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OUR REPORTER'S REPORT

As had been anticipated the return to their regular pursuits of investment bankers, who had been devoting their full time in recent weeks to the Treasury's Second Victory Bond Drive, has reflected in a pickup of activity among underwriting firms.

Whereas a week ago there was little to indicate that the impending competitive sale of the Public Service Company of Indiana refunders would attract more than a single bid, next Monday, the picture is now changed.

Now there are growing indications of real competition developing for this issue which will be one of the largest utility undertakings since the turn of the year, involving as it does $38,000,000 of new first mortgage bonds.

Among those who have been looking the situation over with respect to this particular issue and seeking to calculate the probab basis on which it will be sold, there has been plenty of activity, since it is the first offering in quite a while.

The consensus seems to be that the bonds probably will go at a price to indicate a yield of somewhere between 3.10 and

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Pennsylvania Corporates-Municipals

Special section devoted exclusively to Pennsylvania corporate and municipal securities and brevities starts on page 1162.

Federal Taxes and Utility Earnings

By ERNEST R. ABRAMS

Some of you may recall that approximately a year ago, in the "Financial Chronicle" of May 7, this writer discussed certain phases of the 1942 Revenue Act, then pending before Congress, under the title of "The Myth Of Excess Profits In The Electric Utility Field." In it, he sought to show that public regulation of operating utilities, instituted by two States nearly 46 years ago, and since adopted by the District of Columbia and every State in the Union but Delaware, has for its primary objective such control over rates that no more than a fair return can be earned on the value of utility property devoted to service of the public. And where, in isolated instances, a utility does earn more than the allowable rate of return, rate reductions quickly are instituted to bring earnings into line with prescribed maximums. Under these conditions, excess profits cannot exist in the field of public service.

The Secretary of the Treasury, moreover, told Congress, on March 3, 1942:

> A substantial share of the increased corporation tax should fall on excess profits. Taxes paid from such profits have less disrupting effects on business than taxes which are generally applicable to all corporate earnings irrespective of the rate of return. A tax which absorbs excess profits still leaves the corporate taxpayer with a sufficient margin of income for dividends and safety. . . . At a time like this, I am confident that incorporated business will willingly pay additional taxes which will, after all, leave it in the aggregate about the same amount of income after taxes as during the years before 1940.

The recommendations of the Secretary, unfortunately, did not follow the policy outlined in his statement, nor did Congress pay them much heed in writing and adopting the 1942 Revenue Act. For one thing, the need of vastly expanded Federal revenue was great in that year. And, for another, all members of the House and a third of the Senate had to stand for re-election in November. So Congress took the easiest way out. Following the practice pursued in creating the 1941 Revenue Act, it continued the expedient of assessing excess profits taxes on any increase in earnings over the 1936-1939 average in advance of normal taxes.

To be sure, it ironed out some of the inequities of the 1941 Act, but it still made possible the siphoning off of a much greater proportion of corporate earnings, particularly

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"Free Dollar" Urged As Alternative To Treasury And Keynes Proposals

Aldrich Sees Dollar Anchorage For World Currencies

The suggestion that a "free dollar" be established in the post-war world was offered on April 29 by Winthrop W. Aldrich as an alternative to the two plans recently proposed in tentative form, viz, that of the United States Treasury and the British or Keynes plan. Mr. Aldrich, Chairman of the Board of the Chase National Bank of New York, in presenting his views, said:

"At the end of the war this country can render its greatest contribution to world recovery by checking domestic inflationary forces, by resuming gold payments, and by removing all foreign exchange controls. If these policies were followed, the dollar would constitute a sure anchorage for the currencies of other nations and would become a generally acceptable international medium of exchange."

W. W. Aldrich

The address of Mr. Aldrich was a feature of the International Luncheon on April 29 of the Chamber of Commerce of the United States at its annual meeting at the Waldorf-Astoria Hotel in New York. The remarks of Mr. Aldrich were devoted to the two recently announced plans as to which he noted that the one proposed by the United States Treasury (attributed to Henry D. White, an Assistant to Secretary Morgenthau) calls for the establishment of a United and Associated Nations Stabilization Fund, while the British proposal calls for the establishment of an International Clearing Union. The latter was referred to in our issue of April 15, page 1388, while details of the Treasury plan appeared in these columns April 8, pages 1300 and 1305. The general purposes, the similarities and differences of the two plans were pointed out by Mr. Aldrich, who observed that "an important difference in the two plans consists in the fact that the American Fund would actually possess assets contributed on a pro-rata basis by member nations. The British Clearing Union would not possess assets at its organization but would allow member nations to build up credit or debt balances to certain prescribed limits and subject to certain conditions."

Mr. Aldrich in his concluding remarks, stated that "an impor-

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Hemingway Announces ABA Will Present Plan For World Currency Stabilization

Declares World Currencies Must Be Fastened To Gold

That there is to be developed a currency stabilization plan by the American Bankers' Association was made known by W. L. Hemingway, President of the ABA, before the convention of the Mexican Bankers' Association at Chihuahua, Mex., on May 3, who stated that "already the English plan of Lord Keynes and the American plan of Mr. White have been published and are being studied." "On one thing," said Mr. Hemingway, "I think I may say we are already in unanimous agreement, and that is that the re-established currencies of the world must be firmly fastened to gold." Mr. Hemingway, who is President of the Mercantile-Commerce Bank & Trust Co. of St. Louis, Mo., had for his subject "South of the Border," and in his comments he said:

W. L. Hemingway

"Everywhere there is a growing feeling that the destinies of the 21 republics are linked together. However great may have been the differences in our origins and our cultures, we are neighbors in the new world, and now with the development of new means of transportation, we can become truly helpful each to the other. When the great struggle in which we are now engaged is over, there will be another opportunity for each of us to improve its own economy by developing a greater exchange of goods between ourselves. In this way we can build an Inter-American trade that will contribute to the prosperity of us all in time of peace, and to our strength in time of war. Let us not permit that opportunity to slip from our grasp, but rather let us seize and develop it as partners, that it may always be a fixed and permanent part of the foreign policy of each of our

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Asks Congress For Provision To Set Aside Reserves Before Taxes For Peacetime

Glenn L. Martin, President of The Glenn L. Martin Co., said in an interview on April 28 at Omaha, Neb., that unless Congress makes some provision so industry can set aside reserves before taxes, for reconversion to peacetime operations, American industry is threatened with collapse after the war. An Associated Press dispatch from Omaha, on April 28, from which the above was taken, also gave other remarks of Mr. Martin as follows:

"The people," he said, "have been looking to a backlog of civilian needs—for cars, for refrigerators, for hundreds of other things—to take up the slack when war production ends. But the fact is that many industries have no money to reconvert to make these things; their reserves are going to the Government in taxes.

Glenn L. Martin

"It will be too late when the war is over for Congress to act. First of all, it takes time to get any such bill through Congress—precious time. Second, any relief then would have to take the form of giving back to industry some of the money it has paid in taxes, and that would be difficult."

Declaring that "nobody wants to make money out of reconversion," Mr. Martin suggested that money to make reconversion possible could be set up in a special account, to be used for no other purpose.

"And finally, when the job is done," he continued, "the Government could send in accountants to see how much was spent. If the whole amount was not needed, whatever was left could be paid to the Government."

R. C. Chapman Joins McDonald-Coolidge Co.

CLEVELAND, OHIO — R. C. Chapman, municipal securities analyst for the National City Bank of Cleveland for the past eight years, has become associated with the municipal bond department of McDonald-Coolidge & Co., Union Commerce Building, members of the Cleveland Stock Exchange.

Before joining the National City Bank in 1927, Mr. Chapman served for eight years as financial clerk for the Board of County Commissioners of Cuyahoga County. He is a member of the Cleveland School Board Sinking Fund Commission, and is trustee and secretary-treasurer of the Ohio Municipal Advisory Council. He recently was on loan for several months as secretary of Area 1 of the Fourth Federal Reserve District in the first Victory Fund drive.

Wells-Dickey Inc. Is Formed In Mpls.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN. — Wells-Dickey, Incorporated, has been formed with offices in the Metropolitan Bank Building. Officers are: Stuart W. Wells, previously President of Wells-Dickey Co., President; Stuart Wells Jr., formerly of the Dayton Co., Secretary-Treasurer, and Edward P. Wells, previously with the Northwestern National Bank, Vice-President.

Sholts & Basing With Gardner F. Dalton Co.

(Special to The Financial Chronicle)

MILWAUKEE, WIS.—Budd L. Sholts and Mr. Myrtle M. Basing have become associated with Gardner F. Dalton & Co., First Wisconsin National Bank Building. Mr. Sholts was formerly proprietor of the Sholts Investment Co. Mr. Basing was with Carl S. McKee, and prior thereto was with Dalton, Riley & Co.

J. L. Barth Co. Resumes

(Special to The Financial Chronicle)

CINCINNATI, OHIO—The J. L. Barth Co. is resuming its activities as dealer in investment securities from offices in the Dixie Terminal Building. Officers of the firm are: John L. Barth, President and Treasurer; M. A. Barth, Vice-President, and B. J. Munninghoff, Secretary.

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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.

J. R. Timmins Co. To Admit Conway, McCabe

On May 13, John J. Conway and Vincent J. McCabe will be admitted to partnership in J. R. Timmins & Co., 61 Broadway, New York City, members of the New York and Toronto Stock Exchanges and the Montreal Curb Market. Mr. Conway has been associated with the firm in New York City for many years. Mr. McCabe has been Manager of the firm's Toronto office, 350 Bay Street.

B. F. Troxell With Hornblower & Weeks

CHICAGO, ILL.—Benjamin F. Troxell has become associated with Hornblower & Weeks, 39 S. La Salle Street. Mr. Troxell for the past 10 years has been Vice-President of Sills, Troxell & Minton.

Now Walter Benjar & Co.

Walter Benjar is now doing business as Walter Benjar & Co. from offices at 30 Pine Street, New York City, in partnership with E. Benjar. Mr. Benjar has been doing business as an individual dealer, and prior thereto was a partner in W. L. Ertinger & Co.

DEALER BRIEFS

Cincinnati, Ohio

Since the beginning of recorded history men's hopes, fears and desires have been fundamentally unchanged. Each depression, war, plague or other abnormal condition has seemed to those living at that particular time the end of all good things. Yet all these hardships have given rise to new ideas, additional knowledge and a higher plane of living. We believe that man is still very much the same emotionally as he was centuries ago and that out of this present chaos of war, tension and uncertainty will come even greater gains than ever before.

We realize that the tremendous pressure of current events makes it extremely difficult for most of us to look or even try to look too far ahead. But our firm conviction is that the world, with this land as leader, will once more emerge from these trying times to a better life than ever before and that the new fields of chemistry, plastics and electronics will be great factors in that advance. Steel, the railroads, oil, the automobile and many other industries have in their turn provided the new outlet for man's imagination and energy. The comparative infancy of plastics and electronics might well develop into maturity on an even greater scale than any of the others.—*Geo. Eustis & Co.*

With most of our force during the month of April actively engaged in the Second War Loan drive, little attention has been given to placing Municipals, which however, because of the abundance of funds and present freedom from income
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Barrett Herrick Opens New St. Louis Branch

ST. LOUIS, MO.—Barrett Herrick & Co., Inc., has opened a new office in St. Louis at 418 Locust Street. Managers of the new branch are Logan A. McKee and Walter C. Engman. Both were formerly with Murdoch, Dearth & White; prior thereto Mr. McKee was sales manager for Redden & Co. and Mr. Engman was with Scherck, Richter Co.

International Currency

By D. STEWART IGLEHART
President, W. R. Grace & Co.

The Keynes Plan is very clever. It represents his well-known philosophy and would suit the present economic position of some countries. Wherever their supply of gold is limited and their world credit is limited, countries would probably like to capitalize their trading power with a scheme for trading in what are virtually "chips" (bancors).

I am inclined to think that the world as a whole today would not be satisfied to trade in chips. In fact, there is a very apparent tendency in just the opposite direction. The movement of gold, particularly in the last few months, points rather clearly to the fact that the world is turning toward **gold** and wants to trade in what is commonly called **honest money.**


D. Stewart Iglehart

The experience of most countries in managed currencies has not been too happy. They have failed definitely or relatively wherever they have been tried; the reason being that managed currencies are subject to speculation and are particularly subject to political abuse. They inevitably interfere with international trade and gradually lose their value. The laboring man is the sufferer and he really pays the price of failure.

It is futile to expect to establish a theoretical world currency and hope that the people of the world will immediately believe in it. They will not. The great asset that we have today is the dollar and the fact that the whole world believes in it. All we need to do now is to assume leadership.

If our banks are ready to take the lead, using the dollar as the standard of value and giving credit to the central banks of the world to the extent to which they are entitled to credit, and seeing that those credits are sound, self-liquidating and collateralized
(Continued on page 1677)

The Future Of The Radio Industry

The post-war demand for radio sets is quite likely to be of amazingly large dimensions. It has been estimated that there are in the United States (omitting consideration of the export market) about 50,000,000 or 60,000,000 radio sets, with an average life of about five or six years.

This would apparently indicate an annual replacement demand of about 10,000,000 sets, but leaders in the industry reduce this to 8,000,000 sets, pointing out that many families possess more than one radio, which accordingly slows down replacement demand. The biggest year, 1941, witnessed the sale of 14,000,000 sets, but this is regarded as far above normal and primarily due to scare-buying and the public's correct diagnosis that civilian sets would no longer be manufactured.

However, to the normal annual replacement demand, there should be added the increased business that will result from new models and the substantial television field that undoubtedly exists, up to now completely untapped.

Our own point of view is that the radio and electronics field is unquestionably one of America's growth industries and that investors interested in long-term appreciation should give serious consideration to the common shares of the leading companies in the industry (Philco, Radio Corporation, Sylvania, Zenith and General Electric.—*Ralph E. Samuel & Co.*

In New Location

Wainwright, Ramsey & Lancaster, consultants on municipal finance, announce the removal of their office to 70 Pine Street, New York City. The firm's new telephone number is Whitehall 4-3540.

Benjamin Block Joins Daniel F. Rice & Co.

CHICAGO, ILL. — Benjamin Block has become associated with the New York Stock Exchange house of Daniel F. Rice & Company, 141 West Jackson Boulevard as a special representative. Until recently Mr. Block was a partner in the New York firm of Block, Maloney & Co.. members of the New York Stock Exchange.

Halsey, Stuart & Co. Offer C. & O. Certificates

A group headed by Halsey, Stuart & Co., Inc., on May 5 offered $5,200,000 Chesapeake & Ohio Ry. 1¾s serial equipment trust certificates, due $520,000 on each May 1, 1944 to 1953, inclusive, at prices to yield 0.80% to 2.15%, according to maturity. Other members of the offering group are Otis & Co., Inc.; L. F. Rothschild & Co.; Central Republic Co., Inc.; Moore, Leonard & Lynch; Edward Lowber Stokes & Co., and F. S. Yantis & Co., Incorporated.

The issuance and sale of the certificates to be issued under the Philadelphia plan is subject to Interstate Commerce Commission approval. They are to be secured by 2,380 50-ton composite hopper cars, whose total estimated cost is approximately $6,577,037.

Henehan At Conrad, Bruce

(Special to The Financial Chronicle)

SEATTLE, WASH.—Kevin G. Henehan has become associated with Conrad, Bruce & Co., 1411 Fourth Avenue. Mr. Henehan in the past conducted his own investment business in Seattle.

Real Estate Securities

The magic of the location of Fifth Avenue and 42nd Street is known all over the world. Just one block south, opposite the New York Public Library at 475 Fifth Avenue, is the Farmers Loan & Trust Building, located at the Southeast corner of Fifth Avenue and East 41st Street. Rising 278 feet in height, this 24-story office building contains a rentable area of approximately 169,000 square feet. The land owned in fee upon which the building is constructed has a frontage of 104.10 on the Avenue and 140 feet on the Street.

Besides the advantage of being located close to many transit facilities, and its close proximity to the Grand Central Station, the unobstructed light of its offices overlooking the New York Public Library makes the office space in the building very desirable.

First mortgage certificates were issued to the public by the City Bank Farmers Trust Co., who are the present trustees. They represent an equal participation in a first mortgage on the land and building described above and are currently outstanding in the amount of $3,374,500.

These first mortgage certificates may be purchased at 40% of face value despite the fact that they pay 5% interest and 1% amortization. On this basis a yield of over 12% is obtainable.

At this depressed price a value of only $1,349,800 is placed for the entire mortgage. This is only slightly higher than **one-half** the 1943 assessed value of the land **alone**, with the building thrown in for nothing. The City of New York in its 1943 assessment values the land at $2,600,000 and the land and building at $4,150,000.

It is also interesting to note that in 1926 when the building was completed and the City Bank Farmers Trust Co. made this loan, the land was appraised at $2,310,000 and the building at $3,435,000, a total value for the property of $5,745,000.

Comparison of the following summarized earning statements indicates an improvement of earnings during the past year:

	—Year Ended—	
	12-31-42	12-31-41
Gross Income	$467,016	$452,222
Operating Expenses	97,595	99,552
Real Estate Taxes	123,255	124,372
Available for interest	$246,166	$228,222
Interest Require. at 5%	$168,425	$170,000

We made an investigation to determine why these securities were selling at such depressed prices, despite their apparent excellence. We found that the Farmers Loan & Trust Co. had vacated the corner store and second floor in the building because of consolidating their offices with the nearby banking quarters of the National City Bank, with whom they had merged. However, they still are bound on a lease for this space at an annual rental of $183,000 until May, 1946, and have been paying this rental promptly when due. We found that they had made an extensive alteration of the space and had sublet the store to two tenants, the Florsheim Shoe Co. and Peck & Peck, an exclusive ladies' sportswear concern. The second floor space, we understand, has been sublet to a finance company and the Swiss Federal Railroads official information bureau.

Rental figures secured by them in this subletting are unobtainable, but the consensus of opinion is that they are considerably less than those called for in the Farmers Loan & Trust Co. lease.

It is therefore apparent that the current low price of these bonds is the discounting of the possible loss in rent, May, 1946.

We feel, however, that this situation has been too far discounted. Let us assume for the sake of argument that only one-half the rental the Farmers Loan & Trust Co. are paying can be obtained at the expiration of their lease in 1946, and that the balance of the income and expenses remain the same as in 1942.

This would leave $154,666 for interest requirements. In 1942 the interest requirement at 5% was $168,725. In 1946, due to reduction of principal of the mortgage by amortization of approximately $100,000, the interest requirements at 5% will be $163,000. If the figures we assume are correct this would mean the building would earn within $9,000 of 5% interest requirement. You will note 1942 gross income

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Robt. Howard To Be de Cordova Partner

Robert F. Howard, member of the New York Stock Exchange, becomes a partner in Cyril de Cordova & Bro., 25 Broad Street, New York City, members of the New York Stock Exchange. Mr. Howard in the past was a partner in the firm and was also active as an individual floor broker.

Interest of the late Cyril de Cordova in the firm ceased on April 16.

Warren Brothers Co.'s Report Of Operations—Debt Reduced By $5,763,100

The continuance of the war effort throughout the year was responsible for the substantial increase in volume of work done by Warren Brothers Co. and its subsidiaries. Contracts secured by the associated companies during the year amounted to $36,751,849. With the carryover from the previous year this provided a total volume of $40,351,211. Of this amount $32,707,402 was completed during the year, leaving a carryover of $7,643,809 available for 1943 operations.

Operations resulted in net earnings of the parent and its consolidated subsidiaries, together with its proportional share of the net profits of its controlled associated companies, of $1,021,916, after provision for federal income taxes of $677,060, depreciation of fixed assets of $485,549 and special reserves of $335,000.

Operations of the previous year resulted in a profit of $713,350, after provision for federal income taxes of $190,620 and depreciation of fixed assets of $318,400.

In considering the earnings for 1942 Charles R. Gow, Chairman and W. R. Kirkland, President, stated in their remarks to shareholders it should be borne in mind that a very substantial part of the work done during the year is subject to renegotiation. This matter is now before the War Department and, until concluded, the effect, if any, of renegotiation on the earnings of 1942 will not be known.

By giving effect to the plan of reorganization, completed late in 1942, together with current earnings, the deficit at December 31, 1941, of $4,448,285 has been eliminated and a surplus created at Dec. 31, 1942, of $2,263,066.

The plan of reorganization provided for a funded debt of $4,150,300 Series A 4½% bonds and $4,150,300 Series B 5% income bonds. As of Dec. 31, 1942, through the exercise of the privilege of exchange for Cuban Bonds, sinking fund operation and purchase for retirement by the company, the debt was reduced to $2,281,600 Series A and $1,461,900 Series B bonds. The limitations imposed by the collateral trust indenture of August 1, 1941, on the exchange of A and B bonds for Cuban bonds in 1943 was increased by vote of the board of directors on April 27, 1943, from $1,000,000 to $1,500,000. On the same date the limitation on the sale of Cuban bonds through sinking fund operation was raised from $1,000,000 to $1,500,000. The outstanding debt at April 27, 1943, was $1,498,600 A bonds and $1,038,900 B bonds. As of April 27, 1943 the exchange privilege may be exercised to the extent of $757,000 par value of A and B bonds.

Traction Issues Look Good

The first mortgage fixed and income 6s of 1954 of Oklahoma City, Shawnee Interurban Railway, and the first mortgage income 5s of 1955 of Des Moines Railway Co. offer attractive possibilities, according to analyses prepared by Lilley & Co., Packard Building, Philadelphia, members of the Philadelphia Stock Exchange. Copies of these analyses may be had from the firm upon request.

Seeks Judicial Reviews Of ICC Findings

The National Conference of Investors announced on April 28, that Congress would soon be asked to enact legislation requiring Judicial reviews of the findings of the Interstate Commerce Commission in railroad reorganizations. Reporting this the New York "Times" of April 28, also stated:

The purpose is to require Federal courts to exercise independent judgment as to values and related matters in passing upon plans of reorganization certified to them by the Commission. The conference said recent decisions of the United States Supreme Court had held, in effect, "that the findings of the Interstate Commerce Commission as to value, capitalization, equity of present stockholders and other important questions are final and not reviewable by the courts."

Matters connected with the proposed legislation are under the direction of a committee headed by Harry W. Harrison of Philadelphia, a director of the Chicago & North Western Railway and chairman of committees acting for preferred stockholders of the Chicago & North Western and the New York, New Haven & Hartford Railroad. The office of the National Conference of Investors is at 116 Nassau Street.

Form Zippin Co., New Chicago Dealer Firm

CHICAGO, ILL.—Organization of a new Chicago investment firm, Zippin & Co., which will deal in foreign and domestic securities, is announced. Israel Zippin will be President and Howard L. Davidson will be Vice-President. Offices have been taken at 208 South La Salle Street. Mr. Zippin has specialized in foreign securities for the past 18 years and for the past nine years has been with Carl Marks & Co., Inc., here where he was Vice-President in charge of the Chicago office. Mr. Davidson has been on La Salle Street since 1928 and is Secretary and Treasurer of G. W. Thompson & Co. He will be in charge of municipal and corporate securities departments of the firm.

Gammack Admits O'Neill

Cyril C. O'Neill will be admitted to partnership in Gammack & Co., 40 Wall Street, New York City, members of the New York Stock and Curb Exchanges, effective May 13.

H. Blair Tyson withdrew from the firm as of April 30.

Railroad Securities

While the Seaboard Air Line bonds have been attracting considerable new buying interest recently, they have not been so spectacular as some of the other low and medium priced reorganization securities. At present prices the 1st 4s, 1950, the Refunding 4s, 1959, and the Consolidated 6s, 1945, are considered by many rail men as being among the most attractive in the general defaulted group.

To a large extent the recent heavy buying in all sections of the reorganization market has been based on the rapid accumulation of cash, and the growing realization that eventually this cash must go to strengthen the position of outstanding bonds. The benefits may come in the form of larger interest disbursements, retirement of senior debt of the old company, or, where reorganization has progressed to the point of court approval, through eventual retirement of new bonds when the new company is organized and the cash turned over to its treasury. Many reorganization bonds have scored phenomenal price gains in the past month merely on the hopes generated by these theories. In the case of Seaboard, however, it is not a matter of hopes alone, it is a matter of actualities.

The expected benefits from large cash accumulations have already been accruing to holders of the Seaboard bonds. The Receivers, Special Master and the Court in the Seaboard reorganization were all quick to realize the potentialities in retirement of debt prior to reorganization, and instituted an aggressive program looking towards this end last year. No other reorganization company has made such wide progress. Through calls for tenders of the Receivers' Certificates and the Seaboard All Florida bonds, and through a liberal cash offer to holders of the Raleigh & Augusta and Raleigh & Gaston bonds, Seaboard Air Line in the last year has reduced its outstanding debt by more than $37,000,000. It is generally expected that this policy of debt retirement through purchase or call for tenders will be continued this year, and so long as the war boom lasts and no reorganization is consummated. The potentialities along this line are great.

Recent computations show that the entire debt of Seaboard and its leased lines, including Receivers' Certificates but excluding equipments which are provided for by the depreciation accruals, had a market value of less than $65,000,000. Of this total the combined 1st 4s, Refunding 4s, and Consolidated 6s accounted for about $35,000,000 with the balance being made up of the Receivers' Certificates, divisional liens and subsidiary debt expected to participate in any reorganization. Income available for charges last year was more than 50% of the total market value of these securities, and there is little question but that the 1943 income available for charges will top the 1942 results by a considerable margin.

In last year's debt retirement program the company utilized something more than $14,000,000. Also, the increase in investments in other than affiliated companies indicates that the Receivers probably purchased some U. S. Government bonds. Nevertheless, at the end of the year there was a balance of cash, special deposits and temporary cash investments (not including the investments in other than affiliated companies mentioned above) of $17,185,000. The balance sheet also revealed receivables of roundly $9,500,000 of which a large proportion is be-

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Situation Interesting

The preferred and common stocks of Rockwood & Co. (cocoa and chocolate) offer interesting possibilities according to the current bulletin of Strauss Bros., 32 Broadway, New York City. Copies of this bulletin may be had from the firm upon request.

Defaulted RR. Bond Index

The defaulted railroad bond index of Pflugfelder, Bampton & Rust, 61 Broadway, New York City, shows the following range from Jan. 1, 1939, to date; high—59⅝, low—14¾; May 5 price—59½.

The Pennsylvania Turnpike Commission Revenue Bonds

Of the many economic dislocations caused thus far by the war, none is more severe than the shrinkage of motor transportation occasioned by the rationing of gasoline, tires and motor vehicles. The curtailment of revenues has been more drastic than was anticipated. In practically every State in the country the reduction in revenues from motor fuel taxes and registration fees is so serious that most States are faced with the necessity of obtaining compensatory revenues from other sources.

Comparable reductions in revenues are being experienced by Authorities and Commissions operating publicly owned motor transportation facilities; and the holders of the approximately $500,000,000 bonds issued to finance such facilities are naturally concerned over the immediate outlook. The picture is confused, and holders have not known whether to sell, to buy, or to sit tight. At the moment it seems as if the great majority seem to be sitting tight. There are surprisingly few of these bonds available and there seems to be an underlying confidence in the post-war volume of motor traffic.

The Pennsylvania Turnpike is outstanding in this unusual situation for several reasons:

1. As the only major toll highway in the country the Turnpike performs a unique transportation service. It is 160 miles long and provides almost level motor transportation through the Alleghany Mountain range across the State of Pennsylvania—a type of service unmatched by any other transportation facility in the country. Predictions that the rationing of motor travel would strike the Turnpike more severely than other traffic facilities have proved to be unfounded.

2. The Turnpike was opened to traffic only 14 months prior to Pearl Harbor, and it did not have time to create its normal complement of traffic before the war restrictions were imposed. In spite of this handicap, it has succeeded in establishng substantal cash reserves to offset the temporary reduction in revenues.

3. The cost of operating the Turnpike is relatively high. With an overall width of 78 feet, the Turnpike has about 64,000,000 square feet of surface made up of concrete roadway, planted medial strip dividing traffic, and 10-foot shoulders bordering the concrete roadway. All of this surface requires inspection and care. There are over seven miles of tunnels which have to be continuously ventilated, lighted, guarded and inspected. This results in a proportionate cost of maintenance and operation somewhat higher than that of the average transportation facility.

4. The Turnpike Revenue Bonds are not Authority bonds but are special obligations of the Commonwealth of Pennsylvania payable through an instrumentality of the Commonwealth, the Pennsylvania Turnpike Commission, solely from a special fund—namely, the revenues of the Turnpike. This fact may have some significance in the ever-present threat to declare bonds of public authorities taxable.

During its first year of operation the Pennsylvania Turnpike collected about $3,050,000 in tolls as compared with engineers' estimates of $2,670,000. During its second year of operation it collected $2,482,448 against an estimated $3,204,000. The estimates were based upon continuation of normal peacetime economy. Gross revenues for the calendar year 1942 were 27% below those of 1941. For January, February and March, 1943, the reductions from the revenues of a year ago were 33%, 27% and 24%, respectively.

The income from truck traffic during 1942 was $1,368,730, as compared with $1,063,193 in 1941. The steady growth of commercial traffic is significant. The Turnpike has more than fulfilled the engineers' expectations of its importance in long-haul trucking. It would appear that the only factor which might retard the steadily increasing volume of truck traffic is the difficulty of maintaining, repairing and replacing commercial vehicles.

Passenger traffic revenues have, of course, been severely curtailed, but it has climbed from a low of 77% reduction in December, 1942, to a reduction of only 59% in March, 1943.

As of April 1, 1943, the Trustee for the Pennsylvania Turnpike Commission had $1,235,000 in the Reserve Interest Account. It is impossible to forecast future revenues, but, according to the present trend, this reserve should be sufficient to offset any net loss in revenues for a period of from two to three years.

Pennsylvania Brevities

U. G. I. "Stubs" Active

Dealer interest continues to expand in **United Gas Improvement Company Residual Certificates**, promptly designated as "Stubs" in the Street.

Traded on a "when issued" basis, each "Stub" represents an undivided interest in all net assets applicable to United Gas Improvement common stock following the presently contemplated distributions of Philadelphia Electric Co. and Public Service Co. of New Jersey common stocks. Divestment of these holdings still leaves UGI in possession of a number of valuable and income-producing operating company equities as well as other miscellaneous investments. Allentown-Bethlehem Gas Co., Harrisburg Gas Co., Consumers Gas Co. (Reading), and Luzerne County Gas & Electric Co. are among the controlled companies whose securities are yet to be sold or distributed.

At a special meeting of UGI stockholders, held on April 19, President William Bodine stated that remaining assets subject to consideration had a then estimated value of approximately $70,000,000. Since there are 23,252,010 shares of UGI common outstanding, the present break-up value of the "Stubs" would appear to be about $3. Since subsequent sales of properties will be made only as favorable opportunities occur, it is entirely possible ultimate realization will exceed this figure. It is anticipated that further distributions on the "Stubs" will include dividends from earnings as well as liquidating disbursements from the sale of assets. For the first quarter of 1943 UGI reported consolidated net profit of $5,004,545, compared with $4,688,852 in the same 1942 quarter.

A slight irk to New York and Philadelphia traders who toss the "Stubs" around in 1,000 to 5,000-share lots, lies in the fact that unless appropriate action is taken by the UGI board, the "Stubs" will carry the same "no par value" designation as the present UGI common. Since their ultimate value will never exceed a few dollars a share, the taxes involved in trading a no par value stock seem excessive and unfair to all concerned.

Reorganization Rails Remain Popular

Local dealers' basic faith in the favorable factors underlying selected reorganization railroad situations was not seriously affected by the ICC's ice-water rate action. Facts which remained uppermost in mind: Bonded indebtedness is being scaled down more drastically than in any previous era; earnings of most roads are increasing enormously; indicated earnings coverage will amply service new capitalizations under all foreseeable circumstances. Generous income and probably appreciation are still abundantly available. Discount bonds are an excellent inflation hedge.

Particularly in current favor: **St. Louis & Southwestern gen. 5s, 1990.** Bonds of this issue, placed by Philadelphia dealers in the last month, would, if laid end to end, build a "Cotton Belt" spur from the New York Stock Exchange to Broad and Walnut.

For many years **Keystone Telephone Co.**, local independent, has monopolized the "short wire" service used by Philadelphia brokers and dealers by the simple expedient of providing traders' boards at low cost. Now the FCC has certified the acquisition of Keystone by the Bell Telephone Co. of Pennsylvania, the actual consolidation awaiting the purchase of Keystone's physical properties. The financial community glumly anticipates an increase in rates.

During 1942 **Warner Company**, through the purchase of bonds and other debt and the payment of deferred interest coupons, reports that long-term debt was reduced by $1,599,470. At the year end, current assets amounted to $2,485,638 (of which $1,125,698 was in cash) against current liabilities of $713,313. Surplus for the year, after all charges, was $961,318, which compares with $1,102,171 for 1941.

Under the terms of a lease-contract with the Defense Plant Corporation, Warner Company has completed construction of and is now operating a magnesite plant located at Paoli, Pa. During the war its products will consist mainly of pure refractory magnesia used in the manufacture of fire-brick for high temperature furnaces and an exceptionally pure grade of high-calcium quicklime, superior in quality to the usual grades produced from natural limestone.

Add Hatchet Women of Walnut Street (E. & O. E.)—**Peggy Kurtz.**

Rambo, Keen, Close & Kerner, assisting **Vice-President Edmund J. Davis,** and **Sarah M. Madley,** who handles the desk for **William Fogarty.**

With a simple capitalization of 231,930 shares of common stock and no funded debt, investor interest is well maintained in **H. H. Robertson Company** common stock. The company is a well established manufacturer of materials used in all types of building construction. Many products have been specially developed and are protected by patents. Well known in the industry are Robertson Protected Metal Roofing and Sidewall Sash, ventilating equipment and cellular steel floor systems. The probability that war experience will accelerate the trend toward pre-fabricated construction is a favorable long-term factor.

Sales hit a new peak in 1942, but higher taxes reduced net income moderately from results obtained in 1941. However, per share earnings of $3.46 are considered ample to maintain the current dividend rate of $1.50.

On Thursday, April 29, the Pennsylvania House of Representatives passed a measure **exempting manufacturing corporations from the capital stock tax.** Under the plan the exemption would become effective Jan. 1, 1945, if the war is over by that time, or the first January after the cessation of hostilities. The measure is designed to encourage business to remain and expand in Pennsylvania in the post-war period.

Philadelphia & Western Railway Company reports first quarter net income of $24,334.

Net sales of **R. F. Sedgley, Inc.,** in 1942 were almost double the record sales of 1941, annual report to stockholders reveals. Profits before deducting State and Federal income taxes, but after deducting all other charges, including non-recurring expenses of $36,192, amounted to $210,410, against $82,932 in 1941. The company is engaged 100% in war work, the details of which are not available.

Philadelphia bank stocks advanced slightly in the week ended April 30. Aggregate value of 10 stocks was $175,107,000 and yield 4.87%, against $174,977,000 and yield of 4.88% for the previous week. The increase in market value was 0.74%.

Cramp Shipbuilding Co. is installing additional facilities at its Philadelphia yard at a cost of $8,000,000, and this work is well under way, Joseph P. Ripley, Chairman, said in his annual report to stockholders. Payment for this work, which includes a large concrete drydock, is being made currently by the Navy Department, which retains title.

Gross income for 1942 was reported as $65,042,356, compared with $12,400,979 in 1941. 1942 net income amounted to $696,824.

York Ice Machinery Corporation's management and stockholders wearily await the pleasure and convenience of the U. S. Circuit Court of Appeals in affirming or rejecting the company's two-year-old plan of recapitalization and merger. A single dissenting preferred stockholder's appeal was tried before this court on Oct. 19, last. A previously dissenting group came a cropper before Judge Watson in the U. S. District Court last June. In the seemingly interminable meantime, a nice job of bond refunding lies dormant, issuance of new securities is restricted, stockholders are getting a pushing around, and the company can't even use its new name. Contribution to the war effort, however, remains 100%.

Says Stabilization Plan Seeks World Prosperity

The assertion by the Treasury's monetary expert credited with developing the American plan for post-war currency stabilization declared that this country's only interest is to promote general prosperity in which all nations can share was noted in Associated Press advices from Washington, April 28, which quoted Harry D. White, an Assistant to Secretary Morgenthau, as saying:

"We cannot ignore the importance to us of promoting prosperity in other countries as well as our own. We must learn the fundamental truth, that prosperity, like peace, is indivisible." The Associated Press further said:

Mr. White, a former Economics Professor at Harvard, expressed belief in the current issue of the "American Economic Review" that only by co-operative planning now can the world escape severe monetary disturbances in the post-war era.

"We cannot hope for sound recovery in international economic life so long as the germs of monetary instability infect a large part of the world," he said.

"Only an intelligent adjustment of exchange rates to the new international economic position in the post-war period can provide a firm foundation on which to build a high level of world trade and prosperity."

Fleming, Clark Directors of Penn.-Central Airlines

Robert V. Fleming, President and Chairman of the Board of The Riggs National Bank, Washington, D. C., and former president of the American Bankers Association, and Harold B. Clark, senior member of White, Weld and Company, New York investment brokers, have been elected to the Board of Directors of Pennsylvania-Central Airlines Corporation, it was announced after the annual meeting of the airline.

Philadelphia's Philco Corporation Unit Wins Army-Navy "E"

Reports Quarterly Income Higher

In recognition of its continued war production record, the Chicago Division of Philco Corporation has been awarded the Army-Navy "E" with a white star, according to word received from Robert P. Patterson, Under Secretary of War, by John Ballantyne, recently elected President of the corporation.

Larry E. Gubb

John Ballantyne

James T. Buckley

Officers of the corporation elected at the organization meeting of the Board of Directors of Philco Corporation were John Ballantyne, President, formerly Vice-President in charge of operations; M. W. Heinritz, formerly general manager of the Storage Battery Division, Vice-President in charge of the Division; Charles F. Steinruck Jr., Assistant Secretary, elected Secretary in place of the late George E. Deming. James T. Buckley, previously President of the corporation was elected to the newly-created office of Chairman of the Company's Executive Committee, it was announced by Larry E. Gubb, chairman of the Board of Directors.

Net income of Philco Corporation in the first quarter of 1943, after estimated Federal and State income and excess profits taxes, amounted to $770,890, or 53 cents per share of common stock, of which $178,000, or 13 cents per share is the post-war refund provided for by the revenue act of 1942, it was announced by John Ballantyne, President.

In the corresponding quarter last year, the Company had adjusted net income of $595,035, or 43 cents per share of common stock, including a post-war refund of $100,000, or 7 cents per share.

"Sales of Philco Corporation, consisting principally of radio equipment, in the first quarter of 1943 were substantially ahead of the same period last year," Mr. Balantyne said. "Present indications are that production and sales will increase further in coming months as engineering work is completed on additional new equipment for the Army and Navy."

Post-War Inflation Can Be Avoided By Rapid Reconversion To Peacetime Production

Schram Lists Four Antidotes To Inflation In Speech In Los Angeles May 3rd

The danger of inflation will be greatest in the post-war years, especially in the early post-war months, according to Emil Schram, President of the New York Stock Exchange, who told a luncheon meeting at the Town Hall in Los Angeles on May 3 that the antidotes for inflation are:

"(1) generous investment in war bonds now,

"(2) free absorption of risk securities in American and foreign enterprise after the war,

"(3) immediate steps toward progressive reconversion of our industrial plants from the manufacture of the instruments of war to the goods of peace, even while the conflict is still in progress, and

"(4) emphatic encouragement of high production in the early post-war period."

Emil Schram

Emphasizing that "Government securities as well as corporate securities will remain attractive if our system of free enterprise is permitted to operate in a healthful atmosphere," Mr. Schram added:

"Another self-evident answer to the threat of inflation is a rapidly increasing supply of reasonably-priced consumption goods of the type the people want. Industry must be reconverted with a minimum of delay from the manufacture of instruments of war and destruction to the production of the useful things demanded by normal peacetime civilization.

"Nothing would be more dangerous than a prolonged period of chronic shortages. It would mean a buyers' panic, unjustified profit-margins, an upward wage spiral always some distance behind a soaring cost of living, and the worst kind of selfish and anti-social exploitation of an unwholesome economy of scarcity.

"It is important, therefore, that our statesmen, bankers and industrialists lose no time in preparing to reconvert the immense facilities in the factories and mills of America from the production of the goods of war to the manufacture of the things people will want and demand when peace once more blesses this troubled world. To fail to take steps leading to a fast-increasing supply of civilian goods, immediately after the urgent needs of the war have been met, is to court a type of economic disaster. It is gratifying that a start has already been made in this kind of preparation, but much more needs to be done.

"Happily, the productive capacity of this land is so great that

(Continued on page 1677)

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

On April 28, 1943, stockholders of the New York Trust Company authorized its capital to be increased from $12,500,000 to $15,000,000, through the issuance of 100,000 additional shares of $25 par value. The new shares are offered to present stockholders at $75 per share; thus, ignoring underwriting costs, $5,000,000 will be added to the bank's surplus as well as $2,500,000 to capital.

The effect of this increase in capital funds on the statement of condition of March 31, 1943, is as follows:

	Before	After
Capital	$12,500,000	$15,000,000
Surplus	25,000,000	30,000,000
Undivided Profits	4,786,418	4,786,418
Total Capital Funds	$42,286,418	$49,786,418
Number of Shares	500,000	600,000
Book Value per Share	$84.57	$82.98

It will be noted that the number of shares outstanding is increased 20%, capital funds approximately 17.7%, and book value is reduced 1.9%. It remains to be seen if operating earnings over the near term can be expanded sufficiently to offset this dilution. In the meantime the market recognized the dilution by dropping the bid, after the stockholders' approval of the plan, from 85¼ to 80¾ (ex rights). As a matter of fact, the stock has declined since the proposal was first announced approximately 10% compared with a decline of 3.2% for New York City bank stocks as measured by the "American Banker" daily index. Thus, to date, the market does not appear to have viewed the increase in capital with any too much favor.

It is several years since a Wall Street bank has entered the market for new capital, and whether or not New York Trust's move will touch off other banks to take similar action is problematical. True, deposits are expanding, the Government's war financing needs are continuing, bank earnings are rising and post-war industry and commerce will doubtless require heavy financial help from the banking system. But, by and large, New York City's banks would appear to have ample capital funds, and even though their deposits have reached unprecedently high levels and the conventional ratio of 10 to 1 has been violated, this by itself is not sufficient justification for additional capital, though it must be taken into consideration. In the case of New York Trust the ratio of deposits to capital funds as indicated by the balance sheet of March 31, 1943, was 14.1, while the increase in capital funds reduces this to approximately 12.1. But since deposits are rapidly rising and will continue to do so throughout the year, as a result of Government borrowing, the ratio will soon be back to where it was. That the ratio of some banks seems startlingly high is true, as column I of the tabulation below shows; thus perhaps there are instances where the ratio needs strengthening through additional capitalization, even though it is not practicable to do so more than fractionally by this means.

AS OF DECEMBER 31, 1942

New York City	I	II %	III
Bank of Manahattan	19.4	74.9	4.9
Bank of New York	17.3	85.6	2.5
Bankers Trust	13.1	79.5	2.7
Central Hanover B. & T.	15.3	86.5	2.1
Chase National	17.5	80.6	3.4
Chemical Bank & Trust	14.9	73.8	3.9
Corn Exchange B. & T.	14.7	89.5	1.5
First National	7.3	92.0	.6
Guaranty Trust	9.6	86.5	1.3
Irving Trust	8.9	87.9	1.1
Manufacturers Trust	15.3	76.8	3.5
*National City	17.9	83.2	3.0
New York Trust	15.0	79.4	3.1
Public National B. & T.	13.1	77.8	2.9
Average (New York)	14.2	82.4	2.6

Other Cities	I	II %	III
First National (Boston)	12.6	76.8	2.6
National Shawmut (Boston)	10.6	81.5	2.0
Pennsylvania Co. (Phila.)	13.1	73.9	3.7
Phila. National (Phila.)	14.2	86.7	1.9
Con't. Ill. N. B. & T. (Chic.)	17.0	90.1	1.7
First National (Chicago)	20.2	80.9	3.8
Nat. City Bank (Cleveland)	19.8	82.2	3.5
First National (St. Louis)	16.6	80.5	3.2
Bk. of Am. N. T. & S. A. (Cal.)	17.8	63.7	5.9
Am. Trust (San Fran.)	17.9	57.0	7.7
Security First Nat. (L. A.)	15.4	69.5	4.7
Average (Other Cities)	15.9	76.6	3.7

*Includes City Bank Farmers' Trust.
I Gross deposits to capital funds.
II Cash and governments: per cent of gross deposits.
III "At risk" deposits to capital funds.

The high ratios of column I are misleading, however, if one tries to read into them a dangerous expansion of debt in relation to capital funds, for quality of assets is of far greater significance and importance than is an arbitrary mathematical ratio. In recent years there has been substantial improvement in banking assets, and a high degree of liquidity has been maintained; for example, 15 leading New York City banks show, as per March 31 statements, 23.0% of total assets in cash and 53.3% in Government securities, or a total of 76.3% in cash and Governments. If these "riskless" assets be balanced against deposits, it will be found that the remaining deposits, which are represented by loans, investments, and other "risk" assets, will be relatively small and that their ratio to capital funds is moderate indeed. In the above tabulation the per cent of gross deposits which are represented by cash and Governments is shown in column II, and the ratios which the remaining deposits bear to capital funds are shown in column III.

Halsey Stuart Adds Scott

(Special to The Financial Chronicle)

RENO, NEV.—Blaine W. Scott Jr. has been added to the staff of Halsey, Stuart & Co., Inc., members of the Chicago Stock Exchange, whose main office is at 201 South La Salle Street.

Prentiss Brown Reveals Program To Hold Down Cost Of Living

Prentiss M. Brown, Federal Price Administrator, in a radio address on April 30, disclosed a program to hold down the cost of living for wage - earners, including extension of price control to "every important commodity" and "a rollback of prices out of hand," said a special dispatch to the New York Times from Washington, on April 30, which added:


Prentiss M. Brown

Mr. Brown announced that he had instructed his staff to put into effect "without delay to the limit of our powers" the following four-point program:

"First, to extend price control across the board to every important commodity.

"Second, to roll back those prices which have got out of hand. The prices of meat, fresh and canned vegetables, coffee, among others, will be rolled back.

"Third, to establish specific dollars-and-cents prices for foods, so that all may know—sellers and buyers alike—what the legal price is. These prices will be printed in small booklets which the housewife can put in her handbag when she goes to market, and will be otherwise displayed.

"Fourth, to bring the chiseler, the racketeer, the black market operator to justice. These parasites feed not only upon the consumer but upon the overwhelming majority of business men, who are eager to abide by the law and our regulations under the law. I propose with your help to enforce these ceiling prices and to exterminate these criminal operators of the illegitimate markets."

Advices from the same source on April 30 said:

Spokesmen for the American Federation of Labor, the Congress of Industrial Organiaztions and the railroad brotherhoods on April 29, declared that the President's policy of a complete economic stabilization program had not been carried out, and urged President Roosevelt, James F. Byrnes, Economic Stabiliaztion Director; Chester C. Davis, Food Administrator, and OPA Administrator Prentiss M. Brown, head of the Office of Price Administration, to "immediately put into effect without qualification, compromise, or exception, a vigorous price policy to the end that the cost of living be rolled back to May 15, 1942, and to the end that equity be re-established in government policies applied to the income of workers and the incomes of all other groups."

John McCandless Joins Mass. Investors Trust

John A. McCandless has resigned as a member of the staff of the National Association of Securities Dealers to become associated as of May 1, with Massachusetts Investors Trust, 111 Devonshire Street, Boston, Mass. Mr. McCandless was employed for a number of years by W. A. Harriman & Company and Brown Brothers Harriman & Company, New York City. During 1940 and 1941 he was a member of the staff of the Securities and Exchange Commission of the United States.

Mr. McCandless will be in charge of the purchase and sale of securities by the Trust.

Investment Trusts

With the successful conclusion of the Second War Loan Drive, we pay tribute to investment company sponsors for their unselfish efforts to promote war bond sales among their own clientele. "Sales points" developed by various sponsors had more real punch than anything we saw coming out of Washington.

"Interest-bearing cash" was the striking description Lord, Abbett's **Abstracts** pinned on War Bonds. "The Government borrows from a bank at 2% interest—and pays the individual 2.9% when it borrows on a Series E Bond."

"It's our turn to 'pass the ammunition,'" wrote the Keystone Corp. in **Keynotes**, "and the ammunition costs $250,000,000 a day." Calvin Bullock's **Bulletin** stated, "Not only do we help win the war when we purchase United States Treasury Bonds; we also help win the peace." "You lend your money," said Selected American Shares. "The interest and principal of these offerings are the safest in the world."

Perhaps most to the point for all who are strongly moved by the profit motive (and that's covering a lot of territory) was Lord, Abbett's **Union Dealer.** Entitled "$3 Buys $4," the bulletin commences, "Yes, $3 buys $4, or $75 buys $100, through Series E War Bonds." Theme: That's a good investment even if Americans weren't being killed every day to protect and save our skins.

Investment Company Briefs

The transition which has taken place in recent years from stereotyped, moss-bound financial sales literature of the past to presentations that invite reading is evident in two new folders on New York Stocks, Inc. One is entitled: "Industry Selection for Larger Profits," and presents the investment philosophy underlying all 21 Series of New York Stocks, Inc. The other, "An AA-1 War Priority Industry with a Great Peacetime Future," deals specifically with the Agricultural Series.

* * *

Incorporated Investors has led the field of general management investment companies in overall performance since the end of 1941. The Parker Corp. affords an interesting glance into some of the investment thinking which will influence the portfolio management of Incorporated Investors during the year ahead. The material consists of a 14-page survey, "An Investor Looks At 1943," published by the research department of E. W. Axe & Co., Inc. Mr. Axe is a vice-president and director of Incorporated Investors and a member of its investment committee. One of the most significant points of his 7-point conclusion is: "The price level of 'things' is likely to continue to rise, and probably at a greatly accelerated rate after the war ends."

* * *

American Business Shares' **News Letter** reports the following performance for the first quarter of 1943: ABS up 22.7%; Dow-Jones Industrials up 14.3%.

* * *

National Securities & Research Corp. indulges in a bit of retrospect on the occasion of that organization's 13th birthday, May 1, 1943. A hopeful note is struck in the conclusion which follows a brief resume of the eventful, tragic years just passed. "The elements that made America the greatest nation on earth in the short space of 150 years are again recognized, and America, as we have always conceived it, is being reborn."

* * *

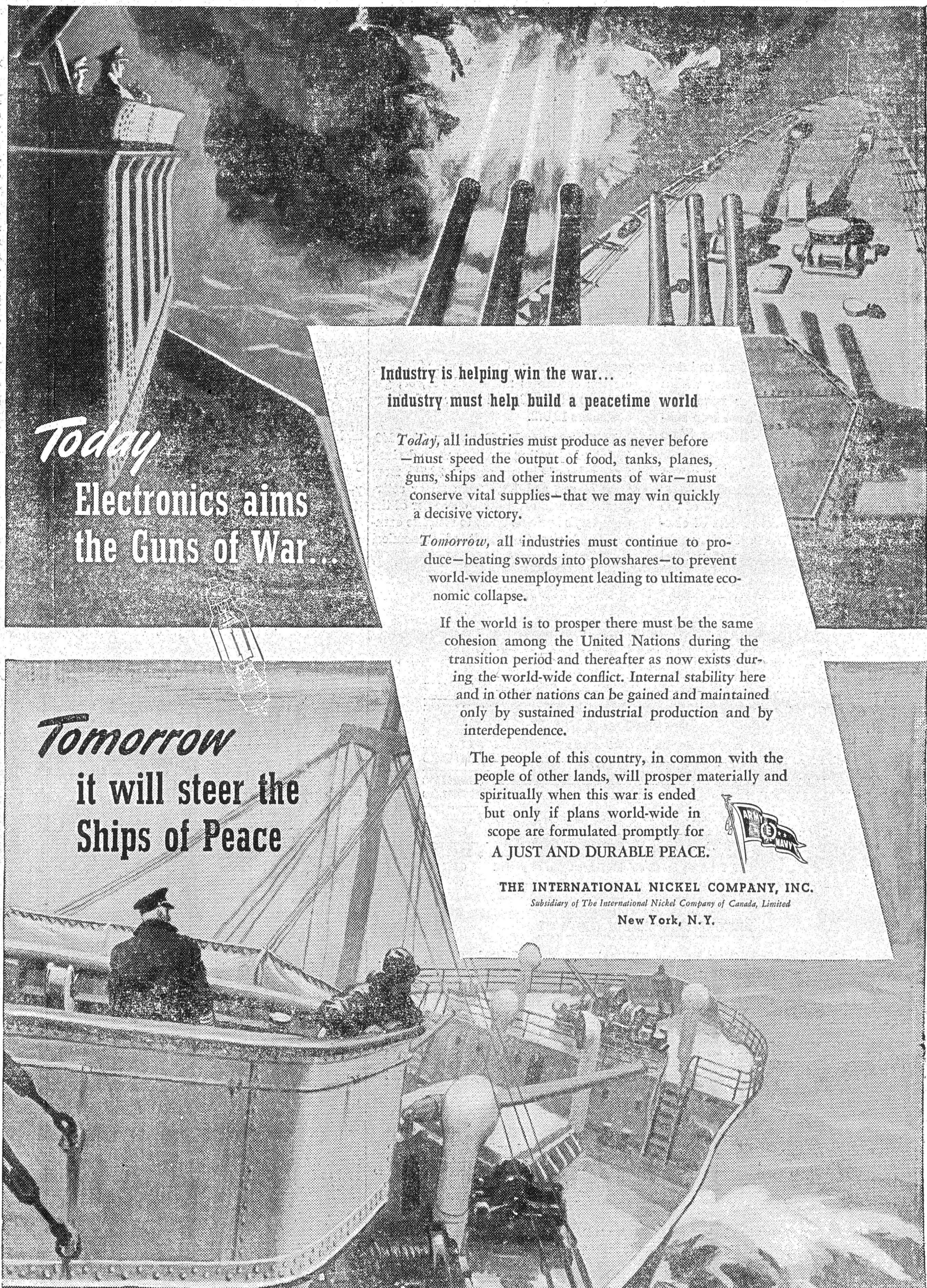
Three new editions of Keystone Corp.'s four-page sales folders have been released. They are: "Medium Grade Bonds," current return 5%; "Income Preferred Stocks," current return 6½%; "Appreciation Preferred stocks," appreciation possibilities 60%. The figures are Keystone's estimates.

* * *

Distributors Group has recently put in the mail three sparkling new sets of sales material on the Steel Shares, Investing Company Shares, and Petroleum Shares of Group Securities, Inc.

* * *

The April issue of Calvin Bullock's **Perspective** is devoted to (Continued on page 1673)


Today
Electronics aims the Guns of War...
Tomorrow
it will steer the Ships of Peace
Industry is helping win the war...
industry must help build a peacetime world
Today, all industries must produce as never before—must speed the output of food, tanks, planes, guns, ships and other instruments of war—must conserve vital supplies—that we may win quickly a decisive victory.
Tomorrow, all industries must continue to produce—beating swords into plowshares—to prevent world-wide unemployment leading to ultimate economic collapse.
If the world is to prosper there must be the same cohesion among the United Nations during the transition period and thereafter as now exists during the world-wide conflict. Internal stability here and in other nations can be gained and maintained only by sustained industrial production and by interdependence.
The people of this country, in common with the people of other lands, will prosper materially and spiritually when this war is ended but only if plans world-wide in scope are formulated promptly for
A JUST AND DURABLE PEACE.
THE INTERNATIONAL NICKEL COMPANY, INC.
Subsidiary of The International Nickel Company of Canada, Limited
New York, N.Y.

Pa. & Del. Factory Jobs At High Levels

Factory employment in Pennsylvania in March was maintained at approximately the peak level reached in February, while payrolls increased slightly, according to reports to the Federal Reserve Bank of Philadelphia from 2,929 establishments. The number employed exceeded 1,200,000 and the volume of wage payments was estimated at over $48,000,000 a week. Compared with a year ago, employment increased 5% and wage disbursements 25%. Total employee hours worked rose somewhat further in the month to a level 12% above March 1942.

The Bank also reported:

"Activity in durable goods lines, as measured by payrolls, rose slightly to a new peak in March, reflecting chiefly further increases in certain war industries. Additional small gains also were reported in the cases of some lighter products, including textiles and foods. Wage payments in heavy industries were 30% greater than a year ago, as against an increase of 13% in non-durable goods lines.

"The weekly income of wage earners at reporting factories in Pennsylvania rose slightly further in March to an average of $43.16, the highest in records back through 1923. Average hourly earnings remained at about the February level of 97 cents. Average working time in March showed a small gain, increasing to 44½ hours a week, the highest reported since June, 1930.

"At reporting Delaware factories employment increased 2% and payrolls 6% from February to March. Increases over a year ago amounted to 32% and 61%, respectively. Total working time rose 3% in the month to a level 40% above last year.

"The Prince"

By HAROLD FLEMING

Public Utility Holding Companies Victims of Fashionable Politics

Professor James Burnham, author of the "Managerial Revolution," which caused so much talk two years ago among people who read books, has come out with another book called "The Machievellians."

This book has some pungent paragraphs about liberty, democracy, and power, which have an interesting bearing on such things as the current disintegration proceedings in the utility business.

Speaking about power, Burnham says: "The Machievellians are the only ones who have told us the full truth about power . . . (they) present the complete record; the primary object (they say), in practice, of all rulers is to serve their own interest, to maintain their own power and privilege. There are no exceptions. No theory, no promises, no morality, no amount of goodwill, no religion will restrain power. Neither priests nor soldiers, neither labor leaders nor businessmen, neither bureaucrats nor feudal lords will differ from each other in the basic use they will seek to make of power. . . . Only power restrains power. . . ."

It would spare a good many utility executives a good many hours of high blood pressure and indignation over the legal goings on by which the Securities and Exchange Commission is gradually doing them out of jobs if they could absorb this and many other such candid paragraphs in this highly objective book. For they might learn to grasp four essentials in the present chapter of holding-system disintegration. They are:

(1) The sound-track of demagogic argument, legalistic lingo, and political palaver spun by the SEC in the course of its squeeze-out operation is merely opportunistic talk, designed to get the SEC on in the world. If one argument won't do the trick another one is used, or, if useful, both, whether they have any logical consistency or not.

(2) The one and only true goal of all the SEC's welter of words and fanfare of talk about the public interest is the aggrandisement of the power of the Securities and Exchange Commission.

(3) There is no ulterior purpose beyond this goal of getting power. It is itself the goal. The power is not desired for the purpose of using it in the public interest. The goal is power for power's sake. More power will enable the SEC to reach out for even more power. Practically anybody can see this except an SEC Commissioner or would-be Commissioner.

In this the SEC is no different from any other Government bureau. Its members and employees are, believe it or not, as human as the rest of us, behind those super-solemn faces.

(4) And lastly, nothing will stop the expansion of SEC power except somebody else's power. Good arguments will not do it, whether they are based on sound economics or on a common sense interpretation of what the plain English of the law means, or whether they are based on American traditions, or on the precedents of the law, or on the Constitution. The argument that a war is going on and that the primary goal in the operation of electric power systems ought to be to produce as much power as possible and distribute it as cheaply and efficiently as possible, is a waste of breath. Experience ought to show that. The Securities and Exchange Commission is not in the least impressed, or even interested.

Utility executives are constantly and hopelessly complaining that what the SEC is up to has no visible relation to the law, to common sense, to the Constitution, to the public interest, to the good of consumers, or to the well-being of investors. But this is a waste of breath and printers' ink. The SEC has a mandate from itself to get on in this world, and these considerations are a bother.

For instance, Justin Whiting has pointed out that Section 30 of the law would seem to say in plain English that before the Commission forces the **present** systems to disintegrate, it should work out a map and plan by which the **future** systems can be integrated.

And, in fact, the Commission seems once to have thought as much itself, for it once hired a professor by the name of Fournier to work out such a system. The fact that the professor was as green as campus grass, as red as Harold Laski, and as ignorant of the utility business as Howard Hopson's one-time victims, is unimportant; the important thing is that the Commission once took Section 30 seriously. But it grew wiser fast. Section 30 meant responsibility; what SEC wanted was authority.

Other utility men make other such hopeless objections. The Bond & Share and the Engineers' people are fond of recalling the fact that holding company system rates are lower, according to the Government's own figures, than single system rates, whether you line them up by geographical area, or size, or predominant business in the area, or any other criterion.

Still other utility men point out that disintegration of the holding systems works a hardship on the investors the Commission is supposed to protect, as it forces the unloading of huge blocs of securities on the market, or would do so if the Commission did not play cat-and-mouse with the companies, first demanding they take the responsibility for disintegration, then giving them further breathing spells, and so on.

Still others point out that it seems foolish to force a company to reorganize its capital structure before it knows whether or which of its underlying companies it can keep. Or they argue that disintegration and Federal regulation are mutually contradictory, since the disintegration of the systems will mean virtually the end of Federal regulation.

All this is quite beside the point. The trouble with the thinking that puts these arguments forward is that it takes the juridical and political double-talk of the SEC seriously. These are not serious considerations for the Commission. The Commission is out for the kill. It is judge, jury and executioner of a death-sentence for utility executives. They must go. To the extent that the law gives the SEC authority for this punitive expedition the Commission feels that the law means what it says. To the extent that the law circumscribes this destructive power, the Commission feels that the law does not mean what it says. And if the law is silent, as on such things as the economic wastes of disintegration, then the Commission can and does simply shrug its shoulders—as in the incident in 1942 when the Engineers' people dared the Commission to argue the matter on economic grounds.

When this writer visited Peking as a cub reporter in the early 'twenties, he repaired to the American Embassy for some primary explanation of Chinese politics.

Here is what he got: "In the struggle of the provincial tuchuns or military governors, do not look for any underlying principles or morals. If you take seriously their arguments, you will merely be confused. Each is out for his own aggrandisement and nothing else is of importance." (Fortunately that is not true of China today.) And this is the cue to the SEC's utility policy. It is the one cue, in fact, that makes sense.

By any other interpretation the policies of the SEC are unreasonable.

This thing has to be looked at in larger perspective. The SEC is an agency for making political profit out of capitalizing fashionable political ideas. The keeper of the fashion is the Vice-President. He revealed the party line last November at a celebration of the 25th anniversary of the second Russian Revolution. The first, in March, 1917, was against Czarism; the second—the one being celebrated—was against parliamentary government. Said Mr. Wallace in his lead sentence: "We are celebrating a glorious anniversary." That was the speech that raised a question about the value of "bill-of-rights democracy." Fortunately, even in politics, fashions change!

Charges Communists Dupe Fascism Enemies

A warning against subversive forces operating in the West Coast area was issued on April 24 by Dr. John R. Lechner, Executive Director of the Americanism Educational League.

The Communist party in Los Angeles is taking advantage of the war crisis, he asserted, to enlist the support of both workers and prominent citizens, in the belief that they are helping to fight Fascism. He pointed to appeals for party members carried in expensive newspaper advertisements and to other propaganda methods, such as direct canvasses in certain Los Angeles districts, and the presence of Communist front members on the executive board of one of the "Committees for the Care of Children in Wartime."

"This group has enlisted the support of several prominent citizens on what is called the 'Professional Advisory Council.' I doubt whether these people understand they are being made dupes for a Communist program.

"In one of the recent entertainments conducted to raise money for the 'Committee for the Care of Children in War-Time,' three Communist pictures were shown on the way the Soviet Union takes care of its children.

"This was coupled with propaganda to induce the American people to adopt the State control of children in America."

Borrowings On Life Insurance In Advance Of Income Tax Lower

Only half as many policyholders borrowed on their life insurance in the two weeks before March 15, the date for payment of the first instalment of the Federal income tax, as borrowed in the same period of 1942, according to the Institute of Life Insurance. The number of cash loans in these two weeks was 48% below the number of such loans in the corresponding weeks of 1942 despite the increase in tax rates and in the number of people paying Federal income tax for the first time. The Institute, under date of April 15, also pointed out:

"The record, made at a time when substantially increased borrowings were to be expected, tends to confirm the fact that life insurance is regarded as one of the more permanent forms of savings and that people borrow on their insurance only in case of extreme emergencies. Not all of the loans during the period, of course, were made to provide cash for income tax payments.

"There is, however, a clear indication that the obligation of meeting income taxes causes some policyholders to borrow on their insurance. As compared with January and February of this year, the rate of borrowing in the first two weeks of March was 27% higher. A year ago there was a similar increase, although not so large, proportionately, being only 12%."

According to the Institute, the over-all trend of borrowing in 1943 thus far, as compared with the same period of 1942, remains substantially lower. It adds:

"While the number of those borrowing in the first two weeks of March of 1943 was 52% of those who borrowed in the same two weeks of 1942, for the year thus far the number of persons who have borrowed is 47%. This continued downward trend in the number of borrowers from life insurance companies, reflects the improved financial status of American families at this stage of the war effort."

The Institute estimates that in the first two and a half months of 1943, at least 200,000 fewer applications were received for cash loans on policies by the life insurance companies than a year ago. If the rate of decrease is continued for the balance of the year, this will mean that only about 1,000,000 cash loans will be made on policies in 1943 as compared with more than 2,000,000 in 1942. The Institute points out that these figures embrace only cash advances and do not cover premium loans. It notes, however, that premium loans normally follow the same general trend as cash advances.

Problems of National Price Control

(Lecture by Q. Forrest Walker, Economist, R. H. Macy & Co., Inc., at the Delehanty Institute, Division of Advanced Study, the latter part of last month)

Modern wars are essentially battles of production. Victory depends not alone on able field direction and use of men and material, but also upon an increasing flow of superior equipment and supplies to permit heavier and more devastating blows on land and sea and in the air. To win the battle of production, we have converted large sectors of our peacetime facilities; and we have made enormous additions to our plant capacity. An increasing proportion of the entire national output of goods and services goes directly into the war effort; and the amount available for civilian uses is constantly shrinking.

More War Production, More Wages and Profits

To pay for this production, we pour out public funds on a scale never before contemplated. Most of the money is spent directly or indirectly for wages of war workers. Except for savings, bond purchases, taxes and similar uses, war worker incomes are expended for more and better food, clothing, shelter, amusement, etc. Greater war production demands greater expenditures; and the flood of income rises. We recapture part of the income by heavy taxes on individuals and corporations; but this is only a temporary recapture because the tax money is immediately paid out and we find it necessary to borrow new billions.

Q. Forrest Walker

Imperative Need for Price Control

The relative proportion of the national production available for civilian use shrinks as war production rises. The supply of purchasing power rises rapidly when the supply of goods on which it may be expended declines sharply. If such a situation is left uncontrolled, the cost of living soars. Then wages must advance again; and the cost of both war and civilian production rises. This leads, in turn, to more taxes and more borrowing to finance the war. For these reasons every warring nation has found it necessary to exercise stringent control over the prices of goods and services.

Examination of Price Control Principles and Practices

We shall attempt here to formulate some of the principles that underlie sound methods of control, to examine defects and weaknesses in present methods, and to suggest some possible improvements in current price control techniques. It was not without some hesitation that such a plan was decided upon, because the businessman is ordinarily suspect when he discusses price control, and he often has cause later to regret any venture into the esoteric precincts of official price control philosophy.

Price Control Without Coercion

To control millions of prices effectively in a country as large and as populous as the United States is an extremely difficult task. It cannot be accomplished by compulsion, intimidation, or high-handed methods. It cannot be achieved by unreasonable and highly complicated forms of control. Reasonable success can only be obtained by simple systems, administered in the democratic American way. Where so much depends upon the cooperation of producers, distributors and consumers, it is most important that the price control official be fully aware of the need for tact, consideration and judgment. The American businessman does not like to be pushed around nor treated in a pompous, patronizing way by his public servants. The most perfect plan of control will not work if the administration does not inspire confidence. Thus, the first requisite for effective price control is administration that is neither arrogant nor meek; that seeks helpful suggestions; and that knows how to secure cooperation by courteous, efficient and equitable treatment of large as well as small businessmen.

Price Control That Sustains Production and Distribution

It is axiomatic that workable price control systems must be based on sound knowledge of the functions of prices. It is possible to administer prices so as to choke off needed production; or to foster wholly abnormal demand for substitute goods. The great economic art is to set up such controls that prices can perform a large part of their normal functions of encouraging production and distribution of needed goods. The fixed price must permit the reasonably efficient manufacturer or merchant an adequate profit if goods are to be produced and distributed.

If controls are too rigid, and if they are not based on close study of costs and margins, the usual result is to shunt demand for goods into other channels. Low-priced goods tend to disappear when the control ignores profit margins. In Germany, England and other countries under price control there is almost universal complaint that the controls are so severe that low-priced goods cannot be profitably manufactured and distributed. A second requisite, then, of intelligent price control is adequate knowledge of the price structure necessary to sustain the production and flow of goods.

The Need for Historical Approach to Price Control

The more closely price controls follow the customary methods of costing and pricing in a given trade, the greater the likelihood of successful application. The historical price approach cannot be neglected if serious dislocation and disturbance of production and distribution is to be avoided. For many commodities in many trades the price mechanism is just as delicate machinery as interest rates in the money market. When highly arbitrary controls are imposed that run counter to the historical experience of a trade, the businessman is confronted with the question of obeying a stupid regulation or committing business suicide. These difficulties do not always seem very important to the distant government controller whose pay check is not interrupted; but they are vital and immediate problems for the businessman. The inter-relationships of prices are so complex and so important that we may properly say that a third requisite of intelligent price control is a scrupulous regard for the historical pattern of price structures.

Need for Simple and Intelligent Price Controls

A fourth requisite of sound price control is simplicity. When orders are drawn in cumbersome legal language, they are not understood and non-observance is widespread. The businessman who can afford to hire lawyers to interpret and translate the orders into business language soon finds that only a handful of his trade is paying any attention to the controls. Simplicity is not solely a matter of clarity of exposition. An official order may be clearly written but still may be too cumbersome for practical application without substantial expense for accounting and control. Price controllers seldom have adequate knowledge of the nature of records that businessmen maintain; and the more inexperienced the controller, the greater the accounting miracles he expects a business to produce. Sometimes price orders may be too simple because they have been drawn solely from the administrative point of view and enforcement would cause irreparable damage to business.

Price Controls and Use of Averages

Knowledge of the proper use and limitations of averages is a fifth requisite of intelligent price control. By its very nature, or definition, an average does not reveal the variations from which it is derived. For instance, average mark-on in a department store business is computed by subtracting total merchandise costs from total retail sales and expressing the difference as a percentage of retail sales. When this average is broken down into its component parts it represents a large number of items with widely varying costs and selling prices. When average retail mark-on is invoked as an instrument of price control, it automatically eliminates the amounts earned at the higher mark-ons; and while it provides some incentive to raise the lower mark-ons, in practice that result can seldom be achieved because of the inertia of trade custom. Many items are sold at low mark-ons because the rapidity of turnover permits the practice; and other items can be stocked only if they can be sold with mark-ons commensurate with their rates of turnover. However useful average mark-on may be to the department store operator as a guide in business administration, it is not and never has been a practical measure for the pricing of individual items.

Dangers of Average Mark-on Controls

The average fixed mark-on ignores the wide differences in the character of services rendered by different merchants, the wide variations in their individual operating expenses, differences in location, differences in managerial ability, and a multitude of other causes of mark-on variation. In all types of business where final net profits are small percentages of net sales, the elimination of the mark-ons above the established control are likely to make drastic inroads on profits. In many cases the elimination may mean the difference between a final profit or loss. Only in very exceptional cases does average mark-on have any proper use as an instrument of price control. Those cases are limited to commodities where the deviation from average is slight, and of no vital consequence in the profit showing of a business.

The Classification Price Control Menace

Another phase of the possible dangerous misapplication of the average principle is the use of classification of business by size of sales and the imposition of fixed mark-ons graded according to sale volume. Classifications give no recognition to the wide dispersion of mark-ons within and between each classification group. Like the average mark-on, they likewise can give no proper weight to enormous differences in the composition of the sellers' businesses. Because of the composition of its stock and sales, a small business may sometimes require a smaller margin than a large business; and the reverse may also be true. The use of such methods stems in part from textbook discussions of marketing problems, and it has scant application to any truly equitable or practical plan of price control. It can do great harm to particular businesses; or it may permit wholly inordinate profit to other businesses.

Flexibility in Price Control

A sixth requisite of intelligent price control is reasonable flexibility. The processes of appeal must be reasonably simple; and decisions to grant or to deny relief must be given without intolerable delays. Patent defects in orders must be promptly corrected without inordinate expense such as committee trips to the central authority, the filing of statistical and legal briefs, and all the enormous impedimenta of bureaucratic check and double-check. Delays in correction are extremely costly to business, and they encourage disrespect for orders. Orders that cannot be modified promptly to meet changing economic conditions are not likely to command broad trade observance.

More Light—Less Heat

A seventh requisite is proper machinery for the distribution of new orders. The businessman cannot ordinarily depend upon newspaper and radio reports for determination of the new requirements imposed upon him. He must be given sufficient time to digest the meaning of an order and to adjust his prices before it becomes effective.

Price Control Without Public Purpose Futile

An eighth requisite is frank recognition that price control is not an end in itself. In other words, if the elements of cost are allowed to advance with little or no restraint, the lid is blown right off any control at the retail or prior levels. We cannot put one part of the economy in a strait-jacket and leave the other part uncontrolled. If price control ignores the need for living profits, it cannot be enforced. If it is so crudely devised that its enforcement eliminates large numbers of small businesses and creates financial havoc for large businesses, the whole economic structure of the country is undermined. The control of prices is similar to the control of dynamite. If the control is wisely directed, great good may be accomplished; if it is carelessly handled, there can be serious economic disaster. No public interest is served by elaborate attempts to regulate the prices of goods and services that are of inconsequential significance to the economic life of the country.

Dangers in Foreign Price Control Precedents

Perhaps a ninth requisite is a clear understanding that the precedents of British, German and other foreign controls are not necessarily directly applicable to the American problem. They may sometimes furnish partial guidance; but they are far from the answer to the price controller's prayer. It is one thing to control prices in an area in daily peril of bombing and dependent upon water-borne supplies, and it is quite another thing to control prices in an area naturally rich in resources and free from immediate war perils. The State of Texas alone is nearly as large as the combined areas of England and Germany. The system that will work in an area of 88,745 square miles such as England does not necessarily work in an area of 2,973,774 square miles such as the United States. Differences in racial composition, in climatic conditions, in consumption habits, and in amenability to governmental control are likewise of great importance. Technical advisers not highly trained in American democratic procedures may make grave errors in judging the practicality of controls borrowed from other countries.

A Rapid Appraisal of American Price Control

Such are some of the principles of governmental price control. The list is not complete; but perhaps it may serve as a basis for a running appraisal of some of the accomplishments and some of the failures of American price control.

Initial Price Control Partly Successful

It is not difficult to criticize the hasty patchwork of price control that now blankets the American economic system. The men who have toiled to set up the sprawling framework of economic, political and social compromises that represent our price control system deserve more credit than they will ever receive. Perhaps, at times, their zeal may have outrun their judgment; and perhaps there is not always deep consciousness that price control is a public trust to be administered in the American way. Nevertheless, the fact remains that over the area where the Office of Price Administration has had substantive control for a considerable period, price advances have been moderate in amount. Despite all the economic burlesque, the fumbling for techniques, the confusion of authority and the labyrinth of orders, the public respect for the need of price control is impressive. But the real test lies ahead when low-cost stocks are exhausted; when heavier business expenses are no longer carried by rising volume; and when the existing system must bend or break.

Let's Look at the Record

Prior to February, 1942, selective price control was applied to metals and certain industrial materials by virtue of executive order. The Emergency Price Control Act of 1942 did not become effective until February, 1942; and in May, 1942, General Maximum Price Regulation No. 1 was promulgated. The most recent official study of the effectiveness of price control indicates that most of the rise in commodity prices since August, 1939, occurred prior to February, 1942. Between August, 1939, and February, 1942, the Bureau of Labor Statistics index of wholesale commodity prices advanced from 75 to 96.7, or about 29%. Since February, 1942, the index has risen from 96.7 to 102.5, or approximately 6%. In the first period the index advanced about nine-tenths of 1% per month; and in the period since February, 1942, the advance has been at the rate of one-half of 1% per month. In the earlier period farm products and foods rose more rapidly than manufactured products, and in the later period manufactured products advanced only 1.5% while farm products rose 18% and food products about 12%.

The reasons for the failure to impose price controls on farm products need not be detailed here. It will suffice to say that the responsibility does not rest upon the Office of Price Administration. Mr. Leon Henderson made many vehement protests about rising food and wage costs, and not until October, 1942, was there any progress in this direction.

General "Max" and Food Price Control

The General Maximum Price Regulation became effective in May, 1942. It exempted from control raw and unprocessed agricultural commodities, eggs and poultry, most milk products, mutton and lamb, dried prunes, dried edible beans, live stock, and some other food items. About 34% of the wholesale foods were brought under control; and retail ceilings were imposed upon most processed foods. This created extremely difficult problems for food distributors. They were frozen in on March ceilings while basic costs remained largely free from control. Despite vigorous protests the Office of Price Administration brushed aside pleas for compensation of the "lag" between basic costs and wholesale and retail prices; and promised relief if it were later needed. After long delay it was forced into a complicated system of "permitted increases" for a wide range of processed foods. No small part of the dislocations and troubles in the processed foods industries can be attributed directly to the treatment accorded these products under this order.

Sham "Trade Consultations"

Under the price control statute, the Administrator is required to consult with trade groups as far as may be practicable before he issues a price order. Before the General Maximum Price Regulation was issued, an extremely able group of retail merchants representing a substantial part of the nation's retail trade were asked to consult and advise with the framers of the order. Practically no attention was paid to their recommendations for consideration of adjustment for the "lag" between wholesale and retail prices, for a more selective approach to price control, for adoption of the traditional trade percentage mark-ons, for restriction of price control to essential items and similar matters. In practical effect, the best brains of the retail industry were treated like kindergarten pupils in a price control nursery where overnight "experts" had assumed to solve the most difficult of wartime economic problems.

Price Control By Blunder Techniques

This attitude toward the businessman still persists. There have been many subsequent "statutory conferences," but few of the trade experts who attend them have any delusions about their purpose. They know that these conferences are not really part of a democratic process, that the real aim is not to seek guidance from the experienced men of industry and trade, that their suggestions are merely to be listened to with politeness and that the whole system is largely a sham because the decisions have already been made and frequently the formal order is already in the printer's hands. The obvious technique is to make business laws without bona fide prior consultation with trade authorities, to engage in obtuse gestures toward the democratic process, to issue orders that cannot represent profound, informed consideration and to depend upon the backwash of trade anger and protest to force intelligent and workable modification. Obviously, such tactics have done much to undermine business confidences, and to impede effective price control.

Price Control By Bureaucratic Caprice

It was the apparent intent of Congress in Section 2(h) of the Emergency Price Control Act of 1942 to make clear that the grant of price control powers was not a mandate to a new Federal agency to remake the production and distribution structure of the country according to the dream of some planner of the world to-morrow. Congress stipulated that customary methods of costing and pricing were to be preserved. But no fair-minded student of the vast array of pricing orders disgorged by this agency in thousands of pages of the Federal Register can fail to be impressed by the bureaucratic abandon with which customary methods have been discarded, hacked apart and generally vitiated to serve various fancy theories of price control. More than a score of pricing methods, mostly wholly alien to customary practice, have been set up; and moreover, they have been embellished with statistical frills of doubtful practical value. The basic requisite that a sound sys-

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Parkinson Urges Congressional Control Of Revenue And Appropriation Of Public Funds

Declares Treasury Could Then Give Attention To Government Financing Operations

In view of the difficulties which Congress has been facing in drawing up and considering wartime tax legislation, what this country needs is a Department of National Revenue which would combine in one set-up the Bureau of Internal Revenue and other revenue agencies of the Treasury Department, according to Thomas I. Parkinson, President of the Equitable Life Assurance Society, who advocated this move in an address presented at a meeting of the New York City Control of the Controllers Institute of America, held last Friday in the Hotel New Yorker.

T. I. Parkinson

Declaring that "anyone at all familiar with the muddling which has gone on between the Treasury and Congress on this subject of taxation knows that there is room for improvement," Mr. Parkinson went on to say. "If representative government is to be strengthened or even preserved, Congress will have to increase the agencies under its immediate control from which it can obtain factual and technical assistance. Several years ago, moving in this direction, Congress created a legislative drafting service which now furnishes Congressional committees with expert legal assistance in drafting enactments. In addition to this service, Congress should promptly reassert its control over the Federal Budget Bureau and the General Accounting Office. When these agencies were created, 20 years ago, they were intended to operate under effective Congressional control, but they are far from that today."

"The furnishing of information essential to wise legislative control," Mr. Parkinson continued, "has been part of the function of the executive departments of the Government, but it is unfortunately a fact that for several years the executive departments have furnished such information grudgingly, or in a competitive way. The political competition which exists between the executive departments and Congress at the moment is nothing new, but such competition should not be allowed to impair the capacity of Congress to get the information which it needs."

He added:

"Congress should—and must—keep control both of the sources and methods of collecting revenue and of the allotment or appropriation of public funds. It should control the accounting by which all Government agencies are kept within the purpose and the amount of the appropriations granted to them by Congress. These revenue, budget and accounting agencies, when once brought under the direct control of Congress, should be administered by non-political, experienced legislators who should be required to attend all meetings of the revenue and appropriation committees of both houses of Congress when revenue and appropriation measures are under consideration. It is only by such organization that the representatives of the people, through their committees, can secure the information essential to wise legislative control.

"Under such a reorganization, the Secretary of the Treasury would be relieved of a mass of tax detail, and would be free to devote his energies to the tremendous task of financing the huge operations of the Federal Government and the fiscal policies upon which the financial, economic and social lives of the people depend."

Mfg. Employment At Peak Of 16 Million

The National Industrial Conference Board reported the latter part of last month that manufacturing employment rose by about 160,000 during February, bringing the total number at work in factories to the 16,000,000 level for the first time in the nation's history. In 1939, only 10,000,000 workers were engaged in manufacturing activities, says the Board, which adds that at that time 31 of every 100 civilian workers in nonagricultural activities were on factory payrolls. Currently 38 of every 100 civilians employed off the farm are factory workers.

The Board's announcement further said:

"Total employment during February rose by fully 900,000. Including men in uniform, the total number employed rose to 58,500,000, or nearly 8,000,000 more than a year ago. During these 12 months about 5,000,000 found employment in the military services, while a little less than half this number were added in manufacturing plants. Farm employment, however, was nearly 100,000 less than in February, 1942.

"As in previous months, gains in factory employment were confined primarily to the heavy industries, particularly the transportation and machinery groups. Total employment in nondurable goods fell off slightly with small gains in the apparel field failing to offset a lower level of employment in the food industries. Leather, textiles, apparel and paper were among the major manufacturing groups with a significantly lower level of employment than in 1942.

"Employment in construction and in trade, distribution and finance continued to recede and dropped sharply below 1941-1942 levels. The number at work on construction projects decreased by fully 200,000 during the month, and was a sixth lower than in the past two years. In the trade group employment was 350,000 below the previous year and nearly 200,000 under the 1941 total."

Federal Taxes And Utility Earnings

(Continued from first page)

of fixed rate enterprises, than in the previous year, without resort to annoying and vote-destroying boosts in tax rates.

But the effect of this mis-branding of tax terminology on fixed-rate enterprises, of which electric and gas utilities comprise a substantial part in this country, was about the same as though tax rates had been sharply increased. And since the Revenue Act adopted last Fall has been in operation for all of 1942, due to its retroaction to the first of the year, its effect on utility earnings is susceptible of fairly accurate measurement.

Accordingly, the questions with which this comment is concerned are: (1) How have utilities fared under the 1942 Revenue Act; (2) What effect has this labeling of normal profits as "excess profits," and the taxing of them as such, had on the gross incomes of holding companies and operating utilities; and (3) What measure of relief might be accorded them, and all other forms of corporate enterprise, without decreasing the flow of revenues to the Federal Treasury?

To use Al Smith's famous expression, "Let's look at the record." The annual reports of eight utility holding companies, and the annual reports or year-end income accounts of 37 operating utilities, have been received to date. Since we are interested primarily in increases in gross revenues received by utilities for services rendered in relation to increased taxes of both the Federal and non-Federal variety, and the effect of taxation on the balance of earnings remaining to reward the capital embarked on the enterprise, suppose we confine our consideration of these reports to those phases.

During 1942, the eight utility holding companies did $68,078,614 more business than in 1941. That's the increase in reported operating revenues, from which all related costs had to be met—the year-over-year increase in gross receipts from all services rendered. But in 1942, Federal tax gatherers alone grabbed $44,000,808 more than they did in the previous year. As a result, Federal taxes consumed 64.6% of the increased revenues received during 1942. Taxes, moreover, assessed by State and local governments increased in the aggregate by $3,000,472, with the result that the combined tax bill of these eight holding companies totaled $47,001,280 more in 1942 than in the year before. That's equivalent to an even 69% of their increased operating revenues, which means that after they had paid their taxes they had but 31% of increased revenues left with which to pay the increased labor, fuel and material costs of rendering this added service. In addition they had to pay the hire of capital invested during the year in new facilities out of this 31%.

The individual experiences of these holding companies, however, differed widely. For instance, Columbia Gas & Electric's boost in Federal taxes alone was 180.0% of its increased operating revenues, while that of American Gas & Electric was 112.6%. And when their total tax bills are considered—Federal, State and local—Columbia's tax increase was equivalent to 173.0% of increased revenues, that of American Gas & Electric 111.2%, Southern California Edison's 106.5%, and Niagara Hudson Power's 100.8%.

These are just the holding companies examined, more than 100% of whose increased gross revenues were appropriated by tax collectors during 1942. And largely as a result of this increase in governmental exactions, seven of the eight holding companies suffered losses of from 14.5%, in the case of Southern California Edison, to 4.2% in the case of Columbia Gas & Electric, in gross income, as compared with 1941. Only American Water Works & Electric of the eight under review reported a gain in gross income—a mere $80,170, equivalent to about 1% of the 1941 figure. But in the aggregate, the eight holding companies reported $19,987,183 less gross income in 1942 than the year before—a drop of 8.8%. As you may have noted from the foregoing figures, the over-all tax bills of American Gas & Electric and of Columbia Gas & Electric were lower than their Federal tax bills. This was due to a decline from 1941 levels of State and local exactions.

Turning now to the 37 operating utilities examined, we find that much the same conditions existed. Collectively, they did $55,853,879 more business last year than the year before, but of this increased gross revenue, which represents the amount they collected, before any expenses of rendering service were paid, over and above the sum collected in 1941, expanded Federal taxes absorbed $43,637,422, or 77.3%. Moreover, their aggregate State and local taxes increased $2,098,752, which brought their increased taxes, levied by all authorities in 1942, to $45,736,174 more than in 1941. That's a tax increase of 81.9% of increased gross receipts, and due largely to that boost in taxes, their aggregate gross income, available to pay the wages of capital they employ, was $15,313,017 below the level of the previous year, or a drop of 7.8%.

But the increase in governmental exactions assessed against operating utilities in 1942 over 1941 showed a much wider variation, when matched against increases in gross receipts, than was true of holding companies. Until a more horrible example comes to notice, Carolina Power & Light has the doubtful distinction of being the most sinned-against utility in the country, taxwise, on a comparison of increased taxes with increased gross revenues. Where its 1942 operating revenues—the dough it collected from its cash customers—exceeded those of 1941 by a mere $194,153, its Federal taxes were $1,694,207 higher than in the preceding year, equivalent to 872.5% of its increased receipts, while its total tax bill was $1,800,962 above 1941, or 927.4% of the boost in dollars collected. Considering Federal taxes alone the increase over 1941 in ratio to increased operating revenues was:

Carolina Power & Light	872.5%
Idaho Power	221.1
Detroit Edison	193.8
Peoples Gas Light & Coke	187.5
Boston Edison	128.3
Kansas City Power & Light	123.6
Montana Power	117.8

These are the operating utilities under examination whose increases in Federal taxes exceeded their increases in operating revenues during 1942. In addition, five more companies came close to the mark. These were:

Philadelphia Electric	98.6%
Pacific Power & Light	97.6
Pennsylvania Power & Light	94.6
Union Electric	81.2
Consumers Power	77.7

Much the same condition exists—the ratio of increased taxes to increased operating revenues—when the total tax bills of the 37 operating utilities are considered. This will be evidenced by the following tabulation:

Carolina Power & Light	927.4%
Idaho Power	289.7
Peoples Gas Light & Coke	210.4
Detroit Edison	194.2
Boston Edison	144.8
Kansas City Power & Light	114.4
Montana Power	114.0
Philadelphia Electric	98.6
Pennsylvania Power & Light	92.6
Union Electric	86.3
Pacific Power & Light	81.3

Although each of the 37 operating utilities examined had higher Federal taxes in 1942 than in 1941, ranging from the previously noted 872.5% of increased gross revenues for Carolina Power & Light to 0.6% for Dallas Power & Light, 12 of the 37 utilities enjoyed 1942 rate reductions in State and local taxes from their previous year's levels. That this was not of benefit to all of them, from an earnings standpoint, is evidenced by the fact that while 12 of the 37 operating companies reported higher gross incomes in 1942 than in 1941, only six of the 12 companies enjoyed lower State and local taxes.

It will be apparent from the foregoing that the effect of the current Revenue Act, which is based on the calling of black cows red, has been to absorb the greater part of electric and gas utility increased operating revenues—the total increase in dollars collected from customers for service rendered, before any item of expense has been deducted—and not the "excess profits" which the Secretary of the Treasury talked about in early March of last year. In fact, none of the utilities examined, whether of the holding or operating variety, earned an excess profit in 1942, in the honest meaning of that term. It would appear, then, that while the Secretary of the Treasury "sweet talks" the voters for the record, the Administration's true purpose is to get the dough, no matter what the ill effect may be on fixed-rate and regulated enterprise.

The tax record of these 45 utilities in 1942, moreover, approximates the pattern of taxation for the entire electric power and light industry, as will be seen from the following tabulation of year-over-year increases in gross revenues, Federal taxes and local taxes, expressed in millions of dollars:

Year	Increased Operating Revenues	Increased Federal Taxes	Per Cent Increased Taxes of Increased Revenues*	Increase in all Taxes	Per Cent Increased all Taxes of Increased Revenues*
1942	$155	$116	74.8	$117	75.5
1941	225	104	46.2	107	47.6
1940	132	50	37.8	59	44.3
1939	103	15	14.6	29	23.2

*Percentages of complete figures, not nearest million.

As you will see from the foregoing tabulation, the entire privately owned electric light and power industry in the United States had more than three-quarters of its increased operating revenues—the total sum it collected for added service rendered—siphoned off by tax gatherers last year, leaving it but 24.5% of that increase in dollar receipts with which to cover the costs of labor, materials, supplies and depreciation, plus the hire of $482,000,000 of new capital invested during the year to expand service facilities. Yet this is the industry, according to a funny little Congressman from Mississippi, that is "overcharging" the electric consumers of this country "a billion dollars a year."

One of the major flaws in the present Revenue Act is that it results in double taxation. Corporate profits, it will be noted, first are taxed in full, and at severe rates, while still in the hands of the corporation. Then, that proportion of earnings distributed to investors in the form of dividends is taxed again. Obviously, this taxing of corporate profits before distribution is taxation of stockholders without regard for their ability to pay. The 10-share holder of meager income is assessed at the same rate as the 1,000-share owner with an income in six figures.

If, however, the Revenue Act was amended to permit corporations to credit 50% of all dividends paid on preferred and common stocks against their normal and surtax liabilities, not only would the strain on corporate finances be greatly relieved, but more liberal dividend policies would result. And since these distributed earnings would be taxable in the hands of recipients at higher rates, on the average, than those assessed against corporations, the flow of badly needed revenue to the Federal Treasury would be accelerated. Adoption of this plan, moreover, would eliminate, in part, the evils of double taxation, while stockholders would be taxed more in line with their abilities to pay.

This proposal is not new. It was submitted to the Senate Finance Committee last Fall. But, possibly, like the case of the Ruml plan, because the Treasury Department didn't think of it first, it didn't receive much consideration. Yet, it is deserving of added study by our constructors of tax legislation.

To be sure, these men, with innumerable pressure groups on their necks, and with a sincere desire to do justice to all our complex interests, did render some measure of relief to utilities in the 1942 Act, in the form of credit for 100% of the dividends paid on their preferred shares, but with no credit whatever for common stock dividends. Now, with the unfairness of the present levies on fixed-rate enterprises demonstrated, both the Senate and the House should appraise with avidity, considering the temper of the taxpayers, the merits of this proposal.

And why not? It will afford badly needed relief to both private enterprise and stockholders alike, while, at the same time, increasing the flow of revenues to the Federal Government. After all, they're out for the money, aren't they?

Problems Of National Price Control

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tem of control should follow traditional costing and pricing patterns has been often substantially ignored.

Intelligible English—No Translators Needed

After many months of protests, some progress has finally been made in improving the draftsmanship of official orders. For the most part, the newer orders are in clear and direct language; and businessmen without extensive legal education can read and understand their meaning. Many of the methods of control are cumbersome; but, at least, it is now possible to know what the basic objective of an order is. The expense of translating official orders into operating language has been materially reduced. There will be less failure to observe orders because the meanings were not clear. An important beginning has been made, but the clarification of past mistakes will be a long and tedious process.

That Classification Hocus-Pocus Again

Perhaps the most dangerous tendency now is the apparent official belief that the solution of the complexities of price control lies in wide resort to classification of businesses by size of annual sales and the application of fixed percentage margins to broad groups of merchandise within each classification. Classification is a useful device for observing certain basic characteristics of business enterprises, and it has a proper place in the teaching of the principles of marketing. However, when it is seized upon as a great discovery for the regulation of prices it can do incalculable harm to the business structure of the country.

Theorists On A Food Pricing Rampage

In Maximum Price Regulation No. 238, for instance, all the retail food distributors of the country are divided into five classes according to their annual sales volume. Fixed mark-ups are then established for each class of retailer and each broad class of food product. Any food retailer selling more than $250,000 per year is automatically classed with the super-market, drive-in type of retailer and must use the mark-ons of that class regardless of the services he renders or the differences in the types of foods he sells. The price controllers are gradually discovering that the regulation cannot be applied without doing great injury to particular classes of retailers who sell specially selected food products that are not standardized in quality, taste and consumer preference. Relief is promised, but in the meantime the quality grocer suffers a substantial and unnecessary hardship. Like the "average man" the "average food distributor" is a statistical figment of the controlling agency.

Price Control In Ready-To-Wear With New Tucks And Frills

In Maximum Price Regulation No. 330, the Office of Price Administration has achieved considerable improvement over prior methods of controlling the prices of ready-to-wear at retail, but here again we find the bold assumption that the key to intelligent price control is resort to grand averages. Under this order, the retailer is required to find the average mark-on realized in the base period on the greatest quantity of garments sold in a given cost-price line. This is the average mark-on that he must apply to all subsequent purchases at the same cost price line. Actually, the greatest quantity method of determining mark-on is designed to reduce his customary mark-on, for the greatest quantity is always sold at the lowest mark-on. Moreover, if the application of this calculated mark-on produces a price which is higher than the highest March, 1942 price, the penny excesses must be lopped off as dangerous inflationary menaces.

Quick Henry!—Flit For Price Control Irritants

We cannot be here concerned with the minutiae of particular price orders; but permeating the great gangling structure of price control, one finds enormous tortuous efforts to achieve microscopic price regulation. There is little practical judgment as to the merit of minute restraints; and the price orders are replete with wholly useless business irritants for which there seems to be no handy administrative Flit. Practical businessmen know that operational wastes of minor significance are only controllable at inordinate expense. They ignore them and concentarte on the important problems. The perfectionists in price control have not yet learned this simple business principle.

Tilting With Administrative Windmills

Any businessman who has battled alone or with his trade group for the modification of some unsound principle in a price regulation finds himself merely a valiant Don Quixote tilting with enormous administrative windmills. Weeks sometimes elapse before a respectful query is answered; and, more often than not, the answer will contain some homily on the perils of inflation and occasionally a reminder that the country is now at war. We are slowly beginning to realize that price control cannot be successfully administered unless the processes of amendment and specific relief are liberalized. Individual price adjustments have been denied since Nov. 30, 1942; many of these appeals have not yet been processed; and the rules governing their adjustment seem to be unnecessarily meticulous and severe. Just how a healthy civilian production and distribution structure adequate to serve the needs of 125,000,000 or more civilians can be preserved without sound appeal procedure is not clear.

Price Control Information Eventually

The businessman who earnestly seeks to cooperate with his Government in observing the price orders is confronted with many difficulties. He may get his first inklings of new controls over the radio, or in brief reports in the business press. Considerable periods elapse before the new orders are printed in the Federal Register and reproduced in the reporting services to which he subscribes. Frequently, there are long delays before his district control office can give him helpful and precise advice. It is not unusual to find that official orders cannot be obtained until several days after their effective dates. Sometimes they are not even printed until long after their effective dates. The advance publicity is often badly handled, and tends to accentuate the very difficulties that controls seek to correct.

Price Control And Political Glory

As already suggested, it is not difficult to engage in caustic criticism of present methods of price control. Much of the difficulty is inherent in the magnitude and complexity of the problem. It is unfortunately true that the individual who accepts responsibility for the administration of the price control system is not likely to enhance his political fortunes. He touches the pocketbook nerves of millions of citizens. He faces a task that requires great intestinal fortitude, tact and keen judgment of the practical limits of price control. A large part of the pressures for increased prices are wholly beyond his control. Impartial appraisal is perhaps impossible under the stress of war, and dependable judgments of achievement must await the economic historian of the future.

Price Control Remedies

However, intelligent price control is a vital necessity and mere criticism without constructive suggestion serves no public purpose. Only the bare outlines of possible improvement can be here sketched.

The Protection Of The Home Front

It is abundantly clear and now

(Continued on page 1672)

War Damage Insurance Earnings Should Revert To Policyholders, ABA Urges In Resolution

Adoption by the War Damage Corporation of a policy whereby the net earnings of the corporation will ultimately revert to its policyholders, either through remission of premiums or refund of remaining surplus left at the end of the war, has been urged by the American Bankers Association, it was revealed on April 22. The A. B. A. Executive Council at its meeting held in New York City on April 12 adopted a resolution containing this recommendation. This resolution pointed out that the protection of property against war damage is a national responsibility and should not be operated as a profit-making enterprise. The resolution is as follows:

"Whereas, The War Damage Corporation was created to provide insurance against losses of property resulting from enemy attack, and

"Whereas, protection of property against war damage is a national responsibility, and

"Whereas, the War Damage Corporation should not be operated as a profit-making enterprise; therefore be it

"Resolved, That in the opinion of the Executive Council of the American Bankers Association the net earnings of the War Damage Corporation should ultimately revert to its policyholders, either by remission of premium and/or a refund of any surplus remaining at the end of this war."

In presenting the resolution to the War Damage Corporation, the ABA, through its Insurance and Protective Committee, urged that announcement of such a policy should have a reassuring effect on property owners and that it should help to stimulate sales and encourage renewals of their policies by property owners.

Problems Of National Price Control

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publicly admitted that there is need for a strong independent office of civilian supply. It must arbitrate the needs of the armed services and the needs of the civilian economy. It must organize and regulate the flow of materials to the end that the maximum war effort is exerted with the least serious damage to the civilian economy. It is a gigantic job in over-all organization for total war.

Civilian Industries Must Live

In price control, there must be recognition that the costs of production cannot continue to advance without blowing the lid off price controls. There must be proper readjustment for the enormous distortions inherent in an economy that has functioned for many months partly free and partly subject to rigid price controls. The new "Hold-the-Line" executive order does not abolish the need for these readjustments. If it is necessary to permit adequate profit in war industries to attain maximum production and to build reserves for peace, there must be equal recognition that advancing costs in civilian enterprise necessitate sufficiently liberal price control programs to maintain the civilian production and distribution structures and fortify them for the severe periods that lie ahead. It is not necessary to have uncontrolled domestic prices to achieve this end; and, in fact, it cannot be achieved without proper price controls. The price level today is not much greater than it was in 1926 and properly controlled advances need not create economic catastrophe.

Streamlined Controls

Apart from the whole question of other fiscal controls, it is doubtful if any agency of price control can function effectively for any considerable period when it can exert no control over the supply of goods or the demand for them. Rationing may regulate demand, but it cannot do anything about supply. The price control function wholly divorced from supply and demand must encounter ever-increasing difficulties. This suggests that economic controls must be streamlined; that price control is properly an important but subsidiary adjunct to individual and separate agencies with broad regulatory powers over the production and distribution of foodstuffs, clothing and shoes, shelter, fuel and such other basic divisions of the economy as the exigencies of the war may require.

Individual Percentage Item Mark-On Control

The great complexity of distribution price structures suggests that a wide variety of complicated formulae are not workable devices. The simplest and the most workable system of retail price control is dependence upon individual percentage item mark-on of each seller in a selected base period, preferably the year 1941. When and if such a plan is ever adopted, administrative effort can then be concentrated upon fair and equitable controls at the manufacturing level. This is not an easy problem, but it is far less complicated than far-flung attempts to regulate the vast price structure of distribution by an elaborate system of intricate orders.

Mink Coats, Grand Pianos And Bread With Butter

Since the big problem of price control is to restrain the advance in the cost of living of the bulk of the population, it would be most desirable to abandon price controls of luxuries and semi-luxuries. Mink coats, grand pianos, fine china, most jewelry, hand-tailored suits, high priced ready-to-wear, expensive furniture, caviar, truffles and a wide range of other items can be left free from price restraint without endangering the national program. The really important problem is to hold the cost-of-living within a reasonable range. We can ill afford to dissipate administrative energy and manpower in controlling the prices of inconsequentials of wartime living. High prices for luxuries and semi-luxuries will perform their natural functions of restraining demand.

The Need For Local Appeal Boards

The whole process of appeal and relief from unfair restraints must be modified. It must be handled on a regional or district basis, and be vested in the hands of appeal boards that will command the confidence of industry and the consuming public. We cannot expect such intricate questions to be handled by an administrative agency far removed from the problem and not equipped to give judicial appraisal of the applicant's needs.

Price Control In The American Tradition

Finally, price control must be a great cooperative effort. We cannot put a policeman at each point of sale. Enforcement must depend upon the willingness of business and the consuming public to work for the common good in the face of a great emergency. In essence, this means that price control must be a democratic procedure, conceived and administered in the great American tradition.

Immediate Adoption Of Spending Tax To Replace Income Tax Urged By Economists

Irving Fisher and William Vickrey Present Plan In Columbia Law Review

A far-reaching change in our tax system was urged by Irving Fisher, Professor Emeritus of Economics at Yale University, former President of the American Economic Association, and William Vickrey, senior economist of the United States Treasury Department, in a symposium in an issue of the "Columbia Law Review," a publication of the Columbia University Law School.

Dr. Fisher, while pointing out that one of the advantages of the spending tax is that it can be adopted gradually, would prefer to have it adopted fully at once, in place of the present income tax. Mr. Vickrey, whose opinions are stated to be his own rather than the Treasury Department's, would levy the entire wartime increase in taxation on the middle income classes in the form of a spending tax.

"A spending tax is a progressive tax based on the amount which individuals spend for personal consumption," Mr. Vickrey explains. "Exemptions are provided to protect from tax those maintaining only a minimum standard of living, and rates become heavier as the level of spending becomes such as to indicate a more luxurious level of outlay." He goes on to say, in part:

"When drastic tax increases are necessary, an increase in the form of spending tax will be much less disruptive of individual life insurance plans and other fixed forms of savings than an increase in the form of an income tax. There may even be a good case for replacing a portion of the present income tax with a spending tax. Practical considerations, however, may militate against the use of the spendings tax at low levels of income, and as long as exemptions must be pushed to low levels, the income tax or a refundable levy based on income may well be the most expedient method of reaching the large number of taxpayers to be found there.

"Whatever the merits of the spending tax as a permanent tax, the need for such a tax under present circumstances is both obvious and pressing. There is no question of the need for stimulating saving now by every known means. Moreover, the wartime advantages of the spendings tax are not confined to its effect on savings. When tax rates reach such high levels at fairly moderate incomes as will be necessary for an adequate fiscal program, it becomes important that the incentives to productive effort be preserved as far as possible.

"Because of the shortage of consumer goods, it is difficult or even impossible to offer substantial incentives in the form of additional goods for immediate consumption without impairing the standard of living of those barely at the minimum levels required for efficient work. With a spending tax program it is possible to offer such incentives in the form of claims to future consumption goods without the rigidity involved in a program of compulsory lending or expenditure rationing.

"The spending tax can also be used as a flexible form of expenditure rationing, and can produce a degree of equality of immediate sacrifice which is impossible under the income tax. No income tax, however severe, can prevent the wealthy from maintaining an unduly high standard of living by drawing upon capital, and the income tax will impinge to a minor extent if at all on retired persons and others who normally are in the course of living off their capital. A spending tax, on the other hand, can make luxury spending in a period of emergency almost prohibitive, and thus conserve resources to promote efficient production.

"In the immediate post-war period gradual reduction of the high spending tax rates may well be one of the most effective methods of controlling the flow of purchasing power so as to avoid either post-war inflation or slump. While probably most of the present advocates of the spending tax look to the gradual abolition of this tax as conditions return to normal, the balance of considerations may well be in favor of retaining it."

Whose Goose?

SEC Disintegration Policy Ruinous to Many Investors

The course of disintegration of utility holding companies favors the speculator. It works this way. A company, decides to buy in certain debentures, bonds, or preferred stocks. It requests permission from the SEC. Its intent is public knowledge from the documents. The Commission, molasses-like in the speed of its thinking except on matters where its bureaucratic future is at stake, cogitates, while speculators speculate. And when the permission is given, the smart people have bought up the bonds from the uninformed, or else have their tenders in ahead, and reap the profit. Disintegration offers halcyon possibilities for good guessers to fish profits out of troubled waters, with the widow and orphan again on the short end.

A curious reflection on official wisdom appears in the Commission's attitude toward capital simplification under Section 11-B-2 of the Utility Act. The Commission has for some years been registering indignation about the arrears of dividends outstanding on many preferred stock issues. And of course there are two policies the Commission can take, in such cases, which offer a nice opportunity for doing good at somebody else's expense. It can follow either the contractual principle or the composition principle. In other words it can either see that preferred stockholders get their promised rights, in which case common stockholders are forever out in the cold, or it can compose the matter and give the common stockholders a little something anyway. The first is the principle on which the Interstate Commerce Commission has acted in the case of the bankrupt railroads. The second is the underlying principle of Sections 75, 78, and notably 77-B of the Federal Bankruptcy Act as amended in 1933.

By 4 to 1 in the International Hydro case and 3 to 2 in a recent decision, the Commission has followed the composition principle of 77-B. The common stockholders are to get at least something.

This is not to argue the relative merits of the two principles. That is for better minds. But the pundits of Washington seem strangely at odds, for there is a striking contrast between the ICC's view, recently supported by the Supreme Court in the Northwestern case, which bans the common stockholders forever to outer darkness, where there is wailing and knashing of teeth, and the SEC's majority view, which clips the preferred stockholders of some of their rights. The SEC, in the authentic manner of the bureaucrat, has tried to avoid responsibility for any consistency, by saying that liquidation is not bankruptcy, but it comes to the same so far as the results go, and the contradiction is an amusing light on the alleged superiority of the bureau mind.

For consumers of power, including people who buy it to read by, the result is bound to be higher rates or fewer reductions in rates. The SEC has consistently refused to consider as pertinent the lower rates charged by holding company subsidiaries, except in a recent puerile speech before the "New School of Social Research" by its latest Utility Division head, mixing up the irrelevant matters of holding company capitalization and subsidiary company rate structure. Disintegration will make integration economies more difficult, and wipe out the economies possible in holding company management.

Disintegration is giving the Commission's Philadelphia lawyer fledglings a temporary career of kicking experienced utility lawyers around, hauling them down to Philadelphia and hearing, reviewing, correcting, re-writing, and otherwise pawing over legal documents. Fortunately, as the days pass the demise of the New Deal is indicated more and more. However, if the SEC had its way before the last utility holding company was wound up, they would welcome the power to tackle the equally destructive task of breaking up General Motors, U. S. Steel and other holding companies in the industrial field.

In any event, as things stand now, the SEC is making the investments of many widows and other investors a gone goose.

Wider Social Aid In Post-War Era Urged By Secretary Perkins

If we think now of the objectives that will help to lighten the load of the peace that must be won through "blood and sweat, toil and tears," we can hold on to the victory that is going to cost us so much, said Secretary of Labor Frances Perkins in New York on April 29.

Frances E. Perkins

Speaking at the 31st annual meeting of the Children's Welfare Federation, an organization of 250 member groups, Miss Perkins urged the Federation "to drive ahead as hard and toward providing the essentials of community care for your children as you see their need."

The foregoing is from the New York "Times" of April 30, which gave Miss Perkins's further remarks as follows:

"There are three things we want," she said. "One is the chance to work and to produce the goods that human beings need. The second is security from adversity when the chance to work is cut off.

"Then we want a chance for every one to equip himself and increase his capacity to function as a productive member of society, able to enjoy a share of its amenities. For this we must have more and a higher level of community services.

"Not even a high level of employment guarantees that all families are secure," she said. "Even in 1942, according to OPA estimates, one out of every five families had an income of less than $20 a week.

"We want, and must have, security for people against the common hazards which we cannot provide against by ourselves. We must provide for access by every citizen to the absolute necessities of life."

Miss Perkins said her experience as Chairman of the President's Cabinet Committee had shown her that what we must do is "extend and develop our social insurance program to cover all workers."

"The contribution rate for the kind of social insurance system I have in mind would, at the outset, be about 10% of payroll," she said. "This would be shared equally by workers and employers. For the first 10 years of such a system, there would be no necessity for the Government to contribute out of general revenues, since receipts would exceed disbursements. However, when the total cost began to exceed 10%, as increased old-age retirement benefit rights built up, the Government could well pay for the excess until eventually there would be equal tripartite distribution of cost."

New York Stock Exchange Weekly Firm Changes

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

Ralph Lowell retired from partnership in Clark, Dodge & Co. on May 1. Mr. Lowell made his headquarters at the firm's Boston office.

John F. Garvey retired from partnership in La Branche & Co. on April 30.

S. H. Fessenden, partner in F. S. Moseley & Co., Boston, Mass., died on April 27.

The Securities Salesman's Corner

How About A Housecleaning In the Sales Department!

There is something about the Springtime that suggests to all of us—clean up, get a new start, get going again. It's no wonder that Spring is the conventional time for housecleaning, so let's look around in the "sales department" and see what we can do that will bring renewed life and efficiency into our work. This Spring it looks like prospects for increased business are better than has been the case in many years—our working tools should be in ship-shape condition so that we can make the most of our opportunities.

Here are some suggestions for a "housecleaning" in the sales department:

PROSPECT FILES:

SALESMEN'S PROSPECT CARDS should be checked and all prospects that are no longer suitable for a place on the **active list** should be eliminated. Many times salesmen will continue to make calls upon prospects that have become deadwood. Get them out of the files, stop wasting time on them, replace them with new names that may hold promise of business.

PROSPECTS SHOULD BE SWITCHED FROM ONE SALESMAN TO ANOTHER. This is often productive of business because it is a well-proven fact that one salesman may be able to do business with a qualified prospect where another has failed. If possible hold a general sales meeting and make a reshuffle of names between members of your sales organization.

LISTS OF HOLDINGS SHOULD BE GONE OVER CAREFULLY AND RECHECKED, BOTH FOR SALES IDEAS AND ACCURACY. If a master holding file is kept then it is a good idea to go through the entire list and cull out all the situations that have radically changed their status (either from good to bad, or vice versa) and list them for action upon the part of the salesmen who have customers interested in these items. Many times a planned campaign that will produce very good results can be based upon specific situations held by prospects and clients—besides this gives the salesmen a sound, businesslike reason for making a call.

MAILING LISTS:

It is not difficult to keep a mailing list up to date providing someone is specifically charged with this duty, and a simple system of making additions or deletions is in use. Many organizations, however, continue to send extensive mailings to numerous prospects that an analysis would show they could never hope to do business with. Again, many times salesmen add names to their own personal files that are not placed upon the firm's mailing list. Salesmen's active prospects should have first place on every mailing list—they represent the most important source of immediate business. All worthwhile names directly being contacted by the sales force should have the backing of personal mailings, standard mailings and all other advertising literature that is directed toward creating confidence and good-will.

YOUR IDEA DEPARTMENT:

This is our own pet department—but it is also where the cobwebs can accumulate in every well-run sales department, even at times when we are not aware that a housecleaning is needed. It's the easiest, most natural sort of thing to see how many sales organizations go along from week to week and never realize that they are getting deeper and more completely into a rut day after day.

One sound, creative "selling idea" that has some imagination behind it, can do more to improve sales production than any other thing you can bring before your salesmen as an incentive and a stimulant. It can be a new security, a special situation, a new method of prospecting, a mail campaign for new leads, a bonus and incentive arrangement for increased production, or any of scores of other ideas along this line that are specially suited to your own territory, your organization, and your own policies of conducting your business.

Dunnagan With Newhard

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Francis A. Dunnagan, formerly with Smith, Moore & Co. for many years, has become affiliated with Newhard, Cook & Co., Fourth and Olive Streets, members of the New York and St. Louis Stock Exchanges.

Fagan To Admit Cunniff

Melvin Cunniff will become a partner in Fagan & Co., 41 Broad Street, New York City, members of the New York Stock Exchange, as of May 13. Mr. Cunniff will acquire the New York Exchange membership of the late Arthur Corlies.

Investment Trusts

(Continued from page 1664)

an analysis of the stock market. Expressing uncertainty as to nearer term fluctuations, the bulletin concludes as follows: "Common stocks can be purchased and held in the confident expectation of satisfactory longer term investment experience, in view of the fact that at present prices in relation to current earnings, dividends and interest rates, and particularly in the light of favorable post-war industrial prospects, the investor is not paying a premium for whatever protection equities might afford against ultimate inflationary manifestations."

* * *

North American Securities Co. has reprinted Barron's Investment Trust Gauge for the period ended March 31 and is distributing it together with copies of a new folder "Solving Today's Investment Problems." Since the performance of this sponsor's Commonwealth Investment Company, as measured by the "Gauge," is tops for the four-year period ended March 31, 1943, North American Securities may be considered to speak with authority on the solution of investment problems.

* * *

Quarterly Income Shares, Inc., which some years back utilized earlier charter amendments to discontinue repurchase of its own shares at asset value, has recently announced that it will henceforth redeem shares at 80% of asset value. The announced purpose of this offer is to place a floor under the price of the shares in relation to asset value. Sales of new shares of this fund were discontinued eight years ago. **Marketability of open-end investment company shares being offered today is guaranteed at approximately net asset value by charter provisions and by the Investment Company Act of 1940.**

* * *

Dividends

New York Stocks, Inc.—Payable May 25 to stockholders of record May 5, 1943, as follows:

NEW YORK STOCKS, INC.— Special Stock	Amount of Dividend Per Share
Agricultural Industry Series	$.17
Alcohol & Dis. Industry Series	.18
Automobile Industry Series	.10
Aviation Industry Series	.35
Bank Stock Series	.13
Building Supply Industry Series	.12
Business Equip. Industry Series	.22
Chemical Industry Series	.12
Electrical Equip. Industry Series	.13
Food Industry Series	.18
Government Bonds Series	.00
Insurance Stock Series	.16
Machinery Industry Series	.24
Merchandising Series	.18
Metals Series	.19
Oil Industry Series	.11
Public Utility Industry Series	.09
Railroad Series	.15
Railroad Equip. Industry Series	.20
Steel Industry Series	.17
Tobacco Industry Series	.25

Municipal News & Notes

Examination of the income and expense statements of 22 projects operated by housing authorities in various sections of the country, whose fiscal year ended Sept. 30, 1942, shows that the projects had an aggregate surplus of $633,858 for the period. This balance is after payment of all operating expenses, provision for debt service on outstanding bonds and allowance for reserves for repairs, maintenance and replacements, vacancy and collection losses. The surplus will be applied toward reduction of the next succeeding FPHA annual contribution to the various authorities.

The report was issued by Milton Mallin, chief financing attorney of the FPHA, along with announcements of the scheduled sales on May 5 and May 12 of certain housing note issues totaling $21,570,000. It reveals that the 22 projects had total income for the last fiscal year of $4,305,468, of which $2,493,424 represented net dwelling rentals, $40,280 other income and $1,771,764 consisted of annual contributions by the Federal agency.

Total expenses before reserves was $3,182,071, of which $1,870,525 constituted debt service charges, as follows: $980,500 for redemption of publicly-held series A bonds, $77,183 for interest on such indebtedness, $635,453 interest paid on series B bonds, all of which are held by FPHA, and $177,389 set aside as a reserve to meet future interest and principal payments. As $434,091 was set aside as a reserve to cover repairs, etc., this increased the total expenses item to a figure of $3,616,163.

The following tabulation shows the total income (including FPHA contributions which are separately listed) of each project for the fiscal year ended Sept. 30, 1942, total expenses, including debt service and reserves for repairs, etc., the respective balances to be applied toward reduction of the next FPHA annual contribution and the amount of Series A bonds retired:

Project—	Total Income	FPHA Contrib.	Total Expenses	Balance	Series A Redemp.
Phenix City, Ala.	$124,148	$44,760	$106,266	$17,590	$25,000
Phoenix, Ariz.	154,353	54,390	129,191	20,284	30,000
Bridgeport, Conn. (1-1)	664,986	218,748	500,274	160,075	123,000
Bridgeport, Conn. (1-2)	233,256	81,640	204,734	27,106	45,000
New Britain, Conn.	130,470	44,370	104,809	20,686	24,000
Daytona Beach, Fla.	18,419	6,480	15,686	2,240	3,000
Marietta, Ga.	67,290	26,460	57,007	7,728	14,000
New Orleans, La.	1,659,046	760,800	1,439,989	208,592	426,000
Lowell, Mass.	203,248	89,040	175,323	25,894	50,000
Biloxi, Miss.	80,658	31,440	59,913	16,864	17,000
Hattiesburg, Miss.	63,481	25,230	55,480	6,722	13,000
Beverly, N. J.	25,452	10,710	20,883	3,741	5,000
Charleston, S. C.	223,769	100,446	184,839	*35,099	57,000
Spartanburg, S. C.	69,759	26,490	57,478	10,144	14,000
Jackson, Tenn.	53,879	21,420	46,802	5,687	11,000
Nashville, Tenn.	235,078	101,013	198,473	32,383	55,000
Brownsville, Texas	15,908	5,310	13,599	1,826	2,500
Waco, Texas	61,946	26,194	52,091	9,694	14,000
Hopewell, Va.	24,226	9,540	19,833	3,621	5,000
Wheeling, W. Va.	62,661	37,800	58,320	2,798	20,000
Williamson, W. Va.	30,844	13,260	26,321	3,702	7,000
Honolulu, Hawaii	102,481	36,225	88,842	11,369	20,000

*An additional sum of $28,265 derived from sale of excess lands will also be applied to reduction of the next FPHA contribution to the project.

Winter Haven, Fla., Calls Bonds; Deferred Interest Coupons Held Invalid

W. W. Jamison, City Manager of Winter Haven, Fla., directs attention to the fact that all outstanding callable bonds of the city were called for redemption on April 1, 1943, and that interest on the bonds ceased to accrue as of that date. Mr. Jamison's recent statement that funds for redemption of the bonds were available on the call date and remain available indicates that many of the bonds have not as yet been presented for payment. This apparently may be due to the fact that two previous calls had to be rescinded because of the filing of suits against the city "at the last moment" pertaining to the bonds in question.

The City Manager also advises that in the 1933 refunding by the city, a deferred interest coupon was attached to each bond, which was to be payable at the maturity of the bond. The validity of such coupons, he says, has always been questionable, and in several similar cases they were declared by the Florida Supreme Court to be invalid.

In a suit relative to the Winter Haven deferred interest coupons (Andrews vs. City of Winter Haven, 3 So. 2nd 805), the Supreme Court specifically declared that the coupons were invalid, according to Mr. Jamison. Subsequently, a suit filed in the Federal District Court, also an appeal taken to the U. S. Circuit Court of Appeals for the Fifth District, at New Orleans, La., were both dismissed. As a result of these rulings, Mr. Jamison reports, "it is apparent that the invalidity of these (Winter Haven) deferred interest coupons has been definitely established, and hence they cannot be paid."

Stating that the new refunding plan will result in an annual interest saving to the city of from $30,000 to $40,000, the City Manager reported that Winter Haven had a cash surplus of $98,772 in its debt service account as of March 31 last, after providing for April 1, 1943, interest charges and with only five months of the current tax roll collected.

The cash surplus, the City Manager continued, "is more than sufficient to pay debt serv-

(Continued on page 1679)

Tomorrow's Markets Walter Whyte Says—

EDITOR'S NOTE—Owing to a delay in transmission the article bearing the above caption, which was to be received by telegraph this week, was not available up to the time of going to press. It will be given in our issue of Monday, May 10.

Sees Equity Stock Purchases as Buying Power Increases and Consumer Goods Diminish

In an interesting circular entitled "What's Ahead?" Price, McNeal & Co., 165 Broadway, New York City, concludes from a survey of trends that investment in non-callable common stocks of companies of an essential nature for long-term holding may be a wise move.

The difficulties now standing in the way of decisions regarding investment policies are many and confusing, the firm declares, but if the proper conception of fundamentals is reached one can deduce therefrom and arrive at important decisions. "Reflecting upon recent developments," the circular states, "we find that the public was surprised at what has happened, but that was due to the fact that no distinction was made between current and former conditions. . . .

"The experiences of 1914, the post-war period of 1919-1921, and the boom and collapse of the late '20s are vivid recollections. It is important, therefore, to check thoroughly underlying conditions and trends in order to determine where they differ from those of former periods. The changes have been amazing and they will play a significant part in the immediate future."

Recent reports disclose a reduction in the public's outstanding indebtedness and a tremendous increase in "disposable income," Price, McNeal & Co. states, and if the present trend continues the result will be a steady increase in the buying power of the public; as these funds increase and the supply of manufactured goods diminishes, the public is most likely to turn to securities and real estate to satisfy the urge to keep its funds working, with equity stocks becoming more and more popular as the trend further develops and inflation is recognized.

"The basis for a merchandise boom after the end of this war is far broader than after the First World War," Price, McNeal & Co. finds. "During World War I there were few restrictions on manufactured goods and none at all on automobiles, household equipment, etc., still a merchandise boom followed.

"The question naturally arises as to whether or not the high government debt would militate against individual spending at the end of this war. Should the Government build up a debt of say $200,000,000,000, bearing interest at 2½%, the interest charges annually would be about $5,000,000,000. Some issues carry a lower rate of interest. Taxes are paid quarterly and the quarterly charge should not be burdensome. As compared with private debts on the books at the end of 1929 this load should be bearable.

"With a scarcity of merchandise, and in view of the necessity of rehabilitating most of the world, it seems reasonable to look forward to an immediate demand for machines, automobiles and goods of all descriptions. Cash assets in the hands of the public are likely to be sufficient to permit paying cash, and if restrictions on installment buying are lifted the purchasing power will be augmented.

"One important development has been a change in the political complexion of our national government. The last election, the subsequent actions of Congress and the elimination of many dreamers from positions in Washington would indicate the country is returning to conservative practices.

"Taking all of these trends into consideration, it looks as though it will be a wise move to invest in non-callable common stocks of companies of an essential nature and wait it out."

DIVIDEND NOTICES

Atlas Corporation

Dividend No. 27
on 6% Preferred Stock

NOTICE IS HEREBY GIVEN that a dividend of 75¢ per share for the quarter ending May 31, 1943, has been declared on the 6% Preferred Stock of Atlas Corporation, payable June 1, 1943, to holders of such stock of record at the close of business May 14, 1943.

WALTER A. PETERSON, *Treasurer*

April 29, 1943.

Borden's

COMMON DIVIDEND
No. 133

An interim dividend of thirty cents (30¢) per share has been declared on the outstanding common stock of this Company, payable June 1, 1943, to stockholders of record at the close of business May 15, 1943. Checks will be mailed.

The Borden Company
E. L. NOETZEL, *Treasurer*

EATON MANUFACTURING COMPANY
Cleveland, Ohio

DIVIDEND NO. 73

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Seventy-five Cents (75¢) per share on the outstanding common stock of the Company, payable May 25, 1943, to shareholders of record at the close of business May 10, 1943.

April 28, 1943

H. C. STUESSY,
Secretary-Treasurer

OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND NO. 178
COMMON DIVIDEND NO. 142

A quarterly dividend of $1.50 per share on the Preferred Stock and a dividend of 20¢ per share on the no par value Common Stock have been declared, payable June 21, 1943, to stockholders of record at the close of business on May 25, 1943.

Checks will be mailed.

C. A. SANFORD, *Treasurer*

New York, April 28, 1943.

Esso

The Board of Directors of the

STANDARD OIL COMPANY

(Incorporated in New Jersey)

has this day declared the following dividends on the capital stock, payable on June 15, 1943, to stockholders of record at close of business, twelve o'clock, Noon, May 15, 1943:

Regular semi-annual cash dividend of 50¢ per share; and

Extra cash dividend of 50¢ per share.

Checks will be mailed.

A. C. MINTON, Secretary

May 3, 1943

Attractive Situations

Preferred and common stock of Muskogee Co.; H. H. Robertson; and common stock of Cornell Dubilier offer interesting possibilities according to circulars issued by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of these circulars may be had from Buckley Brothers upon request.

NY Title and Mtg. Ctfs. Series C-2 Interesting

Seligman, Lubetkin & Co., Incorporated, 41 Broad Street, New York City, have prepared an analysis of series C-2 first mortgage certificates, originally issued and guaranteed by New York Title and Mortgage Company.

Copies of this analysis may be had from Seligman, Lubetkin & Co. upon request.

Helmuth With Otis & Co.

(Special to The Financial Chronicle)

MILWAUKEE, WIS.—Paul M. Helmuth has become associated with Otis & Co., whose main office is located in the Terminal Tower, Cleveland, Ohio. Mr. Helmuth was formerly with Mason, Moran & Co. and the Milwaukee Company.

Says Moscow Plans To Dominate Poland

William Henry Chamberlin, former Moscow correspondent of The Christian Science Monitor, said on April 29, according to New Haven advices to the New York "Times" that the rupture between Russia and the Polish Government in Exile indicated the Soviet would not tolerate any regime in Eastern Europe that would not take orders from Moscow. It is added in the advices that in an address on Soviet foreign policy at Yale University Mr. Chamberlin said Russia sought frontiers including Eastern Poland, Latvia, Lithuania, Estonia, Bessarabia and Northern Bukovina.

Real Estate Securities

(Continued from page 1660)

was over $12,000 higher than that of 1941. It should take very little additional rental of space or increase in rental to make up this small difference of $9,000.

At the current offering price a yield of over 12% is obtainable. Assuming we use 6% of this for interest return and amortize our cost with the other 6%, it will bring our cost of the bonds down to 31% by 1946. If at that time the bonds are only able to pay 4%, they will still show a very high yield at their amortized cost, and there is always the hope that rental conditions may continue to become better as they have in the past year, and the interest rate of 5% can be maintained. It must also be kept in mind that in addition to 5% interest currently payable 1% per annum additional is payable in amortization. It would seem reasonable to expect a continuation of these payments through May, 1946.

All in all, the intrinsic value of these first mortgage certificates would indicate a good speculation at current market prices.

Canadian Securities

By BRUCE WILLIAMS

A clearcut picture of what has happened to Canadian corporations in the matter of production, profits and taxes since the beginning of the war is available from a recent "Financial Post" survey. Although comparative figures on wartime increases in wages and prices are tactfully omitted from the study, it is obvious from the data that stockholders in Canada are facing a somewhat similar situation to the one confronting the owners of industry in this country.

Starting at the top of the "combined" income statement for the 127 Canadian corporations covered in the survey, we find that production in 1942 rose 102.3% over the 1939 figure. But taxes were up 330.2%, while net profits were down 2.6% and dividends paid to stockholders were down 3.0%. National income during this three-year period rose 63.0%.

These various items are tabulated by the "Financial Post" as follows:

NET PROFITS DROP BEHIND

1942 Against 1941		%
Net profits	down	3.5
Dividends	up	2.0
Taxes	up	20.9
National income	up	15.4
Production	up	34.2
1942 Against 1939		
Net profits	down	2.6
Dividends	down	3.0
Taxes	up	330.2
National income	up	63.0
Production	up	102.3

Taxes and profits based on "Post" study of 127 companies; production and dividends based on December indexes.

What the survey does not mention is that the cost of living in Canada since the outbreak of war in 1939 has risen 16%. Thus, the position of the stockholder in the national economy has suffered considerably more than the net decline of 3.0% in dividends received would indicate. Not only has the stockholder failed to participate in the sharply increased national income, but the purchasing power of his 1942 dividends amounts to only about 83% of the purchasing power his 1939 dividends had.

However, before we commence feeling sorry for the Canadian stockholder it might be well to consider the situation in this country. Although Canada has been at war almost three times as long as we have, the cost of living here has advanced nearly twice as much as it has north of the border. This means a corresponding decline in the purchasing power of the American stockholder's dividend dollar. By comparison, the Canadian stockholder has much to be thankful for.

As might be expected, the earnings and dividend records of the 12 major industry groups represented in the survey cover a wide range. Four of the groups, iron and steel, merchandising, pulp and paper, and textiles, showed gains in net profits last year over 1939. The largest gain was in the depressed pulp and paper industry, an increase of 82.7%. The iron and steel industry was in second place with a gain of 23.5%, while merchandising and textiles showed gains of 22.9% and 3.3% respectively. Eight groups reported losses ranging from 0.2% for public utilities to 29.9% for oil refining companies.

Year-by-year comparisons for each group are given in the following tabulation:

SUMMARY OF TAX AND PROFIT CHANGES

	Taxes			Net Profits		
	1942 over 1941 %	1942 over 1940 %	1942 over 1939 %	1942 over 1941 %	1942 over 1940 %	1942 over 1939 %
Banks	+ 28.7	+ 29.3	+102.5	— 5.5	— 5.7	—11.1
Beverages	+ 42.5	+ 13.0	+387.0	— 5.5	+17.8	— 0.6
Construction	+ 35.5	+ 86.5	+403.7	+ 5.9	+22.4	— 2.1
Foodstuffs	+ 69.4	+129.5	+271.4	+12.1	+13.4	—15.2
Iron and Steel	+ 52.8	+187.6	+893.5	+ 0.1	+18.4	+23.5
Merchandising	+125.5	+266.2	+652.4	+ 2.0	+14.1	+22.9
Metals	— 0.2	+ 37.8	+272.3	— 4.6	+ 4.8	— 3.5
Miscellaneous	+ 27.1	+113.3	+293.9	— 8.7	— 2.0	— 6.4
Oil refining	— 11.8	+ 32.6	+155.4	— 8.1	—18.5	—29.9
Public utilities	+ 41.2	+ 95.3	+288.0	+ 3.6	+10.2	— 0.2
Pulp and paper	— 37.0	+ 1.3	+682.8	—15.8	— 4.7	+82.7
Textiles	+ 36.3	+139.1	+626.7	— 2.2	+23.2	+ 3.3
Totals, 127 companies	+ 20.9	+ 77.6	+330.2	— 3.5	+ 3.3	— 2.6

Railroad Securities

(Continued from page 1661)

lieved to represent amounts due from the Government for transportation services. The receivables were just about sufficient to cover all current liabilities, including accrued taxes.

There was a wide increase in earnings in the first quarter and even without any further year-to-year gains during the rest of the year the company would be able to report more than $40,000,000 available for charges in 1943 Actually there should be between $47,000,000 and $50,000,000 available this year. If this is so, the company should end the year with net cash or equivalent in excess of the present market value of its entire non-equipment debt. It is little wonder that rail men are enthusiastic over the outlook for Seaboard bonds when such resources may be used for continuing debt reduction.

Donald A. Stutson Dies

Donald A. Stutson, representative of Greene & Brock, Dayton, Ohio, investment dealers, died unexpectedly at the age of 54. Mr. Stutson entered the investment business in 1919 with the National City Bank of New York. In 1933 he joined the firm of Greene & Brock.

W. E. Moss Dead

William E. Moss of W. E. Moss & Co., Detroit, Mich., member of the Detroit Stock Exchange and the last of the seven founders of the Detroit Exchange, died at the age of 82 while on a business trip to Boston. Mr. Moss had conducted his own investment business since 1895.

ABA To Present Stabilization Plan

(Continued from page 1658)

countries."

Mr. Hemingway also undertook to discuss the banking situation in the United States and the Government's drives for raising funds incident to the expenditures for war activities.

As to the part our country "must play in the post-war period," Mr. Hemingway had the following to say:

"However much we may differ among ourselves as to methods, I assure you that we are unanimous in the determination that we shall discharge the great obligation that rests upon us in a way that we believe will do the most to restore the nations of the world to a sound economy in which men and women of our own country, and all others as well, will have the greatest opportunity that has ever come to them to achieve happiness.

"As a young country, we have not the experience that many of the older creditor countries acquired through the centuries, but we have at least the advantage of the energy and the courage that comes with youth. We will make mistakes, of course, but I am sure that they will be in the administration of our plans, which will improve with time, and not with the large program. No doubt many months, perhaps years, will be needed to perfect our plans. The crystallization of public opinion in our own country will be necessary and, of course, many interchanges of views must be had with nations allied with us in the war.

"Already, the English plan of Lord Keynes and the American plan of Mr. White have been published and are being studied. In a country where freedom of thought and of speech are still permitted, there will naturally be many plans proposed by many people, and there will be much discussion. There will also be an American Bankers Association plan. Our committees are already at work, and I feel sure that after a careful investigation of the various angles of the subject, a program will be suggested that will add much to the study of this subject because, after all, it is a matter upon which bankers are experts. In time the blueprints will be finished, and a strong foundation will be laid on which can be erected in the years to come a structure designed to carry forward international trade and well-being.

"On one thing I think I may say we are already in unanimous agreement, and that is that the reestablished currencies of the world must be firmly fastened to gold. To you in a country where the free gold market has long been maintained, it must be reassuring to hear that banking opinion in the United States is determined that gold must be the foundation on which any plan for cooperative effort to restore world trade must rest.

"In this connection, I want to congratulate your country on its maintenance of a free market for foreign exchange without import quotas and other restrictions on trade during a period when more and more countries were following the opposite course.

"Of course, no plan of currency stabilization can be maintained in the long run in the face of prohibitive trade barriers which make it impossible for importing countries to sell their own products in sufficient quantities to pay for what they buy. However, I am happy to point to the policy that was advanced under the able and farsighted leadership of our present Secretary of State, Cordell Hull, whose Reciprocal Trade Agreements program shows the world that we are sincere in trying to do our part to promote the free flow of trade. The trade agreement recently arranged with Mexico marked the twenty-fifth such trade treaty concluded, and I am satisfied that as time passes and we see the benefits flowing to both countries from it this program will be extended.

"It is my firm conviction that the establishment of peace based upon the principle that a revival of the trade of the world is necessary for the well-being of its people will usher in a period of great development. Supported by a sound financial system, science and industry will enable mankind to earn the greatest reward it has ever secured in return for its labor—and in this bright future Mexico and the United States will go forward to great destinies together."

DEALER BRIEFS

(Continued from page 1659)

tax, are commanding the highest prices ever experienced.—*John E. Roth, Weil, Roth & Irving Company.*

As a result of the capital gains clause in the Income Tax Law, an entirely new emphasis is being placed on long-term capital gains. Wealthy men keep 20% of their business profits, dividends and taxable bond interest but retain 75% of profits in securities held over six months. We are constantly searching for this type of investment.—*Irvin F. Westheimer, Westheimer & Company.*

Toledo, Ohio

Following several months of speculative activity, we are experiencing an increasing pressure from our clients for suggestions not only for the investment of new money, but for constructive help in analyzing and rearranging established portfolios. Seemingly, we are assuming a greater degree of professional responsibility toward our clients than ever before. In an effort to meet this responsibility, we are expanding our personal consultation facilities, as well as our factual and mechanical services.—*Harry E. Collin, Collin, Norton & Co.*

Our Reporter's Report

(Continued from first page)

3.20%, suggesting that the high-grade market is still strong and vigorous underneath.

Specials and Secondaries

Further indication of reviving activity among underwriting firms, many of whose personnel had been furloughed to the local Victory Bond Committee for the campaign, is seen in the quickening of secondary and special offerings.

The largest of these came on Tuesday, when Blyth & Co. sponsored a secondary offering of 85,000 shares of Chesapeake & Ohio Railway common stock at 45 with a commission of 75 cents a share to dealers. Quick oversubscription was reported.

Yesterday brought another big secondary operation when E. F. Hutton & Company placed on the market blocks of 60,000 shares of common and 20,000 shares of preferred stock of the Twentieth Century-Fox Film Corp.

Appreciative of Cooperation

Investment bankers back at their desks after weeks of intensive sales effort for the recent war loan were unstinting in their praise of the cooperation which they received from various departments at the Federal Reserve Bank.

Set on doing a real job on their own, they found their task made considerably easier by the readiness of all hands to pitch in and roll the sales total for this area far past the original goal which had been set.

They came away convinced that, if cooperation in helping to raise the funds needed by the Treasury to prosecute the war effort, is one of the elements needed to assure victory, then Washington can count fully on receiving it.

Rail Debt Retirement

Following through on the steady drive on the part of the railroads to apply current large earnings toward reducing their bonded indebtedness New York Central and the Great Northern registered real progress in the past week.

Both roads acted to slash the total of near-term obligations facing them. Great Northern announced a call for payment on July 1, next, of $18,000,000 of its general convertible 4% series G bonds, due in 1946.

New York Central came through the following day with a call for $28,100,000 of its secured 3s, due in 1941. Accordingly, upon payment of the foregoing, New York Central will have paid off the last of $40,000,000 of the issue which it floated in 1938, and will be free of important maturities until 1952.

Idle Funds Press Market

The seasoned bond market gave evidence of considerable in the way of idle investment money seeking opportunities. True the vast bulk of activity in the list market still ran to that type of descriptions which take their cue from the outlook for earnings rather than money rates.

In other words, secondary rails, and medium-priced utility and industrial issues were in active demand, with rails as a group continuing to show the way.

But stirring of activity in some of the higher type bonds was noted with American Telephone & Telegraph Company 3s pushing ahead on a sizeable turnover.

Says Post-War Inflation Can Be Avoided

(Continued from page 1663)

the yield of our war plant is exceeding all expectations. Before the end of this year, the assembly lines of America will be gushing forth such a huge quantity of the instruments and necessities of war that Washington probably will be able to order selective curtailments. Already the peak of production in such make-ready industries as machine tools and special machinery has passed, and the construction of new plants and cantonments has begun to slow down with notable effects on activity in the building industries.

"The manpower problem, of which we hear so much, is not, I believe as bad as advertised because of the labor that can be shifted from finished jobs to tasks still in progress. We are approaching the peak of war production in our major industries. We are not far from the time when it will no longer be necessary to shift men from civilian industries to war plants, and when it will be possible—if we plan as we should—to begin to shift labor and facilities back to the manufacture of civilian goods and to the farms.

* * *

"By the time we are finally finished with this sorry business of slaughter and destruction, we should be well on our way toward an almost normal rate of consumers' goods production. By six months after the final peace, we ought to be fairly well converted. Following such a plan, I surmise, we might take a year or two to reconvert without upsetting our price economy.

"There should be relatively little transitional unemployment. The Government would be called upon to pay only small unemployment benefits. No expensive public works of a luxury nature should be necessary. Consumption goods should be plentiful enough to be cheap. There would be no buyers' panic to meet deferred demands. Irresponsible theories about the inevitability of inflation would cease to flourish. Industry would remain prosperous. The Government would not lose such a large portion of excess profits taxes collected during the war because of the operation of the carryback exemption privilege now provided in a just and equitable revenue law. Thus, the war could cost fewer dollars, and the transition would be less expensive for some 30,000,000 income taxpayers.

"By the time the deferred demand for consumption goods is fairly well caught up, we will be ready for a building boom which should extend the period of good business. Happily, we now know more about sound residential real estate financing; and there are millions of new families to be established. There is no reason why our standard of housing cannot be improved as well as our standard of living generally."

Pay On Medellin 7s

The Guaranty Trust Co. of New York, successor to the National Bank of Commerce in New York, as trustee under Municipality of Medellin, Republic of Colombia, instrument of mortgage and pledge dated Dec. 21, 1926, is prepared to distribute at its Corporate Trust Department, 140 Broadway, New York, $24.40 on each $35 coupon and $12.20 on each $17.50 coupon due Dec. 1, 1931, and $21.30 on each $35 coupon and $10.65 on each $17.50 coupon due June 1, 1932, detached from the 25-year external 7% secured gold bonds of 1926, due Dec. 1, 1951, issued thereunder. This distribution is being made from funds in the release account and from funds constituting a balance of what formerly was the special reserve fund held by the fiscal agent, Hallgarten & Co.

Bond Club Of Toledo Announces Officers

TOLEDO, Ohio—The Bond Club of Toledo announces the election of the following new officers and the appointment of the Club's standing committees:

President: George A. Roose—Siler, Roose & Co.

Vice President: Warren D. Williams, Ryan, Sutherland & Co.

Secretary: E. P. Liska, Braun, Bosworth & Co.

Treasurer: Orville W. Desmond, Stranahan, Harris & Co.

The Board of Governors for the current fiscal year, in addition to the present officers, are E. M. Bancroft, Stranahan, Harris & Co., Oscar R. Foster, Snyder, Wilson & Co., Calvin M. Yeasting, Ford R. Weber & Co.

Entertainment Committee: Arthur Tresch, Chairman, Braun, Bosworth & Co.; Durwood C. Dubois, Stranahan, Harris & Co.; Celian Rorick, Spitzer, Rorick & Co.; William Milne, Otis & Co.; Burt T. Ryan, Ryan, Sutherland & Co.

Finance Committee: E. M. Carstensen, Chairman, Ryan, Sutherland & Co.; Marvin Rorick, Spitzer, Rorick & Co.; Erwin J. Ward, Siler, Roose & Co.

Legislation Committee: Robert S. Mikesell, Chairman, Stranahan, Harris & Co.; Edward F. Heydinger, Siler, Roose & Co.; Carl F. Bargmann, Braun, Bosworth & Co.

Membership Committee: Oliver Goshia, Chairman, Collins, Norton & Co.; Ralph M. Winters; Hazen S. Arnold, Braun, Bosworth & Co.

Speakers & Publicity Committee: Franklin L. Schroeder, Chairman, Braun, Bosworth & Co.; Ford R. Weber, Ford R. Weber & Co.; John F. Norton, Fahey, Clark & Co.

International Currency

(Continued from page 1659)

wherever such is necessary, we can supply the world not only with a medium of exchange but with **an honest money**, a standard of value to which the world's currencies may be anchored. Furthermore, we can give the world a storehouse for wealth that it sorely needs. We cannot stabilize foreign currencies but we can give them the means of stabilizing their own currencies and encourage them to do so.

I think that every effort should be made to help England to re-establish the pound sterling. From the time of Queen Elizabeth up to the early part of this century, it was a sound money and a standard of value. Almost all the currencies of the world were anchored to it, and not only this, but the Ninety-Day Sight Draft on London was actually legal tender in a great many countries of the world. It was a storehouse of wealth, and through the performance of these functions it was a stabilizing influence of tremendous value. This influence can gradually be re-established, particularly in the markets that are closely tied to Britain.

In most of the areas of the world the dollar has already become the most highly accredited standard of value. The world believes in the dollar. In the first place, because it believes in American gold reserves and in the great resources and economic strength of America, and in the second place because it believes in American credit.

All this means that not only a great opportunity but a very serious duty lies before the American banker. His task is to assume financial world leadership in accordance with a plan which he should work out with our Government and with the Federal Reserve Bank.

The alternative would appear to be confused and perhaps definitely disturbed international financial and trade conditions. The leadership of American private enterprise, in harmony with the views of the Government and hand in hand with the great Federal Reserve System, is capable of establishing the dollar as a world standard of value, a sound money in which the world may confidently trade and to which the currencies of the world may look for a stabilizing influence.

Mexico Suspends Right Of Public Assembly

The right of free public assembly was suspended in Mexico beginning May 2, according to a special dispatch from Mexico City to the New York "Times," which further stated:

A communique published today says that the authorities must be asked 24 hours in advance for permission to hold a meeting. The reason ascribed for the order is to prevent "groups in opposition to the National Government from provoking disturbances and discord."

The real reason, according to opposition political circles, is to prevent meetings in favor of independent candidates, that is, persons chosen by parties other than government supported ones in the forthcoming elections for members of the Federal Chamber of Deputies.

Fractional Distribution Of Stock in U. G. I. Plan

E. W. & R. C. Miller & Co., 123 South Broad Street, Philadelphia, Pa., members of the Philadelphia Stock Exchange, have prepared an interesting digest of the plan for the distribution of certain assets of U. G. I. to stockholders. Copies of this digest may be had upon request from E. W. & R. C. Miller & Co. The firm is also calling attention to the fact that the plan provides for the distribution of 1/12th of a share of Public Service Corporation of New Jersey common and 1/3rd of a share of Philadelphia Electric new common for each share of U. G. I. common. In order to avoid the necessity of buying or selling these small fractions, E. W. & R. C. Miller recommends that holdings of U. G. I. common be adjusted to amounts evenly divisable by 12, which will save both the investor and the brokers a great deal of trouble.

Time Extended For Exchanging Panama Arrears Certificates

Jose A. Sosa J., Minister of Finance and Treasury of the Republic of Panama, is notifying holders of Republic of Panama arrears certificates issued pursuant to the service readjustment plan dated Nov. 23, 1933, that the time within which arrears certificates may be exchanged for Republic of Panama 3% external sinking fund bonds due May 1, 1987, under the offer of the Republic of Panama published on May 1, 1941, has been extended from May 1, 1943 to May 1, 1944.

Copies of the offer and the required form of letter of transmittal may be obtained from the fiscal agent, The National City Bank of New York, at its corporate agency department, 20 Exchange Place, New York.

Payment On Sao Paulo 8s

The City Bank Farmers Trust Co., New York, has received funds to apply to payment of the May 1, 1941 coupons of City of Sao Paulo, United States of Brazil, external 30-year 8% secured sinking fund gold bonds of 1922, due March 1, 1952, at the rate of 16.25% of the dollar face amount of the coupons. Accordingly, payment of $6.50 per $40 coupon and $3.25 per $20 coupon will be made at the offices of the bank, 22 William Street, New York.

Insurance Stocks Attractive

The current situation in American Equitable Assurance Company, Massachusetts Bonding & Insurance Company, Pacific Fire Insurance Company, United States Fire Insurance Company, and Westchester Fire Insurance Company offer attractive possibilities, according to memoranda just issued by Mackubin, Legg & Co., 22 Light Street, Baltimore, Md., members of the New York and Baltimore Stock Exchanges. Copies of these interesting memoranda may be had upon request from the Insurance Stocks Department of Mackubin, Legg & Co.

George H. Weeks Dead

George Hemmingway Weeks, an associate of Nathan C. Fay & Co., investment securities firm, Portland, Me., died at the age of 74 after a brief illness. Mr. Weeks was the first Democratic Mayor of South Portland, and was a former Vice-President and Treasurer of the old Fidelity Trust Co.

Establishment Of "Free Dollar" Urged As Alternative To Treasury And Keynes Proposals

(Continued from first page)

tant step towards the establishment of such a currency as he advocated has already been taken by Congress in its refusal to prolong the power of the President to devalue the dollar further," and he added that "through a renewal of the Reciprocal Trade Agreements Act we now have an opportunity to give tangible proof to the rest of the world that we are prepared to make further downward revisions in trade barriers."

The address of Mr. Aldrich follows in full:

"The end of the war will give rise to innumerable problems of an economic character, many of which doubtless will prove quite as difficult to solve as those of a strategic character which are now giving concern to our military and naval staffs. One of the most difficult of all economic problems and one which will press for immediate solution is that of monetary stabilization.

"Problems of monetary stabilization arise from each major war. That this is generally true is illustrated in the case of England during the Napoleonic period, of our own country following the Civil War, and of practically every neutral and belligerent nation following the close of the first World War. The reason that such problems arise is that war financing needs are not met entirely from taxation or from the sale of bonds to investors. To a greater or less extent, war-time deficits are met through currency or credit inflation. In consequence of the policies followed, post-war problems of monetary stabilization, from an internal point of view, involve the checking of inflation and the balancing of budgets, and from an external point of view, the resumption of gold payments and the elimination of foreign controls. Both internal and external stabilization must take place before business men can make future plans relative to production and trade, before people can save with assurance, and before normal international trade and capital exports can be resumed.

"After the first World War, the problem of monetary stabilization was handled separately by each nation. In certain instances, nations were able to stabilize their currencies without the assistance of foreign credits, while, in other instances, nations were able to stabilize their currencies only after assurance had been received that foreign credits would be granted, or only after such credits had actually been extended. The United States was the first nation, in June, 1919, to resume gold redemption, and for several years thereafter the dollar was the only important currency that afforded stability in international exchange. Following the debacle of the mark, Germany established a new currency in 1924, Great Britain returned to gold in 1925, and France effected a de facto stabilization of her currency in 1926. The United States and Great Britain returned to gold at prewar parities, Germany was forced to reconstruct her currency and banking systems, and France suffered a substantial depreciation in her currency. About eight years elapsed after the close of the last war before the currencies of all of the leading belligerent powers had been reconstituted.

"The total character of the present war, involving a huge drain on national income, a sharp rise in internal debts, a marked reliance on the expansion of bank credit, a growth in abnormal war balances, and the imposition of all-pervasive economic controls, makes the problem of monetary stabilization even more difficult than it proved after the first World War. In the case of our own country, the difficulties of the problem are further increased by the monetary and fiscal policies which were followed during the eight years preceding our entrance into the second World War. I refer to the abandonment of the gold standard, the devaluation of the dollar, the purchases of silver, and the increase in the public debt, which in combination tended to impair the financial strength of the United States.

"The magnitude and urgent character of the problem of monetary stabilization have received emphasis in two plans recently issued on the subject. The one proposed by the United States Treasury in preliminary draft outline calls for the establishment of a United and Associated Nations Stabilization Fund, and the other, proposed by a group of British experts, also in tentative form, calls for the establishment of an International Clearing Union. While I shall not have time to make an extended examination of these two plans, I should like to point out their general purpose, their similarities and differences.

"The avowed objective of each plan is to establish an international currency having general acceptability, to stabilize exchange rates, to provide a mechanism for the clearing of international transactions and for the granting of international loans, and to provide a means for influencing and controlling the financial and economic policies of member nations. In addition, the American plan suggests a method for the liquidation of abnormal war balances.

"The two proposals contemplate an overall stabilization of the exchange rates of the member countries. In this way it is hoped that the time required for exchange stabilization after this war may be considerably less than that required after the last war. In the American plan, the Fund itself will fix exchange rates, whereas in the British plan, member nations will agree to a tentative stabilization of their currencies, prior to the establishment of the Clearing Union. Each plan makes provision for alterations in exchange rates. In the British plan, an adverse balance of payments leads almost automatically to a depreciation of the currency of the nation in question.

"The fact that both proposals give recognition to the importance of the external stabilization of currencies represents in itself a marked advance over the attitude of our own Government at the London Economic Conference in 1933. It also represents a marked advance over the doctrines of many economists of the decade in the '30s, which held that external stabilization was an undesirable goal of monetary policy.

"In order to effect the external stabilization of currencies, each plan provides for a new international unit that is to be related to gold. The American plan fixes the gold value of the "Unitas" permanently and gives gold a more central and significant role than does the British plan. Although the British plan fixes the gold value of the "Bancor" initially, it suggests that later changes might have to be made and suggest further that nations should permit the exportation of gold only under license, and that nations should not return to a full gold standard with two-way convertibility.

"Provision for the extension of credits to nations requiring such assistance is incorporated in each plan. In the American plan, credit extensions are to be made through the purchase of the currencies of the borrowing nations and in the British plan through the establishment of over-draft facilities. Although subject to certain maximum limitations, credit extensions in both plans apparently are to be made for indefinite periods and at a very nominal charge. Also, up to certain amounts, they are to be extended on a semi-automatic basis, without emphasis on the credit worthiness of the borrowing nation.

"An important difference in the two plans consists in the fact that the American Fund would actually possess assets contributed on a pro-rata basis by member nations. The British Clearing Union would not possess assets at its organization but would allow member nations to build up credit or debt balances to certain prescribed limits and subject to certain conditions.

"Such in brief is the general outline of the two plans. It will be noted that they comprise three essentially different elements and, in this respect, they differ from the objectives and scope of the national stabilization funds that came into existence some ten years ago. The three elements are provision for the stabilization of currencies, provision for the extension of foreign credits, and provision for the influencing or controlling of the domestic financial and economic policies of member nations. It is questionable whether three such diverse objectives should be incorporated in one plan. For example, it would seem the better policy to separate the function of currency stabilization from that of foreign lending. The credit extensions to be granted under either the American or British plans would tend inevitably to become long-term in character, and credit extensions of this character should be handled by other agencies. The only loans that should properly be granted by an international stabilization fund, if one were to be established, would be those designed to eliminate seasonal fluctuations in exchange rates. Longer-term credits should be handled by banking institutions of an investment character.

"In a general evaluation of these two proposals, several questions, it seems to me, must be borne in mind. The first is whether, from a political point of view, nations are likely to subscribe to this method of handling the problem of monetary stabilization; second, whether, from an economic point of view, an overall stabilization of currencies can precede internal credit and monetary stabilization; and third, whether some alternative plan might not represent a more practical and realistic solution to the problem of post-war monetary stability.

"The first point to be considered in connection with an evaluation of the plans has to do with the willingness of nations to part with their sovereign rights to the extent contemplated. Both plans presuppose a considerable degree of control over domestic monetary and economic policies. Thus, in the American plan, nations are to maintain exchange rates established by the Fund and not to alter these rates without the consent of the Fund. Once exchange rates have been established, the British plan provides that alterations may not occur subsequently without the permission of the Governing Board. Again, in the American plan, each member nation agrees that it will offer to sell to the Fund all foreign exchange and gold that it acquires in excess of the amount it possessed immediately after joining the Fund, and each member nation agrees to discourage the unnecessary accumulation of foreign balances by its nationals. Implied in both plans is the establishment of strong international economic controls. In fact, Lord Keynes suggests that his plan might form the basis of a future economic government of the world; might help finance post-war relief, rehabilitation and reconstruction; might provide an excellent machinery for the enforcement of financial blockades; might help finance international commodity control projects; might be associated with a Board for International Investment and might be used to maintain stability of prices and to control the trade cycle. The first question then that would have to be considered in the current discussions in Washington has to do with all aspects of the problem of sovereignty.

"In addition to those difficult problems involving sovereign rights, nations must of necessity give careful consideration to certain economic implications of the two plans. A fundamental point is whether an overall external stabilization of currencies can be effected before internal stabilization has taken place. In the past, internal stabilization has been regarded as the prerequisite for the stabilization of the foreign exchanges. The sequence has been from the balancing of internal budgets and the checking of inflation, the removal of price and rationing controls and the reintroduction of some form of the gold standard to the stabilization of foreign exchange rates. Only by following such policies can the internal purchasing power of a currency be determined, and only when the internal purchasing power is determined will it be possible to fix rates of foreign exchange.

"To be enduring, the stabilization of exchange rates must rest on the firm basis of sound internal fiscal and monetary policies. We cannot erect a monetary superstructure until we have built a firm base. The soundness of that base will depend upon our willingness to adopt appropriate internal measures of fiscal, credit, and monetary reform. An overall stabilization of exchange rates would seem to represent an unrealistic approach to the problem. Each nation must, as it did after the last war, painfully retrace its steps to monetary stability. The road back cannot be made easier by the establishment of a Stabilization Fund or Clearing Union. There is no short cut to currency stabilization.

"Still another question having to do with the economic implications of the two plans concerns their relationship to the problem of foreign exchange control. The question is whether the adoption of either the American or British proposals would help to eliminate foreign exchange controls on current account, or whether the plans, in actual operation, would tend to perpetuate such controls. Although it is the avowed objective of each plan to eliminate foreign exchange controls on current account, I doubt if this would result in practice. It seems to me that both plans could function satisfactorily only if the foreign exchanges on current account were controlled as completely and fully as is contemplated for the control of the foreign exchanges on capital account. In the last analysis, the two plans might tend to perpetuate those very controls over the foreign exchanges and trade, which it is their avowed purpose to eliminate.

"By way of summary, an evaluation of the two plans must consider both their political and economic aspects. From a political point of view, nations will have to decide whether and to what extent they wish their financial and economic policies to be subject to international control, whether and to what extent they wish the decisions of international boards to be substituted for the free competitive forces of the market place. From an economic point of view, a decision will have to be reached concerning the possibility of stabilizing foreign exchange rates before internal inflation is checked, and concerning the bearing of either plan on foreign exchange and trade controls.

"In conclusion I would like to suggest as an alternative to the two plans proposed in tentative form by the American and British experts that a free dollar be established in the post-war world. At the end of the war, this country can render its greatest contribution to world recovery by checking domestic inflationary forces, by resuming gold payments, and by removing all foreign exchange controls. If these policies were followed, the dollar would constitute a sure anchorage for the currencies of other nations and would become a generally acceptable international medium of exchange. All international transactions, including those of a bilateral or multilateral character, including the exportation or importation of goods, including short- or long-term capital movements, could be cleared on the basis of a dollar freely redeemable in gold and freed of foreign exchange controls. An important step towards the establishment of such a currency has already been taken by Congress in its refusal to prolong the power of the President to devalue the dollar further. The assumption of international financial responsibilities means that we must be prepared to make corresponding adjustments in our trade policies. Through a renewal of the Reciprocal Trade Agreements Act we now have an opportunity to give tangible proof to the rest of the world that we are prepared to make further downward revisions in trade barriers. The reintroduction of a fully functioning gold standard and continued adherence to liberal trade policies will make an important contribution to post-war economic recovery and will combine to put into practical operation the principles of the Atlantic Charter."

Allied Victory In 1944 Predicted

Allied observers, in London, who are in a position to know agreed on May 3 with Henri Honore Giraud that the European war will end in an Allied victory in 1944, said Harrison Salisbury, United Press Staff Correspondent, in a dispatch from London on May 3, who added:

They were willing to concede that there is a possibility of the European campaign reaching a climax by autumn, but almost universally believed there is not a chance that it can be concluded this year.

In Algiers, General Giraud told French labor leaders in an informal speech that "we have every reason to hope that the war will end next year."

Obviously, only a handful of men know what is in store for Hitler, but a canvass of opinion finds a general agreement that events should follow a pattern something like this:

1. The Tunisian campaign should be cleared up in another month of hard fighting.

2. By late May or early June, it is likely that new, heavy battles will begin on the Russian front with the Germans and Russians both racing to gain the strategic initiative.

3. As soon as the Tunisian fighting is completed, the Allies presumably will launch attacks at the Axis underbelly with speculation centering on Sicily, Sardinia, Crete, Italy and the Balkans.

4. The next six weeks should, unless bad weather intervenes, show a constant increase in the pressure of attacks by the Anglo-American air forces.

Calendar of New Security Flotations

OFFERINGS

SYLVANIA ELECTRIC PRODUCTS, INC.

Sylvania Electric Products, Inc., has filed a registration statement for 175,000 shares of common stock, without par value, subject to reduction depending on offering price and other factors.

Address—500 Fifth Ave., New York City.

Business—Prior to the development of its present wartime production manufactured and sold to the public electric incandescent lamps, radio tubes, fluorescent lamps and fixtures and other electronic products. At the end of 1942 about 85% of its products were going directly or indirectly into the war effort.

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

Underwriting—Paine, Webber, Jackson & Curtis; White, Weld & Co.; Lee Higginson Corp.; Estabrook & Co.; Merrill Lynch, Pierce, Fenner & Beane; Putnam & Co.; Graham, Parsons & Co.; Whiting, Weeks & Stubbs, Inc.; Brush, Slocumb & Co.; Yarnall & Co.; Minsch, Monell & Co.; Mackubin, Legg & Co.; Stein Bros. & Boyce; Herbert W. Schaefer & Co.; Van Alstyne & Co., and Wyeth & Co.

Proceeds—Upon issuance of the common stock company plans to call for redemption on 30 days' notice all of the outstanding 4½% cumulative convertible preferred stock, at the redemption price of $46 per share, plus accrued dividends. At the close of business March 23, 1943, there were outstanding 80,032 shares of preferred subject to redemption. The preferred is convertible at the option of the holders into common stock at any time up to the close of business on the third business day prior to the redemption date. Until the expiration of conversion rights the company states it is impossible to tell how much preferred will remain unconverted to receive the redemption price. Any balance of net proceeds not required for the redemption, so far as deemed advisable by the management, will be added to working capital with the expectation that it will be used upon and after termination of the war to meet conversion to a peacetime basis. Any proceeds not required for redemption and not added to working capital will be applied toward the purchase or redemption of a part of the company's outstanding 3¼% sinking fund debentures due June 1, 1957.

Registration Statement No. 2-5122. Form S-1 (4-6-43).

Offered May 4, 1943, at $26 per share by Paine, Webber, Jackson & Curtis, White, Weld & Co., Lee Higginson Corp., Estabrook & Co., Merrill Lynch, Pierce, Fenner & Beane and Putnam & Co.

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, MAY 11

STANDARD STEEL SPRING CO.

Standard Steel Spring Co. has filed a registration statement for 218,962 shares of common stock, par value $1 per share, and subscription warrants evidencing subscription rights in respect of such shares of common stock.

Address—843 Fourth Ave., Coraopolis, Pennsylvania.

Business—In 1941, prior to the entry of this country into the war, the principal products of the company and its wholly-owned subsidiary, included steel automobile, truck and tractor leaf springs, automobile and truck bumpers, steel gratings and treads, universal joints and assemblies, propeller shafts, steel spring parts, etc. Company now processes and fabricates armor plate, produces bomb bodies and has recently undertaken on a small scale the plating of certain aircraft parts.

Underwriting—Kuhn, Loeb & Co. is named principal underwriter. Names of other underwriters will be supplied by amendment.

Offering—Holders of common stock of record 3 p. m. May 13, 1943, are to be offered rights to subscribe to the new common stock at the rate of one-fifth of a share for each share of common held, at a price to be supplied by amendment. Such rights will expire at 3 p. m. May 24, 1943. Unsubscribed stock will be purchased by the underwriters and offered to the public at a price to be named by amendment.

Proceeds—Net proceeds from the sale of the securities will be added to the working capital of the company. The company may determine at a later date to apply part of the net proceeds to the prepayment of all or part of a long term bank note due in instalments to Dec. 15, 1951. Unpaid balance as of April 15, 1943, was $845,000.

Registration Statement No. 2-5127. Form A-2 (4-22-43).

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 175,000 shares of Keystone Custodian Fund full certificates of participation, Series "K 1".

Address—50 Congress St., Boston, Mass.

Business—Investment trust.

Offering—At market within two weeks after effective date of registration statement.

Underwriting—Keystone Custodian Funds, Inc., is named sponsor.

Proceeds—For investment.

Registration Statement No. 2-5128. Form C-1 (4-22-43).

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 25,000 shares of Keystone Custodian Fund full certificates of participation, Series "K 2".

Address—50 Congress St., Boston, Mass.

Business—Investment trust.

Offering—At market within two weeks after effective date of registration statement.

Underwriting—Keystone Custodian Funds, Inc., is named sponsor.

Proceeds—For investment.

Registration Statement No. 2-5129. Form C-1 (4-22-43).

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 75,000 shares of Keystone Custodian Fund full certificates of participation, Series "S 3".

Address—50 Congress St., Boston, Mass.

Business—Investment trust.

Offering—At market within two weeks after effective date of registration statement.

Underwriting—Keystone Custodian Funds, Inc., is named sponsor.

Proceeds—For investment.

Registration Statement No. 2-5130. Form C-1 (4-22-43).

SUNDAY, MAY 16

TRUST FUNDS, INC.

Trust Funds, Inc., has filed a registration statement for 2,500 certificates of Commonwealth Fund, Indentures of Trust Plans A and B.

Address—30 Congress St., Boston, Mass.

Business—Investment trust.

Underwriting—Trust Funds, Inc., is named sponsor.

Offering — Aggregate offering price is given as $3,000,000. Proposed public offering is on date registration becomes effective.

Proceeds—For investment.

Registration Statement No. 2-5131. Form C-1 (4-27-43).

MONDAY, MAY 17

JOHN MORRELL & CO.

John Morrell & Co. have filed a registration statement for $7,500,000 15-year debentures, due May 1, 1958. The interest rate will be supplied by amendment.

Address—Ottumwa, Iowa.

Business—Engaged in the meat packing and provision business.

Underwriting—A. G. Becker & Co., Inc., Chicago; The First Boston Corp.; Lehman Brothers; Smith, Barney & Co.; Hallgarten & Co.; Ladenburg, Thalmann & Co.; Merrill Lynch, Pierce, Fenner & Beane, New York; Central Republic Co.; Harris, Hall & Co., Inc.; Lee Higginson Corp., Chicago; The Wisconsin Co., Milwaukee, and Kuhn, Loeb Co., New York.

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

Proceeds—Net proceeds will be used to prepay the 1¾% note, due 1944, in the face amount of $2,500,000, and to prepay the 2% notes, maturing serially to 1948, in the face amount of $2,850,000, requiring in the aggregate for such prepayments, exclusive of interest, the sum of $5,384,750. The remainder of net proceeds will be used by the company to carry additional receivables and inventories and larger bank balances, to reduce the necessity for current borrowings, and to pay current liabilities.

Registration Statement No. 2-5132. Form A-2 (4-28-43).

TUESDAY, MAY 18

ARMOUR & CO OF DELEWARE

Armour & Co. of Delaware has filed a registration statement for $35,000,000 35-year 7% cumulative income debentures, due April 1, 1978.

Address—43rd Street and Racine Ave., Union Stock Yards, Chicago, Ill.

Business—Engaged in meat packing business, operating packing plants in North and South America for the slaugther of livestock and the processing of meats and animal products and for by-products. In conjunction with their meat packing operations, company and subsidiaries manufacture butter and cheese and various other products.

Underwriting—Kuhn, Loeb & Co., New York, head the underwriting group. Others to be supplied by amendment.

Offering—Company offers to the holders of its outstanding 523,581 shares of 7% guaranteed cumulative preferred stock of the par value of $100 per share, the right to exchange such shares for the debentures on the basis of $100 face amount of debentures for each share of preferred stock held, subject, if the total number of shares of preferred stock deposited for exchange would require more than the entire issue of debentures, to allotment of the debentures by the company. The debentures not taken upon the exchange offer have been underwritten and will be offered to the public at a price to be fixed by amendment.

Proceeds—Company intends to apply the net proceeds of the debentures not taken in exchange pursuant to the exchange offer, with any other funds in the treasury which may be necessary, to the redemption of a par amount of 7% guaranteed cumulative preferred stock of the company which, with the shares acquired pursuant to the exchange offer, will retire $35,000,000 par amount of such preferred stock.

Registration Statement No. 2-5134. Form A-2 (4-29-43).

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.

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).

Amendment filed April 28, 1943, to defer effective date.

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).

Amendment filed April 28, 1943, to defer effective date.

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).

Amendment filed April 16, 1943, to defer effective date.

Bids—National Power & Light Co. on April 28, 1943, asked for bids to be opened May 10, 1943, on 242,664 shares of common stock of Houston Lighting & Power Co.

Registration statement effective 5:30 p. m. (EWT) on April 26, 1943, as of 5:30 p. m. (EWT) on April 18, 1943.

INTERNATIONAL MINERALS & CHEMICAL CORP.

International Minerals & Chemical Corp. has filed a registration statement for 184,861 stock purchase warrants and 184,861 shares of common stock, par value $5 per share.

Address—20 North Wacker Drive, Chic.

Business—Engaged, directly or through subsidiaries, in the mining and sale of phosphate rock and preparation and sale of complete or mixed fertilizers.

Underwriters—Hornblower & Weeks and Hallgarten & Co. may be deemed to be underwriters as defined in the Securities Act of 1933.

Offering—A total of 150,000 stock purchase warrants are to be offered to the public at prices to be fixed by amendment. If the balance of 34,862 stock purchase warrants are offered the terms will be supplied by post-effective amendment. All of the present outstanding stock purchase warrants of the company were originally acquired by the First York Corp. Hornblower & Weeks and Hallgarten & Co. purchased 25,000 of the stock purchase warrants from First York Corp. and have the right to purchase additional warrants.

Proceeds—The company will not receive any of the proceeds of the stock purchase warrants being offered, but will receive $8.125 per share for each share of common stock, if any, sold through exercise of stock purchase warrants. Any proceeds received by the company will be added to the working capital.

Registration Statement No. 2-5124. Form S-1 (4-9-43).

PUBLIC SERVICE CO. OF INDIANA, INC.

Public Service Co. of Indiana, Inc., has filed a registration statement for $38,000,000 first mortgage bonds, series E, 3¼%, due May 1, 1973.

Address—110 North Illinois Street, Indianapolis, Ind.

Business—Public utility operating in the State of Indiana and is engaged principally in the production, generation, manufacture, purchase, transmission, supply, distribution and sale of electric energy and gas, and in the supply, distribution and sale of water.

Offering—Bonds to be offered for sale at competitive bidding under Rule U-50 of the Commission. Price to the public will be supplied by post-effective amendment.

Underwriters—Names of underwriters and amounts of underwriting will be supplied by post-effective amendment.

Proceeds—To be applied toward the redemption, within 40 days after the issuance and sale of series E bonds, of $38,000,000 face amount of Public Service Co. of Indiana, first mortgage bonds, series A, 4%, due Sept. 1, 1969, at 106¼% of the face amount which will require $40,375,000 exclusive of accrued interest and expenses. Any additional moneys will be paid out of other funds in the company's treasury.

Registration Statement No. 2-5123. Form A-2 (4-7-43).

Registration statement effective 3 p. m. (EWT) on May 28, 1943.

Proposals will be received by the company at its office, Room 1534, Field Building, 135 So. La Salle St., Chicago, up to 12:00 o'clock noon (CWT) May 10, 1943.

YORK CORRUGATING CO.

York Corrugating Co. has filed a statement with the SEC for 50,000 shares of common stock, $1 par value. The stock is presently issued and outstanding and does not represent new financing.

Address—Adams Street and Western Maryland Railroad, York, Pa.

Business—Normal manufacturing facilities are primarily designed for pressed drawn and stamped metal products. About 95% of the company's manufacturing facilities are now devoted to war production.

Underwriting—Floyd D. Cerf Co., Chicago, is named principal underwriter.

Offering—Offering price to the public is $6.50 per share. Selling stockholders are Western National Bank of York, Pa., as trustee under the Benjamin S. Taylor Trust 28,013 shares, and Dr. Charles P. Rice, York, Pa., 30,750 shares.

Proceeds—To selling stockholders.

Registration Statement No. 2-5118. Form S-2 (3-30-43).

(This list is incomplete this week)

Municipal News And Notes

(Continued on page 1674)

ice requirements of $57,513 for the balance of 1943, which amount includes $35,000 payment of principal."

Winter Haven is said to have a current assessed valuation of $11,739,856 and an estimated population in the tax-paying area of 12,000. Net bonded debt is reported at $2,018,228. The city, it is said, is in the heart of the rich Polk County citrus section and has a total of 23 packing houses in and immediately adjacent to the city.

Mississippi State Highway Bond Facts Reported

With the retirement of $1,124,000 principal amount on Aug. 1, 1943, the State of Mississippi will have redeemed more than $11,000,000 of its highway bonded debt since February, 1938, it is pointed out by M. A. Saunders & Co., Memphis, Tenn., in a recently prepared pamphlet titled "Facts Concerning State of Mississippi Highway Bonds." The bonds are not general obligations of the State, but are payable from, and are a first lien on, the proceeds of a 6-cent per gallon gas tax. Total bond principal and interest charges on the highway debt for 1943, 1944 and 1945 are reported at $1,939,788, $3,851,384 and $3,848,097, respectively.

Pointing out that the gas tax levy produced a yield of $14,126,183 in 1941 and $13,065,940 in 1942, the circular observes that total debt service requirements for 1944 and 1945 are approximately $3,850,000 per year. It thus appears, it is said, that the gas tax would have to decrease more than 72% from the 1941 collection, and more than 70% from the 1942 level before it would affect principal and interest requirements on outstanding bonds. In addition, an even greater decrease would be necessary before it would affect the interest charges alone.

As gas tax income for the first four months amounted to $3,385,910, it is estimated that the State's total income from that source for the year of 1943 should be in excess of $10,150,000, which will be more than 2.6 times both principal and interest needs. The decline in collections for the first four months of 1943 as against the corresponding period of 1942 has been only 24% as against an anticipated decline of 35% to 40%, according to the circular, which contains a table showing the gasoline tax collections for each month since January, 1941.

Philadelphia Bond Exchange Offer Extended To Oct. 30

The Philadelphia, Pa., City Council adopted an ordinance on April 29 providing for extension to Oct. 30, 1943, of the bond exchange offer through the original nation-wide banking group headed by Drexel & Co., Philadelphia, and Lehman Bros., New York City, under which certain of the city's outstanding bonds, optional for redemption up to 1953, can be exchanged for refunding bonds of 1942. A total of 39 leading investment firms and banks are handling the program.

The offer has been in effect since Nov. 16, 1942, and was originally scheduled to have terminated on May 1, 1943. Coincident with the announcement of the extension, it was disclosed that over $41,000,000 of the outstanding bonds eligible under the offer had already been tendered for exchange. In addition, the managers of the bond exchange group reported that bonds in all series, with the exception of series AA, which has been closed out, remain available for exchange under the plan.

Major Sales Scheduled

The calendar of future bond offerings of $500,000 or more is restricted, at this writing, to an issue of $686,614 Toledo, Ohio, refundings, bids on which will be opened May 18, instead of on May 11 as originally announced. Furthermore, all signs point to a continued dearth of activity in the new issue field. With the second war bond drive successfully concluded, an acceleration in trading activity is anticipated, accompanied by further improvement in the price structure. In this respect, it may be observed that the pessimism felt in the trade that the latest war bond drive would adversely affect list prices appears to have been largely unwarranted. Actually, the reverse was true in many instances and, in addition, bonds of various subdivisions have recently been traded at all-time high levels.

Our Reporter On "Governments"

By S. F. PORTER

The big play in the market during the next few weeks should be in the new 2s of 1952/50. . . . Here's where the speculative interest is concentrated and here's where the best profit possibility should lie. . . . The reasoning behind this statement—unusual in view of the fact that the longer-term 2½s would be the natural issue to choose for buying and trading—may seem odd to you, but consider these points and then judge for yourself. . . .

During this last campaign, the commercial banks were barred from buying the 2s until the last three days of the drive. . . . Their oversubscriptions were tremendous, their allotments unquestionably will be small. . . . Smaller than on the 1¾s of 1948, no doubt, and those bonds now are selling at 100.20 against an issue price of par. . . .

During the previous campaign, the commercial banks bought their 1¾s at the beginning of the drive and after their subscriptions were in the books on the 1¾s remained open for a fortnight. . . . Banks oversubscribed the 1¾s, received small allotments. . . . But . . . . They were able to build up their positions through the simple step of asking a "friend" eligible to buy the 1¾s to "put in an allotment" for them and arranging to buy back that allotment at a 1/64 or 1/32 premium after the closing of the books. . . . An easy way to get around the restriction on bank purchases and undoubtedly a factor in the Treasury's decision to forbid bank buying of the 2s this time until the last three days. . . .

So in December, when the books were closed, the banks didn't have to rush into the market and build up their positions of 1¾s to the extent that might have been indicated under different circumstances. . . . They bought the 1¾s, of course, but gradually. . . . The 1¾s didn't really start up until mid-January, you will recall. . . . The banks didn't recognize just how much they wanted these securities until some weeks had passed. . . .

But it's different this time. . . . The commercial banks do not have enough of the 2s. . . . Their allotments totaled only 16%. . . . They have excess cash they want to invest. . . . They're finding out at this minute that their holdings of the 1952/50 2s aren't so satisfactory. . . .

It is logical for them to enter the market, bid up for the 2s and thereby give the major play to this shorter-term bond in the April basket. . . .

THE MARKET'S REACTION

Experts believe, therefore, that the 2s will get the full benefit of allotment deficiencies over the coming weeks. . . .

They also point out that the average individual buyer naturally went for the 2½s, that the supply of the 2½s is larger than the supply of the 2s. . . . And banks can't buy the 2½s anyway, so that issue can't get the benefit of demand from the biggest traders of all. . . .

As for premiums, well, as this is being written, the market still hasn't settled down enough to tell. . . . But chances are the 2s, starting out at about ¼ point premium, will get up to ⅝ or ½ in a few weeks. . . . That's not so bad. . . .

There's one rule that seems to be coming out of this situation. . . . The major trading activity after a new financing may be anticipated in the securities that commercial banks can buy. . . . So if that's what you are after, concentrate on those primarily. . . .

NO LIQUIDATION

The tax-exempts are holding beautifully, have been throughout the last few weeks. . . . General feeling during the last week of the campaign was that we would see some selling of tax-exempts by institutions interested in playing the taxables for the short run. . . . But this didn't develop on any worthwhile scale. . . . The exempts held up, continued to attract enough support to keep the price level virtually unchanged. . . . Which is equivalent to a first-rate rise under the circumstances and considering the advance that had gone before. . . .

There really hasn't been any liquidation to speak of in the market for some time. . . . And none seems to be coming out now. . . . Of course there have been and are free riders around (and this writer, personally, is glad to see free riding come back, for it indicates widespread market interest, adds color to the market and reflects confidence in the ability of the Treasury to put over a financing successfully). . . . And the free riders may cause some ups and downs in prices that otherwise wouldn't be understandable. . . . But that will be over soon, too, and the big point is that the market is steady and acting well following the largest borrowing operation in the history of the world. . . .

NOT UNTIL OCTOBER

For the time being, and during the next 30 days or so, we won't want to hear anything about another borrowing. . . . We've just finished with one, just left a three-week period of concentration on new issues that has no parallel in our financial history. . . . But consider this point:

After this "tired out" feeling has gone, people will begin to think of the next time new issues will be available at par. . . .

And after they've thought about that for a while, they will discover the next borrowing is going to be delayed because the Treasury has enough money to carry itself through the Summer. . . .

And if August is passed over, September will be, too, for that's the month for income tax payments and Treasury policy surely would dictate a war loan campaign uninterrupted by an income tax date. . . .

And that would mean October. . . .

And that would mean that, as of today, you may look forward to a breathing spell lasting six months. . . . Which is far, far better and a far, far more important point from price point of view than most observers recognize. . . .

The Treasury, incidentally, is running along at about a $265,-000,000 deficit per day. . . . Expenditures for war purposes are running about $255,000,000 over receipts, and for domestic purposes about $10,000,000 over receipts. . . . In March, the month of $4,700,-000,000 in tax receipts, the deficit mounted up to $2,100,000,000, for war spending amounted to $6,700,000,000. . . . At the end of last December the Treasury's working balance amounted to almost $10,-000,000,000, but three and one-half months later the working balance was down to $1,700,000,000. . . .

These figures mean simply this: the Treasury has to put over quarterly or semi-annual borrowings of this size and more if it is to pay for war expenditures. . . . The balance now is way over $11,000,-000,000 and it will be even higher when all the figures are added in (maybe by several billions), but this money can last just so long. . . . And that means another borrowing this year, no matter how we make out in the tax arguments. . . .

INSIDE THE MARKET

Tax note buying is going to continue despite the end of the drive, for several corporations are known to have worked out programs for month-to-month buying of these and instead of concentrating their purchases during April they insist they want to do it on a regular basis. . . . Incidentally, buying of tax notes always picks up in the last few days of the month because the notes carry interest from the first of the month in which they are sold and corporations buying late have the double advantage of interest and use of their cash. . . .

Floating supply of municipal issues falling steadily, now one-half what it was at this time four weeks ago. . . . Tax-exempt municipals still in heavy demand and will be in even heavier demand when tax talk starts again. . . .

For investment policy formula, read the New York State Bankers Association's bulletin to its members last week, advising banks to place "hot money" in discount bills, to keep fully invested through this safe device, to go on from there with own policy. . . .

Irving Gersten Partner In Shepard, Scott Co.

Irving Gersten who has been associated with Shepard, Scott & Co., 44 Wall Street, New York City, for many years in charge of the trading department, has been admitted to general partnership in the firm, effective as of May 1.

Effect of Decisions of U. S. Supreme Court on Reorganization Rails

An interesting circular discussing the effect of the U. S. Supreme Court decisions on reorganization rail securities, with particular reference to the Chicago North Western Decision and what the cash means, has been prepared for distribution by Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange. Copies of this circular may be had from the firm upon request.

J. L. Richmond Now With Reynolds & Co.

James L. Richmond, formerly President of J. L. Richmond & Co., Inc., has become associated with Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other leading national Exchanges.

Clothing Stock Looks Good

An interesting descriptive circular on Fashion Park, Inc., which the firm believes offers attractive possibilities, has been prepared for distribution by Blauner, Simons & Co., 25 Broad Street, New York City, members of the New York Stock Exchange. Copies of this circular may be had from Blauner, Simons & Co. upon request.

The Business Man's Bookshelf

Counterattack! — Motorized America Geared to War—Myron M. Stearns—Automotive Safety Foundation, Washington, D. C.—paper.

Economic Questions of Interest to the Americas—Resolutions of the First Plenary Meeting of the Permanent Council of American Associations of Commerce and Production—U. S. Committee to the Permanent Council of American Associations of Commerce and Production, 1615 H. Street, N. W., Washington, D. C.—paper.

Harold B. Koster Now With John Galbraith

(Special to The Financial Chronicle)

PORTLAND, ORE.—Harold B. Koster has become associated with John Galbraith & Co., Porter Building. Mr. Koster was formerly with Russell, Hoppe, Stewart & Balfour for a number of years. Prior thereto he conducted his own investment business in Portland.

E. A. McQuade V.-P. Of First York Corp.

Edward A. McQuade, formerly Vice-President of Central National Corporation, has become Vice-President of First York Corporation, 50 Pine Street, New York City.

Ampco Metal Interesting

The current situation in Ampco Metal, Inc. offers interesting possibilities from a long-range standpoint according to a circular just issued by Ryan-Nichols & Co., 105 South La Salle Street. Copies of this attractive circular may be had from the firm upon request.

de Saint-Phalle To Admit L. Liebenguth

Louis J. Liebenguth will become a partner in de Saint-Phalle, van Heukelom & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, as of May 13. Mr. Liebenguth was formerly Manager of the foreign department of the New York office of Montgomery, Scott & Co. and prior thereto served in a similar capacity with Hallgarten & Co. In the past he was a partner in de Saint-Phalle & Co.