will be welcome news to dealers and investors alike has to do with the form of future dividend checks. In the past, dividend checks of investment companies have been required to carry a demand for information as to ownership on the reverse side. The Treasury Department, which had required this ownership certificate and had specified the wording to be used, has altered its regulations. "As a result," states the **Letter**, "this obligation no longer applies to such companies as those we represent." (Long Company sponsorship includes New York Stocks, Inc., Manhattan Bond Fund, Inc., and Fundamental Investors, Inc.)

* * *

In a memorandum, "Low-Priced Bonds in a Bull Market," National Securities & Research Corp. compares the performance of National Low-Priced Bond Series with the movements of the Dow-Jones Industrial Average for both a longer period and also for the first two months of this year. In each period the Low-Priced Bond Series outdistanced the Industrial Average which, it must be remembered, is an index of stock prices. In the longer period extending from Aug. 22, 1940 to March 1, 1943 the Low-Priced Bond Series gained almost a third over the Dow-Jones Average.

This sponsor's March 18 issue of **Investment Timing** analyzes the Supreme Court's decision in the "St. Paul" rail reorganization case. Of the itemized conclusions as to the effects of the decision, we particularly like No. 3—"It practically eliminates the basis for unsound speculation in stocks of insolvent railroads; it emphasizes anew the necessity of applying sound investment criteria; and it should make for sounder underlying conditions in the securities markets."

This same bulletin forecasts the immediate trend of stock prices as follows:

"Indications of strong resistance to further advance have, this week, begun to be accompanied by indications that public enthusiasm for the market was waning a little. The protective stop of 128 on the Dow-Jones Industrial Stock Average should be retained. New long commitments should not be entered upon at the present time unless the buyer is willing to assume the risk of having to sell at a loss to carry them through a serious reaction."

"Inflation Hedge Stocks" is the title of another Keystone folder. Simple, direct, and attractively printed in two colors, the folder tells the story of Keystone Custodian Fund "S4" in convincing fashion. For example, here is the thumbnail description of the class of stocks included.

"Certain common stocks, because of volatile earnings experience or leverage in their capital structure, move much faster marketwise than the average common stock. They move up faster, percentagewise, on advances—and down faster on declines.

(Continued on page 1105)

Municipal News & Notes

Road and bridge bonds of 58 counties, having an aggregate value of $10,249,300, now may be pledged as security for Kentucky State funds on deposit in banks serving as official depositaries, it was announced recently by Harry R. Lynn, State Local Finance Officer. Mr. Lynn's statement was made after the Kentucky County Debt Commission declared the issues eligible for pledging by the banks under authority granted by a 1942 General Assembly Act.

Pointing out that this is the first time that road and bridge bonds of any county had been approved for use as such collateral, Mr. Lynn observed that one of the effects of the Act would be "the building of a better market for the county bonds." Counties with better credit rating, he said, would be able to refinance their indebtedness at lower interest cost.

The approved bonds represent well over one-half of all the outstanding county road and bridge bonds, Lynn said. In all, he added, 98 counties had bonds valued at $17,170,500 outstanding as of last June 30, without allowances for sinking funds. The bonds are payable from special 20-cent-a-$100 assessed value bond-retirement taxes.

Bonds may be approved for the State funds' security, Lynn said, if during a fiscal year "the revenue from the 20-cent levy exceeds by at least 5% the amount required to meet all principal and interest as it falls due on the bonds annually." Approval of the 58 counties' bonds, Lynn declared, "indicates that the State thinks they are sound." He said the Commission attempted to include in its first list all eligible counties, but that inadvertently it might have left out some which will be found to have the minimum qualifications.

"The approved list," Lynn said, "contains recent refunding issues of several counties, which are eligible, but does not include a small amount of older, unrefunded bonds of such counties."

Counties whose bonds are on the approved list are:

Adair, Anderson, Bell, Boyle, Breathitt, Bullitt, Butler, Calloway, Campbell, Carter, Christian, Clinton, Crittenden, Daviess, Elliott, Floyd, Franklin, Fulton, Garrard, Grant, Grayson, Green, Greenup, Harlan, Hickman, Hopkins, Jackson, Johnson, Kenton, Lawrence, Lewis, Lincoln, Logan, Lyon, McCracken, McCreary, Meade, Menifee, Mercer, Monroe, Montgomery, Morgan, Muhlenberg, Nicholas, Ohio, Owen, Pike, Pulaski, Rockcastle, Russell, Scott, Shelby, Union, Warren, Washington, Webster, Whitley and Wolfe.

Shields & Co. Issues Housing Bond Guide

Institutional and individual investors should find extremely informative and valuable the 12-page questionnaire recently issued by Shields & Co., New York, dealing with answers and comment pertaining to the special diversified tax exemption and other features of local housing bonds. The data represent an important contribution toward a better understanding of the investment merits of this still relatively new type of security, which is rated equally with the highest grade of State and municipal bonds.

Only $6,000,000 par value of original permanent housing authority financing remains to be completed during the war period, involving an issue of the Chicago Housing Authority, according to Shields & Co., quoting advices received from the Federal Public Housing Authority.

Toronto Rejects Fund For Exchange Rate Payment

The Toronto City Council refused recently to include $50,000 in the 1943 budget estimates to provide domiciliation of certain City of Toronto bonds after vigorous discussion of all aspects of the situation. The vote was 10 to 9 against reinserting the sum in the estimates.

Members supporting reinsertion of the sum contended the city has a "moral obligation" to pay the funds. Their assertion was based on letters written several years ago by city officials assuring bondholders the debentures could be redeemed in either British sterling or dollars. At that time the step was said to be taken "to suit the convenience" of the purchasers, although the bonds originally were made payable only in sterling. The $50,000 would pay the difference in exchange rates.

When the 1943 estimates first came before City Council, provision was made for payment of the $50,000. Controller Lewis Duncan attacked the legality of such procedure, and further maintained there was no "moral responsibility" to pay the money. Then the estimates were sent back to Board of Control. When they returned to City Council the $50,000 sum had been deleted.

N. Y. City Asks For Bids On $10,660,000 Bonds

City Comptroller Joseph P. McGoldrick will receive sealed bids until noon on March 31 for $10,660,000 3% city serial assessment bonds now held in various municipal sinking funds. Proceeds of the sale will be invested in the forthcoming Treasury bond offering and thus permit a larger subscription than the city would otherwise be able to make.

The city's offering consists of $7,160,000 bonds of July 1, 1940, due $1,790,000 yearly on July 1 from 1944 to 1947, inclusive, $3,500,000 of issue of July 1, 1941, maturing $700,000 each on July 1 from 1944 to 1948, inclusive. The bonds are registered and are not interchangeable for coupon bonds. Bids may be conditioned upon a legal opinion to be obtained and paid for at the successful bidder's expense.

Major Sales Scheduled

In the following we list the issues of $500,000 or more which, at this writing, make up the calendar of further sales. We do not include note offerings as these, generally speaking, are usually acquired by institutions for their own account.

March 25

$600,000 Buena Vista County, Iowa.

$500,000 Cherokee County, Iowa.

$540,000 Mobile, Ala.
At previous bond sale the successful bidder was a syndicate headed by Blyth & Co., Inc., New York.

March 26

$1,400,000 Greenville, S. C.
Previous award made to E. H. Pringle & Co., Charleston, and second high bid made by R. S. Dickson & Co., Charlotte, and Harris Trust & Savings Bank, Chicago, account.

$4,850,750 Ohio (State of).
Offering consists of various local municipals now held by State Teachers Retirement System.

March 29

$1,000,000 West Virginia (State of)
Previous award made to Union Securities Corp., New York, and Associates, and second high bidder was a syndicate headed by Lazard Freres & Co., New York.

March 31

$3,500,000 Mobile, Ala.
Previous award by the city to account managed by Blyth & Co., Inc., New York.

$10,660,000 New York City
Offering of assessment bonds now owned by various municipal funds.

April 6

$800,000 Central Peoples' Utility District, Lincoln County, Ore.

Program To Salvage Fiscal And Monetary Solvency

(Continued from first page)

agement of our post-war debt. I agree with him that the debt can and should be paid off in terms of present dollars. As a practical person, however, it is necessary for me to adjust myself, personally and businesswise, not to what I think can and should happen, but rather to what I think will happen. I have not the remotest faith that the


Jos. Stagg Lawrence

But we have go so far in the outline of action indicated by Dr. Spahr will be followed. I am much more certain that we face a post-war "normal" budget of from $25,000,000,000 to $30,000,000,000. I anticipate this, although at the same time I wholly disapprove of it.

I think Dr. Spahr has done a fine job in calling the attention of sensible citizens to the fact that a much more conservative solution of our post-war fiscal problems is possible.

AN ANONYMOUS BANKER

I agree entirely with Dr. Spahr. I doubt that his views will prevail. It is a calamity that we have not had such sound economists as Dr. Spahr or Dr. Kemmerer of Princeton to guide our Government finances. But we have not, and the penalty that we must pay for some of the things that have been done in the past ten years, and that are now being done, is a very heavy one—but inevitable, I believe.

I do not know that those responsible for the long period of increasing inflation fully realize what it means. In fact, I am sure that some of them feel that it is innocent; and, like other spendthrifts, can't believe that there is a day of reckoning coming. Days of wild inflation and despair are ahead for the American people unless something like Dr. Spahr's recommendation is followed out.

But we have gone so far in the inflation cycle that it seems to me highly improbable that anyone will be found who will be strong enough as a leader to stop inflation and devaluation.

H. D. IVEY
President, Citizens National Trust & Savings Bank of Los Angeles


H. D. Ivey

There is no question that what we need now more than ever before is sound thinking and planning — if we are to escape the consequences of what has happened in the last ten years.

AN ANONYMOUS BOSTON BANKER

I must agree quite fully with Dr. Spahr's conclusions about the present policies and objectives of those who have been in control in Washington over many years. For some time I have felt that this philosophy was the greatest danger which the people of the United States face at the present time. I cannot help believing that the fundamental policy of free enterprise and sound economics has been a vital contribution in the past to the high standard of living and the happiness of a large majority of the people of this country. I hope that the views expressed by Dr. Spahr for restoring these fundamentals for our future can be carried out and the danger of the present philosophy impressed upon the majority of the voters of this country.

WILLIAM W. CROCKER
President, Crocker First National Bank of San Francisco


Wm. W. Crocker

I am in accord with the article by Dr. Spahr and believe that there is "danger ahead from the currency manipulators" unless the public is properly informed.

ALFRED P. SLOAN, Jr.
Chairman, General Motors Corporation

While I can not in any sense of the word boast as a monetary expert—as my experience has been almost entirely in industry—yet it seems clear to me that the proposals in the article by Dr. Spahr are soundly conceived and highly desirable. I have no fault to find with them; in fact, so far as my understanding of such problems goes, they would be entirely acceptable to me, and I shall be gratified if they formed the basis of a post-war financial national policy. The trouble, I fear, is that that will not be the case.


Alfred P. Sloan, Jr.

WILLIAM J. MINSCH
Minsch, Monell & Co., New York City

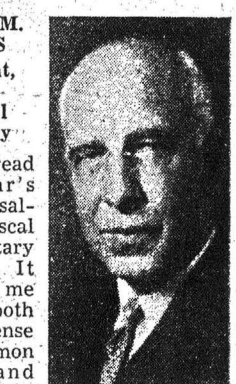
This "Creeping Greenbackism" is, as Dr. Spahr points out, terribly dangerous because it is so insidious, and I hope your valuable publication will continue to hammer at it.


William J. Minsch

I find it difficult to evaluate the effect of a huge national debt owned within our own country, but have not gone along with those who regard the burden beyond our ability to bear. I judge that Dr. Spahr's position is the same in that he speaks of putting our debt in the form of a permanent debt at low interest rates. Since taxes for the debt service are collected from our own people and the interest and retirement paid back to our own people, I would venture a guess that its chief effect will be somewhat inflationary through increasing the velocity of our money, and beyond that without great effect on our economy.

I wish you would have Dr. Spahr or some other writer discuss that particular subject some time in the near future.

HENRY M. DAWES
President, The Pure Oil Company


Henry M. Dawes

I have read Dr. Spahr's article on salvaging fiscal and monetary solvency. It impresses me as being both common sense and common honesty, and is certainly clearly put.

LEWIS H. BROWN
President, Johns-Manville Corp.

... I have the highest regard for Dr. Walter H. Spahr, professor at New York University. He knows a great deal more about this subject than I do. He is a monetary expert and I am a business man. . . .


Lewis H. Brown

However, in the light of the above comments, I would like to say that I think the program he outlined is the one that I would like to see followed.

From a realistic standpoint I may be too pessimistic. I am inclined to believe that instead of following this program we are more apt to find ourselves with a creeping inflation that will bring about greatly increased prices over the next ten or fifteen years.

This, of course, means currency depreciation, and depreciation of bond values in terms of purchasing power. We all know what this will do to us, and I hope it can be prevented. So far I do not see any evidence on the part of Government sufficiently strong to counteract the influences towards inflation and devaluation.

The New Deal cannot go on forever, and perhaps when we see the character of the people who are to take over we may be able to appraise more accurately the possibility of maintaining sound fiscal policies.

The Securities Salesman's Corner

Using Excess Profits Tax to Illustrate Need for Portfolio Analysis

The salesman of intangibles is forced to rely upon the spoken word to a greater extent than those engaged in the distribution of tangible articles. The securities salesman is primarily a purveyor of ideas. The automobile salesman, for instance, can guide you along the side of a shiny new car and say, "Get in and see how smoothly she rides." The security salesman can only approximate such an enticing reality by painting a word picture.

Nevertheless, there are sales tools that take the place of the actual products which are shown to the prospect in other lines of endeavor that salesmen of intangibles can use to good advantage. For instance, there are pictures or there are maps and charts which take the place of complicated columns of figures and they make a presentation of facts much more readily understood and acceptable.

Sometimes a heavy black or a blue pencil and a piece of scratch paper in the hands of a skillful salesman goes a long way toward conveying an idea where the spoken word would only serve to complicate things. We have in mind a method of illustration which a certain successful salesman uses to convey to his prospects just how much they might gain by having him turn over to his statistical department their various portfolio holdings for review and analysis. He uses the excess profits tax and its effect on earnings as one of his sales points.

But try and explain the workings of this tax to those who are unfamiliar with its effect upon common stock earnings. This isn't exactly a simple thing to accomplish. Yet this salesman not only makes it all crystal clear with a few simple figures which he sets down on a piece of scratch paper but he also turns the prospect's newly discovered understanding of the effect of these excess profits taxes on his holdings INTO A REASON FOR MAKING A CHECK-UP AND AN ANALYSIS.

After he has gone through a portion of his sales presentation wherein he stresses the importance of an analytical review he brings out this matter of the excess profits tax. He asks a few questions that are designed to quicken his prospect's interest in the subject. For instance, he might say, "Have you noticed how some common stocks just seem to stand still in the market while others in the same industry seem to move right ahead?" Then he asks for a piece of scratch paper and while he writes a large figure 5 he says, "That's where this tax matter comes in. As you know, Mr. Prospect, the way this excess profits tax works out for some companies it's no wonder their stock is pegged down while others move ahead. Then he writes a large 40% underneath and he shows where the normal and surtax leaves company A with a net available for dividends of $2.00 per share. Then he says, "Now let us suppose that this same company has a limit for tax purposes under this law of $5.00 per share before the normal and surtax." While he is saying this he makes another large figure 5 on the other side of the paper. Then he goes on: "But, you see, even should this company, earning five dollars more next year or a total of ten, let's take a look at what will happen. On the five dollars of additional earnings Uncle Sam comes along and deducts another 93%." After he says this he writes a large figure 93 underneath the second 5. Then he multiplies out and puts the result, which is 4.65 underneath. His pad now looks like this:

5.	5.
.40%	.93
2.00	4.65

Our salesman goes on: "This 4.65 is what the tax collector takes out of the second 5 your company has earned. **Now all the company has left after these greatly increased earnings have been subjected to the excess profits tax is 35 cents.** It's no wonder that this common stock can't move ahead—of course, you can see how important it is, Mr. Prospect, that such a condition shouldn't be present in any of your holdings," etc., etc. This is only a rough illustration of how the tax works, it's true—yet, it is correct for all practical purposes and it does MAKE THINGS CLEAR—which is the main idea.

This salesman, by the way, is doing a real service for his clients. Few people, even today, know the first principles of investment procedure—they want to know more—they don't wish to admit they know so little, and the wise salesman is the fellow who leads instead of shoves. He makes customers first and then he makes sales—and it pays dividends for both his customers and for him.

Investment Trusts

(Continued from page 1103)

"This volatile class of common stocks, which normally rises most rapidly during the last half of a bull market, therefore provides much greater inflation protection, per dollar of investment, than do higher-priced and slower-moving stocks."

The current issue of **Keynotes** carries an adaptation of Keystone's famous "classes of securities" principle for guidance in selecting investments appropriate to one's needs. The classes are divided into the following categories: Reserves, Income, Income & Growth, Growth. In using the table, the investor simply checks or places an appropriate percentage figure alongside those categories which meet his major investment purposes. The adjacent columns list the corresponding Series of Keystone Custodian Funds and give data on yearly price range and approximate rate of return.

* * *

An interesting and enlightening discussion of "Purchasing Power Trend" is the topic of MIT's **Brevits.** We quote:

"A few months before the United States entered the present world conflict we published a chart showing the purchasing power of the dollar during the first World War and the corresponding trend of purchasing power during the present World War. Our conclusion at that time was 'so far, not so good'—our conclusion now is 'so far, not too bad.'

". . . The following chart shows that during the first few years of World War I the purchasing power of the dollar declined from about 146 to 80, or over 45%. On the contrary, the purchsing power of the dollar since the outbreak of the present war has only declined from about 126 to a little under 100, or less than 21%. Also, there was a distinct check in the decline shortly after the principal controls were put into effect early last spring."

Our Reporter's Report

(Continued from first page)

least four banking groups would enter tenders for the issue.

Next Monday bids will be weighed for the year's largest public utility offering to date, that of the Puget Sound Power & Light Co., which is marketing $52,000,000 of 30-year first mortgage bonds. At last reports it looked as if bidding for that issue would be limited pretty much to two substantial banking groups.

Relieving the Strain

Underwriters who contemplated participation in both deals were quite relieved when the Public Service Co. of New Hampshire asked the SEC to permit to receive bids within less than the 10-day period required under the rules.

A week ago it was feared that both the New England issue and the offering of Puget Sound Power & Light would be made on the same day, that is, next Monday.

But upon getting SEC approval of its revised financing program, the New England utility's plea to advance the date of opening of its bids was permitted, thus enabling the company to break up what promised to be a "double-header."

High-Grades No Problem

The chief complaint of dealers these days is still their inability to obtain sufficient top-grade liens to satisfy the demand that is around.

Not that the investment fraternity seeks or desires any serious letdown in the market, for that is far from the case. Rather they would like to see a little more in the way of new material available to potential buyers.

As it is now, the difficulty is in filling bids from the limited supply available. Gilt-edge paper moves out immediately upon its appearance. One dealer, to show the temper of the market, recently placed a small block of utilities, having about an eight-year run to maturity, on a 2.10% basis.

Secondary Offerings Grow

The secondary marketing of securities has proved a welcome outlet for the energy of underwriting firms during the lean period of new bond offerings since the turn of the year.

Such operations have been unusually active within the last fortnight, and have involved several sizable blocks of stocks of long-prominent companies.

Most recent was the marketing of the last portion of a block of some 300,000 shares of capital stock of the New Jersey Zinc Co., sold by the estate of the late Edgar Palmer, presumably for tax purposes.

This involved the public offering of 90,000 shares following direct sales early this month of 195,000 shares to the St. Joseph Lead Co. and 10,000 shares to another interest.

Standing By for Treasury

Insurance companies, like other institutional investors, are in large measure standing by preparing for participation in the impending Treasury financing.

But efforts of the life companies to improve the quality of their existing holdings, through switches, are by no means lacking. In fact, such business accounts for a goodly portion of the daily business of bond dealers.

Such activities naturally place the companies on both sides of the market, making it difficult to see how they balance out, but generally speaking the net change in portfolios from such operations is not considered as important.

CANADIAN SECURITIES

By BRUCE WILLIAMS

With investors more tax conscious than ever before, an article published recently by a leading American financial advisory and statistical organization on the subject of Canadian estate taxes is likely to impair unduly the cause of Canadian securities in this country.

The article stresses the importance of investors arranging their portfolios in such manner as not to expose themselves to "extravagant" tax liabilities. It is then suggested that unnecessary inheritance taxes can be avoided by alert investors. Both of these points are, of course, well taken, although it is doubtful that they will add fresh grist to the mill of the experienced security holder.

These generalizations are followed by a discussion of Canadian estate laws in their application to American holders of Canadian securities. The facts, as presented in the article, are that the stocks of Canadian chartered corporations owned by resident citizens of the United States, are subject to Canadian estate taxes, *unless* (1) the stock is transferable outside Canada, (2) stock certificates are physically located outside Canada and transferable (endorsed in blank) at time of death, and (3) the American owner was a resident of the state in which the transfer office of the Canadian company is maintained.

In other words, certain Canadian stocks would be subject to Canadian estate taxes as well as those of our own country if held by an American investor at the time of death. Others would not. Any reputable dealer in Canadian securities is glad to advise which securities fall in each category.

Just how unimportant this question of Canadian estate taxes is in relation to holdings of Canadian securities in this country may be seen from the following considerations.

1. The great bulk of Canadian securities consists of Dominion, Dominion-guaranteed, Provincial and Municipal bonds. American holders of these securities are not subject to Canadian estate taxes.

2. A substantial number of the most important Canadian corporations (see list below) maintain transfer offices in the United States. American purchasers of their securities need not be subject to Canadian estate taxes.

3. Securities of Canadian corporations which do not maintain transfer offices in this country may be purchased by American institutional investors, trust funds, etc., without suffering penalty of any kind by reason of Canadian estate taxes.

And yet the implication of the article, expressed in the warning that investors "arrange their portfolio in such manner as not to expose themselves to 'extravagant' tax liabilities" is such as to cast a shadow of doubt over the entire field of Canadian securities. Insofar as American investors are thereby deterred from seeking out and availing themselves of worthwhile opportunities in the Canadian field, the statement is unfortunate.

This column has previously discussed the investment opportunities afforded currently by Canadian securities. In general, the dynamic growth factor in the economy of that country should be sufficient to interest investors in the possibilities of Canadian corporations. To this must be added the present official 10% discount for the Canadian Dollar which is reflected in the price of Dominion securities. The almost inevitable return of the Canadian Dollar to par is an additional inducement for considering this field.

Leading Canadian Securities having Transfer Agents in the United States and their location:

Aluminium Ltd., common and preferred, Pennsylvania; Canadian Pacific, common, New York; Consol. Mining & Smelting, common, New York; Distillers Corp.-Seagrams, common, New York; Dome Mines, common, New York; Ford Motor of Canada, Class A, New York and Michigan; International Nickel, common and preferred, New York; Hiram Walker-Gooderham & Worts, common, New York; Wright Hargreaves Mines, common, New York.

Forms Lapham, Rollins Co.

SYRACUSE, N. Y. — Beverley H. Lapham and Karl B. Rollins have formed Lapham, Rollins and Company, with offices in the State Tower Building. Mr. Lapham was formerly proprietor of B. H. Lapham & Co.

Asiel To Admit Werner

Louis J. Werner will become a partner in Asiel & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, as of today. Mr. Werner will act as alternate on the floor of the Exchange for Jacob C. Stone.

Savings and Loan Associations In Michigan Have Made Rapid Strides—Outlook Bright

By GRANT H. LONGENECKER

Executive Manager, Michigan Savings and Loan League; Director, Federal Home Loan Bank of Indianapolis

March 29 of this year marks the 56th anniversary of an industry which has meant so much to the building of this great State of Michigan and which has contributed probably more to its growth than the average person realizes. On March 29, 1887, Cyrus G. Luce, then Governor of Michigan, signed the bill that gave immediate effect to the statute regulating building, savings and loan associations and their activities in this State.

However, 1887 was not the beginning of savings and loan associations in this State. The first association in Michigan was organized under the general laws in 1868. It was inspired by a Jackson merchant following a business trip to Philadelphia. While there he became interested in this movement, which started at Frankford, Pa., Jan. 3, 1831, a little more than 112 years ago, and was spreading rapidly throughout New England and the Middle Atlantic States.

G. H. Longenecker

State-Federal Chartered

About the time of the adoption of the law regulating these associations in the State, the movement spread over the State and associations were incorporated in Bay City, Grand Rapids, Kalamazoo, Jackson, Lansing, Port Huron, Saginaw, and several smaller cities. In 1895 the law was amended requiring the publishing of annual reports, the first one being published in 1896. Again in 1897 the law was amended providing for annual examinations and supervision of the associations.

Since that time the State-chartered associations have been, without interruption, under supervision of the Department of State.

There are also federally chartered associations provided by an act of Congress in the year 1933. These associations are examined annually and under supervision of the Federal Home Loan Bank Administration, Washington, D. C.

The object of these associations, whether chartered by the State or the Federal Government, which are practically identical in operation, is to promote thrift by providing a convenient and safe method for people to save and invest money and to provide for the sound and economical financing of homes.

The growth of the associations in Michigan was very slow, from their inception until 1915, at which time there were 65 associations, with assets of $27,696,545. Today there are in this State 71 associations, with assets totaling $136,139,308 as of last June 30.

Is it any wonder that the building, savings and loan associations have prospered and multiplied until today every large city in this State can boast of having one or more institutions. It is not only the large cities that are serviced by these thrift and home financing institutions, but the smaller ones as well, with populations ranging as low as 2,000.

The savings and loan industry in this country is 112 years old and 65 years old in this State. The business, which has for its motto, "The American Home, the Safeguard of American Liberties," is one of America's fundamental institutions. It has made more home owners than all other financial institutions put together, until today there are more than 7,000 such associations in the United States with total resources of more than $6,000,000,000.

Does Huge Home Building Job

In addition to the more than 800,000 homes that these associations have built and financed in Michigan, they are foremost in the encouragement of thrift and the habit of saving that has been acquired by many more thousands of our citizens. The earnings that have been paid to these savers in the form of dividends will amount to many millions of dollars. Savings and loan associations are mutual as to earnings and are principally known as the workingman's institutions, since more than 95% of the investment of these associations is loaned on owner-occupied homes.

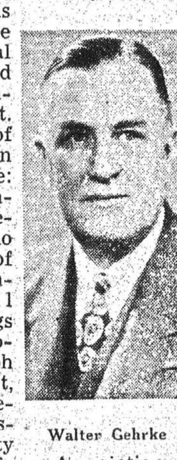
By act of Congress, in 1932, the Federal Home Loan Bank System was created to provide a home mortgage credit reservoir of funds for long-term loans to the savings and loan associations that become members of the system by joining one of the 12 regional banks located in strategic centers to serve every section of the country. The bank serving the Michigan Savings and Loan Associations is located in Indianapolis. In addition to making available ready funds to these institutions when mortgage lending exceeds the investment of savings from the public, these banks also act as depositories for the surplus cash of their member institutions. Membership in the Federal Home Loan Bank System is represented by 96.77% of all the assets in the Michigan associations.

Another Government agency created by an act of Congress in 1934 is the Federal Savings and Loan Insurance Corporation, in which the savings and loan associations may become members. This $135,000,000 corporation insures the savings share accounts of its member institutions against loss up to $5,000.

With the high standard of service that the savings and loan associations are giving their communities, and their alertness to the opportunities offered by changing conditions, it can be easily understood how these associations have made such an outstanding growth. With the advent of so many new Federally chartered associations in recent years, much more rapid growth of the building, savings and loan movement in this State can be predicted.

Michigan Building & Loan League

The Michigan Building and Loan League is headed by Walter Gehrke, who is President of the First Federal Savings and Loan Association of Detroit. Other officers of the Michigan League are: Thomas C. Mason, First Vice-President, who is President of the Grand Rapids Mutual Federal Savings and Loan Association; Joseph G. Standart, Second Vice-President, President of Surety Savings and Loan Association of Detroit, and Grand Longenecker, Secretary-Treasurer and Executive Manager of the League.



Walter Gehrke

Would Liquidate HOLC—Suggest Changes In Pending Dirksen Bill

Governors of the Mortgage Bankers Association of America have voted approval of the Dirksen Bill (H. R. 1283) calling for liquidation of the Home Owners' Loan Corp., and the group is indicating its views to members of the House Banking and Currency Committee now considering the measure, Charles A. Mullenix, President of the Association, announced on March 21.

In its resolution of approval, introduced by W. L. King, Washington, Chairman of the Association's Federal Legislative Committee, two suggested changes are recommended. The Dirksen Bill, it is indicated, specifies that HOLC assets shall be sold for cash or for Government obligations or Government-guaranteed obligations or "may be exchanged for the shares or obligations of mortgage insti-

(Continued on page 1108)

Savings & Loan League Military Memberships And Hospitality Centers Here & Abroad

"Military memberships" in the American Savings and Loan Institute were authorized by the board of trustees of the Institute at a recent meeting in Chicago, it is announced by Charles L. Plumb, New York City, President of this educational branch of the national organization. Several hundred staff members of savings and loan associations and cooperative banks now in the services are already in a position to take advantage of the plan whereby savings and loan hospitality centers will stretch across the Atlantic.

Official military membership cards are now being distributed for former students in the institute. The plan, along with the idea of establishing savings and loan hospitality centers, originated in Great Britain through the British Building Societies' Institute, the English counterpart of the American educational system for the business. Local liaison officers will be appointed in various cities in this country to develop the facilities of the centers and their names will be given to military members so that they may get in touch with these liaison men when they are stationed nearby. It is anticipated that American savings and loan men in England, where the hospitality centers are already established, will realize special benefits from the plan, since the need will be more keenly felt there for acquaintanceship with men with whom there is a starting point of something in common, such as employment in a similar business.

There are several thousand persons now in the employ of these American thrift and home financing institutions who have studied with the American Savings and Loan Institute in the past 20 years and as an increasing number of these men go into the armed forces this year, the Military Membership plan will be of service to more and more.

Colorado Commissioner Sees Increased Popularity Of Investments In Savings & Loan Associations

By A. O. JOHNSON

Building and Loan Commissioner, State of Colorado

Savings and loan associations are institutions organized to encourage thrift, provide a place where savings and investment funds can be safely invested, and to encourage home ownership by making available monthly reduction first mortgage loans on favorable terms. The investing public, including those who save systematically, is becoming better acquainted with these financial institutions. This is attested to by the increasing flow of investment and savings funds into our savings and loan associations. This increase becomes even more pronounced since it is going hand in hand with an ever increasing volume of sales of war bonds and stamps by the industry to its members and the general public. Acquaintance reveals the strength of the foundations of the structure and the soundness of the operations as a whole. They are the reasons why investments in savings and loan associations are becoming increasingly attractive and popular to the investing public. They are appreciated because they meet the exacting requirements of careful investors. Just what are these requirements?

The careful investor wants, above all, maximum security. The investments in savings and loan associations are backed up largely by mortgage loans on urban homes which, to an increasing percentage of investors, are coming to be considered as A-1 security. There seems to be a decided increase in support of the contention that real estate, after all, offers sound and stable protection. This trend undoubtedly has been accelerated by the war emergency. I think more people are sensing the security which real estate gives. To some it is perhaps because the security can be looked at, is fixed, and to all because of a feeling that its intrinsic value is more stable. However, most investors, large and small, for many good reasons do not feel justified in acquiring real estate beyond their home and business needs. The available funds over and above those needs are finding the way to our savings and loan associations, for here the investment will still enjoy the benefits of the security of real property, and, at the same time, the additional security of the margin between the value of the security and the amount of the loan. Our associations can be looked upon as the medium through which large investors and a greater number of small savers secure the benefits of the security given by real property.

In addition to the security afforded by real estate mortgages, the investments are further protected by the usual reserve strength and the insurance of $5,000 for each investor's account when the association is a member of the Federal Savings and Loan Insurance Corporation.

Along with the strong security position, the attractiveness is further reinforced by the more than average return, and also by the increased degree of liquidity. The very nature of the business permits maintaining a favorable return, largely because the major part of the assets are first mortgage real estate loans. The liquidity status of savings and loan associations should meet the most exacting requirement. It is satisfied by maintenance of a determined percentage of liquid assets sufficient to meet the more than normal demands for availability. In addition to this accepted favorable position, the industry has at its disposal the liberal rediscount privileges of the Federal Home Loan Bank System. Those twelve regional banks are a reserve system and provide the flexibility when needed to meet emergencies.

The insurance provided by the Federal Savings and Loan Insurance Corporation is available to associations by acceptance as members. The Corporation is an instrumentality of the Federal Government and insures each investment and savings account to a maximum of $5,000. This would seem to climax the efforts of the industry to surround the investment funds entrusted to it with all available protection.

We have stressed thus far the acceptability of savings and investments by the investing public. The picture would not be complete, however, unless the public fully realized the place these financial institutions have had in the development of our cities and towns. The financed homes in these cities and towns are monuments to their endeavors for thrift and home ownership. These associations for the past one hundred years have been in the field of home financing at reasonable rates and on favorable terms.

Colorado has been particularly ideal for successful operation of these thrift and home financing institutions. The State owes a debt of gratitude to this industry. Denver, Pueblo, Colorado Springs and most of the smaller cities of this State are served by associations. The expanding number of homes in all of these cities is indicative of the services rendered by associations in each of the communities.

Denver, the capital city of our State, is the hub of this great Rocky Mountain region. It is stabilized by its own industry and, in addition, by the industries of this region which include agriculture and livestock. Denver is widely known as a city of beautiful and substantial homes. It is also the home of many progressive Federally insured savings and loan associations.

During this emergency, savings and loan associations have taken on the additional function of acting as approved agencies for the sale of Government bonds and stamps. They have also liberally invested their funds in Government bonds. That function comes first. The response to this patriotic duty has been most gratifying.

There are other incidental or minor reasons, but those which I have attempted to set forth briefly explain why the flow of savings and investment funds into savings and loan institutions has been accelerated each year for many years past. The post-war period will need this industry more than ever—there will then be a real task to perform, and I am certain will meet that challenge.

1942 Mortgage Recording Activity First Reversal Of Upward Movement Of Recent Years

The Federal Home Loan Bank Administration announces that mortgage recording statistics for the first year at war afford an excellent means of measuring the extent to which the home-mortgage financing industry as a whole has been affected by the shift to a wartime economy, as well as to the extent to which the leading types of mortgage lenders have been affected by this shift. The announcement states that the year 1942 marked the first reversal in the persistent upward movement in recordings which characterized recent years, and says, "it is estimated that 1,351,000 non-farm mortgages of $20,000 or less, aggregating $3,492,600,000, were recorded throughout the United States during the year just ended. This represents a decline of $790,000,000 or 17% from the peacetime 1941 volume, a reduction that compares favorably with the drop of more than 50% shown by one- and two-family residential construction in the same period."

The Administration's announcement further stated:

"Unlike residential construction, the trend of mortgage recording activity did not begin to drop off until early in 1942. January recordings were well above the same month of 1939, 1940 and 1941. The February volume was slightly smaller than in the same 1941 month. During later months the cumulative effects of curtailed residential construction activity, resulting from the scarcity of materials and the accompanying WPB restrictions, were reflected in progressively greater declines in recordings from comparable 1941 levels. There are also indications that the October OPA order regarding the sale of tenant-occupied dwellings contributed to the slowing down of home-mortgage financing activity.

"Among the several types of mortgages, recordings by individuals suffered the least loss from 1941, declining only 6%. The maintenance of a relatively high

(Continued on page 1108)

Savs.-Loan Associations Disburse Largest Sums In Fourteen Years For Home Purchases

Continuing into 1943 the past year's heavy outflow of money into home purchase loans, the savings, building and loan associations disbursed in January $32,850,000 to help people buy homes. This is the report of the United States Savings and Loan League, which says that it was the largest amount loaned for home purchase in any January of the past 14 years, with the exception of 1942. The figure is 3% under that for the same month last year.

Such loans represented 56.73% of the total loan volume of thrift and home financing institutions in the first month of the new year, as compared with 42.91% used for this purpose in January, 1942.

Ralph H. Cake

Loans for all purposes totalled $57,856,000, according to Ralph H. Cake, Portland, Oregon, President of the League. The fall-off from January a year ago was 27.2% in the total disbursement, largely accounted for by the cutting of construction loan volume by wartime restrictions on home building. A year ago 28.66% of all lending done by these institutions was for new building, and this year 12.4%.

"Nevertheless the associations made $7,173,000 worth of loans for the construction of new war housing in January," said Mr. Cake. "This continued contribution of the savings and loan institutions to the financing of new permanent housing in areas where wartime population expansion demands it be raised to $132,246,000 the advances they have made for war housing since new building was restricted to this type of construction."

In January the association also loaned $1,667,000 for remodelling of houses so that additional units could be provided without new building to take care of many of the war workers and their families. This added to their previous nine months' remodelling advances meant that $33,487,000 had been advanced since the building restrictions went on, to make older housing available for more units.

Analysis of January loans and purposes for which they were granted and percentage for each purpose follows:

Purpose	Estimated Loans Made By All Associations In The United States	Percent Of Total
Construction	$7,173,000	12.4
Repair and modernization	1,667,000	2.88
Home purchase	32,820,000	56.73
Refinancing	11,408,000	19.72
Other purposes	4,788,000	8.27
Total	$57,856,000	100.00

Would Liquidate HOLC—Suggest Changes In Pending Dirksen Bill

(Continued from page 1106)

tutions which are examined and supervised by the United States or by any State." The Association's governors voted to recommend striking this exchange feature from the bill. The Association adds:

"The second recommendation is linked to the first. The Dirksen measure provides that 'if such mortgages or assets are exchanged for shares or other obligations of mortgage institutions, the issuing institution shall not be required to retire in any one year an amount so issued and delivered in excess of 10% of the total amount of shares or obligations which may have been issued in exchange for such mortgages or other assets.'"

This part of the measure is also recommended for exclusion from the bill if the first recommendation is followed, Mr. Mullenix said. He further stated:

"The Association's governors advocate a direct sale of the HOLC loans for cash or Government or Government-guaranteed obligations and believe that to provide for their exchange for shares or obligations of mortgage institutions under Government supervision would not constitute liquidation of HOLC.

"The HOLC is an emergency agency set up during economic stress to meet conditions which no longer exist. It has served its purpose well and can be liquidated now in the public interest.

"Many other Federal agencies set up in recent years might logically and reasonably be liquidated now, but in some of them, it is true, there exists a sound basis for discussion as to the merits of such action now. But as far as HOLC is concerned there seems to be no apparent reason for its continued existence. The Government can shift its burden to private enterprise and it is in the interest of the war effort and the public interest as well for it to do so promptly."

1942 Mortgage Recording Activity First Reversal of Upward Movement Of Recent Years

(Continued from page 1107)

level of mortgage financing by lenders in this category springs largely from the fact that individuals are less active in new construction loans which have accounted for the greater part of the decline in mortgage financing.

"The volume of recordings by lenders in the 'other' group (which is influenced largely by the activity of mortgage companies) also lost little in 1942, declining only 7% from the previous year. A major contributing factor to this stability has been the increased activity of mortgage companies, investment and finance companies, etc., in originating FHA mortgages. Insurance companies, whose 1942 volume of recordings was only 10% smaller than in 1941, likewise escaped the brunt of the effects of the curtailment in private residential construction by securing a larger share of the new construction mortgage market than in peace-time years.

"In comparison with the above three classes of mortgage lenders, savings and loan associations, banks and trust companies, and mutual savings banks suffered the sharpest reductions in mortgage financing from 1941. Savings and loan associations, although maintaining their position of leadership in home-mortgage financing during 1942, were down 21% from the preceding year. Recordings by banks and trust companies as well as mutual savings banks declined 24%. The above developments resulted in the strengthening of the relative participation of insurance companies, individuals, and 'others' in the total mortgage market at the expense of the remaining three types of mortgages.

"The volume of mortgages filed for public record during December dropped to the lowest level for comparable months since these data were first compiled in 1939. The $265,000,000 in non-farm mortgages of $20,000 or less recorded during December was $127,000,000 or 32% below the same 1941 month and $183,000,000 or 41% below the post-depression peak reached in October, 1941, when the value of security instruments recorded amounted to $448,000,000."

Brown Of OPA Scores Miners' Wage Demands

Price Administrator Prentiss M. Brown asserted on March 16 that, if the wage increase of $2 a day demanded by John L. Lewis for his coal miners' union is granted, it would lead to the loss of the fight against inflation.

Mr. Brown made his comment during a discussion in Milwaukee of the new OPA system of price control on foods. With reference to the demand of Mr. Lewis for a $2-a-day increase for his workers, Mr. Brown, according to Associated Press (Milwaukee) accounts said:

"If that wage increase takes place, there is nothing for the more conservative minded labor leaders—men like Phillip Murray, who has supported the present program, and William Green, who has also stood by it—to do but follow the lead and attempt to get great increases for their people.

"Inflation will come, not by big leaps in costs, but inch by inch, a little bit at a time—in steps that seem so difficult to stop," he said. "We must hold the line where we are on wages, or lose the fight against inflation."

Senate Votes Repeal Of Salary Limit Order

By the overwhelming vote of 74 to 3, the Senate on March 23 approved the bill repealing President Roosevelt's executive order limiting salaries to $25,000 after taxes and increasing the national debt limit from $125,000,000,000 to $210,000,000,000.

Since the Senate amended the House-approved bill so as to include its own salary formula, the measure will now go to conference and it is regarded as probable that the House conferees will accept the Senate changes.

The Senate bill provides that salaries may not be reduced below the highest level paid between Jan. 1 and Sept. 15, 1942. The new salary provision (which is to apply retroactively to Oct. 2, 1942, the date of approval of the Price Stabilization Act) amends that section of the law under which the President acted so as to include specific language denying the right of executive agencies to reduce salaries or wages except in rare cases of individual inequity, but preserving their authority to prevent increases.

The House bill, passed on March 12 by a vote of 268 to 129, provided that salaries be limited to $25,000 net or at their Dec. 7, 1941, level, whichever was higher; this action was reported in our issue of March 18, page 1020.

The amended section of the Price Stabilization Act, as passed by the Senate March 23, follows:

"No action shall be taken under authority of this Act with respect to wages or salaries, (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938 as amended, or the National Labor Relations Act or (2) for the purpose of reducing wages or salaries for any particular work below the highest wages or salaries paid therefore between Jan. 1, 1942, and Sept. 15, 1942."

In recommending this amendment, the Senate Finance Committee said on March 22 it believes "that no construction should be placed upon such regulations, or upon any other regulations issued in connection with the stabilization program, that would preclude any individual from exercising any rights or remedies that he might otherwise have under the law by way of protection against arbitrary administrative action."

President Hopes To Avoid Labor Draft

President Roosevelt told his press conference on March 19 that he wanted to avoid national labor service legislation as long as possible. The President said that no decision has been reached on the need for a national service law, adding that he hopes the nation will not have to meet the issue. He said, however, that the country may later have to put some form of service law into effect. Mr. Roosevelt stated that his principal objection to the legislation is that it would create a lot more machinery, make things more complicated in general and make for increased regimentation. He added that of course a war cannot be won without some regimentation, but he reiterated his hope that the nation would not have to come to national labor service.

The Senate Military Affairs Committee now is conducting hearings on the Austin-Wadsworth National Service Bill; introduction of this bill was referred to in our issue of Feb. 11, page 574.

Military Training Class For Men in Security And Financial Field Facing Induction

Robert V. Wehrheim of A. G. Becker & Co., Incorporated, calls the attention of the "Chronicle" and those in the securities business facing the probability of a draft call to the civilian military training class which was started three or four months ago on the floor of the New York Stock Exchange under the auspices of the New York Institute of Finance, and has since combined with a contingent of Boyce's Tigers and other groups and now uses the 12th Regiment Armory at 62nd Street and Columbus Avenue.

These classes, meeting on Monday, Tuesday and Thursday nights, provide a chance for anyone to learn the drill and equip himself with this pre-induction experience. Classes are free, and advantage may be taken of all three classes or one class per week, as desired. Due to the competent manner in which the drill is taught, it is possible to acquire a working familiarity with the regulations in a surprisingly short time by attending one night per week. Opportunity is given, as the trainee progresses, to lead a squad, platoon and company as well as to drill as a soldier in the ranks. In short, the objective is to teach leadership by having the men lead and not merely by marching in the ranks and listening to someone else give the commands.

Major A. L. Boyce, who trained over 30,000 men in the first World War, Captain Paul Brown, author of The A. B. C. of Infantry Drill Regulations, officers of the New York State Guard and other thoroughly competent instructors are devoting many long hours to this work, without compensation.

Further details about the classes may be obtained from Mr. Wehrheim of A. G. Becker & Co., 54 Pine Street, New York City, or from Major Boyce at 7 West 96th Street, New York City.

Towne Securities Offers Interesting Situation

The 7% cumulative preferred stock of Towne Securities Corp. offers interesting possibilities at current levels, according to a circular issued by J. L. Schiffman & Co., 60 Broad St., New York City. Copies of the circular may be had from the firm upon request.

GENERAL FOODS CORPORATION AND WHOLLY OWNED SUBSIDIARY COMPANIES IN THE UNITED STATES AND CANADA

COMPARATIVE CONSOLIDATED BALANCE SHEET DECEMBER 31, 1942, AND DECEMBER 31, 1941

ASSETS

	Dec. 31, 1942		Dec. 31, 1941	
CURRENT ASSETS:				
Cash		$ 20,574,969		$ 7,500,154
U. S. and Canadian Government securities at cost, which is not in excess of market, less $6,000,000 applied in reduction of Federal tax liability		8,252,405		
Accounts and notes receivable:				
Customers' accounts	$12,013,790		$12,415,388	
Miscellaneous, including deposits and working funds	1,547,728		1,711,694	
Notes, drafts, and acceptances receivable	106,562		198,197	
	$13,668,080		$14,325,279	
Less—Reserve for discounts and for doubtful accounts and notes	293,677	13,374,403	316,397	14,008,882
Inventories, at average cost or market, whichever is lower:				
Raw materials	$26,208,728		$37,245,715	
Finished and semifinished stock	15,519,641		18,244,089	
Supplies	1,678,851	43,407,220	1,740,821	57,230,625
Total current assets		$ 85,608,997		$ 78,739,661
OTHER ASSETS:				
Investments in, and advances to, subsidiary companies (not consolidated) at proportionate amount of book value of net tangible assets, which is less than cost:				
Domestic company, less reserve of $174,239 ($168,106 in 1941)	$ 712,480		$ 658,114	
Great Britain and Bahama Islands companies	462,908		474,079	
Assets of wholly owned Philippine Islands subsidiary	420,901		420,901	
Amount receivable from U. S. Government for assets requisitioned	2,633,000			
Estimated post-war refund of excess profits tax	600,000			
Loans to employes	91,364		87,446	
Investment in The Best Foods, Inc.			3,149,776	
Other stocks and bonds, at cost, less reserve of $450,000	505,467		528,933	
Balances in suspended banks, less reserve of $77,940 ($144,000 in 1941)			31,318	
Long term notes and accounts receivable, less reserve of $80,000 ($136,000 in 1941)	570,523	5,996,643	567,585	5,918,152
PROPERTY ACCOUNTS: (Note 2)				
Land, factory sites, etc.	$ 3,596,832		$ 3,700,011	
Buildings, docks, etc.	18,002,982		16,673,519	
Machinery, equipment, motor trucks, vessels, etc.	35,751,498		38,158,374	
	$57,351,312		$58,531,904	
Less—Reserves for depreciation	27,760,575	29,590,737	25,863,944	32,667,960
TRADE-MARKS, PATENTS, AND GOOD WILL		1		1
DEFERRED CHARGES TO OPERATIONS:				
Prepaid advertising expense and supplies	$ 514,629		$ 554,028	
Prepaid insurance premiums and other expenses	1,110,823		654,826	
Purchase contract rights—balance unamortized	206,232	1,831,684	230,735	1,439,589
		$123,028,062		$118,765,363

LIABILITIES

	Dec. 31, 1942		Dec. 31, 1941 (Note 1)	
CURRENT LIABILITIES:				
Notes payable to banks			$ 4,500,000	
Acceptances and drafts payable	$ 21,206		127,995	
Preferred dividend payable	168,750		168,750	
Foreign drafts discounted	19,611		36,561	
Accounts payable	5,517,911		9,066,630	
Accrued expenses	506,345		464,484	
Salaries, wages, etc., payable and accrued	468,294		1,271,624	
Accrued miscellaneous taxes	1,289,968		1,261,193	
Federal and foreign income and excess profits taxes (1942 after deducting $6,000,000 of U. S. Government Tax Series Treasury Notes)	15,835,085		13,087,800	
Total current liabilities		$ 23,827,170		$ 29,985,037
NOTES PAYABLE TO BANKS				
Due 1947 under revolving credit agreement (Paid January, 1943)		1,500,000		
RESERVE FOR CONTINGENCIES		3,471,212		1,971,212
DEFERRED CREDIT				
Arising from requisitioning of assets, less Federal tax thereon		721,825		
CAPITAL STOCK AND SURPLUS:				
Preferred stock:				
Authorized—350,000 shares without par value Issued—150,000 shares $4.50 cumulative preferred (involuntary liquidation preference $100 a share)	$15,000,000		$15,000,000	
Common Stock:				
Authorized—6,000,000 shares without par value Issued—5,359,751 shares (Including 85,778 shares held by a subsidiary company for conversion of its Class A stock in hands of public)	48,402,798		48,402,798	
	$63,402,798		$63,402,798	
Capital Surplus (Note 3)	$ 2,350,224			
Earned Surplus, statement attached (Note 4)	$32,744,156		$28,537,770	
Less—Amount allocated in respect of common stock reacquired and held in treasury, at average cost (1942—105,311 shares; 1941—108,311 shares)	4,989,323		5,131,454	
	$27,754,833		$23,406,316	
Total capital stock and surplus		93,507,855		86,809,114
		$123,028,062		$118,765,363

COMPARATIVE CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

Years ended

	Dec. 31, 1942		Dec. 31, 1941	
Net sales (including $25,198,995 bulk raw material sales in 1942)		$231,506,460		$180,358,903
Cost of goods sold, including freight charges	$163,325,089		$117,086,934	
Selling, administrative, and general expenses, and other charges	35,264,439	198,589,528	36,258,114	153,345,048
		$ 32,916,932		$ 27,013,855
Other income:				
Dividends received from The Best Foods, Inc.	$ 36,250		$ 456,750	
Other dividends and interest	207,542		147,576	
Royalties and miscellaneous income	642,391		335,495	
Proportionate share of profits (or losses) of subsidiary companies not consolidated	28,049		(10,607)	
	$ 914,232		$ 929,214	
Less—Interest expense	121,130	793,102	36,969	892,245
		$ 33,710,034		$ 27,906,100
Provision for estimated income and excess profits taxes:				
Federal income taxes (including surtax)	$ 7,416,000		$ 6,477,000	
Federal excess profits tax (Note 5)	10,300,000		5,260,000	
Foreign income and excess profits tax (Note 5)	684,000	18,400,000	515,700	12,252,700
Balance		$ 15,310,034		$ 15,653,400
Provision for contingencies		1,500,000		1,500,000
Net profit for the year		$ 13,810,034*		$14,153,400*
Earned surplus at beginning of year		28,537,770		25,562,250
		$ 42,347,804		$ 39,715,650

COMPARATIVE CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

Years ended

	Dec. 31, 1942		Dec. 31, 1941	
Dividends on stock in hands of public:				
On preferred stock ($4.50 per share)	$ 675,000		$ 675,000	
On common stock (1942—$1.70 per share; 1941—$2.00 per share)	8,928,648	9,603,648	10,502,880	11,177,880
Earned surplus at end of year (amount allocated for reacquired stock not deducted) per balance sheet (Note 4)		$ 32,744,156		$ 28,537,770

*Equivalent, after deducting preferred stock dividend requirements, to $2.50 ($2.56 in 1941) a share of common stock outstanding at end of year.

NOTES TO FINANCIAL STATEMENTS

1. Net current assets and deferred expenses of Canadian subsidiary companies and the results of their operations have been reflected in the accompanying financial statements at official rates of exchange at the close of the year; property accounts have been reflected on the basis of approximate cost of exchange.

2. Properties are stated at cost, excepting certain properties appraised at sound values in 1916 and 1926; the balance at Dec. 31, 1942, of the appraised values in excess of cost, not yet covered by depreciation, was $798,786—$840,583 in 1941. Depreciation provided for 1942 aggregated $2,563,155 ($2,654,071 in 1941) of which $1,965,781 ($1,795,789 in 1941) has been included in manufacturing costs and $597,374 ($858,282 in 1941) in other accounts.

3. The Corporation's investment in The Best Foods, Inc., received in 1932 in exchange for certain assets of the Richard Hellmann business theretofore acquired for common stock, was sold in 1942 for $5,500,000, and the excess of such proceeds over the carrying value of the investment ($3,149,776) has been credited to capital surplus account.

4. Of the amount of earned surplus at December 31, 1942, $9,298,283.88 was not available for dividends on the common stock (unless payable in common stock) being restricted by the preferred stock provisions of the certificate of incorporation of the parent company (as amended).

5. Estimated Federal and Canadian excess profits tax post-war credits, amounting to $1,230,000, have been deducted in determining the provision for excess profits taxes for 1942. Of this amount $630,000 (debt retirement credit) was applied in reduction of the current tax liability and the remainder, $600,000, has been shown as a non-current asset in the balance sheet.

ACCOUNTANTS' OPINION

To the Board of Directors of
General Foods Corporation February 23, 1943

We have made an examination of the consolidated balance sheet of General Foods Corporation and wholly owned subsidiary companies in the United States and Canada as at December 31, 1942, and of the related statement of profit and loss and earned surplus for the year 1942. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statement of profit and loss and earned surplus present fairly the position of the companies consolidated at December 31, 1942, and the results of their operations for the year 1942, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.
56 Pine Street, New York, N. Y.

The Consolidated Balance Sheet for General Foods Corporation at Dec. 31, 1942, and related financial statements have been prepared under my supervision and, in my opinion, present fairly the position of the companies consolidated as of that date and the results of their operations for the year.

Feb. 23, 1943. MARVIN W. KIMBRO, *Controller*

Calendar of New Security Flotations

OFFERINGS

KNUDSEN CREAMERY CO. OF CALIFORNIA

Knudsen Creamery Co. of California has filed a registration statement for $500,000 first mortgage serial bonds, bearing interest of 4½% and maturing serially from March 1, 1944, to March 1, 1955.

Address—1974 Santee St., Los Angeles, Cal.

Business—Engaged in the general business of buying and selling milk and its derivatives; processing and marketing milk and products derived from milk; manufacturing, buying and selling butter, cheese, cream, buttermilk, cottage cheese, curds, whey, etc.

Offering—As soon as practicable after the effective date of the registration statement. Price to public will be filed by amendment.

Underwriting—Dean, Witter & Co., Los Angeles, Cal., is named as the principal underwriter.

Proceeds—Approximately $275,228 of the net proceeds will be devoted to the redemption of the entire issue of the company's first mortgage convertible 5½% sinking fund bonds. Such bonds are to be called for redemption on May 1, 1943, at 102½ plus accrued interest. Balance of net proceeds will be added to company's working capital.

Registration Statement No. 2-5100. Form A-2. (2-23-43).

Registration statement effective 5:30 p. m. EWT on March 12, 1943.

Offered March 16, 1943, by Dean Witter & Co. at prices ranging from 97.74 and interest to 102.79 and interest, according to maturity.

MASTER ELECTRIC CO.

Master Electric Co. has filed a registration statement for $3,000,000 10-year sinking fund debentures due March 1, 1953. Interest rate will be filed by amendment. Sinking fund provides for retirement of total of $1,800,000 of issue by Sept. 1, 1952.

Address—126 Davis Ave., Dayton, Ohio.

Business—Manufacture and sale of electrical products, including motors and generators, various types of industrial equipment generally involving the use of electric motors.

Underwriting—McDonald-Coolidge & Co., Cleveland, Ohio, is named as principal underwriter.

Offering—Offering price to public will be filed by amendment.

Proceeds—Of the proceeds $500,000 will be used to reimburse partially the company's treasury for payment of the first quarter of 1942 Federal income and excess profits taxes, which payment amounted to approximately $872,000, and the balance for the purchase of U. S. Treasury tax anticipation notes.

Registration Statement No. 2-5106. Form S-1 (3-8-43).

Offered March 23, 1943, at 100 and interest by McDonald-Coolidge & Co., Riter & Co., Eastman, Dillon & Co. and associates.

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930(b).

Offerings will rarely be made before the day following.

MONDAY, APRIL 5

MIDLAND COOPERATIVE WHOLESALE

Midland Cooperative Wholesale has filed a registration statement for $500,000 4% 15-year subordinated debenture notes.

Address—739 Johnson St., N. E., Minneapolis, Minn.

Business—Registrant is a cooperative association organized under the laws of Minnesota. It is a non-profit association. All of its common or voting stock is owned by cooperative associations doing business in the States of Minnesota, Wisconsin, Iowa, North and South Dakota. More than 85% of the common stockholders are associations of farmers.

Underwriting—None.

Offering—At face value. The notes will be dated as of the date of sale. Each note will mature on or before 15 years from its date. The notes will be issued in denominations of $25, $100, $500 and $1,000.

Proceeds—Will be used for part purchase of a refinery for the refining of gasoline, kerosene and other light oils, located at Cushing, Okla., together with pipelines, tanks, tank cars and inventories.

Registration Statement No. 2-5107. Form A-2. (3-17-43).

TUESDAY, APRIL 6

HEYDEN CHEMICAL CORPORATION

Heyden Chemical Corporation has filed a registration statement for 40,000 shares of cumulative preferred stock, series A, $100 par value. The dividend rate will be supplied by amendment.

Address—50 Union Square, N. Y. City.

Business—Company is engaged in the manufacture and sale of synthetic organic chemicals for industrial and medicinal uses.

Underwriting—A. G. Becker & Co., Inc., New York, is named principal underwriter. Others are to be supplied by amendment.

Offering—Price to public, plus accrued dividends from March 1, 1943, to date of delivery, is to be filed by amendment.

Proceeds—Of the net proceeds, $2,037,000 will be applied towards the redemption at $105 per share, plus accrued dividends, of all of the outstanding 19,400 shares of 4¼% cumulative preference stock of the company. All shares of 4¼% preference stock so redeemed will be retired and will not be reissued. The balance of net proceeds will be added to working capital. The company requires such additional working capital in order to finance the increased inventories and accounts receivable resulting from its presently increased business and expanded operations.

Registration Statement No. 2-5108. Form S-1. (2-18-43).

SATURDAY, APRIL 10

INVESTORS SYNDICATE OF AMERICA, INC.

Investors Syndicate of America, Inc., has filed a registration statement for Series One, Investment Certificate, in the face amount of $120,000,000.

Address — 200 Roanoke Building, Minneapolis, Minn.

Business—Registrant is engaged in the business of issuing its own face amount certificates and is classified as a "face amount certificate company" as such term is defined in Section 4 of the Investment Company Act of 1940. Investment Certificate, Series One, is designed as a medium of accumulation by means of regular, definite and systematic methods of accumulation.

Offering—As soon as possible after registration statement becomes effective.

Underwriter — Investors Syndicate, 200 Roanoke Building, Minneapolis.

Proceeds—For investment.

Registration Statement No. 2-5109. Form A-1. (3-22-43).

Dates of Offering—Undetermined.

P. L. ANDREWS CORP.

P. L. Andrews Corp. has filed a registration statement with the SEC for $360,000 first mortgage convertible 5½% bonds series A, maturing serially from 1943 to 1957.

Address—7800 Cooper Ave., Glendale New York, N. Y.

Business—General character of the business done by the corporation is the design, development, manufacture and sale of paper packaging and wrapping materials in a variety of forms of envelopes, folders, wrappers, folding boxes and containers. Primarily because of the nature of the plant and products of the corporation, it is anticipated that the war or conditions arising therefrom will not alter substantially the general character of the business or products of the corporation

Underwriting—No firm commitment has been made to take any of the securities registered, but P. W. Brooks & Co., Inc., New York City, is the principal underwriter, as defined in the Securities Act of 1933

Offering—The securities will be offered at prices ranging from 99½ to 102¼ depending upon maturity date

Proceeds—Net proceeds will be used to discharge a proposed demand bank loan, to reimburse the corporation for machinery acquired and balance for such additional production facilities as are needed.

Registration Statement No. 2-5058. Form A-2 (10-28-42)

Registration statement withdrawn March 8, 1943.

PUBLIC SERVICE CO. OF NEW HAMPSHIRE

Public Service Co. of New Hampshire has filed a registration statement with the SEC for $22,000,000 first and general mortgage bonds, series A 3¼% to be dated Jan. 1, 1943, maturing Jan. 1, 1973.

Address—1087 Elm St., Manchester, N. H.

Business—Company is engaged principally in the generation of electric energy and its transmission, distribution and sale to about 78,300 domestic, commercial, industrial, agricultural and municipal customers in New Hampshire and Vermont. It also manufactures and distributes gas.

Underwriting—To be supplied by post-effective amendment.

Offering—Company proposes to sell the bonds at competitive bidding pursuant to the rules of the Commission. Contemporaneously with the issuance of the bonds, company will issue and sell 3,284 shares of its common stock, no par value, to New England Public Service Co., parent of the company, at a price of $60 per share flat or $197,040, and will issue and sell $2,500,000 face amount of its unsecured notes at private sale to financial institutions.

Proceeds—The aggregate net proceeds of said bonds, notes and common stock will be used to pay principal, premium and 30 days' interest in the redemption of all of the company's first mortgage bonds aggregating $18,929,000 face amount, to pay off bank loans totaling $1,000,000, to purchase from Twin State Gas & Electric Co. the utility properties and other assets of its New Hampshire division $4,281,897, to purchase certain assets from New England Public Service Co. $197,080 and other corporate purposes. All companies are subsidiaries of NEPSCO and transactions are the second step in the proposed simplification of NEPSCO. First step was the recently consummated merger of Cumberland County Power & Light Co. with Central Maine Power Co. Third step contemplates the acquisition by Central Vermont Public Service Co., also a subsidiary of NEPSCO, of the remainder of the assets of Twin State located in Vermont by merger.

Registration Statement No. 2-5076. Form A-2. (12-24-42)

Amendment filed March 1, 1943, to defer effective date.

In an amendment the company fixes the amount of the proposed new issue of first mortgage bonds at $20,500,000 in place of $22,000,000 as originally filed. Company in amendment also revises its financial program so as to provide only for the issue and sale of the first mortgage bonds. The original plan provided also for the issue and sale of $2,500,000 of unsecured notes and the sale of 3,284 shares of its common stock to New England Public Service Co., parent company, at a price of $60 per share. The unsecured notes were to be sold privately. Proceeds from the sale of the first mortgage bonds which are to be sold at competitive bidding will be applied to redeem and retire company's presently outstanding bonds in the aggregate face amount of $18,929,000, pay its bank loans aggregating $1,000,000 and provide funds for working capital.

In an amendment filed March 11, 1943, the company states that on March 1, 1943, Public Service entered into a contract with the Twin State Gas & Electric Co. to acquire that company's properties, business and franchises in New Hampshire and Maine. Subject to approval of regulatory authorities having jurisdiction and to the terms and conditions of such contract, the company now contemplates financing such acquisition through the issuance of $1,000,000 of additional first mortgage bonds, Series A 3¼% due 1973, and $3,000,000 of unsecured notes maturing serially in amounts of $150,000 semi-annually from the date of issue. It is expected that such acquisition and the related securities issues will be consummated before July of this year. In a separate petition company said these securities would be sold privately to a limited number of financial institutions.

Registration statement effective 5:30 p.m. (EWT) on March 19, 1943.

Company on March 19 announced it is inviting bids for the $20,500,000 first mortgage bonds series A 3¼%, due 1973. Bids will be received on or before 12 Noon (EWT) March 26, 1943, at company's office, 1087 Elm St., Manchester, N. H.

PUGET SOUND POWER & LIGHT CO.

Puget Sound Power & Light Co. has filed a registration statement with the SEC for $52,000,000 first mortgage bonds series due Dec. 1, 1972, and $8,000,000 debentures due Dec. 1, 1951. The interest rates will be supplied by amendment.

Address—860 Stuart Building, Seattle, Wash.

Business—Applicant's properties consist, generally speaking, of electric, gas, steam heat and telephone utility properties located in the central and western portions of the State of Washington. It is engaged principally in the business of generating, transmitting, distributing and selling electric energy in all or parts of 19 counties in the western and central portions of the State of Washington, comprising approximately 4,500 square miles.

Underwriting—Names of underwriters will be supplied by post-effective amendment. The company proposes to sell both the bonds and debentures at competitive bidding. The invitation for bids will provide that each bid covering the bonds shall specify the coupon rate (which shall be a multiple of ¼%) and the price to be paid to the company for the bonds; and each bid covering the debentures shall specify the coupon rate (which shall be a multiple of ⅛%) and the price to be paid to the company.

Offering—The offering price to the public will be supplied by post-effective amendment.

Proceeds—Net proceeds from the sale of the new bonds and the new debentures, together with general funds of the company, are to be used for: Redemption of the old bonds, series A, in the face amount of $36,039,500 at 101½%, or $36,580,093; redemption of the old bonds, series C, in face amount of $8,850,000 at 102%, or $9,027,000, and redemption of old bonds, series D, in face amount of $13,995,000 at 102%, or $14,274,900, or grand total of $59,881,993. There is pending before the SEC an application under Section 11(e) of the Public Utility Holding Company Act of 1935, by Engineers Public Service Co.—parent company—to which Puget joined as a party, for the approval of a plan for recapitalization of Puget. This plan, if approved, would reduce the percentage of voting power of Puget owned by Engineers from 77.4% to 1.8%. Engineers has been ordered by the Commission to dispose of its entire interest in the company. Engineers has advised Puget that it intends to comply with this order as soon as it can do so.

Registration Statement No. 2-5077. Form A-2. (12-28-42).

The company on Feb. 16, 1943, filed with the SEC amendments to its plan of recapitalization and refinancing making changes in the voting positions of the new stocks and providing for bank loans as a part of the financing instead of short term debentures.

Under the voting change the new common stock is to receive five votes a share instead of the one previously alloted. The voting power of the first preferred will be returned to one vote a share instead of the two granted originally.

The refinancing plan has been modified to substitute $6,500,000 of 3⅛% five year bank loans in place of $8,000,000 of nine year debentures. The plan to sell $52,000,000 of first mortgage bonds remains unchanged.

The bank loans would be eliminated March, 1948, under a plan calling for a $1,000,000 reduction on Sept. 1, this year; $1,000,000 on March 1, 1944, and $562,500 semi-annually until March 1, 1948.

The changes in the voting powers of the preferred and common stocks were made to meet objections of the SEC which felt under the original plan the preferred had been given excessive voting power.

The Chase National Bank will take $3,000,000 of the proposed bank loans; the Harris Trust & Savings Bank $1,000,000 and nine Seattle banks the balance.

The SEC on March 16, 1943, approved the company's refinancing program.

Amendment filed March 10, 1943, to defer effective date.

Company on March 16 announced it is inviting bids for the $52,000,000 first mortgage bonds, due Dec. 1, 1972. The bidders are to name the coupon rate and bids will be received by the company on or before 12 o'clock noon EWT on March 29, 1943. Officers and representatives of the company will meet prospective bidders on March 24, 1943, 10 o'clock a. m. EWT, for the purpose of reviewing with them the information with respect to the company contained in the registration statement and prospectus.

Registration effective 3:30 p.m. (EWT) on March 16, 1943, as of 5:30 p.m. (EWT) Jan. 16, 1943.

WELSBACH ENGINEERING & MANAGEMENT CORP.

Welsbach Engineering & Management Corp. has filed a registration statement with the SEC for $493,000 collateral trust 5% ten-year sinking fund bonds.

Address—1500 Walnut St., Phila., Pa.

Business—Registrant is a holding and managing company which owns all the stock and manages its subsidiaries. These subsidiaries, in part, are engaged in the installation and maintenance of street lighting systems, gas or electric, in approximately 37 cities and communities in New England, Middle Atlantic and Mid-Western States, and in general electric construction work.

Underwriting—Barrett Herrick & Co., Inc., New York City, is named principal underwriter.

Offering—Bonds are to be offered to the public at 83% plus accrued interest from Jan. 1, 1943, to date of delivery.

Proceeds—The estimated proceeds from the sale of the bonds, after deducting underwriting commissions and expenses, will be $345,100. At present the corporation has outstanding $493,000 face amount of 6% collateral trust sinking fund bonds, all of which are held by the United Gas Improvement Co. The UGI has granted Welsbach an option to purchase all of said outstanding bonds exercisable on or before May 15, 1943, for the sum of $345,100 with interest from Jan. 1, 1943. The estimated net proceeds resulting from the sale of the bonds now being registered will be applied to the exercise of this option.

Registration Statement No. 2-5099. Form A-2 (2-20-43).

Registration statement effective 5:30 p.m. (EWT) on March 20, 1943.

(This list is incomplete this week)

Effect Of Inflation Upon The Values Of Securities

(Continued from page 1103)

the goods available to be purchased may amount to as much as $40,000,000,000. This purchasing power is rapidly increasing with Government spending, rising prices and wages. Moreover, the amount of such spending power is subject to an almost unmeasurable rapid increase through the velocity of spending itself.

Mr. Randolph Paul, General Counsel of the Treasury, was quoted on Dec. 11 by the Associated Press as saying that "black markets will mushroom" if this excess purchasing power is permitted to enter the consumer goods market in "wild competition for our short supply." . . . "Empty shelves and illegitimate profits will become the order of the day." . . . "The ensuing hardships will be suffered particularly by families in the low income groups." . . . "The battle against inflation will not be won without the enactment of more fundamental measures than any we have yet adopted."

On April 19, 1941, Mr. Bernard M. Baruch said before the House Committee on Banking and Currency: "I do not believe in piecemeal price fixing. I think you have first to put a ceiling over the whole price structure, including wages, rents and farm prices up to the parity level—and no higher—and then to adjust separate price schedule upward or downward, if necessary, where justice or Governmental policy so requires."

"Except for human slaughter and maiming and all that goes with them, inflation is the most destructive of the consequences of war. It might double or more the cost of the war, it imposes the severest hardship on our people and, through inevitable deflation that follows, burdens the future with a constantly increasing debt and a long period of painful and bitter readjustment destroying the confidence of people in themselves and their Government, leaving them open to all the old and new isms. Nor is inflation a danger which will hold back and wait for a formal declaration of a shooting war. With payrolls soaring and shortages developing, more money bidding for less goods, the danger of an inflationary price rise is imminent. If it is not taken firmly in hand in time it may get beyond the possibilities of control."

Has Inflation Affected the Price of Gold?

In the United States the dollar is still pegged at 13 15/31 grains of fine gold to the dollar, or 59 cents in terms of the dollar we knew prior to the devaluation of 1934. But in other parts of the world the price of gold has been soaring like the price of other commodities. In the monthly bulletin of the National City Bank of New York for December, 1942, it is observed that "in India, following the outbreak of war in the Pacific, bar gold rose to about $40 a fine ounce by the middle of December, 1941, and reached almost $68 an ounce at the time of the Burma campaign in March, 1942, with silver up from 50 cents to 72 cents an ounce. Premiums on gold coin have ranged above bar gold. In neutral countries on the periphery of the Continent of Europe, to which much refugee capital has flown, premiums have likewise reached high levels. In Lisbon, for example, gold coins command premiums ranging from 150 to 200%, while in Turkey, which is now going through an inflationary price rise, gold is selling in a free market at premiums of from 300 to 400%."

From Latin America reports are that gold is selling at varying prices up to $51 an ounce. In Panama, U. S. gold coins are reported to be selling at 100% premium.

Has Inflation Resulting From the Present World War Reached Security Prices?

On Sept. 14, 1942, the New York "Times" published the following item: "Vichy, Sept. 13—The Lyon Bourse was firm in the first two sittings last week and then became irregular, considerable profit-taking weighing upon it as a result of the recent rise. Differences for the week included unimportant losses and a few gains, in bank and electrical shares. The general index of 300 stocks, which stood at 1,161 on Aug. 21, went to 1,207 on Aug. 28; and 1,200 on Sept. 4. This index is based on prices of 1913 as 100."

During the past two years in England earnings on common stocks have declined more than 50% but the price level has risen more than 100%.

In Canada, where the price control plan is more like that advised for this country by Mr. Baruch, both commodity and security prices have risen less than in the United States and much less than in England.

In the United States inflationary price rises in both commodity and security markets seem to be getting under way. The rise in security prices may not seem large at first glance. The present level of prices of common stocks has just recently recovered to the level at the time of the Pearl Harbor shock. But in many instances where securities are thought to be very good hedges against inflation the recovery has been from 50 to 100%.

Hedging Against Inflation With Securities

The rise in prices caused by a scarcity of products with billions of excess purchasing power in the hands of the public will cause real hardship to millions of people during the war. New disasters will happen to many people after the war when scarcity is transformed into over supply and prices decline, destroying the illusion of values built up during the war. In spite of the hardships and maladjustments resulting from this scarcity-war-debt-created rise and fall of prices, these conditions will correct themselves in time if sound money conditions are maintained. But the very magnitude of the debts and the "fiat" bank credit spending money, resulting from the purchase of Government bonds by the commercial banks, destroys the existence of sound money and the necessary banking and credit conditions under which sound money could be maintained.

With the large holdings of Government bonds by the commercial banks it will be necessary to maintain the price of the Government bonds at or near par in order to protect the banks against a decline in the prices of such bonds which would reduce the capital and surplus of the banks to a point which would endanger their solvency.

In order to maintain the prices for Government bonds at par and protect the banks will the bonds be made convertible into currency at par? There may be other ways worked out to handle this vexing problem and protect both the banks and the gold value of the dollar. But the conversion of Government bonds into currency is the simplest and easiest way out, and historically has been the practice in handling this often-repeated situation. In effect, the conversion of Government bonds into currency to protect the solvency of the banks would be the equivalent of a capital levy upon all money and credit instruments including bank deposits, savings, bonds, insurance, interest coupons and dividends. Your guess is as good as mine as to how far the dollar may be devalued if the inflation of bank credit leads to the pegging of Government bonds at par by making the bonds convertible into currency.

I have no doubt that all kinds of schemes will be suggested to avoid this catastrophe. But up to the present no workable solution has been proposed. If we are to avoid currency inflation and devaluation and its resultant tax levy upon all forms of money and credit capital, and pay off these bonds by the honorable method of savings and taxes, then I recommend to you that all trust funds be invested in the highest grade bonds and the purchasing power of the capital and the small income will serve the beneficiaries well in the future. But if inflation and devaluation are inevitably followed in the solution of this debt-bank-credit problem, I would not hesitate to guess that most trustees who cling to the safety of the highest grade investment bonds will be out of business before sound money and stability are again attained. Economic forces do not heed man-made laws which do not fit conditions as they are. The necessity and high purpose of the laws governing investments by trustees in the past cannot be doubted. But it probably would not be out of place to examine those laws with respect to their intended purpose and present conditions.

The Qualifications of Securities That Have Withstood Inflations Best

In selecting securities for the purpose of hedging against inflation it is important to select the businesses best fitted to withstand inflation, the strongest companies in these businesses, and the companies with managements alert to the dangers of inflation, and with a definite determined plan to meet the emergencies of inflation and live through them.

In the European inflations companies whose assets were primarily raw materials, commodities, intangibles, luxuries, the light chemicals, fire insurance companies and a great variety of service companies have the best record. Heavy goods industries such as steel, iron, building, cement, shipbuilding and the like did not fare well, while some manufacturing companies survived because of their strong position and good management, manufacturing companies as a group did not do well. Merchandising companies generally fared very badly. Banks, life insurance companies, railroads and utilities generally proved very unsatisfactory hedges against inflation.

After selecting the type of industry which will withstand inflation best other factors must be considered. It is important that the selected corporation have little or no debt, and have a strong working capital position adequate to withstand a long period of unprofitable business. The labor factor should be small and flexible. The costs of doing business should be low and capable of adjustment. The fixed charges should be small and not calculated to increase sharply during a period of hard times. The corporation should have the ability to retrench and take losses. The management should be well schooled in the problems affecting the business during the period of inflation and the aftermath.

There seems to be no security that I have discovered which will live through a severe inflation and its aftermath and in relation to the declining purchasing power of money maintain its relative price, asset value or income.

Gold is the best hedge against inflation, but an American citizen cannot legally own gold in this country and it bears no income. In the European inflations following World War One, the purchasing power of income from most securities of all types sank to a very low level, and by and in the large, in both Germany and France the purchasing power of income from interest and dividends disappeared.

There seems to be no single security that possesses all the factors to qualify as an inflation hedge. The problem comes down to the selection of securities with the most favorable characteristics, or on which the losses will be relatively the least.

In Europe the best hedges were select durable commodities, the highest grade coal, copper and potash mines, the light chemicals serving the consumer goods industries and the textiles, select fire and casualty insurance companies (the fire companies did best), oil producing companies, productive farm real estate, and some of the better managed investment trusts.

Among the securities and properties that did not do well are marginal mining properties, the stocks of commercial and savings banks, the stocks of railroads, utilities, heavy goods, chemicals, automobile manufacturing, life insurance and city real estate.

The inflations of every country have been different from those of any other country or time. But the effects of the inflation have been essentially the same, except in varying degree depending primarily on the extent of the inflations and the devaluations.

The present inflation in this country will undoubtedly differ from that of any other country in kind, extent and timing. But the history of inflations indicates that the trend of the effects will be essentially the same.

There are so many erroneous notions about inflation that it is not within the scope of this paper to correct them. But among the outstanding errors commonly heard are the advices to buy low-grade securities, or buy the securities of companies with large debts, or buy gold stocks or buy any security of a company with natural resources. These advices of the street are just the opposite to what experience proves to be best.

In Europe low-grade securities generally lost their full value. Corporations with large debts were forced into bankruptcy by inability to service the debts caused by the rising costs of doing business. The best gold stocks might be a hedge but certainly no better than other strong companies with natural resources. The low-grade golds would be overcome by the rising costs of doing business like all other low-grade mining ventures.

Because the same types, qualities and character of corporations and securities have served the investors best as hedges in all countries which have gone through inflation and whose records are available, it seems reasonable to say that by careful analysis and selection the investor can hedge against inflation and maintain the purchasing power of his capital and income to a far greater extent than he can by making no effort at all or by holding an average list of securities. This, however, is a specialist's job, and no general recommendations will serve. In fact, general recommendations may lead to more harmful selections than no recommendations at all.

When these technical and costly difficulties appear many investors and trustees jump at the conclusion that it is not possible to protect capital against the ravages of inflation. In fact, the president of a metropolitan trust company told me recently that it never had been possible to hedge against inflation in the past and would not be this time. It is too bad that the president of this trust company does not have the time and inclination to familiarize himself with the lessons of financial history for the good of his customers. Every lawyer knows from ancient history the problems of wealth left in trust during periods of inflation which have plagued all countries. From Roman and Grecian inflations down to the present times material goods, land, buildings, gold and silver, and indestructible intangibles, processes and art have been used to protect wealth somewhat against the destruction of money values. In closing, let me offer a little polite education to my friend, the president of the trust company by quoting a passage on hedging from Andrew D. White's history of the French Inflation—1789-1796:

"The question will naturally be asked, On whom did this vast depreciation mainly fall at last? When this currency had sunk to about one three-hundredths part of its nominal value, after that, to nothing, in whose hands was the bulk of it? The answer is simple. I shall give it in the exact words of that thoughtful historian from whom I have already quoted: 'Before the end of the year 1795, the paper money was almost exclusively in the hands of the working classes, employees and men of small means, whose property was not large enough to invest in stores of goods or national lands.* Financiers and men of large means were shrewd enough to put as much of their property as possible into objects of permanent value. The working classes had no such foresight or skill or means. On them finally came the great crushing weight of the loss. After the first collapse came up the cries of the starving. Roads and bridges were neglected; many manufactures were given up in utter helplessness.' To continue, in the words of the historian already cited: 'None felt any confidence in the future in any respect; few dared to make a business investment for any length of time and it was accounted a folly to curtail the pleasures of the moment—to accumulate or save for so uncertain a future.'"

*See Von Sybel, vol. iv, pp. 337, 338. See also for confirmation Challamel, "Histoire Musee," vol. ii, p. 179. For a thoughtful statement of the reasons why such paper was not invested in lands by men of moderate means, and workingmen, see Mill, "Political Economy," vol. ii, pp. 81, 82. See Von Sybel, vol. iv, p. 222.

Editor's Note—The above article is a duplication of an address delivered by Dr. Wright at the annual meeting of the Association of Probate Judges of the State of Ohio at Columbus earlier this year.

UP-TOWN AFTER THREE

By BILL SMITH

SCREEN

In **"Keeper of the Flame,"** M.-G.-M. has a movie that is a far cry from the run-of-the-mill stuff Hollywood grinds out daily. For not only does it have a peculiar tenseness but is the first time M.-G.-M. has spoken out on the Fascist menace inside this country. Assigning its two top stars, Katherine Hepburn and Spencer Tracy, M.-G.-M. has produced a tense dramatic story of the death of the nation's Number 1 hero who in life stood for everything noble and good. At the funeral rites, attended by htousands and covered by all the newspapers, we find Spencer Tracy looking for material on which to base his story on the dead man's life. As he digs he runs into mysterious things made more mysterious by the strange reluctance of the dead man's widow, Katherine Hepburn, to talk. What he finally discovers is the basis of the story. It is no screen fare for mass appeal. Its subject is too grim and its revelations and implications too real for comfort. You may not agree with the story but you owe it to yourself to see it. . . . **"Chetniks"** (20th Century-Fox) capitalizes on the Yugoslav patriots and the leader, Draja Mikhailovitch, but having said that there is little left to add. For it is just another Wild West horse opera. The heroes, and heroines are all fine noble people who pull the wool over the eyes of the Italians and the Germans. While the villains, the Axis forces, are dirty, no-good cowards who are stupid in the bargain. . . . **"The Powers Girl"** (United Artists) brings together George Murphy, Anne Shirley, Carole Landis and, from Jack Benny's program, Dennis Day, in a cream-puff, make-believe fairy-tale about how John Powers chooses and makes his famous models. The plot is dull, unfunny and tedious. After the first ten minutes you'll know just how everything will come out. The ladies may go for the latest fashions. The jitterbugs will go for Benny Goodman and his band's hot licks. But for grown-ups it's just a big yawn. . . . For some reason best known to the powers that be in the Army and Navy the newsreel pictures coming from the war have been nothing more than travelogues, pretty-pretty stuff which gives little idea of what the war is and how our soldiers fight it. The latest U. S. Government release showing combat action by American troops in North Africa, **"At the Front,"** was made by Darryl Zanuck, or at least supervised by him. Yet the finished product, in Technicolor, is not only poor photographically but even technically. To make this picture still worse, the British Army Film Service comes along with **"Desert Victory,"** its pictorial record of the 80-day advance of Gen. Montgomery's 8th Army in pursuit of Rommel's Afrika Korps. Between our Government's "At the Front" and the British "Desert Victory" there is no comparison. It's like seeing a poor home-made movie and a top-notch Hollywood "A" production. As a matter of fact, "Desert Victory" is, in my judgment, the best thing of its sort to be shown in this country. You not only know what's going on (it's demonstrated on intelligent maps) but each step pf the British counter-offensive that began at El Alemein is shown through the eyes of the infantry, the tank corp, the air arm and the artillery. You know the plan of campaign. You see its execution. You see the results. As zero hour for the opening barrage approaches, you see the men's faces lit up by occasional flashes. Their faces show tenseness, fear and excitement. At the signal, the terror you see is transmitted to you. The impact of the terrific barrage is overpowering. In the drive across the desert the British captured some German film which is skillfuffy cut into "Desert Victory." If you want to see what desert war is, not the romanticized version, then by all means see "Desert Victory." You'll remember it for years to come.

Yield On Govt. Issues

An interesting booklet on United States government securities tabulating yield, redemption values, and other interesting data has been prepared by the Mellon National Bank of Pittsburgh, Pa. Copies of this booklet, which also indicates which of the issues are subject to Federal taxes, may be had from the Mellon National Bank upon request.

Our Reporter On "Governments"

(Continued from page 1099)

. . . But this is a war-time controlled economy and those peace-time axioms don't apply now. . . . So you might as well take advantage of the trend while it's here. . . .

And the Treasury would prefer larger purchases of the long-terms anyway. . . . It will make its war-time financing job easier. . . .

INSIDE THE MARKET

Intriguing suggestion for "non-cashable" bonds just put out by Senator Harley M. Kilgore (Dem.-W. Va.). . . . His idea is to offset the cash-ins of war bonds by small holders through issuance of non-negotiable, non-cashable bonds to be sold throughout country to wage-earners. . . . Bonds would not be redeemable until a specific period had elapsed after the end of the war. . . . Seems no chance for adoption of Senator Kilgore's recommendation, incidentally, but it indicates how some political leaders are thinking. . . .

Insurance company buying in the open market down to the lowest level in months, recently setting bottom mark for 1943. . . . Explanation obviously is that insurance companies are holding back their buying powers, pending announcement of the April deal. . . .

Recent estimates on Treasury borrowing indicate new money borrowing for 1943 fiscal year, ending June 30, at $59,000,000,000 with $37,000,000,000 already borrowed. . . . This is outside of short-term maturities and tax anticipation note maturities. . . .

Comment of U. S. Chamber of Commerce on this is significant: "There is little hope that the $59,000,000,000 needed for 1943 can be reduced by the imposition of additional taxes. The fiscal year has less than four months to run, and the prospects are slight indeed for a new revenue bill from Congress before June 30." . . .

Report around that Treasury will intensify efforts to sell tax anticipation notes from now on to prevent repetition of war bond redemptions that accompanied this last income tax date. . . . Many persons who bought war bonds with money that should have been saved for taxes were unwanted purchasers. . . . Treasury wants to avoid any unnecessary increases in cash-ins, is terrified over effects of publicity on redemptions and the ramifications of this. . . . Tax anticipation notes, available in denominations as low as $25 at any bank and returning almost 2% interest to individual purchasers, are the most attractive securities of this type available anywhere in the world. . . .

One point being mentioned as indicative of Treasury's desire to keep all investors in good humor is Secretary Morgenthau's exchange offering for the May certificates and $289,000,000 Commodity Credit Corporation notes. . . . May certificate issue of $1,506,000,000 and CCC issue will be offered a May 1 certificate of indebtedness carrying 7/8% interest on April 20. . . . Exchange offer indicates "right" idea is still alive, although Morgenthau cautioned observers not to expect this to be a precedent. . . .

SUPPORT

Open market operations by the Federal Reserve System should become increasingly obvious from this day on. . . . The time for actual as well as psychological control has arrived, say some. . . . And beyond question, the Reserve will have to be extraordinarily active just prior to and during the April drive in order to help the big banks in New York and Chicago subscribe to the 2s and certificates. . . .

New York and Chicago banks are low on excess reserves and must be given some support during drive in order to permit them to follow up policy of full investment. . . . Discount bill purchases by Reserve probably will be a major way to achieve this but over-all result will be rise in Government security holdings of Reserve Banks to all-time peak. . . .

SEC Amends Holding Co. Rule On Joint Tax Returns

The Securities and Exchange Commission announced on March 13 the adoption of an amended sub-paragraph (6) of Rule U-45 (b) under the Holding Company Act. The sub-paragraph provides that registered holding companies and their subsidiaries which join in the filing of a consolidated tax return need not secure Commission authorization for certain intercompany transactions relating thereto if the consolidated taxes are allocated to the several members of the group as specified in the sub-paragraph. The need for the amendment, the SEC said, arises from the changed provisions of the Revenue Act of 1942 relating to consolidated returns.

Allan Richardson Is Colo. Securities Commissioner

Allan S. Richardson has been appointed Securities Commissioner of the State of Colorado. Mr. Richardson had been active in the investment business in Denver since 1919. In the past he was associated with the Commercial and Financial Chronicle.

Can America Conquer Inflation?

(Continued from page 1100)

The only workable plan is to cover the deficit by borrowing from those who come into possession of the newly created money. Borrowing is a form of taking back the money temporarily, while taxation is a way of taking it away permanently. But in both cases new buying power is reduced or eliminated and prices are prevented from rising as a result of its exercise. The government, of course, has tried hard to cover the deficit by borrowing from the people, but all its efforts have led only to a success of 60% while 40% has been borrowed from the banks.

What is the reason for this unsatisfactory accomplishment?

The reason, as I see it, is that the lessons of financial history have not been heeded. A wise English financial statesman was once asked where he would get funds to fill an empty treasury and said: "I will dig it out of the ground." And further asked how he would do that, he answered: "With the spade of interest." The truth of this answer lies in the fact that to persuade the owner of money to lend it the promise of a return must be given which makes him willing to do so. Our government, since 1933, has indulged in the hope that the days of borrowing money under former conditions have gone forever. That the Treasury should borrow money in sufficient quantities at an interest rate of not more than 2½% seems to be part of a new financial creed. Government bonds yielding higher rates of interest are all from the pre-1933 period. The financial history, however, has convincingly shown that every group which is in a position to lend money to a government needing it, is also in a position to have something to say about the terms. Our government has tried hard to attract funds at low yields from all classes of investors. It has brought great pressure to bear in this endeavor.

But these efforts have not produced the money the Treasury needs to cover the deficit. They remain not more than 60% successful. Plans have been suggested for the purpose of persuading the people to buy automobiles, homes, furniture and other items for delivery after the war, with prepayment now, the funds to be invested in government bonds. But these plans have not materialized, chiefly because of the low return on the bonds. All this leads to the conclusion that **if the government wants to attract current surplus funds threatening inflation, it must offer a much higher return guaranteed for a sufficient period of years.**

Now, one can almost hear people cry out that we already pay $3,000,000,000 in interest a year on our bonds, and that it would be an outrage if we should be obliged to pay still more. But what is the alternative? The alternative is to cover the deficit not by raising $16,000,000,000 additional taxes, but $36,000,000,000 additional taxes. How can that ever be done?

Then come the people who cry out that to issue bonds with higher interest would depress the price of all bonds which have been issued with lower interest rates, thus precipitating a crisis which would drive numerous people into bankruptcy. As if rates of interest had never been raised before! Holders of outstanding bonds should be contented if the dollars which they will receive as interest in undiminished amounts will buy in 1944 nearly as much as now and will not undergo a drop in buying power of 30% or 40%, as they undoubtedly will if the dollar is further and further inflated.

There are, of course, those who doubt whether it would be possible to channel the excess money into the purchase of bonds at all. It is, of course, somewhat more difficult to attract subscriptions if you have to think of a large circle of subscribers than if you have to think of a smaller one. As soon as Government bonds with higher interest rates are available, not only can insurance companies attract excess money through more favorable insurance contracts, but also other schemes of a similar nature attracting excess money will be devised. Then there are, of course, means of exerting discreet pressure for subscriptions whose application is time honored. The problem of launching successfully a large bond issue is a problem in mass psychology and has to be solved with good doses of old-fashioned common sense, combined with a good working knowledge of the needs of the people.

Speaking of personal experience, when we faced the problem of launching a loan in Germany in November, 1919, we had before us indeed a terrific task, with the people defeated, starved through a long blockade and threatened by the Allies with ultimatum after ultimatum to deliver under the terms of the armistice not only implements of war, but such vital means of civilian life as railroad locomotives, dredging craft needed for keeping the harbors in operation, horses indispensable for the harvest in the East, and what-not. Still, by offering an attractive plan and by appealing to the instinct of self-preservation of the people, we were able to collect, even under such circumstances, 3,500,000,000 gold marks in subscriptions for the first loan of the Weimar Republic. It was achieved in the dark days of November, 1919, when the communist Spartacus legions still fought in the streets of Berlin and when the first attempts at assassination of the Minister of Finances were planned by the rightist "Baltikumer," the forerunners of the Nazis. The success was achieved by the people in the face of a threat of failure of the potato harvest, the largest staple food of the country, and in spite of a breakdown of the railway system, which endangered the food situation of the large cities.

Would the American people in 1943 respond less fully to a sensible call for cooperation? It is absurd even to imagine otherwise. Once a sound offer is made, the returns will appear. Such offer naturally has to be utterly sincere, which means that Congress must forget the right to tax away later the now promised returns of the loan.

With the deficit substantially covered from savings the main pressure for the rise of prices for consumer goods would be gone. Naturally, we must resort to some system of rationing when we wish to eliminate waste and to keep up our war production effort as long as it is needed. But by a sound system of financing the war budget, we will be able to keep the prices of these rationed goods at fairly constant levels without the danger that production of the goods will be abandoned, or that considerable amounts will be diverted into black markets. Everybody then will consume less but nobody will be deprived of the buying power of his money. What all classes of the population will face then, and face gladly, is sacrifice. But no one will face suffering and starvation.

Irwin Harris Heads N.S.T.A. Committee

Irwin R. Harris of Scherck, Richter Co., St. Louis, Mo., has been appointed Chairman of the Public Relations Committee of the National Security Traders Association, Inc.

The Business Man's Bookshelf

Bank Stock Survey—1943 Edition—Merrill, Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City—paper—no charge.

Conflicts—Studies in Contemporary History—L. B. Namier—The Macmillan Company, 60 Fifth Avenue, New York City—cloth—$2.50.

Employment in Manufacturing, 1899-1939—An Analysis of its relation to the Volume of Production—Solomon Fabricant—National Bureau of Economic Research, 1819 Broadway, New York City—cloth—$3.00.

Family of Thirty Million, A—The Story of the Metropolitan Life Insurance Company—Louis I. Dublin—Metropolitn Life Insurance Company, New York City—Cloth—The book, issued in connection with Metropolitan Life Insurance Company's 75th anniversary, is not for sale, but is intended to reach a wide public and will be distributed to libraries, the press, schools, colleges, banks, insurance and other business institutions and interested individuals throughout the country.

How Did We Get This Way?—H. B. Loomis and John B. Knox—Reprinted from the "Commercial and Financial Chronicle"—William B. Dana Company, 25 Spruce Street, New York City—Paper—35 cents a copy—Reduction for quantity orders—Ready for distribution April 1.

War Bonds Redeemed To Pay Income Taxes

Treasury figures disclosed on March 13 that $45,713,838 in war savings bonds were redeemed in the first 10 days of March compared with $8,919,983 for the corresponding 10 days last year, according to United Press advices. These advices added:

"Total redemptions since Jan. 1 now stand at $185,039,646 against $40,103,317 on Jan. 1, 1942.

"Nevertheless, war bond sales continue at a rate nearly six times the redemptions. Sales in the first 10 days of March totaled $262,-000,000.

"The redemptions this month are heavier than at any time since savings bonds were introduced and officials believe the public effort to pay the heaviest income taxes in history are the cause."