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OUR REPORTER'S REPORT

Another large refunding operation looms on the horizon with the disclosure that a number of syndicates are forming with a view to bidding for a probable issue of $47,000,000 of new securities of the Kansas City Terminal Railway Co.

Although the company has not yet definitely decided upon the operation, pending a report by a committee assigned to study the matter, belief prevails that bids probably will be called for the latter part of next month.

Underwriting circles are discussing the prospect for an issue of $27,000,000 of term bonds, and $20,000,000 of serials to mature in from four to thirty years. Funds so raised would be used to retire $49,000,000 of currently outstanding first mortgage 4s which fall due Jan. 1, 1960.

Decision in the matter should be reached in the near future since the outstanding bonds are subject to call on any interest date on eight weeks' notice.

The next interest date is July 1, so that May 4 is reckoned as

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Pennsylvania Corporates-Municipals

Special section devoted exclusively to Pennsylvania corporate and municipal securities and brevities starts on page 1200. This will be a regular monthly feature of the "Chronicle."

The Future Of The Gold Standard

By EDWIN WALTER KEMMERER

Walker Professor of International Finance in Princeton University

The early part of the present century found all the leading nations of the world except China on the gold standard and likewise most of the minor nations. Although the gold standard in its crude beginning can be traced back over two thousand years and in primitive forms has existed for many centuries in different parts of the world, the first country in which it appeared in an organized modern form was Great Britain and the time of this appearance was about 120 years ago.

E. W. Kemmerer

During the nineteenth century the world experimented extensively with many monetary standards, besides the gold standard, including the silver standard, the bimetallic standard at various gold-silver ratios, dual standards and many varieties of managed paper-money standards. Out of this "battle of the standards," under the rigorous test of trial and error, the gold standard was the victor and gold was everywhere recognized as King.

Thoughtful people realized that the gold standard was far from perfect and that, in particular, viewed over substantial periods of time, gold was not as stable in value as an ideal standard should be; but the gold standard had been more stable than any other monetary standard for many years. It had, moreover, been in process of development over the centuries and the belief was generally accepted that the best hope for the future consisted in the improvement of the gold standard rather than in the substitution of some other standard in its place.

Breakdown During World War I and Subsequent Revival

During the period of World War I and the years immediately following, the gold standard everywhere broke

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Program To Salvage Fiscal And Monetary Solvency

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 in an enlightening article appearing in the "Chronicle" of March 4, bearing the above caption.

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, 18th and 25th. Others are now given below, and the remaining ones which came to hand more recently will be published in the April 8th number.

ROBERT A. TAFT,

United States Senator From Ohio

I agree with everything that Dr. Spahr says in opposition to the various measures designed to inflate the currency. I believe that all of the measures which he lists should be repealed, and a policy adopted which will leave no one in doubt as to the integrity of our currency.

Robert A. Taft

In the first place, it is unlikely that the debt can be paid off at all, or at least only in minor degree. It will no doubt be a permanent obligation, requiring the payment of interest and the levying of taxes to pay that interest.

In the second place, there may be inflation in spite of a sound policy with regard to currency. No matter how severe the price controls, it is inevitable that prices will rise during the war, probably to a point at least 50% higher than they were before the war. The question arises whether we should attempt to deflate these prices, or to stabilize them at the new level. The latter seems to me a more likely course and perhaps a sounder one. The effect would be a reduction in the value of the dollar in terms of commodities.

The difficulty with currency inflation, however, is that it opens the door to unlimited inflation. It is designed to cause price rises in

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Brokers-Dealers Urged To Protect Millions Of Investors Government Bond Sales Create

By EDWIN J. SCHLESINGER

The Liberty Loan sales are said to have resulted in the creation of roughly 17,000,000 investors in the United States, so some idea may be obtained of how many people will hold Government bonds by the time this war is over. And every one of them, with a little nursing, will be a potential investing customer.

It is very possible that some investment bankers and brokers are not fully alive to the extraordinary crop of investors that is being sown for them, and which may prove to be a veritable bundle of good luck left on their doorsteps. However, in harvesting this bumper crop, great care will have to be exercised and much restraint used, but this should not be difficult.

There can, of course, be no repetition of the 1920s; and most brokers and investment bankers will be sure to see to it that this time the investors are handled in such a way that the mistakes of the past cannot reoccur. It is their idea that the SEC will not have to be called upon to prevent a repetition of some of the past performances, but instead voluntary action will be taken by all concerned to keep things from getting out of hand. It is safe to say that this long-headed policy will yield good results.

An investor is one who, while he naturally welcomes appreciation of his capital, should have as his constant and foremost thought the preservation of his invested fund. Since securities cannot be examined before they are bought like so much merchandise, a definite responsibility rests on the shoulders of the seller.

Nobody has the right to gainsay a legitimate profit to either investment bankers or brokerage houses; and consequently it is well not to give criticism the slightest opportunity to take root. Perhaps one of the best ways to make profits from the brokerage and investment banking business stick and multiply is to try to keep the customer alive by not having him over-buy or oversell. For this reason more and more brokers are confining themselves to executing such orders as they receive, without trying to whip up too much business which may prove of an ephemeral nature.

Just like a rolling stone gathers no moss so does the in-and-out customer gather no cash, with the result that he winds up as a dead account on his broker's ledger. A steady investor, even though small, will frequently over a period of years prove more profitable than the type of speculative account which is only a flash in the pan. Unfortunately, the asset value of an investing customer is often only recognized and appreciated after the speculative business has died down and pretty much disappeared. However, this time it appears quite certain that the barn door will be closed before it is too late, so the outlook for a steady growth in business should be bright.

Alfred V. Smith Is Masterson Partner

Alfred V. Smith has become a partner in Frank C. Masterson & Co., 64 Wall Street, New York City, members of the New York Curb Exchange, effective today. Mr. Smith, a member of the New York Curb Exchange, has recently been active as an individual Curb floor broker and in the past was a partner in Lyon & Co. and Francke & Lyon.

Fort Pitt Bridge Dividend

The Fort Pitt Bridge Co., at the directors' meeting on March 29, declared a dividend of 25 cents per share on the common stock, payable on June 1 to holders of record May 1. A previous dividend of 25 cents per share was paid on March 1 of this year. One dollar per share was paid by the company in 1942.

R. J Buck Co. Opens Branch In Venezuela

Richard J. Buck & Co., 39 Broadway, New York City, members of the New York Stock Exchange, is today opening a branch office in Caracas, Venezuela. This is the first time since 1923 that a branch office has been opened in Latin America by a New York Stock Exchange member firm.

Meyers With Paine Webber

(Special to The Financial Chronicle)

BRIDGEPORT, CONN. — John M. Myers has become associated with Paine, Webber, Jackson & Curtis, 43 Pearl Street, Hartford, Conn. Mr. Meyers was formerly in business as an individual dealer in Bridgeport and prior thereto in New York City.

George Rourke Joins E. F. Hutton & Co

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — George W. Rourke has become associated with E. F. Hutton & Company, 623 South Spring Street. Mr. Rourke was formerly local manager for J. A. Hogle & Co. In the past he was with G. Brashears & Company.

Quinn In Fresno

(Special to The Financial Chronicle)

FRESNO, CALIF.—Andrew W. Quinn has opened offices in the Brix Building to engage in a general securities business. Mr. Quinn was formerly with Schwabacher & Co.

Houghton Bulkeley Is Now Cooley Partner

HARTFORD, CONN. — Houghton Bulkeley has been admitted to partnership in Cooley & Co., 100 Pearl Street, members of the New York Stock Exchange, effective today. Mr. Bulkeley for many years was a partner in Putnam & Co.

Rail Situation Interesting

"The Bond of the Week," a series of articles on railroad bonds, is being distributed by Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia, Pa. Copies of the articles in this series, each discussing currently attractive situations, may be had upon request from the firm.

Stroud & Company, Incorporated, also publish "Semi-Annual Valuation of Railroad and Equipment Certificates."

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NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Off-Board Securities Business Has Big Volume

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange and other leading Exchanges, have published a 28-page booklet entitled, "Off-Board Securities Business," which tells how this business is handled, where it originates and sets forth the legal restrictions and other rules governing these transactions.

According to the firm, the value of securities traded off board, including U. S. Government securities, is substantially greater than the value of securities traded on the organized securities exchanges, amounting to $175,567,000,000 as of Dec. 31, 1942, compared with about $100,000,000,000 of on-board securities. Exclusive of U. S. Government securities, the off-board business was valued on that date at $95,000,000,000.

Copies of this interesting and attractive booklet may be had upon request from Merrill Lynch, Pierce, Fenner & Beane.

DEALER BRIEFS

Boston, Mass.

We find a growing tendency on the part of our clients to crystallize their profits on their speculative Second Grade Rail Bonds and certain of their very speculative Industrials by trading for equities of real intrinsic merit. Bank and Insurance stocks have been the logical media for this purpose.—*F. L. Putnam & Co., Inc.*

We find plenty of funds for investment in the securities of our local industrials and utilities, especially those with good earnings records and good possibilities for a stable post-war business. Such securities are sure to be a good hedge against inflation.—*Benjamin Howe, President, H. P. Wood & Co.*

Danbury, Conn.

Connecticut is fortunate in having a group of manufacturing companies whose unbroken dividend records go back from 40 to 90 years. Among these are Scovill Mfg. Co., American Hardware Corp., Landers, Frary & Clark, Stanley Works, Torrington Co. and a number of others.

While all are engaged in war production, we feel that peace-time demands for their products will be heavy.—*Berkley H. Hill, Maples & Goldschmidt.*

Harold Carron Is Now With Distributors Group

Harold T. Carron has become associated with Distributors Group, Inc., 63 Wall Street, New York City, in charge of the Order and Trading Room.

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.

H. H. Robertson Attractive

An interesting circular on H. H. Robertson company has been prepared for distribution by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa. Copies of the circular discussing the current situation affecting H. H. Robertson may be had from Buckley Brothers upon request.

ABC Corp. Pays Regular Quarterly Dividend

American Business Credit Corporation paid a regular quarterly dividend of eight cents per share on March 31st.

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.—**Arthur S. DePew** is now with **Leason & Co., Inc.**, 39 South La Salle Street. Mr. DePew was previously connected with Ryan, Nichols & Co., and Thompson Ross Securities Co.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—**Fred W. Wakefield** has joined the staff of **Finley & Co.**, Union Commerce Building.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Mary C. Siegrist**, formerly with Wm. C. Roney & Co., is now affiliated with **Charles A. Parcells & Co.**, Penobscot Building.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Thomas C. Spearman** has been added to the staff of **Bankamerica Company**, 650 South Spring Street.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN.—**Lawrence W. Klopp**, formerly with Wittenberg-Merrick Company, is now with **Blyth & Co., Inc.**, Northwestern Bank Building.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN.—**Oliver Eielson**, previously with Wells-Dickey Company, has become associated with **Merrill Lynch, Pierce, Fenner & Beane**, Rand Tower.

(Special to The Financial Chronicle)

ST. PAUL, MINN.—**Richard G. Kramer** and **William W. Lewis** have become connected with **Merrill Lynch, Pierce, Fenner & Beane**, First National Bank Building. Mr. Kramer in the past was with Paine, Webber & Co.; Mr. Lewis was with Bigelow-Webb & Co.

(Special to The Financial Chronicle)

CLEVELAND, OHIO — **Irving Sumergrade** has become associated with **Goodbody & Co.**, National City Bank Building. Mr. Sumergrade was previously with the Federal Reserve Bank in Cleveland and prior thereto was with Prescott & Co. and Fenner & Beane.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Stanley M. Weaver**, formerly with Merrill Lynch, Pierce, Fenner & Beane, is now connected with **Straus Securities Co.**, 600 Griswold Street.

(Special to The Financial Chronicle)

DETROIT, MICH.—**William E. E. Clark, C. William Gregory** and **Harold C. Hern** have been added to the staff of **Mercier, McDowell & Dolphyn**, Buhl Building. Mr. Clark was formerly with Smith, Hague & Co.; Messrs. Gregory and Hern were with C. G. McDonald & Co.

Marshall Pask With Turnure-Blyth Co.

Marshall W. Pask, for many years head of the firm of Pask & Walbridge, and more recently a general partner in the firm of Mackay & Co., has become associated with the New York Stock Exchange firm of Lawrence Turnure & Co.-Blyth & Bonner, whose history dates back to the firm of Moses Taylor & Co., founded in 1832.

Mr. Pask, who has been prominent in financial circles for 41 years, is a director and Chairman of the Securities, Commodities and Banking Section of the New York Board of Trade.

Industries of Tomorrow

The oil industry and petroleum chemistry have increasingly bright prospects for the post-war period with the outlook for the crude oil producers offering particularly interesting possibilities, according to a circular being distributed by C. B. Richard & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange. Copies of this interesting circular discussing the future of the oil industry in detail may be had upon request from C. B. Richard & Co.

To Pay On Irish 5s

The National City Bank of New York, as American fiscal agent, is notifying holders of Irish Free State external loan sinking fund 5% gold bonds, due Nov. 1, 1960, that $6,000 principal amount of the bonds have been called by lot for redemption on May 1 at par. The bonds will be redeemed at the head office of the fiscal agent, 55 Wall Street, New York.

Our Reporter On "Governments"

By S. F. PORTER

The big news in the Government market these last few days has been the under-the-surface strength in tax-exempts. . . . Of nearly all maturities. . . . Of intermediates and longs. . . . Don't, under any circumstances, miss the significance of this movement—which actually represents a continuation and intensification of a trend which began two years ago—for it may mean considerable profit to you over the long run. . . . For if you're the manager of a tax-affected portfolio, institutional or individual, you may find partial solution to your investment and speculation problems in the list of tax-exempt securities still available in the Government market. . . .

Here are some pertinent facts:

(1) **Both banks and large non-banking investors have been buying tax-exempts on an increasingly large scale during the last few weeks and experts believe this purchasing will remain a major factor in the market for some time. . . .**

(2) The possible sources of supply for tax-exempts are drying up rapidly, for it may be taken for granted that most insurance companies and savings banks have sold their non-important holdings of tax-exempts and have comparatively few bonds left in their portfolios to place on the market for sale. . . .

(3) With apparently few, if any, exceptions, the professionals in the Government mart are optimistic on the price level and position of tax-exempts and some are forecasting prices for tax-exempts which appear spectacular in comparison with present levels. . . .

(4) More and more banks are moving into the excess-profits-tax bracket and more and more banks are discovering they have only minor losses to charge off against profits—meaning that an ever-growing number of buyers may be counted on for the tax-exempt list. . . .

(5) **The outstanding total of tax-exempts is decreasingly steadily, and between now and the end of 1944, $9,000,000,000 more tax-exempts will be eliminated through the simple process of call and redemption, indicating that when the public debt hits the $210,000,000,000 mark at the end of 1944, only $23,000,000,000 of this gigantic sum will represent tax-exempt obligations. . . .**

(6) There is virtually no chance for a political move ending the favored position of tax-exempts, for Secretary Morgenthau is committed to a policy of "hands off outstanding tax-exempts" and the make-up of Congress today would suggest any attempt to revise this setup would meet terrific opposition and have dire political consequences. . . .

(7) Add all the factors together—and you have the background for the bullish attitude of insiders now on the prices of the billions of tax-exempts still out. . . .

WHILE YOU'RE WAITING

Until April 12, when the $13,000,000,000 April War Loan drive is due to begin, there is little for you to do outside of realigning your portfolio, taking stock on your present and potential buying power and deciding what issues and how many to buy. . . . This is a perfect period for analysis, therefore—a chance well needed for determining what individual investment program you wish to follow over the coming months. . . .

It must be stated at the start that full investment is the overall investment necessity for every institution and individual. . . . If you stop short of this policy, you'll ask for investigation and suspicion and unnecessary criticism. . . . It is a duty—a war-time essential for all sources with funds. . . . It's unnecessary to go beyond these few words on this point. . . . Let us then proceed to the question of what bonds to buy, rather than waste time on the question of how many. . . .

To this writer, the position of the tax-exempts has seemed obvious for many, many months. . . . Repeatedly, in this space, purchase of tax-exempts has been urged upon all investors who need some protection from the tax laws. . . . With the increasing tax load a first point and with the importance of tax-exemption an equally clear point, study of the Government mart's offerings here has seemed as elementary as the alphabet. . . .

The new factors in the situation make these sentences even more timely. . . . Surely no one can expect any immediate change in the position of tax-exempts. . . . There's no sign of any move on foot in Washington to accomplish this. . . . So greatly has the trend of thought on tax-exemptions shifted that

(Continued on page 1208)

REAL ESTATE SECURITIES

HOTEL BARBIZON, INC.

100% Hotel Ownership Without Any Funded Debt

The reorganization of this property was an unusual one, in which the bondholders, instead of receiving new bonds, received an equal share in the ownership of the property represented by two shares of stock for each $1,000 bond, out of a total issue of 5,305 shares.

At the time of reorganization, a first mortgage of $400,000 was placed with the Chemical Bank & Trust Co. for reorganization expenses, etc. **This mortgage has now been entirely paid off and there is no funded debt ahead of the stock.**

At the current market price of the stock, approximately $155 per share, this is equivalent to buying into the property for approximately $822,275, or silghtly over 1½ times the gross income of the hotel. (It is interesting to note that the original first mortgage on this hotel was $3,000,000.)

Dividend payments since 1934 have been made as follows:

1934	$2.00
1935	6.00
1936	8.00
1937	12.00
1938	12.00
1939	12.00
1940	13.00
1941	14.00
1942	6.00
1943	9.00 (to date)

The $9 dividend paid March 23 was in lieu of the customary special dividend of $5 of September, 1942, and regular $2 quarterly dividends of November, 1942, and February, 1943. The reason for the delay in payment of these dividends was because of the expiration of the voting trust and the issuance of the common stock. With the exception of this delay, since October, 1934, a regular dividend of $2 per share was paid quarterly without interruption. Extra dividends of $4 per share were paid September, 1937, 1938 and 1939, also an extra dividend of $5 per share in 1940 and $6 per share in 1941.

Since issuance of the shares, about $190,000 has been spent in improvements and replacements. This work included new carpets throughout, new kitchen equipment, decorating and air-conditioning of dining rooms, all new springs and mattresses, radios in all the rooms and the erection of a permanent marquee for the main entrance.

In 1939, the management purchased for $18,000 the land and four-story building fronting 16.8 feet on 63rd Street. This plot has a depth of 100 feet adjoining the hotel and its purchase was deemed advisable to protect the light and air on the east side of the property.

The property, entirely owned by the stockholders, consists of land owned in fee on the southeast corner of Lexington Avenue (112.4 feet) and East 63rd Street (120 feet), New York City, improved with the 22-story apartment hotel erected thereon containing 686 rooms and 8 stores. The hotel caters to women only, and is known as New York's most exclusive residence for young women. In addition to its restaurant, it also contains a library, a recital room equipped with stage, organ and grand piano. Organ recitals are presented in the afternoons while complimentary tea is served to residents and their friends. A swimming pool and gymnasium, open-air terraces, etc., are among the conveniences provided for the guests.

Because of all of its splendid advantages and easy accessibility to other important interests and adequate transportation facilities to all parts of greater New York, we believe that this hotel should receive a good portion of the current hotel boom in New York.

	Price Range High	Low
1943	150	142
1942	187	146
1941	190	157
1940	200	155
1939	182	148
1938	147	138

Rail Issues Look Good

Short-term railroad bonds and railroad equipment securities merit more than ordinary interest at this time, according to an interesting bulletin issued by Strauss Bros., 32 Broadway, New York City, since recent events would indicate that the current large revenues would be directed towards the twofold objective of assuring a strong financial structure and building an efficient and modernized railroad system. Copies of this interesting bulletin (Dealer Chats No. 18) may be had from Strauss Bros. upon request.

Tomorrow's Markets Walter Whyte Says—

Minor reactions too small to carry significance. Cautiousness advised. Reaction of couple of points would clear the outlook.

By WALTER WHYTE

At this writing the stock market looks slightly over-bought. Under ordinary conditions this would call for a setback. But, as I've stressed last week, these are not ordinary conditions or are these ordinary days.

* * *

True, the public, which has proved so wrong so often to almost become a yardstick of the negative, is in. But public participation is not on paper-thin margin. It is buying for cash or almost cash.

* * *

There have been a number of theories presented to show that this large amount of cash buying keeps the market from tumbling off its perch. I can't present any records to show public cash participation in previous market cycles, though for the sake of argument I'll agree that the present period is the highest; yet the amount of cash spent for anything, be it securities or baby shoes, has never permanently stopped a decline. At best it can only delay it.

* * *

In the old days, before the SEC started shaking warning fingers, a market such as we have today would be made to order for the shrewd operator. In order to test the obvious underlying strength thousands of shares of stock would have been sold "at the market" to see how the market would or could take it. Today such tests are out of the question. Anybody who is suspicious of all this talk of higher markets must sit and bite his nails waiting for something more substantial to reassure him or just leave the whole thing alone.

* * *

Beginning this week the $5 stocks will have to be bought for cash. Whether this will affect the low-priced market will have to be seen. I don't think it will. For if there are any cash purchases made they are undoubtedly in the cheaper shares, which many buyers believe contain the germ of hidden wealth. There have been cases where this was true, but the odds are so much against it it isn't even a gamble. It's like giving a panhandler some folding money in the firm belief that "bread cast on the waters, etc." So for purposes of this column I intend to leave the five-dollar stocks alone and talk about the ones you can find something to talk about.

* * *

Aside from the indicated demise of the New Deal, basically the present advance gets its dynamic strength from inflation. This inflation has hit all along the line. The only place it has not hit is the stock market. Whether stocks are better than cash in a period of inflation is a debatable issue. Offhand I would say yes. But what is most important is the question of timing. And on timing you are back where you started.

* * *

Getting out before a reaction shows an ability to "time." It is possible that with the market in an ascending cycle such a reaction may prove minor and leave you sold out just before another major move develops. Yet to disregard minor signals is to fly in the face of Providence. Nobody really knows when minor reactions can turn into

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Investment Opportunities Seen In Rail Issues

This is definitely a railroad year, with investments in rail securities offering most attractive possibilities according to "The Dawn of a New Day in Railroad Security Valuations," a most interesting booklet being distributed by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Copies of this booklet, discussing the current situation in rail securities in detail, may be had upon written request from Vilas & Hickey.

RAILROAD SECURITIES

The most striking evidence yet to appear as to the changing investment and speculative sentiment towards rail securities was found in the prices that Baltimore & Ohio had to pay for bonds accepted under its invitation for tenders. Some of the prices were little less than fantastic, ranging from about four to more than eight points above the prices at which the bonds had closed on the New York Stock Exchange the day before the announcement was made. Prices paid were also considerably above the highs established on public exchanges during at least the last couple of years.

No announcement has as yet been made as to the funds expended in the tender operations nor the face amount of bonds accepted. Certainly, judging by the prices, the operation must have been considerably more substantial than that completed a few months ago when $29,275,650 face value of the various liens covered were purchased. The prices paid emphasize the disinclination of a large section of railroad bond holders to dispose of their commitments around going market quotations, in marked contrast to the general attitude that particularly characterized the institutional holders for many years back.

As an important market consideration, the announcement by Baltimore & Ohio of the high prices it had had to pay to acquire its bonds came on the same day that the Interstate Commerce Commission strongly reemphasized its conviction that railroad debt must be reduced by utilization of war earnings. It has long been accepted as a foregone conclusion that requests for authority to issue equipment obligations will be approved without question. The necessity for Commission approval has generally been considered merely a matter of form. However, in acting on the request of Southern Railway for authority to finance the purchase of new equipment, the Commission stated that this request would have been turned down except for one consideration.

The governing consideration was that the Southern has been effecting a substantial reduction in its mortgage debt out of the war earnings at an average interest saving of 6%. The low coupon equipment financing was, therefore, considered well worth while. If earnings were not being utilized for profitable debt retirement the Commission would apparently have required that treasury funds be used to buy the new equipment for cash.

It is expected that this new departure will get its real test when the Commission is called upon to act on the Northern Pacific's request to issue new equipment obligations this month. Northern Pacific has not followed an aggressive debt retirement policy in spite of the low prices at which its high coupon junior bonds have been available in the market. Its policy has apparently centered more around the desirability of building up a large cash reserve as a cushion against post-war eventualities.

Last year the major railroads as a whole retired roundly $300,000,000 of debt and in many quarters it is believed that the figure may run between $600,000,000 and $700,000,000 in 1943. This belief is strengthened by the constantly growing indications that the Commission is going to use every means in its power to force acceleration of debt retirement programs. It now appears almost certain that the Commission will find some means definitely to require segregation of passenger fare and freight rate increases for debt retirement, if these increases are allowed to stand. At the present writing the chances favor retention of at least the major portion of the increases.

The combination of virtually forced debt retirement and the indication in the Baltimore & Ohio experience that there is a definitely limited supply of even the weakest marginal bonds available at current market levels, had an immediately salutory influence on the second grade bond market. Volume increased substantially at materially better prices late last week. There is reason to believe, in view of the above observations coupled with the continuing very favorable trend of earnings, that the general price trend will be upward for some time to come in second grade "and interest" bonds.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

It is now possible to present a fairly complete picture of the 1942 operating results of representative stock fire insurance companies since, with comparatively few exceptions, their annual reports have been filed and their earnings and other figures have been made available. The following tabulation shows, for a list of 30 companies, net premiums written, net underwriting profits, net investment income, and year-end liquidating values, for 1942 compares with 1941.

	Net Premiums Written $ (000)		Net Underwriting Profits $ (Per Share)		Net Investment Income $ (Per Share)		Liquidating Value $ (Per Share)	
	1941	1942	1941	1942	1941	1942	1941	1942
Aetna	28,452	29,865	0.66	— 0.48	1.92	1.91	53.58	53.31
Agricultural	8,075	8,860	0.08	— 1.24	4.57	4.25	80.29	81.23
American Alliance	2,217	2,448	—0.02	0.42	1.32	1.25	21.98	22.95
American Equitable	4,979	5,044	—0.66	— 0.32	1.52	1.35	27.07	26.88
Automobile	17,020	18,551	2.17	1.27	1.75	1.61	39.24	39.77
Bankers & Shippers	4,450	3,666	—1.61	— 0.58	6.35	5.90	99.34	106.18
Boston	6,269	7,392	9.90	—20.33	30.83	31.23	621.07	608.17
Continental	25,882	27,470	0.59	0.40	2.35	2.09	37.28	39.83
Fidelity-Phoenix	19,863	22,757	0.81	0.03	2.60	2.44	38.60	41.53
Fire Association	13,012	11,876	—0.74	— 1.75	4.06	4.09	72.88	74.89
Franklin	9,695	7,952	0.03	— 0.83	1.84	1.57	22.14	21.73
Globe & Republic	2,881	2,880	—0.38	— 0.16	0.87	0.75	16.26	16.12
Great American	16,753	20,452	0.29	— 0.11	1.21	1.18	22.22	22.80
Hanover	8,042	9,453	0.09	— 0.20	1.41	1.42	26.30	28.64
Home	71,069	61,746	0.47	— 0.65	1.75	1.50	25.00	24.71
Ins. Co. of N. A.	33,067	49,989	1.32	0.03	3.62	3.63	71.29	73.71
National Fire	18,320	18,134	—0.04	0.34	2.62	2.54	77.42	76.53
National Union	10,844	10,918	6.43	6.24	8.56	10.15	200.98	208.22
New Brunswick	2,156	1,847	—0.53	— 0.34	2.24	1.92	32.87	32.34
New Hampshire	5,561	5,210	—0.71	- 0.11	2.14	2.21	44.84	45.49
New York Fire	2,489	2,560	—0.34	— 0.18	1.28	1.11	18.46	19.46
Northern	5,575	5,397	0.94	6.10	5.11	4.33	99.29	105.78
North River	8,388	9,884	0.28	— 0.86	1.15	1.10	21.59	21.51
Pacific	5,017	4,051	1.79	0.20	7.23	6.65	127.54	134.65
Phoenix	11,561	13,392	1.07	0.23	3.17	3.18	90.23	89.94
Providence-Wash.	7,795	9,561	1.18	— 0.62	1.80	1.71	36.42	36.23
Security	5,776	7,258	1.99	— 0.01	1.84	1.81	43.71	44.65
Springfield	16,009	18,046	3.49	3.57	5.44	4.81	125.59	128.41
United States Fire	13,029	15,375	1.23	— 0.80	2.52	2.40	51.02	51.26
Westchester	8,860	11,403	0.47	— 3.00	1.67	1.71	30.82	29.02
Total	393,106	423,437						

It will be noted that 14 of the 30 companies experienced underwriting losses for the year, and that of the 16 which reported net underwriting profits only three, viz: American Alliance, Northern and Springfield, showed higher profits than in 1941. With regard to investment income, 22 reported a lower net than in 1941, while in the case of the eight which reported higher, the gains were fractional, except for National Union, which shows an 18% increase.

Underwriting losses sustained in 1942 were attributable, in most cases, to heavy ocean marine sinkings in the first half of the year, and also to unfavorable motor vehicle experience. The following 15 companies wrote a relatively high average of ocean marine risks: Aetna, Agricultural, Automobile, Boston, Fidelity-Phenix, Fire Association, Great American, Hanover, Insurance of North America, North River, Phoenix, Providence-Washington, Security, United States Fire and Westchester. Eleven of these companies reported underwriting losses for the year, while Automobile, Fidelity-Phenix, Insurance of North America and Phoenix showed quite drastic declines in their underwriting profits.

Thirteen companies in the group wrote a comparatively high proportion of motor-vehicle business, viz: Aetna, Agricultural, Automobile, Bankers & Shippers, Fire Association, Franklin, Hanover, Home, National Fire, National Union, New Brunswick, Northern, and Pacific. The underwriting experience of these companies, also, was generally poor, particularly in the case of those which were high in ocean marine as well, viz: Aetna, Agricultural, Automobile, Fire Association and Hanover. Two exceptions are National Union and Northern, both of which reported quite substantial underwriting profits. Generally speaking, the companies which wrote a high average of fire business showed the best underwriting results for the year.

Net premiums written for the 30 companies aggregated $423,437,000 in 1942, compared with $393,106,000 in 1941, an increase of $30,331,000 or 7.7%. However, it will be noted that nine companies in the group showed a drop in premium writings. In all instances, except New Hampshire, such companies had been especially active in the motor vehicle field, and suffered from the decline in this class of business.

With regard to year-end liquidating value, 18 companies show increases over 1941 and 12 show decreases. A number of factors affect the rise or fall of liquidating value, such as: the proportioning of the investment portfolio as between stocks and bonds, the relative market level of stocks and bonds, the expansion or contraction of total invested assets, the relation between surplus and unearned premium reserves, etc. Other things being equal, a company whose volume of business is expanding may show a decline in liquidating value since its unearned premium reserves, which figure only 40% in liquidating value, are built up at the expense of surplus which figures 100%.

All in all, 1942 was an eventful year in the fire and marine insurance business. Despite the impact of terrific submarine losses, drastically cut automobile driving and high taxation, representative companies came through in splendid shape, paid their regular dividends with minor exceptions, covered them by investment income alone, and ended the year in a strong financial position to carry on. In 1943 those companies which heretofore have relied less on ocean marine and motor vehicle business, but more on fire and miscellaneous risks, should, by all that is logical, experience the better underwriting results. This, of course, is on the assumption that fire losses do not rise unduly above 1942 totals and that last year's favorable burning ratio is maintained.

Halsey, Stuart Offers Public Service Bonds

A banking group headed by Halsey, Stuart & Co., Inc., offered March 29, at 108 and accrued interest an issue of $20,500,000 Public Service Co. of New Hampshire first mortgage bonds Series A 3¼% due 1973.

Upon the redemption of the outstanding bonds, the new issue, in the opinion of counsel, will meet the present requirements for legal investment of savings banks in New York, New Hampshire, Massachusetts and Connecticut and will, moreover, constitute the only funded debt of the company. Associated with Halsey, Stuart & Co., Inc., in the offering are: Dick & Merle-Smith, Ladenburg, Thalmann & Co., W. C. Langley & Co., Blair & Co., Inc., Otis & Co., Inc., Wertheim & Co., R. W. Pressprich & Co., A. C. Allyn and Company, Inc., Bear, Stearns & Co., Equitable Securities Corp., Graham, Parsons & Co., Newton, Abbe & Co., Hallgarten & Co., the Milwaukee Co., Stifel, Nicolaus & Co., Inc., Field, Richards & Co., A. G. Becker & Co., Inc., Gregory & Son, Inc. and associates.

Net proceeds of the issue will be used to the extent of $19,686,160 to redeem at 104% all outstanding bonds of the company, aggregating $18,929,000 and issued in four series, maturing from 1960 to 1966. The amount of $1,000,000 will be applied to the payment of the company's outstanding bank loans, incurred for the purchase and construction of additions to its facilities and the balance will be devoted to other corporate purpose.

The bonds will have the benefit of a sinking or improvement fund provision under which the company will pay $212,069 to the trustee on or before May 1 of each year from 1944 to 1972. This payment is to be in cash except that all or any part of the payment may be made in Series A bonds at their principal amount, while as to any part in excess of half of the amount the company may allocate and certify to the trustee, in lieu of cash or bonds, a net amount of additional property paid for during the preceding calendar year.

Total operating revenues have shown a progressive increase during the last three years, from $6,836,266 in 1940 to $7,643,741 in 1941 and $8,263,234 in 1942. Net income available for interest recorded a parallel increase, being reported as $2,262,217 in 1940, $2,780,709 in 1941 and $2,879,873 in 1942, whereas annual interest on this issue of bonds amounts to $666,250.

The electric service territory of the company in New Hampshire has a population estimated at 279,250, representing about 56% of the population of the State, and includes most of the important industrial areas in the State. In 1942 88.1% of gross operating revenues came from electric service, 3.7% from sale of gas, 6.6% from transportation and 1.6% from steam sale.

Welsbach Engineering Bonds Offered

A new issue of $493,000 collateral trust 5% 10-year sinking fund bonds was offered March 26 by Barrett Herrick & Co., Inc., New York. The bonds, which are due Jan. 1, 1953, are priced at 83 plus interest.

Proceeds from the sale of the new bonds will be used by the company to purchase all of its outstanding collateral trust 6% sinking fund bonds which are at present held by the United Gas Improvement Co.

Welsbach Engineering and Management Corp. is a holding and management company, owning all the stock of, and managing, eight subsidiaries. It is the outgrowth of a development in street illumination which began approximately 65 years ago, the prospectus states. The eight subsidiaries are engaged primarily in the installation and maintenance of street-lighting systems in 30 cities in New England, Middle Atlantic and Mid-Western States, among which are Baltimore, Boston, Chicago, Cincinnati, New York and Philadelphia. They also manufacture and install traffic signals, operate a non-ferrous foundry and a machine shop, and design and install ozone generating and distributing equipment. Collateral for the new bonds consists principally of entire capital stocks of all subsidiaries, none of which has any funded debt, it is stated.

For the year 1942 the company reported gross revenue of $3,517,994, compared with $2,498,975 the preceding year. Earnings before interest, depreciation, and Federal income taxes amounted to $258,854, against $168,435 in 1941.

Southern Bag Looks Good

Common stock of The Southern Advance Bag & Paper Co. offers attractive possibilities, according to a memorandum issued by Boenning & Co., 1606 Walnut Street, Philadelphia, Pa., members of the Philadelphia Stock Exchange. Copies of this interesting memorandum may be had from Boenning & Co. upon request.

MEETING NOTICES

Program To Salvage Fiscal, Monetary Solvency

(Continued from first page)

irregular and uncontrollable percentages, and it shakes the confidence of the people in the integrity of money.

ELBERT D. THOMAS,
United States Senator From Utah

Elbert D. Thomas

We should pay in dollars of present value. With our stores of gold and silver and with price controls operating almost universally, there is no reason why we can not.

GEORGE A. EASTWOOD
President, Armour and Company

I find myself in almost complete accord with the fiscal program outlined in your issue of March 4 by Dr. Walter E Spahr of New York University.

Geo. A. Eastwood

Aside from military potentialities, inflation is the greatest peril faced by the American people. Inflation can come about insidiously and in guises which at first may make it acceptable to different groups in the body politic. For example, it is not easy to convince industry that it is inflationary to pierce the ceilings established to control the selling prices of products, and it is equally as difficult to convince millions of factory workers that the raising of wage levels is inflationary.

It seems obvious to me that our greatest danger lies in letting a multitude of seemingly unrelated and seemingly harmless factors add up to inflation.

Dr. Spahr's program, and particularly his first two proposals, offer a means to combat inflation, though I am not blind to the fact that the merit of his proposals will not be instantly apparent to those who think they stand to profit by such procedures as Dr. Spahr proposes to fight.

W. C. MAC FARLANE
President,
Minneapolis-Moline Power Implement Co.

I have read Dr. Spahr's article with a great deal of interest, and cannot help but agree with the doctor's contention.

W. C. MacFarlane

At the present time, practically everyone in the country is investing his savings in war bonds with present dollars, and I am sure that everyone, like myself, confidently expects the Government to repay us upon maturity with the same kind of dollars we are using to purchase these bonds.

If the bonds are paid off in terms of present dollars, of necessity the national debt will have to be paid off with the same kind—otherwise patriotism of present investors will be penalized drastically, whereas those few who are not investing in war bonds will profit in terms of inflated dollars.

Nearly all of the corporation and old-age benefits and retirement plans are based on present dollars; and, in many intances, are underwritten directly or indirectly by certain insurance company plans, also in terms of present-day dollars. It would be most unfortunate if far-sighted corporations, trying to take care of old and valued employees, would have their plans materially marked down by an inflated dollar, particularly when many of the plans are contributory.

What would become of the individual who spends all his life investing in annuities and endowment policies for his old age and then finds the dollar he ultimately gets is not the dollar he invested in preparing for his old-age security.

JAMES E. GOWEN
President, Girard Trust Company, Philadelphia

In my judgment the views expressed by Dr. Spahr are sound.

ARTHUR J. MORRIS
President, Fulton Trust Company of New York

I have read Dr. Spahr's article with a great deal of interest and I am in agreement with his explanation as to the necessary policies to be adopted in order to take care of the huge national debt. I believe his suggestion of consolidating the debt is something that will have to be considered but it remains to be seen at what figure that consolidation will be attempted.

Arthur J. Morris

CHARLES ENGELHARD
New York City

It is not the purpose of this letter to get into any controversy with Dr. Spahr and the economic program he has in mind as regards our national financial future.

Charles Engelhard

I only can speak from my own experience as a precious metals dealer—that I do believe that the gold and silver policies of our Government, including the Silver purchase Acts, have been **excellent**, and that these policies will form the very foundation of our own future as well as of the economic future of the world.

More than that, our present control of the gold and silver resources of the world will place the financial leadership of the world into the hands of the American Government for the next 50 or 100 years.

The price of gold had to be raised when it was raised by our great President for the simple reason that the gold supply of the world is naturally limited, and the gold mines are not getting any richer, but more gold was and will be essential in order to protect the currencies of the future.

As far as silver is concerned, silver is the gold of the more primitive nations like China and India, constituting within their borders about one-half the population of the world, and it is to our very interest that those nations should be lifted to a higher plane of living.

I do not favor bi-metallism, because there can be only one standard, and that is and will be gold, but silver, and the value of silver on a flexible price basis can and should be controlled by those who possess the gold, on the basis of three parts gold and one part silver, as provided for in the Silver Purchase Acts.

When the war stops, the whole world (with the possible exception of the United States and a few other countries) may be bankrupt, for the simple reason that they will be unable to pay their commercial balances in gold or silver, and must rely on barter only.

I contend that the barter business as introduced by Hitler into the present economic system of Europe, means slavery for the weaker partner, because, if balances cannot be paid in gold or silver, then the weaker partner is forced to accept goods from the stronger partner which he may not want, and which he does not need, and in this way he loses **His Economic Independence.**

I fully agree with the statement of Mr. W. L. Hemingway, President of the American Bankers Association, and President of the Mercantile-Commerce Bank and Trust Co. of St. Louis, Missouri, of which I enclose a copy. (Refers to address delivered by Mr. Hemingway before the Chamber of Commerce of the State of New York earlier this year, substance of which appeared in the "Chronicle" of Jan. 14, 1943.—Editor.)

I would suggest, however, if and whenever the United States will consent to make gold and silver loans to other nations when peace comes, that at the same time a bank for international settlements is created, either independently or as a department of the Federal Reserve Bank in New York, by which international balances are paid in gold or silver, for legitimate purposes, in New York, for

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Investment Trusts

ONLY A ZEPHYR

This is the story of a squall that turned out to be only a gentle zephyr. It was reported here on March 11 that the short-term market trend indicator previously discussed in this column had turned down on Saturday, March 6. Last Friday, March 26, this indicator again turned upward, getting back in step with the longer-term indicator which has remained consistently upward since April of last year.

The action of the market during those 20 days could hardly be described as a setback; a period of hesitation would be more accurate. Such a mild correction, coming at the top of a virtually uninterrupted 10-month rise, is unusual and may be significant. For one thing, it would indicate that the underlying forces making for higher prices are far more powerful than is generally realized.

In this connection, the discussion in the March 25 issue of National Securities & Research Corp.'s **Investment Timing** is a valuable contribution to the subject. Entitled, "Indications Continue That the Bull Market Is Yet Young," the article concludes that we are now only at the end of the first phase of a normal 3-phase advance in security prices. Incidentally, that same issue contains the following forecast of the intermediate trend of stock prices:

"From Feb. 24 to the close yesterday (March 24) the hourly range of the Dow-Jones Industrial Stock Average had been only 2½ points (March 2, 12 noon, 128.33; March 12, 2 p.m., 130.95). During this period the lower level was approached three times and the upper level four times. And during this period of no progress, the volume was heavy. Until yesterday, the indications were that when a break out occurred, it would be through the lower level. But yesterday the complexion of the market underwent a complete change and today prices broke through the **upper** level in unmistakable manner. We must, therefore, take the view that higher prices will be seen before any serious setback occurs."

Investment Company Briefs

Distributors Group puts the analyst's pencil to the railroad situation and comes out with some startling figures. In its current issue of **Railroad News** this sponsor points to the $2,000,000,000 liquid resources of the railroads, an estimated $700,000,000 of which will be used to retire debt this year. Retirement will take place in the $5,000,000,000 par value longer term discount bonds. Knocking two ciphers off these figures, the comparison is reduced to a $50,000,000 bond issue with a $7,000,000 "sinking fund" for retirement purchases this year. "Where," asks Distributors Group, "will the railroads get this volume of bonds out of a market in which it is already more difficult to buy than to sell?" And "where will the market be when the $7,000,000 'sinking fund' buying is finished?"

* * *

The largest issue of Lord, Abbett's **Union Dealer** emphasizes the value of the non-taxable exchange feature of Union Trusteed Funds. To quote from the bulletin:

"A holder of any class of Union has the right to exchange his shares for those of any other Union Series on a basis which represents a discount from the public offering price. . . . As long as the investor continues his investment in Union, without interruption, the question of taxability of gain or loss does not arise, no matter how many times he exchanges one class for the other. . . . The real value of this feature is something beyond the dollars and cents of taxation: it enables him to make clear and unencumbered decisions, on investment judgment alone, without the old question of "How does this affect me taxwise?"

* * *

"Discount Bonds in a War Economy" is the title of the chart

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Pennsylvania Brevities

U. G. I. Dismemberment

Into the spotlight last week came "when issued" trading in two new stocks of old-time, respected and popular **Philadelphia Electric Company**, soon to be revamped as an integrated, independent operating utility. At present 97% owned by **United Gas Improvement**, the new securities of PX are to be created and distributed as part of the Plan of Partial Dissolution ordered by S. E. C. for U. G. I.

Torch-lighted by **Yarnall & Co.**'s public offering of an unstated number of shares of **Philadelphia Electric** $1.00 Dividend Preference Common at 23½ and of the new common shares at 17½, traders nimbly conjectured the arbitrage possibilities of the two new isues coupled with what will be the locust-shell remnants of U. G. I. common after presently-planned distributions have been effected. The latter, already dubbed "U. G. I. Residual Certificates," embody the indeterminate value of what will be U. G. I.'s unliquidated assets. As such, they represent the "X" quantity in any contemplated arbitrage. Early trading was at $1.50 per Residual Certificate, although some of the estimates of value ran as high as $2.50, subject to the settlement of contingent claims.

The principal distributions follow:

The present issue of **Philadelphia Electric Company** 4.4% preferred stock will not be disturbed.

Each share of present **Philadelphia Electric** common stock will receive 9/40ths share of new $1.00 Dividend Preference Common Stock and 3 1/40ths share new Common Stock.

For each share of present United Gas Improvement $5 cumulative preferred, the basic rate of exchange shall be three shares **Philadelphia Electric** $1.00 Dividend Preference Common Stock and $40 in cash. Holders, however, may elect to accept more or fewer shares of **Philadelphia Electric** $1.00 stock, with a corresponding decrease or increase in the amount of cash. For this purpose, the value of the new $1.00 Dividend Preference Stock shall be taken at $20 per share under the Plan.

Under the initial distribution each share of U. G. I. common is to receive one-third share new **Philadelphia Electric** common, 1/12 share Public Service of New Jersey common and the "Residual Certificate" representing other remaining assets.

Special Meeting of the stockholders of U. G. I. and of **Philadelphia Electric** have been called for April 19 and May 19, respectively, to vote upon acceptance or rejection of the proposed plan. Approval by the equity holders of both companies is expected.

Meet The Misses

Despite a succession of million-share days, office managers are discovering that all is not beer and skittles on Walnut Street. With fewer hands to transact an increasing volume of business, executives are faced with a critical shortage of trained personnel. War industries, holding forth the bait of wage scales unknown in brokerage circles in the last decade, have drawn off many who would otherwise be available.

As in many other heretofore primarily masculine fields of endeavor, the ladies, bless 'em, are uncoifing their ears and bending into the head-sets. Some of the quick-firing femmes are well-known, long experienced and plenty wily. Others, more or less new to trading desk jargon, are displaying commendable progress and ability. As a matter of general information and guidance, Philadelphia's all-girl Choir of Comely Chiselettes is composed of (E. & O. E.):

Marguerite Campbell, A. C. Wood, Jr. & Co.; Ivy Conrad, Boenning & Co.; Helen Conway, Newburger & Hano; Elizabeth Farrell, E. H. Rollins & Sons; Katherine Gahagan, Reynolds & Co.; Sarah Lewis, Provident Trust Co.; Anne McDougal, Paine, Webber, Jackson & Curtis; Elizabeth Scott, Herbert H. Blizzard & Co.; Helen Smedley, Samuel K. Phillips & Co.; Hilda Williams, W. H. Bell & Co.; Marie Zerverski, Buckley Brothers.

Local interest is well maintained in the common stock of Philadelphia-financed **The Southern Advance Bag & Paper Co.**, one of the country's largest producers of kraft bags. Current dividend rate is $1.00 per share.

Company's raw materials are derived from 86,000 acres of timberland, owned in fee, located within 30 miles of the manufacturing plant at Hodge, La. Last year drillings were undertaken on certain of the Company's prop-

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Pennsylvania Municipal Bonds

Commonwealth of Pennsylvania
Philadelphia's Voluntary Refunding

Pennsylvania, the "Keystone State," so-called from its geographical position in the center of the 13 original States on the Atlantic Seaboard, was founded as a colony by William Penn in 1681, under a proprietary charter by which the government and the land was vested in the founder. To attract settlers, Penn, himself a Quaker, appealed especially to that sect and other persecuted sects throughout England and Europe, promising them toleration of religion, a liberal frame of government and generous land grants. His policy was successful, and Pennsylvania soon became one of the most populous colonies.

Philadelphia, Pa., was the seat of the Continental Congress of 1775 and 1776 and the Constitutional Convention of 1787. Pennsylvania was the second State to ratify the Constitution and exercised great influence in the early history of the country through such leaders as Benjamin Franklin, Robert Morris and others.

During the Revolutionary War, Pennsylvania was the arsenal of the Colonies, turning out cannon balls for the Continental Army as well as many other implements of war. Today the Commonwealth of Pennsylvania is still one the leaders in industrial production for our nation and its Allies.

To many the name Pennsylvania, one of the foremost industrial and commercial States of the Union, connotes only coal, iron and steel, for upon these its industrial eminence has in large part been reared. But textile, cement, slate, electrical equipment, radios, locomotives, shipbuilding and many other industries, in addition to coal, iron and steel and their derivatives, constitute the State's principal manufacturing output, valued in recent years at upwards of $7,000,000,000 annually.

Pennsylvania leads all other States in the value of such mineral products as slate, cement and coal. (Speaking of coal, some of us probably remember back in May, 1902, the terrible Pennsylvania coal strike started, which lasted until Oct. 21 of the same year; how 145,000 anthracite coal miners stopped work, resulting in a coal famine; and how in July of the same year the Pennsylvania Militia was ordered to the mines. Oct. 3, 1902, President Theodore Roosevelt called a conference at Washington. The President demanded the parties concerned accept an extralegal commission appointed by him to make an award, by which both sides agree to abide, the miners meanwhile returning to work. Let's hope such a catastrophe never occurs again.)

Once the greatest agricultural colony, Pennsylvania's fertile farm lands are among the richest in the nation. Abundant crops of wheat, rye, potatoes and corn are yielded annually.

Pennsylvania, the second largest populated State in the Union, with its 10,000,000 people, must and does have as fine a transportation system as any State in the nation. There are approximately 12,000 miles of rail trackage belonging to many railroad companies. Its many thousands of miles of highways are not only of the best construction but are scenically beautified. The Commonwealth of Pennsylvania Turnpike is a motorist's dream come true.

Within the confines of the Commonwealth of Pennsylvania are many cities of national importance. However, the most outstanding, due probably to historic events, is the City of Philadelphia.

Philadelphia, the third largest of American cities, the nation's birthplace and its first citadel of high finance, is today a sprawling industrial giant that William Penn would never recognize as his "Greene Countrie Towne." The heights to which Philadelphia commerce and industry have risen in the last 250 years may be directly traced to the active experience gained by generation after generation of her people in the management of the city, and the promotion of its business affairs. Within its 130 square miles of territory the "City of Brotherly Love" embraces, as do all other large cities, a number of smaller communities, many of which were formerly independent and still possess their own shopping centers, business enterprises and distinctive characteristics.

The City of Philadelphia is an important seaport and distributing center, being located on the highly navigable Delaware River. The city is one of the world's greatest workshops. It contains

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Pennsylvania Municipal Bonds

(Continued from page 1200)

over 4,500 separate manufacturing places, employing hundreds of thousands. Manufacturing is the chief industry, and includes textiles, metals, electrical supplies, chemicals and allied products, locomotives, airplanes, shipbuilding and various other industries. Because her industries cover a range of several hundred lines of employment, the city's prosperity does not depend upon mass production of a limited number of products, as in most great manufacturing centers.

One of Philadelphia's characteristics has been thrift, since the days when the founder strove to encourage that virtue among its inhabitants. In consequence, a host of prosperous and growing savings institutions has arisen.

The city owns and operates its waterworks system, sewage disposal plant, public market, shipping piers and airport. It also owns certain street railways and its gas works which are operated under lease agreement.

Excellent progress has been made in the last few years by the city toward a sound financial structure. For many years the budget of the city remained unbalanced. It was necessary to take drastic economic measures.

In May, 1939, the rentals of the municipally-owned gas works were assigned by the city to a trust for an initial period of 18 years. Against this $41,000,000 gas revenue trust certificates were issued. These funds enabled the city to balance the budget for the first time in years.

To keep this budget balanced it was necessary to find additional annual revenues. The angel this time came in the form of a gross income (wage) tax. On Jan. 1, 1940, a 1½% tax on wages, salaries and commissions and on profits of unincorporated businesses and professions became effective. The levy is specifically on earned income, exempting income from investment. Under the provisions of the measure, the tax is imposed on every person, without exception, whose livelihood is earned within the city limits. The tax also applies to every resident of Philadelphia who works for a living, practices a profession or operates an unincorporated business, whether it is in the city or not. The tax is collectible at the source, and employers are required to make payments monthly. This tax netted the city as follows:

1940	$16,283,820
1941	18,377,900
1942	24,762,041

This wage tax in 1942 was 27.76% of total current receipts. In December, 1942, the wage tax was reduced from 1½% to 1%, effective Jan. 1, 1943. The wage tax receipts for the first two months of 1943 total $3,758,380.

The outstanding economic measure taken was the large reduction in future debt service requirements. This was made possible by unique voluntary refunding plans.

1941 Refunding Plan—Bond Exchange Offer

On June 11, 1941, an offer was made by a banking group, comprising 39 investment firms and banks headed by Drexel & Co. and Lehman Bros., to holders of $131,064,000 bonds of the City of Philadelphia to exchange their bonds for a like amount of refunding bonds of 1941. These holdings consisted of bonds callable from 1942 to 1947. The maturity dates of the new bonds, except for one issue of $643,000, were shortened, and the new bonds were made callable at par after an interval of some years. The interest rates on the new bonds continued the same to the call dates on the old bonds but were reduced thereafter. Of the $131,064,000 refunding authorization, $83,389,200 or 63.6% had been exchanged at the termination of the refunding agreement on June 15, 1942. The approximate saving to the city by the 1941 refunding was estimated at $18,100,000.

Due to the success of the refunding plan of 1941, the group and the city entered into an agreement from which came the

City of Philadelphia Refunding Plan of 1942

On Nov. 16, 1942, Drexel & Co. and Lehman Bros., heading the same group of 39 investment firms and banks, made an offer of bond exchange under the 1942 refunding plan, as adopted by the Philadelphia City Council on Nov. 12, 1942, to holders of Philadelphia bonds.

The general features of this plan correspond with the 1941 plan. There are $204,411,500 outstanding bonds eligible for exchange, but the amount to be exchanged is limited to $162,296,000, and the opportunity to exchange will continue only so long as applicable refunding bonds of 1942 remain available for exchange. The outstanding bonds eligible for exchange are callable from 1944 to 1953, inclusive, and bear interest at rates ranging from 4% to 5%.

The new refunding bonds all bear interest at the rate of 3¼% from the first call date (old rate to the first call), and with the exception of one issue all mature either in 1965 or 1975 with various call dates according to the series. The holder making the exchange has a choice of bonds maturing in 1965 or 1975.

While call dates are being extended under this plan, the average final maturity is being materially shortened. Assuming the completion of the exchange, it is estimated that the total debt service savings will approximate $45,000,000, based on charges to the final maturity of both sets of obligations.

The agreement of the refunding plan of 1942 is effective to May 1, 1943, but may be extended by mutual consent.

At the current writing the exchanges amount to $36,200,000.

The holders of City of Philadelphia bonds, eligible under the refunding plan of 1942, who do not intend to exchange for the new 3¼% bonds, have advantageous opportunities due to the abnormal market conditions existing at this time.

Pennsylvania Brevities

(Continued from page 1200)

erties and two large gas wells were brought into production. Contracts have been let for drilling five additional locations.

The Absent "T" Returns

Tractions are again in favor. Grizzle-beards of the Bourse well recall the double-decade when street railway issues from Coffeyville to Chattanooga, from Baton Rouge to Buffalo, found their natural markets in Philadelphia. Again the pendulum swings. Partly attributable to the accelerated demands of war-time transportation, but probably due to a more fundamental and inevitable renaissance, the bright burgee of investor acceptance again flies above the course of the sleek, quiet, fast-moving city streamliners. The tractions are successfully meeting the challenge of the times.

Ending a 9-year task of unscrambling the tangled affairs of the old Mitten Empire, the courts have closed and sealed the book. Last month the new and resplendent successor, **Philadelphia Transportation Company**, declared a full year's dividend on its 5% Participating Preferred and Lazarused former equity holders with a 40-cent dividend on the common shares, the first distribution of its kind in 13 years. PTC's present contribution to the war effort is the daily operation of 3,264 cars and buses over a distance equal to 13 times around the earth.

Forward-looking local investors are eyeing with interest the 55 well-pied companies comprising the **Pittsburgh Railways Company** system. Thoroughly modernized and under unified operation and management, the system functions in an antiquated maze of intercompany ownerships, leases and sub-leases, operating agreements and guarantees, most of which are virtually meaningless. Operating under a Trusteeship since 1938, debt service is being maintained only on less than $3,000,000 outstanding Car Trust Certificates and $980,000 **Pittsburgh Railways** 5s, 1953, the latter being guaranteed by the **Philadelphia Company** by endorsement. Net earnings for 1942 approximated $4,200,000, before depreciation, and current earnings are reported to be running about $500,000 per month. Thus a large sum of cash, now exceeding $9,000,000, has accumulated in the Company's treasury. Since only a minority of outstanding securities are publicly held, holders of subsidiary issues believe they must receive (a) prior and favorable treatment in reorganization, (b) substantial payments on account of back interest and dividends, or (c) the right to tender their securities at satisfactory prices. Otherwise, they say, "No dice."

"Poor and Weary"

An amended plan of reorganization of the **Philadelphia & Western Railway Company**, long known as the "Poor & Weary," has been forwarded to the S. E. C. by U. S. District Judge William H. Kirkpatrick for an advisory report to be filed not later than May 18. Judge Kirkpatrick found the plan to be "worthy of consideration."

Under the plan, $2,000,000 of 5% preferred, par $50, and $745,000 of common, par $10, together with $1,165,000 of preferred arrearages, would receive consideration. The present outstanding issue of $2,267,000 5s, due 1960, would be replaced by $1,057,300 new income bonds and 10,573 shares of new, no par common in the ratio of $400 in new bonds and four shares of new common for each present $1,000 bond.

The Philadelphia & Western operates a high-speed interurban line from the 69th Street Terminal through Norristown to Allentown.

Philadelphia hotel and apartment house bonds have risen sharply from mid-December lows. Gains have ranged from 5 to 15 points, the best moves being noted in the larger parcels. Specialists believe strength is not due so much to the prospect of increased earnings as to the inclination of investors to turn to real property as an inflation hedge. This is borne out by the greater percentage increase in those issues which carry bonus stock.

Although **Autocar Company**, in 1942, reported sales of $63,391,799, doubling the $31,932,159 figure of 1941, and ended the year with a net profit of $1,551,803, the management finds that "doing business with the Government is necessarily very different from ordinary commercial contacts." Net results were equivalent to $3.35 per common share after provision of $160,000 for contingencies and $4,451,000 for Federal and State income and excess profits taxes and after paying the regular $3.00 preferred dividend and deducting the $3.00 per share maximum participation to which the preferred would be entitled. Also charged against income was $3,971,500, for which sum the Company is liable to the Government in respect to renegotiated contracts.

Early in the present year, arrangements were concluded for a $15,000,000 "V" loan to be drawn upon as needed to finance war contracts. The terms of the loan make it impossible to give consideration to common stock dividends until earnings for the first quarter are known. It is assumed in the Street that some action may be taken at a meeting scheduled for April 20. Last year **Autocar** common paid $2.00.

Loaded bases: **L. Wister Randolph, of Stroud & Co.,** is a member of the syndicate headed by William D. Cox which has concluded purchase of the Philadelphia National League Baseball Club.

Last month **Warner Company**, producers and distributors of sand, gravel, central-mix concrete, was reminded of an almost-forgotten sinking fund provision applicable to the outstanding 7% first preferred stock, dividends on which have been in arrears since 1936. Company promptly pro-

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The Future Of The Gold Standard

(Continued from first page)

down and, likewise, in the belligerent countries, every other kind of monetary standard, and depreciated managed paper-money standards were almost universally adopted. With few exceptions (and these for brief periods) they were terrible failures, and, as soon as post-war reconstruction had moved substantially forward, the world began enthusiastically its trek back to the gold standard. By 1929 40-odd countries including most of the leading nations of the world were again on the gold basis.

During the decade of the twenties the economic and financial effects of the war, however, were very far from having been liquidated. Many countries found themselves in a state of great economic desequilibrium with their highly nationalistic economic reconstruction resting upon insecure foundations and with their government finances precarious.

In the year 1929, the civilized world was thrown into an economic crisis reaching to the foundations of its political and economic life and probably more extensive in scope than had ever before been experienced in recorded history.

Under the pressure of this crisis the recently and weakly reestablished gold standards again broke down throughout the world. Among the first to go were those of Australia and Argentine. Great Britain suspended gold payments in September, 1931, and this suspension was accompanied or quickly followed by a score of others, including those of Canada, the Scandinavian countries, India, Japan and Mexico. The United States broke in 1933 and France in 1936.

We in the United States were on a paper-money standard from early March 1933 until the end of January, 1934, when we adopted a new type of gold standard involving a 41% debasement in the gold content of our century-old legal gold monetary unit. The rather weak administrative type of gold standard we then set up still exists. This is the only monetary standard of consequence in the world at the present time that can be correctly called a gold standard. All other standards are paper-money standards.

So long as the War lasts no one expects much to be done in the direction of monetary reconstruction. If, however, we are to win the peace we must plan for it now, and one important problem in the world's post-war reconstruction will be the problem of the monetary standard. Broadly speaking, in the discussion of this problem there will be two different schools of thought each with many sub-divisions: (1) a managed paper-money school and (2) a gold-standard school.

The Paper-Money Standard School

The paper-money standard school will advocate a unit of value issued by some governmental monetary authority in a system in which the volume of money in circulation will be manipulated by this authority in accordance with the ups and downs of some commodity-price index number.

The primary object of this manipulation or currency management will be the maintenance within the country of a stable general price level. The type of standard advocated will be essentially national rather than international in character, and the functioning will be predominately one of human management rather than of automatic operation. Although a gold fund might be used by the monetary authorities, as an instrument of currency management, gold itself would not be the standard. Each country would have its own nationalistic paper-money standard tied up to the prices of commodities weighted according to the government's estimate of their relative importance in the nation's own economy. Under such a system there could obviously be little stability in the international exchanges. In each country exchange rates with other countries would have to shift largely for themselves. International exchange stability would be sacrificed in the effort to maintain a stable domestic price level.

The Gold-Standard School

The gold-standard school will advocate a system that is essentially international in character rather than national, a system in which the whole world would be expected to have the same monetary base—gold—and in which every country would enjoy a fixed par of exchange with every other country. While this school would expect to have some monetary management by the central banks of the respective countries, such management would play a minor role, and the operation of the system would be fundamentally automatic. Commodity price levels throughout the world, as in the past gold-standard era, would express the trend in the value of gold in the world's markets tending upward when the world's total supply of monetary gold relative to the demand rose and tending downward when it fell.

Which of these two monetary schools is likely to prevail during the period of monetary reconstruction following the war? The limits of this paper will prevent a discussion of the pros and cons of this question. I will limit myself, therefore, to stating very briefly the principal reasons why I believe the gold-standard school will prevail.

The Need of a Monetary Standard that will Inspire Public Confidence

The first important reason why the world will want to return to the historic gold standard rather than experiment further with managed paper-money standards is the matter of public confidence—an all important consideration in the determination of monetary policies. After this War, as was the case after World War I, the people everywhere will experience a strong desire for economic and political stability. They will be sick and tired of paper-money inflation and of governmental attempts to control prices and wages under inconvertible paper-money standards. In such a situation they will turn to gold which gave them the best monetary standard they ever knew in pre-war days, and which for countless generations has been the most exchangeable commodity in the world and also the commodity most highly prized by man as a storehouse of value. The instinct for gold is a very primitive one and has behind it the force of thousands of years of experience. Charles Dickens' phrase "as good as gold" means the very best the world over. No other monetary standard in a distracted world, such as we shall have at the close of the war, can be made so simply, so easily understood and none will so quickly restore the confidence of the public as a gold standard.

Resistance of Gold Standard to Fiscal and Political Exploitation

A second reason—one closely related to the first—is that the gold standard puts up much stronger resistances to fiscal and political exploitation than any non-metallic standard that has yet been devised. It is more automatic in its functioning than any paper-money standard with which the world has yet had experience and, when a breakdown is threatened, it is the standard that most promptly and clearly puts up danger signals. A gold standard may break under heavy strain, but paper-money standards subtly bend. And how they can bend!

Taking human nature as it is and politics as they are, any governmental body in a democracy that would try to control the nation's commodity price level in the manner contemplated by the advocates of highly managed paper-money standards would continually find itself under heavy political pressure. Under such pressure attempts at a scientific and objective administration of such a standard would frequently break up on the rocks of politics.

Recent history the world over is full of political movements for dangerous monetary schemes. Few countries in the world, however, if any, have been subjected to such a heavy bombardment of wild-eyed monetary schemes as the United States and many of these schemes have found their way on our statute books. Witness for example our greenback experiences of 1862 to 1879, our absurd silver legislation of the latter quarter of the nineteenth century, the large amount of radical monetary legislation of the years 1933-1934, including the so-called Thomas Amendment. Witness the recently wide acclaim by millions of our people of the monetary doctrines of Father Coughlin, including a petition by 85 Congressmen to the President of the United States asking him to appoint the pastor of the Shrine of the Little Flower to be economic adviser to the United States Delegates at the World Economic Conference in London. Witness the widespread advocacy at the present time of plans to finance the war largely through the issuance by the Government of circulating non-interest bearing government debt. There is fundamental truth in the old adage that "we have gold because we cannot trust the government."

Vested Interests of Principal United Nations in Gold

A third reason for returning to the international gold standard is the strong-vested interests which the three leading post-war nations will have in gold. By the end of the war most of the world's monetary gold will be owned by the United States, the British Empire and Russia, and within the territories of these three powers the great bulk of the world's gold production will be taking place. The monetary uses of gold will continue to constitute by far the greater part of the demand for the annual product of the gold mines and for the world's known stock of unfabricated gold. A discontinuance of the international gold standard involving a permanent withdrawal of most of the world's monetary demand for the yellow metal would greatly reduce the value

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Emanuel in New Location

Emanuel & Co., members of the New York Stock Exchange and New York Curb Exchange, announce the removal of their offices to 52 William Street, New York.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1197)

major ones. Even the various technical studies can, at best, indicate reaction, not their extent.

* * *

After the debacle of 1929 any number of people could tell they foresaw the break. But the fact was that while they may have foreseen it they did not know its extent. The writer, for example, went short of American Foreign Power at 197. He saw it go to almost 200, then turn down. The short position was finally covered at 160. Today everybody knows that AFW broke considerably more than that. I give this as an example, not as a demonstration of personal acumen.

* * *

Today, Wednesday, March 31, 1943, we see a market that is strong. We hear stories of such and such stocks going to fantastic figures and, to top it off, we see no reaction worth a comment in the immediate offing. It all looks so easy. Yet experience teaches there is nothing easy about the market. A one-point minor down flurry of today may easily turn into a major break of tomorrow. If there is any time for the new buyer to tread cautiously that time is today. And if there is any time when the holder of stocks is to give more than academic consideration to getting out and letting somebody else get the extra couple of points, that time is also today.

* * *

In going over the list recently I am impressed with the action of various stocks. If conditions were even slightly different I would not hesitate in recommending them to readers. But a certain cloudiness on the horizon prevents me from doing this. A single storm that would carry stocks even two points or so under present prices would help clear the air sufficiently for me to see something. Until this storm hits I'll have to continue advising to postpone new buying and repeat that the stops in the stocks you have still apply.

* * *

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.]

The Securities Salesman's Corner

Tell Your Customers That No Security Should Be Put In A Lock Box And Forgotten

Sometimes we run up against the sort of securities buyer who expects the firm with whom he does business to be right 100% of the time. But he really is among the small minority of investors who feel this way. In fact, this type of person is usually a speculator at heart, and is the type of unfair individual whose apparent attitude would mark him as the type of customer a wise salesman would do well to overlook.

There are probably more salesmen who believe their customers expect them to be right in their recommendations 100% of the time than there are customers who feel this way. After all, the average person is a pretty level-headed, reasonable sort—securities buyers included. Most of us have taken losses as well as profits in our business transactions and, unless we have been unfairly treated, we know that losses go with profits and that it is our general batting average that counts.

For this reason it appears to be the best sort of salesmanship, if you are handling most securities with the exception of the very highest grade AAAs, that you tell your customer that you will be on the job after he has bought a security and that you will watch for any weaknesses that might appear later on which might adversely affect its value. There is no better type of salesmanship than honest facts which are backed up by a sincere interest in your client's welfare. What reasonable person would not be favorably impressed by the salesman who, after he had just received an order, would say: "I am glad you decided to purchase these bonds, Mr. Smith. In fact, I have every reason to believe that this is going to prove to be one of your most satisfactory investments. However, I feel certain that you are well aware that today no investment can be placed in your lock box and forgotten. For this reason I want to assure you that if at any time I should perceive a weakness that might develop in this security in the future I will call it to your attention. This is the way we can both work together to maintain your principal and your income. It is because I appreciate your business that I want you to have my full cooperation at all times."

There may be some who criticize the sales profession, who say that the average salesman is just out to put over a sale and that's the main end of his entire ambition. True enough, there are always those in every walk of life that will take a short cut to what they consider is the acme of success and accomplishment. Yet these critics, who usually are so quick to judge the man who goes out and makes his living by convincing his fellowman that he is offering something the other fellow could acquire to his best advantage—they are the ones who have probably had very little experience in the selling profession themselves.

The real salesman knows that there is only one way to build up a solid business. He knows that you have to really desire to help your fellowman—not harm him. Any securities salesman who works day in and day out diligently striving to help others invest their money safely and advantageously, does not have to worry about criticism—or about the certainty of his own bread and meat. He's too good a man to be bothered about inconsequentials—he is too busy doing a good job.

Investment Trusts

(Continued from page 1199)

featuring a recent issue of Keystone Corp.'s **Keystones.** The now familiar story of discount bonds and their advantages in an economy of high production and high taxes is briefly and clearly told.

* * *

From MIT's **Brevits:**

"Last week Boston Fund marked its 11th anniversary since the Fund began operations on March 15, 1932. During this time, the Fund has grown in size from a few thousand dollars to over $9,-500,000. Shares outstanding have increased from the original shares owned by the founders of the Fund to 637,485 shares owned by some 4,000 shareholders, including many institutional and fiduciary investors."

* * *

From Selected Investments Co.'s **Selections:**

"A few days ago Selected American Shares, Inc., closed at $9.32. This was the highest price seen since the middle of November, 1940.

	Selected	Dow-Jones Industrials
Mar. 12, 1943	$9.32	$130.73
Nov. 15, 1940	9.30	135.59

Hare's, Ltd., establishes something of a record in the title to its new folder on bank stocks. Take a deep breath and try it yourself; here it is: "Stocks of the Leading New York Banks, in Which Bank Group Shares Provides Ownership, Appear to Offer Not Only a Very Sound, But What Should Prove an Unusually Profitable Investment, Around Current Market Prices." Judging from the smooth "copy" in the body of the folder, this title is no accident but a cleverly designed attention-getter.

* * *

Estabrook is out with a large and attractive four-page folder on Eaton & Howard Balanced Fund. Described as an "unique and constructive investment medium," the Fund is given brief "feature" treatment in the folder.

* * *

Broad Street Corp.'s current issue of the **Broad Street Letter** is featured by a chart comparison which was largely discontinued with the advent of wartime taxes. The comparison is between stock prices and industrial production. The disparity since 1939 in these once similar indexes is strikingly revealed by the chart.

Dividends

Fundamental Investors, Inc.—Quarterly dividend No. 37, amounting to 20 cents per share, payable April 15, 1943, to holders of record March 31.

General Investors Trust — A quarterly dividend of 6 cents per share payable April 20, 1943, to holders of record March 31.

Institutional Securities, Ltd.—A semi-annual cash distribution of 50 cents per Aviation Group Share, payable to stockholders of record April 30, 1943.

Manhattan Bond Fund, Inc.—Ordinary distribution No. 19, amounting to 11 cents per share and an extraordinary distribution amounting to 3 cents per share, payable April 15, 1943, to holders of record as of April 5.

Our Reporter's Report

(Continued from first page)

the latest possible date for exercise of the company's right to call the bonds at this time.

Since approval of the Interstate Commerce Commission must be obtained, this is considered another element which should hasten the company's decision if, as expected, it intends to go through with the refinancing now.

Public Service of New Hampshire

With respect to the public offering of $20,500,000 of first mortgage 30-year bonds of the Public Service Company of New Hampshire, it was estimated that the issue was something more than half-sold, with every indication that it would move along with a little more time. Priced at 108, the bonds, carrying a 3¼% coupon, offered an indicated yield of around 2.97% to maturity.

Hearing Set On Issue

April 15 has been set by the Securities and Exchange Commission as the date for hearing on the application of the Public Service Company of Indiana to sell publicly $38,000,000 of first mortgage bonds Series "E," carrying a 3¼% coupon, to mature in 1973.

If its program is approved the company plans to offer the bonds through competitive bidding and apply the proceeds to the redemption of an equivalent amount of Series "A" first mortgage bonds, due September, 1969, which carry a 4% rate.

The company has filed a request with the SEC for modification of certain provisions of the debt retirement program which the Federal Agency imposed a year ago, pointing out that the sinking fund provided for the new bonds would fill such requirements.

Thinking in Same Terms

Sale on Tuesday of $1,000,000 road bonds of the State of West Virginia provided an indication of how closely ideas of value parallel in the municipal field.

The bonds were awarded on a bid of par plus a premium of $60 for the issue bearing coupon rates of 1½ and 1¼%, making the net interest cost to the State 1.4803%.

The second bid worked out to an interest cost basis of 1.4804% or brought down to a straight money basis, indicating a difference of $10 between the two bids on the overall transaction.

Puget Sound Power Waits

Marketing of Puget Sound Power & Light Company's $52,000,000 of refunding bonds, which had been expected yesterday, has been held up pending the outcome of hearings today before the Securities and Exchange Commission.

Offering of the bonds, under the SEC's competitive bidding rule, brought out a single tender by one of the largest underwriting groups ever formed to handle an issue. The syndicate, comprised of some 140 houses, bid 102.50 for the bonds as 4¼s and public offering was proposed at 104.25.

Company counsel asked for the hearing while SEC officials were reviewing the sale of the bonds to the banking syndicate. Bankers justified the spread between the purchase and resale prices by noting reported lack of institutional interest in the issue, presumably because of Federal power competition in its area and trend toward public ownership. Such circumstances, it was argued, make the deal a "selling job." Offering is now geared to clearance by the SEC which may hold it up until early next week.

CANADIAN SECURITIES

By BRUCE WILLIAMS

Post-war social security planning has taken the spotlight in Canada today. Not to be outdone by Britain's Beveridge plan and our NRPB's "cradle-to-the-grave" blueprint for expanded social security, the Canadian Government now has under consideration its so-called Marsh plan.

Inasmuch as any such plan costs money and requires further extension of Government regulation over the life and property of the individual, it is important to note the broad provisions of the Marsh plan and the reaction of responsible Canadians to it. Moreover, such considerations should be made in the light of Canada's present economic position.

This position, as summarized by P. J. Philip of the New York "Times," is that of an autonomous country recently come of age and proudly living up to its obligations as an equal partner among the United Nations. "For Canada," writes Mr. Philips, "after three and a half years of effort, has reached what may be called her utmost possible contribution in men, munitions and food without serious disturbance of her internal economy and way of life. The main problem is how to keep everything balanced at its present peak."

To the Canadian people, proud of their newly won national status and straining under an all-out war effort, the Marsh plan offers the following: (1) A vast Government investment program for development of Canada's resources, "implemented in cooperation with the United States and the other members of the United Nations." (2) Expenditure of social security funds to iron out peaks and valleys in the business cycle. (3) Unemployment, old-age and health insurance covering substantially the entire population and handled by the Government. The plan is predicated on a national income approximately double that which prevailed in normal pre-war years. Its cost would quadruple the immediate pre-war tax load of the Canadian people.

Reactions to the plan reveal an assuring "feet-on-the-ground" attitude and a hard-headed discrimination between the utopian promises of politicians and the practical possibilities within the realm of social security. There is evidence, too, of an acute awareness of the costs involved.

Bruce Hutchison, writing in the current issue of "Maclean's Magazine," makes the wry observation that "pie in the sky has become practical politics in Canada." He goes on to say: "Altogether, a country which is going to depend for the prosperity of its people on gigantic state spending must be ready to depend on the state for almost complete management. Germany is the final example of such a system.

"The politicians do not usually tell us that. They tell us about the spending of money. They do not so often tell us about the restraints, restrictions and regimentation which must go with all-out spending. The outright socialist is more honest when he promises prosperity but admits that it means actual Government ownership of the productive machinery, that it means regulation of everything and everybody."

An editorial in the March 27 issue of the "Financial Post" of Canada sums the situation up as follows:

"Engulfed in the torrent of news and views about social security schemes for Britain, United States and Canada, many people are forgetting two basic facts:

"First, none of these plans is going to be implemented in a week or even in a year. They are so far-reaching and complex that they will require years to get into operation.

"Second, while most eyes are fixed on the benefits which these schemes will pay out, there is widespread blindness to the fact that the only source of that money is the pockets of Canadians.

"Talk about 'the employees' shares, the employers' share and the Government's share' obscures that fact. The Government has no money of its own whatever.

"And the only way Canadians, whether managers or workers, will have the money to make social security contributions is the health of the business system.

"The costs of an overall social security plan like that outlined by Dr. Marsh are some 12% of a national income which would be about twice as high as normal in prewar years.

"The only way a national income of that size can be maintained after the war is full employment. And the maintenance of full employment involves two basic things.

"It involves the mass of Canadians being united on that goal just as we are now united to achieve the goal of victory.

"Second, it involves letting the individual enterprise system operate properly. Some controls and regulations are essential. They protect business and society alike. But every impingement government makes in the field properly that of individual enterprise, weakens the ability of the business system to meet the challenge of full employment.

"The most Government should do is to create the climate favorable to the efficient operation of the business system.

"And the profit motive is the mainspring and engine of that system. It is only those businesses which make a profit that can stay in business and continue to employ Canadians; that can grow and employ more Canadians as they will have to do to give Canada the full employment which will bring overall social security plans into the realm of possibility."

Scudder Stevens Co. Admits Richardson

Scudder, Stevens & Clark announce the admission to general partnership of David L. Richardson who, for the past 14 years, has headed the consulting department of their New York office, 1 Wall Street. Mr. Richardson is a graduate of Harvard University, receiving an A. B. degree in 1920, as of the class of 1918, after serving in the 101st Field Artillery, 26th Division, A. E. F. He was associated from 1920 to 1928 in the capacity of purchasing agent successively with Lord Electric Company and McCall Corporation, before joining the investment counsel firm.

Robt. Huff In New York

Robert H. Huff, President of Butler-Huff & Co. of California, Los Angeles, traders and wholesale dealers in bank and insurance stocks, is in New York City for a week's stay. Mr. Huff may be reached at the office of Huff, Geyer & Hecht, Inc., 67 Wall Street.

The Future Of The Gold Standard

(Continued from page 1202)

of the gold holdings of these three countries and would play havoc with their gold mining industries. This may be a nationally selfish reason for the restoration of the gold standard, but it is none the less one that will probably count heavily in the determination of post-war monetary policy.

Gold Offers the Only Prospect for an International Standard

A fourth reason for a return to the gold standard is the simple fact that gold will offer for a long time to come the only early prospect of an international monetary standard on a large scale. If after the present war our wasteful economic nationalism is to be broken down, if we are to have an efficient system of international trade and finance and if we are to realize the dream of the Atlantic Charter, the leading countries of the world should all have the same monetary standard. For this important position the gold standard is the only candidate that has any chance of election. The world's great post-war monetary problem will not be the problem of creating scores of independent, nationalistic, and politically managed paper-money standards, but rather the problem of restoring the international gold standard and of making that standard a better standard.

This brief summary of the case for gold may be appropriately concluded by a quotation from the report of the famous McMillen Committee of eminent British financiers and economists, issued in the summer of 1931, only a few months before England's post-war gold standard broke down. The Committee said: "There is, perhaps, no more important object within the field of human technique than that the world as a whole should achieve a sound and scientific monetary system. But there can be little or no hope of progress at an early date for the monetary system of the world as a whole, except as the result of a process of evolution starting from the historic gold standard."

If after the War the world is to return to a gold standard, the next questions to consider are: What type of a gold standard should be adopted and what are the fundamental postulates of a sound gold-standard policy? The problems raised by these questions are large and it will be possible here merely to touch a few high spots.

Type of Post-War Gold Standard

The type of gold standard employed, as in the past, will vary with changing world economic conditions and with the situations within the respective countries.

Among the three principal types of the gold standard, the gold-coin standard, the gold-bullion standard and the gold-exchange standard, the gold-coin standard is the strongest and functionally the best, but it is also the most expensive. If a situation should develop in which gold production was falling off and the world's supply of monetary gold was lagging behind the world's demand, it would be desirable to economize the use of gold. This would dictate shifts from the gold-coin standard to the gold-bullion and gold-exchange standards. If on the other hand gold production should increase unduly with a resulting tendency to gold inflation, there should be shifts in the opposite direction, namely, toward the gold-coin standard, so as to increase the demand for gold. In general, the larger and richer countries would be expected to show preference for the gold-coin standard and the smaller and poorer ones for the gold-bullion standard or the even less expensive gold-exchange standard. A number of countries will doubtless as in the past prefer some combination of these types of gold standard, as for example, to make their non-gold currency convertible on demand **at the option of the monetary authorities** in either gold coin, gold bullion or gold drafts.

Implementation of International Gold Standard

Such considerations suggest the methods for implementing the international cooperation directed toward a successfully functioning post-war gold standard. To this end the following measures are desirable:

(1) Each country should choose a gold unit that will represent approximately the gold value of the paper unit prevailing at the time the stabilization is effected (or an integral multiple of that unit), so as to hold to a minimum the disturbances resulting from price, wage and fiscal readjustments.

(2) The exportation and importation of gold should be free from all trade restrictions and tariffs.

(3) There should be convertibility on demand of all kinds of non-gold money into gold coin, gold bars, or gold drafts.

(4) The principal monetary authority in each country should be a central bank of issue on whose controlling board the government should be well represented.

(5) There should be a close though largely informal and non-statutory cooperation among the central banks directed toward the orderly functioning of the international exchanges.

(6) There should be a bank of international settlements, through which the central banks can cooperate in collecting international credit, monetary and other financial statistics and effecting international settlements, and which when needed can take the leadership in measures to enable strong countries to help weak ones in the maintenance of their monetary standards.

(7) There should be a high degree of freedom in the international movement of goods and services. The gold standard can function over high tariff barriers, as it has many times in the past, but high tariff barriers are obstacles to international trade and to the smooth and orderly functioning of any monetary standard.

The popular idea is a fallacious one, that metallic-money standards like the gold or silver standard are entirely automatic in their operation, and that paper-money standards are entirely managed and not automatic at all. All monetary standards in modern times are more or less managed. It is not a question of the presence or absence of monetary management but rather of the extent and character of that management. With the gold standard the small amount of management that will be required should be imposed upon a monetary system that is fundamentally automatic in its functioning, and should be conducted according to certain established principles that will be accepted by the world's leading central banks under the authority of their respective

(Continued on page 1207)

Program To Salvage Fiscal, Monetary Solvency

(Continued from page 1199)

account of foreign nations. In this way a control can be established concurrently over the actions of foreign nations, which will be better and cheaper than any military control of foreign States we can think of. In short, the money advanced by the United States could never be used for military purposes without our knowing it.

I could write further on the subject, but I can assure you that it would be the greatest economic error if the Silver Purchase Acts would ever be abandoned.

During the year 1900, the debts of all the countries in this world did not exceed $1,500,000,000. When this war ends, the debts of the world will reach perhaps $500,000,000,000, or more, which only could be redeemed over a long period of time, and under the condition that the gold standard is re-created, and silver, on a **Flexible** price basis, finds its place next to gold, as provided for in the American Silver Purchase Acts.

Before World War I, it was considered sufficient to protect any currency by 40% gold. Any new currency to be created after the war, should be good—at least in the case of the United States—when it is protected not by 40% gold, but by say 10% gold or silver, with the proviso that our national debt is reduced from year to year by certain **fixed** sums established by the Congress.

ALDEN ANDERSON

President, The Capital National Bank, Sacramento, California

I have read Doctor Spahr's article and would say that to my mind he states the matter concisely, plainly and correctly and I have no comments to make.

The only thing that I can figure is that the degree of whatever happens will be intensified or minimized according to the character and capability of the man who occupies the "White House" at that time and that, of course, assumes that if it is a man of financial sense and ability he will draw that character of men around him.

ROSCOE SEYBOLD

Vice-President and Comptroller, Westinghouse Electric & Manufacturing Co.

To my mind, point four of his four-point program is weak. To urge a permanent national debt as the ultimate solution of the debt problem will be comparable to a financial "Munich." We must plan to reduce the debt. A permanent debt would be permanent only until the public became used to the amount. It would then become commonplace and certainly would be raised in due time.


Roscoe Seybold

It seems to me that no solution to our problem of fiscal solvency can be presented without taking into consideration what the other leading war nations will be forced to do. For example, Russia and Germany were both defeated in World War I, both wiped the financial slate clean, yet both emerged as strong nations in twenty years' time. The problem confronting us, as I see it, is whether the U. S. A. can reduce its debt fast enough in the reconstruction period after the war to be in a position to compete with countries which will, of course, wipe the financial slate clean. This reduction, it would seem, should preferably take place during the time these "new" nations are getting on their feet.

A related question is the eventual size of the debt. It is probable that, when the war is over, we will have another "Victory Loan" and assist other countries to get on their feet so that they can start from scratch. Such a loan will, of course, defer our eventual debt reduction. Uncle Sam has a real problem to face and it will take a Calvin Coolidge economist to solve it. As I see it, we either reduce the debt—or else.

CHARLES F. CHUBB

President, The Dollar Savings Bank, Pittsburgh, Pa.

I have read with interest Dr. Spahr's article in the "Chronicle" of March 4, and am in entire accord with the purposes of his "Program to Salvage Fiscal and Monetary Solvency." There is, in my judgment, little question that further devaluation of the dollar, or depreciation of the currency, would be disastrous. It is not apparent, however, that it should be necessary to make our national debt, as it may stand at the end of the war, permanent, as suggested in Dr. Spahr's point No. 4.

On account of the probable size of the debt, the burden of interest alone will be heavy, and any rapid amortization of principal would probably not be practicable; however, it seems to me it would be better public policy gradually to reduce the principal of the debt, rather than to treat it as permanent. If this were done, it should strengthen the country's credit and prepare it better for facing some future emergency.

As an officer of a savings bank, I conceive it to be the obligation of savings banks, not only to return to their depositors the number of dollars to which they are legally entitled, but, so far as it is in the power of the banks, to see to it that those dollars have a value or purchasing power, as nearly as possible equal to that which they had when entrusted to the banks.

S. E. RAGLAND

Chairman of the Board, The First National Bank of Memphis

Dr. Spahr's article in the "Chronicle" is very good insofar as I can understand his statements. When he writes about a "permanent debt," I wonder if he means that the total debt after the war should be frozen. If so, I do not agree with him on that point.

Of course it is necessary to spend money—a lot of it—in order that we may win the war, and I think no loyal citizen of this country will object to that, but immediately after the fighting ceases steps should be taken to refund the debt on a basis from which at least a start should be made toward repayment, every bit of it, in honest dollars.

In this connection I would like to add one more Freedom to the four which have already been mentioned—that is, Freedom from Dishonor. I think the preservation of the freedom of America on the home front when the war is over will be second in importance only to the preservation of it from foreign aggression.

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.

Low-Priced Stocks On Cash Basis NYSE Rules

The Board of Governors of the New York Stock Exchange at its meeting on March 25 revised the general margin rule of the Exchange to provide that on and after April 1, purchases of securities selling below 5 may only be made on a cash basis, according to a statement issued March 26 by Emil Schram, President of the Stock Exchange. Customers who purchased such securities prior to April 1, 1943, will have until June 1, 1943, to make full cash payment, according to the announcement by Mr. Schram, which continued:

"A similar requirement with respect to stocks selling at less than $5 and bonds selling at less than 10% of face value was adopted by the Exchange on Aug. 2, 1933. It remained in effect until Oct. 3, 1933, when the requirement was cancelled so far as securities which were acceptable to banks as collateral in call loans were concerned. This condition was dropped when the margin requirements were revised on May 1, 1936.

"Many member firms of the Exchange already apply higher margin requirements to securities selling below 5 than are prescribed in either Regulation T of the Board of Governors of the Federal Reserve System, or hitherto by the Stock Exchange. The action of the Board of Governors of the Exchange will result in a uniform margin policy by member firms with respect to such securities.

"The revision in the general margin rule of the Exchange applies not only to public customers of member firms, but to individual members and allied members of the Exchange in their trading for their own account, with only one exception: In order that specialists may not be handicapped in endeavoring to meet their obligation to maintain orderly markets, the new requirement will not apply to them, insofar as the stocks in which they specialize are concerned."

Incident to Mr. Schram's announcement, John C. Korn, Acting Secretary of the Exchange, addressed the following notice to members on March 26:

The Board of Governors at a meeting on March 25, 1943, amended Paragraph (o) of Rule 550 by the addition of the following sentence:

"No value shall be allowed on any stock 'long' in the account which has a market value of less than $5 per share or on any bond 'long' in the account which has a market value of less than 5% of its principal amount, unless:

(1) the 'long' securities positions are offset and in an account to which the provisions of Paragraphs (d) or (e) apply, or

(2) the 'long' securities positions are in the account of a specialist on a national securities exchange and the transactions and securities therein are confined exclusively to those securities in which he is registered as a specialist."

The effective dates of this change shall be April 1, 1943, with respect to purchases or receipts effected on or after that date, and June 1, 1943, in the case of positions in securities which were purchased or received prior to April 1, 1943 (trade date). Any amount of margin which may be required at June 1, 1943, because of the effect of this ruling must be obtained as promptly thereafter as possible and in any event within a reasonable time.

Open Newburgh Office

Craigmyle, Pinney & Co., members of New York Stock Exchange, announce the opening of an office at Newburgh, New York, under the management of Mrs. J. Edward Powell.

Calendar of New Security Flotations

OFFERINGS

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)

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.

Awarded March 26, 1943, to Halsey Stuart & Co., Inc., and associates on bid of 107.1579.

Offered March 29 by Halsey Stuart & Co., Inc., and associates at 108 and interest.

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.

Offered—March 26, 1943 at 83 and int. by Barrett Herrick & Co., Inc.

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.

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).

MONDAY, APRIL 12

CELOTEX CORPORATION

Celotex Corp. has filed a registration statement for 75,000 shares of common stock, no par value.

Address—120 South La Salle Street, Chicago, Ill.

Business—Company is engaged in the building material business.

Underwriting—There are no underwriters.

Offering—The 75,000 shares of common will be offered by the company at $10.50 per share only to a selected group consisting of employees of the company, including officers and directors and those serving in a professional or advisory capacity and a limited group of persons having long standing business relations with the company to be selected by the board of directors. Statement says that recently, while the company was carrying on negotiations to augment its working capital by the issuance and sale of common stock, a substantial group of key employees of the company including certain officers and directors, joined in the formation of a syndicate with a view to the purchase of a large block of outstanding common stock from a single source which had indicated a willingness to sell. When reasons arose whereby the proposed purchase could not be carried out, the group acting through the syndicate requested the company to afford the syndicate members, as well as other employees, the opportunity to purchase the stock of the company then proposed to issue, at a price to net the company the same amount as though such stock were marketed through then available investment banking channels. The board determined that the stock to be sold should be offered to the selected group at a price of $10.50 per share. The syndicate has formed a voting trust for the common stock of the company.

Proceeds—Entire proceeds from the sale will be received by the company and used for additional working capital and for other corporate purposes.

Registration Statement No. 2-5112. Form A-2 (3-24-43).

CELOTEX CORPORATION

Bror Dahlberg, O. S. Mansell and Andrew J. Dallstream, voting trustees, have filed a registration statement for voting trust certificates for 150,000 shares of common stock of Celotex Corp. common stock, no par value.

Offering—(See Celotex statement No. 2-5112.) The syndicate has formed the voting trust for the common stock of the company, and an opportunity will be afforded to the members of the syndicate (mentioned in statement No. 2-5112) and to all others who purchase such stock, to deposit their shares of common stock thereunder and receive voting trust certificates. Additional shares of common may be deposited upon application of the holder and with the consent of the voting trustees, but voting trust certificates are not to exceed 150,000 shares of common stock.

Purpose—To form voting trust.

Registration Statement No. 2-5113. Form F-1 (3-24-43).

WEDNESDAY, APRIL 14

AMERICAN CASUALTY CO. OF READING, PA.

American Casualty Co. of Reading, Pa., has filed a registration statement for 50,-000 shares of capital stock, par value $5 per share.

Address—607 Washington St., Reading, Pennsylvania.

Business—Conducts general casualty insurance business.

Offering—The shares of common stock are being offered at $10 per share by the company to its stockholders of record April 15, 1943, in the ratio of one new share for each three shares held on record date. The right to subscribe on the part of the stockholders will expire May 15, 1943.

Underwriting—In the event that all of the stock is not subscribed for by stockholders, the company may endeavor to make an offering to the general public through underwriters.

Proceeds—Proceeds are to be used to increase the capital and surplus of the company to enable it to retain a larger portion of its standard limit business without resorting to reinsurance. Net proceeds will be used for the purchase of securities which are qualified as legal investment for insurance companies organized under the laws of the Commonwealth of Pennsylvania.

Registration Statement No. 2-5114. Form S-1 (3-26-43).

THURSDAY, APRIL 15

WILSON & CO., INC.

Wilson & Co., Inc., have filed a registration statement for $20,000,000 first mortgage bonds, 3% series, dated April 1, 1943, due April 1, 1958.

Address—4100 South Ashland Avenue, Chicago, Ill.

Business—Engaged in what is commonly called the meat packing business, which consists of buying, slaughtering and dressing live stock, and processing and selling meats, meat food products and related products.

Underwriting—Underwriters are: Smith, Barney & Co., $2,500,000; Glore, Forgan & Co., $2,500,000; A. C. Allyn & Co., Inc., $250,000; Bacon, Whipple & Co., $150,000; A. G. Becker & Co., Inc., $400,000; Blair & Co., Inc., $500,000; Blair, Bonner & Co., $150,000; Blyth & Co., Inc., $1,000,000; Central Republic Co., Inc., $300,000; E. W. Clark & Co., $150,000; J. M. Dain & Co., $100,000; Farwell, Chapman & Co., $100,-000; First Boston Corp., $1,000,000; Goldman, Sachs & Co., $650,000; Hallgarten & Co., $1,000,000; Harriman Ripley & Co., Inc., $1,000,000; Harris, Hall & Co., Inc., $400,000; Hemphill, Noyes & Co., $350,000; Henry Herrman & Co., $100,000; Hornblower & Weeks, $500,000; Illinois Co. of Chicago, $150,000; Janney & Co., $150,000; Kalman & Co., Inc., $100,000; Kebbon, McCormick & Co., $150,000; Lazard Freres & Co., $500,000; Lee Higginson Corp., $500,000; Lehman Brothers, $1,000,000; Mellon Securities Corp., $1,000,000; Milwaukee Co., $200,000; F. S. Moseley & Co., $300,000; Newhard, Cook & Co., $100,000; Piper, Jaffray & Hopwood, $100,000; Stern Brothers & Co., $150,000; Stone & Webster and Blodget, Inc., $500,000; Stroud & Co., Inc., $150,000; Swiss American Corp., $300,-000; G. H. Walker & Co., $200,000; White, Weld & Co., $350,000; Wisconsin Co., $500,-000; Dean Witter & Co., $350,000 and Yarnall & Co., $150,000.

Offering—Price to the public will be supplied by amendment.

Proceeds—Proceeds from the sale, together with general funds of the company, are to be applied not later than June 1, 1943, to the redemption of the $16,390,000 face amount of outstanding first mortgage 20-year bonds, series A, 4% due July 15, 1955, at 104% plus accrued interest, and to the redemption of $4,165,000 face amount of outstanding convertible 3¾% debentures, due April 1, 1947, at 102% plus interest. Of the debentures $907,350 now are on deposit in the sinking fund.

Registration Statement No. 2-5115. Form S-1 (3-27-43).

SUNDAY, APRIL 18

HOUSTON LIGHTING & POWER CO.

Houston Lighting & Power Co. has filed a statement with the SEC for 242,664 shares of common stock, without nominal or par value. The stock is already issued and outstanding.

Address—900 Fannin St., Houston, Tex.

Business—Operating public utility.

Offering—Price to the public to be supplied by amendment.

Underwriting—The shares to be offered are owned by National Power & Light Co. Statement which was filed by Houston says that latter has been advised by National that no firm commitment to purchase the securities registered has been made.

Proceeds—Proceeds from sales will go to National Power & Light Co. The proposed sale is part of the program of National to liquidate in compliance with an order of the Securities and Exchange Commission. As part of this program National proposed to divest itself of its entire holdings of Houston common through the exchange of its holdings of Houston common for its own $6 preferred on basis of two shares of Houston common for one share of National preferred. The total amount of Houston common offered was 500,000 shares, of which 257,336 shares were accepted in exchange to Dec. 31, 1942, termination of the offer. The stock being registered represents the balance of National's holdings after the termination of the exchange offer.

Registration Statement No. 2-5117. Form A-2 (3-30-43).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

PACIFIC MUTUAL LIFE INSURANCE CO. OF CALIFORNIA

A. C. Balch, F. E. Rand and Leslie Waggener as the Pacific Mutual Shareholders Protective Committee have filed a registration statement with the SEC for voting trust certificates for 508,200 shares of common stock, par $1 per share, of Pacific Mutual Life Insurance Co. of California.

Address—Of issuer, 626 South Spring St., Los Angeles, Cal. Executive office, 523 West Sixth St., Los Angeles, Cal.

Business—Life insurance.

Purpose—The agreement places no limitation upon the powers of the committee to vote the shares held by it. However, one of the main objectives of the committee is to vote the securities held by them in connection with the said so-called plan and agreement of rehabilitation and reinsurance and mutualization affecting the Pacific Mutual Life Insurance Co. of California.

Registration Statement No. 2-5098. Form F-1. (2-19-43).

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.

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

Stone & Webster and Blodget, Inc., Lehman Brothers, Halsey, Stuart & Co., Inc., and associates, on March 29, 1943, bid 102.05 for the issue, as 4½s, this being the only bid submitted.

(This list is incomplete this week)

Pennsylvania Brevities

(Continued from page 1201)

duced $76,585, derived from 1941 earnings and years prior thereto, operated the fund and retired approximately 2,000 shares of stock. It is provided that the fund shall consist of 5% of annual net earnings not to exceed $50,000 in any one year. Another fund, based on 1942 results, will operate later in the year.

N. W. Ayer & Son announces the appointment of Granville E. Toogood as vice president and assistant to the president. He has been with the Ayer firm since 1925. Prior to that time he was a Philadelphia newspaperman. You take it from there.

The **Edward G. Budd Manufacturing Company** has completed arrangements for refunding outstanding indebtedness by means of a $12,000,000 5-year sinking fund loan. After paying off present loans, additional working capital will be available for the Company's expanding business.

Participating in the credit are a group of Philadelphia and New York banks, several insurance companies and the **Reconstruction Finance Corporation. Ladenburg, Thalmann & Co.** and **White, Weld & Co.** negotiated the proceedings.

Strawbridge & Clothier, Philadelphia department store company with successful branches in Ardmore and Jenkintown, reports income for the fiscal year, before taxes, of $3,189,342, a gain of $1,029,864 over the preceding fiscal year. Net after taxes declined from $1,014,478 to $849,342.

A refinancing plan has been approved whereby the first mortgage 5s, 1948, were called at 101, to be replaced by a 4% $7,000,000 mortgage. All officers and directors were re-elected.

Now Weeks & Co.

PHILADELPHIA, PA.—Effective today, Henry C. Weeks, member of the Philadelphia Stock Exchange, is forming Weeks & Co. in partnership with M. A. Weeks. Offices of the firm will be located at 1411 Walnut Street. Mr. Weeks was formerly active as an individual Exchange member.

Now T. A. Richardson Co.

TORONTO, ONT., CANADA—F. O'Hearn & Co., 11 King Street, West, members of the Toronto Stock Exchange and Montreal Curb Market, announce a change in their firm name to T. A. Richardson & Co. Partners of the firm are T. A. Richardson, A. Gardner, H. C. Shields, P. H. Douglas, G. A. Richardson, and V. J. McLellan.

Struthers & Dean To Admit W. L. Linton

Walter L. Linton today becomes a partner in Struthers & Dean, 40 Wall Street, New York City, members of the New York Stock and Curb Exchanges.

As of today Howard B. Dean, general partner, becomes a limited partner in the firm.

Hooker Electrochemical Situation Attractive

The current situation in Hooker Electrochemical Co. offers attractive possibilities, according to a memorandum issued by Hughes & Treat, 40 Wall Street, New York City. Copies of this interesting memorandum may be had from the firm upon request.

L. H. Rothchild Moves

L. H. Rothchild & Co. announce the removal of their offices to 120 Broadway, New York City. The firm's phone number is now Cortlandt 7-0136.

The Future Of The Gold Standard

(Continued from page 1204)

governments. It is these institutions, as long experience has clearly demonstrated, rather than governments themselves, that are best qualified to give the limited amount of monetary management that is needed.

Will An International Gold Standard Be Possible After the War?

It is often argued that after the War most nations will be too poor to obtain the gold required to reestablish the gold standard and, in case they should be able to get it, would be unable to retain it because it would be drained from them by an unfavorable trade balance. This idea I believe is in conflict with the experience of scores of gold-standard countries prior to World War I and likewise to involve a fallacious interpretation of monetary principles.

Gold, like every other commodity, tends to move from the place where it is cheap to the place where it is dear; in other words, to seek the best market. Any nation can have the amount of gold needed to enable it to maintain a gold standard if it is willing to pay the market price for the gold. A nation that exports goods and services "to abroad" obtains foreign credits abroad to the value of these exports, against which it can draw for any goods or services saleable abroad that it may wish to buy at current market prices. This applies to gold as well as to any other commodity. Of course to the extent that a nation draws against its foreign credits for the purchase of gold it cannot use them for the purchase of something else. It cannot have its cake and eat it too. If it wants gold, however, and is willing to pay the market price for it, it can have it. And if a nation has gold it can keep it just as it can keep a supply of any other commodity which it has purchased abroad or produced at home, **provided** it is willing "to pay the price."

When a country is unduly depleted of its gold reserves, it is usually because the country pushes its gold out rather than because foreign countries are pulling it out. The country pushes out the gold by making it relatively cheap at home as compared to abroad, which it usually does by inflating its circulation of paper money and deposit currency for fiscal purposes, namely, to finance an unbalanced budget. A nation that lives within its means and follows sound monetary policies will normally have no trouble in maintaining a gold standard.

At the end of the present war it will be to the interest of the United States as well as of the rest of the world to reestablish the international gold standard. This country will then own the great bulk of the world's monetary gold, and we will be glad to sell our excess supply on very attractive terms to other countries that desire to return to the gold basis.

The CHRONICLE invites the comments of its readers on the views expressed by Dr. Kemmerer, or on any related phases of the subject under discussion.—Editor.

Municipal News & Notes

Rejecting centralization of taxing power in the Federal Government as a solution to the problem of overlapping Federal, State and local taxation, the Committee on Inter-Governmental Fiscal Relations after two years of study has recommended "coordination and cooperation" to Secretary Morgenthau as the preferable approach.

The six-volume report, made public March 30, has been submitted to President Roosevelt, the Governors of the States and to members of the Senate Finance and House Ways and Means Committees by Secretary Morgenthau, who appointed the Committee in 1941.

"A change of attitude of revolutionary proportions seems to be needed," said the report.

It deplored the "complicated, highly diverse, highly arbitrary system of business taxation, with its high cost of compliance, capricious and extraterritorial incidence, and uncertain economic effects," even questioning whether business should be taxed as such at all. Business taxes, it said, should be "de-emphasized."

There had been considerable expectation that the Committee might, in view of Canada's recent centralization of many taxing powers in the Dominion Government, recommend exclusive bestowal of income-tax powers upon the Federal Government. On the contrary, the only tax recommended to be collected solely by the Federal Government was the tobacco tax. The revenue from it would then be distributed among the States on a proportional basis.

"The united and uniform fiscal system of which some administrators dream is possible only in a unitary state," the Committee stated. "The best can be achieved in a Federal-State is a working compromise, even as the Federal-State itself is in origin a compromise."

Major recommendations included the following:

1. Relaxing emphasis upon business taxes: "Private enterprise should be encouraged, not hampered, in carrying as large a share of the future of the economic load as its performance will justify." Federal incorporation of interstate corporations was recommended in this connection.

2. Remodeling of the real estate tax **"It is recommended that major attention be given to a reorganization of the sources of local revenue, particularly city revenue. This, in our opinion, calls for a bold attack and some fundamental changes in a time-honored institution—the general property tax." This would involve shifting the emphasis of the land tax to ability to pay, from "real estate to current income," and brought such suggestions from the Committee as a tax on landlords for local improvements, and a tax from tenants on "their rental value of occupance." Unused properties might be exempt.**

3. Coordination of Federal and State income taxation: "Coordination in Federal and State income taxation is of first-rate importance, for it is in this form that multiple taxation (threatened and perhaps actual), interstate migration and high compliance costs are particularly prominent." The report pointed to such possibilities as joint State-Federal return, joint audits, joint use of personnel and more uniform laws.

4. **Gasoline taxes: Eventually the States might receive exclusive right to tax gasoline for highway use; the Federal Government to tax it for aviation use.**

Detroit Debt Study Reflects Sound Fiscal Basis

That the City of Detroit merits its present high credit status is amply evidenced in the study just issued by the Chemical Bank & Trust Co., New York, under the heading: "A Brief Analysis of Credit Factors of the City of Detroit." Examination of this interesting statement discloses that the city has reduced its net debt by more than $67,000,000, or 17.8%, since 1933. In addition, the cumulative operating deficit of $21,669,932 which existed on June 30 of that year has been completely eliminated and, according to estimates by municipal officials, the city will enjoy a $2,000,000 operating surplus at June 30 of the present year.

The report also discloses the steady improvement in current tax collections by the city since 1933. By way of comparison, it is noted that over 95% of the 1941-42 levy of $68,977,224 was collected on June 30, 1942, as against only 65% of the 1932-33 levy of $72,632,991 on June 30, 1933.

Although debt reduction has been the keynote of the city's fiscal policy for many years, this has been accompanied by substantial capital improvements, all of which was financed without increasing the net debt. Moreover, the city's share of relief expenditures has been financed without issuing bonds, an accomplishment noteworthy in itself.

In making available copies of the analysis, Emil C. Williams, Vice-President of the Chemical Bank & Trust Co., makes the following comment:

"Since the basis of credit is ability and willingness to pay, the enclosed analysis demonstrates by actual performance that city's recognition of these basic principles. Furthermore, the constructive program adopted by the present administration clearly indicates a strong desire to constantly improve Detroit's credit. The declared intention to operate on a cash basis, to finance capital improvements out of current income, plus the schedule of substantial debt retirement over the next 10 years and the many other encouraging steps taken should materially enhance the investment quality of the City of Detroit bonds."

Chase National Bank Buys $10,660,000 N. Y. City's

The Chase National Bank of New York, acting alone, was the successful bidder for the $10,660,000 New York City 3% assessment bonds offered for sale yesterday. The bank paid a price of 104.5059 for the bonds, a net interest cost of about 1.41%, and re-offered them to the public at prices to yield from 0.60% to 1.75%, according to maturity. The bonds are due serially from 1944 to 1948 incl. and were held in the city's sinking funds. Second high bidder was C. J. Devine & Co., New York, which bid a price of 104.223, while Goldman, Sachs & Co., New York, was third in line, with an offer of 104.205.

Major Sales Scheduled

The calendar of future offerings of $500,000 or more is, at this writing, limited to only one item. However, the current dearth of potential business probably is not an unmixed blessing, as the floating supply of bonds overhanging the market is rather large at this time and dealers will, accordingly, be able to devote increased attention to distribution of existing stock.

April 6

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

Offers Possibilities

Chicago & North Western first and refunding 4½s and 5s, 2037, offer attractive possibilities according to a circular just issued by McLaughlin, Baird & Reuss, 1 Wall Street, New York City, members of the New York Stock Exchange. Copies of this interesting circular may be had upon request from the firm.

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.

G. G. Paton Elected

At the annual meeting of the stockholders of American Foreign Investing Corporation, George Gordon Paton was elected a director. Mr. Paton is Executive Vice-President of Commodities Research Bureau and a consultant to the Office of Price Administration at Washington.

Our Reporter On "Governments"

(Continued from page 1196)

one nationally-known authority on the subject even believes that the chances are highly against any revision of the status of new issues of municipals. . . . His idea is that future issues of municipal and State bonds are safe from tax changes—and he doesn't even question the position of bonds already out. . . .

As for the supply, obviously tax-exempts are moving out of existence month by month. . . . And, again, as for the supply, obviously most major holders of tax-exempts without any need for the privilege already have switched from these into taxables in order to get the higher yields and benefit from the better marketability of new taxable Governments. . . .

The best bonds to buy, according to informed sources, are the longest-terms. . . . The last four issues out might be the most favored in any market advance, it is believed. . . .

Reasons here are these:

(1) The longest-maturity issues will be out the longest time and, therefore, when you buy them you may consider your tax-exemption safe for a period of years rather than months. . . . And you can base your tax calculations accordingly. . . .

(2) The longest-maturity issues are closest to par, and in any market decline these will be in the least vulnerable position. . . . They can fall least, and they will fall least. . . . In addition, should all our estimates go wrong and should some change be engineered in the status of tax-exempts, the longest-terms will fall least to get into position and relation with the taxables. . . .

The 2⅞s of 1960/55, selling at 109.11, appear a highly attractive issue at the moment. . . . They wouldn't have to fall far to get entirely into line with taxables. . . . They could go up to 115, according to one dealer whose forecasts are respected throughout the country. . . .

INSIDE THE MARKET

Best opinion on the new issues at the moment is that ½-point premium will appear on both. . . . The 2s, it is said, may be considered worth "three months' interest," or about 15/32, after the deal is over and trading is begun. . . . The 2½s should get up to ½ point in a few months, maybe reach 100.20 by summer. . . . Premiums are large enough to assure completely successful deal. . . .

Informed estimates on total that will be raised range from $15,000,000,000 to $16,000,000,000. . . . No doubt about surpassing of the officially stated goal of $13,000,000,000. . . . Goal was set at that figure to make sure it would be over-reached and thus there would be no unfavorable comparisons with the December deal. . . .

One source suggests sale of the 1958/56 bonds, purchase of the 2¾s of 1959/56 and sale of mid-50 maturities and purchase of the 2⅞s. . . . Tax-exemption angle showing here, of course. . . .

Government market generally acting well, strong, giving every sign of perfect condition for new issue. . . . Insurance company new investments are down to a minimum as buyers await April 12 to build up their portfolios. . . .

Geraghty Of SEC Warns Dealers Not To Destroy Bright Future Of Investment Business

John B. Geraghty, Denver Regional Administrator of the Securities and Exchange Commission, in an address before the joint dinner given by the Investment Bankers Association and the Bond Club of Denver, declared that the future of the investment business is brighter today than for many years past and the problem of dealers is to see that this bright future is not destroyed. He recommended an educational program to make the public conscious that sound investment advice can be obtained from the broker-dealer fraternity.

In addressing the meeting Mr. Geraghty said:

It would be difficult to attempt, in five minutes, to give even an intelligent synopsis of the activities of the Commission, so I have decided to confine my remarks to some of our activities with which you are more familiar, namely, the broker-dealer inspections, and possibly make a suggestion or two which might be of help to the industry as a whole.

The principal purpose of an inspection is, first, the protection of the customer, and second, the broker. You appreciate, of course, that during the course of the inspection several items are examined to determine (1) that the capital requirements are being met; (2) that loans on securities are within the law; (3) that proper safeguards are maintained for customers' securities in safekeeping; (4) that there has been a compliance with the bookkeeping rules; and (5) probably most important, that customers are being dealt with fairly; in other words, the elimination of unreasonable profits.

As a result of these inspections, the amount of good which has been accomplished with a minimum of publicity is astounding. Capital deficiencies have been corrected in numerous instances, and in cases where customers might have lost many thousands of dollars, by permitting the broker-dealer to work out his problems under the Commission's guidance, the same was saved for the investors.

Throughout the entire area covered by our office, I am confident that the inspections have resulted in improving the bookkeeping of many firms. Mr. Schepp, our Inspector, in my opinion, has done excellent work, as has Mr. Petersen, in properly calling to your attention the bookkeeping rules, and where firms have followed their advice regarding the requirements of the rules they have frankly informed the Inspectors on later inspections that they did not realize how it was possible for them to carry on their business in the past without the use of such records. This compliment has been paid principally in connection with the installation of the "position record" which is one of the few "must" requirements of the bookkeeping rules. It appears that in practically every other section of the rule "other records" will suffice, but not so as to the "position record."

The correction of bad practice which existed in numerous houses through inspections has, in my opinion, helped each of you indirectly. Mr. Schepp, I believe, is responsible for the comparison of the broker-dealer fraternity to the members of one large family. If one "goes wrong" or is found guilty of some infraction, it reflects upon all others for a certain period. With that thought in mind, I would like to make a few suggestions as to how you might better assist yourselves and the Commission in keeping the industry beyond question.

As I view it, the future of your business is brighter today than for many years past. Every loyal citizen in these United States is now an investor and your potential customer. As a result of the efforts of the Commission during past years, there are among your ranks fewer questionable firms than for many years. Your problem, therefore, as I view it, is to see that this bright future is not destroyed. I think as a starter an educational program could well be considered, designed principally to make the public conscious that sound investment advice can be obtained regarding investments from the broker-dealer fraternity. Slogans such as "Before you invest, see your broker-dealer," or, "If it is as good as they say, it will stand the light of day."

When this program of publicity begins to bear fruit and individuals seek investment advice, concentrate upon making it good advice that they receive. If an investor calls upon you, having in mind an excellent investment, don't adopt the attitude that it will be your last trade and therefore attempt to move some security that you may have on your shelf, but give them the best advice possible. Good advice, in my opinion, will make him your customer in the future much quicker than anything else you might do. Second, you as a group know the questionable operator. When he arrives, let the Commission know. Third, you know a questionable transaction. When it is presented to you, likewise let us know. You may be sure that you will not be considered a stool-pigeon and, before any action is ever taken, a careful and painstaking investigation will be made by representatives of the Commission.

Along this line, I would suggest possibly the adoption of a uniform rule among yourselves of delaying transactions regularly which are presented to you by questionable characters or unknown operators. A delay of a day or so never hurt a legitimate transaction. During this time, I would suggest the advisability of calling the transaction to the attention of the local office. You may find that the individual who has presented the transaction to you for execution may be wanted on an indictment in New York or New Orleans, or such action we may know will soon be taken. It might also be that the investor from whom the securities were obtained has already realized the fact that he or she has been defrauded and has complained to the Commission's office.

I would say that should you take such precautions to prevent fraud, the investor whose money was thereby saved might be your customer from then on, and at least would have some funds to invest with one of you.

It may be but a short period until the holders of many of the War Bonds will be looking for investments, and if the questionable operator is prevented from finding a market for such securities among you, his labors will not be as fruitful as in the past.

In all, it is a problem, as I see it, of cooperation between your industry as a whole and the Commission, which is attempting to enforce legislation which is designed to protect the investor, who, if protected, is a potential customer for one of you.

Canadian Business Continues To Increase

Canadian business conditions during the first month of the year showed general increases over the same month of last year, according to the March 24 "Business Summary" issued by the Bank of Montreal. The review further said:

"The usual seasonal decline in industrial employment at Jan. 1 was less marked, the losses in general being slighter than at any corresponding time since records of employment began to be kept 23 years ago. A tentative computation of the national income gives a total of $693,000,000 in January, an advance of 23.8% over the first month of last year. The Dominion Bureau of Statistics reports that the cash income of Canadian farmers from the sale of their products in 1942 was $1,083,000,000. In addition, the farmers received substantial supplementary income from bonuses and subsidies paid by the federal and provincial governments. In January strikes in leading plants were responsible for a recession in the production of iron and steel, which for that month amounted respectively to 116,327 and 207,008 tons, as compared with 164,382 and 269,834 tons in December, and 163,156 and 259,016 tons in January, 1942, but the outputs of both recovered in February. The textile mills remain busy. In February the newsprint industry operated at 64.9% of its capacity, the lowest scale since August, 1939."

The Business Man's Bookshelf

Battle Stations For All—The Story of the Fight to Control Living Costs—Office of War Information, Washington, D. C.—paper.

Chile, A Geographic Extravaganza—Benjamin Subercaseaux—translated by Angel Flores—The Macmillan Company, 60 Fifth Avenue, New York City—Cloth—$3.00—publication date: April 13, 1943.

Effect of Inventory Methods On Calculation of Profits and Income Taxes—Charles J. Gaa—Bulletin Series No. 63—University of Illinois, Bureau of Economic and Business Research, Urbana, Illinois—paper.

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.

Materials Handling, Principles, Equipment, and Methods—Harry E. Stocker—Prentice-Hall, Inc., 70 Fifth Ave., New York, N. Y.—cloth—$5.00.

Wartime "Prosperity" and the Future—Wesley G. Mitchell—Report No. 2 in the series "Our Economy in War"—National Bureau of Economic Research, 1819 Broadway, New York City—paper.