MAY 14 1943

Final Edition

ESTABLISHED OVER 100 YEARS

In 2 Sections—Section 1

The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 157 Number 4176

New York, N. Y., Thursday, May 13, 1943

Price 60 Cents a Copy

Gersten Elected Head Of N. Y. State Bankers

The 50th annual election of officers held by the New York State Bankers Association, and the first ever conducted by mail ballot, resulted on May 8 in the election of E. Chester Gersten, President of the Public National Bank and Trust Co., New York City, to the Association's presidency. Mr. Gersten will take office on May 14, succeeding John P. Myers, President of the Plattsburg National Bank and Trust Co., Plattsburg.

E. Chester Gersten

Other officers elected include C. George Niebank, President, Bank of Jamestown, Vice-President; and E. Burnham Guild, President, First National Bank and Trust Co., Walton, Treasurer.

The Association, whose membership of 854 includes 671 of the State's 697 commercial banks and trust companies, voted last January to abandon plans for its annual convention in order to conserve transportation facilities and manpower needed in the prosecu-

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Illinois Corporates-Municipals

Special material and items of interest with reference to dealer activities in the above State starts on page 1758.

Can The United States Support A 300 Billion Dollar Debt?

By OLIN GLENN SAXON

President of Pennsylvania Economy League and Professor of Economics, Yale University

In 1943, it is estimated, the U. S. will spend about 62% of its national income for war purposes, the United Kingdom 69% of its income, New Zealand, 63%, Canada 45%, and Australia 40%.

Estimates of the post-war national debt of the United States vary widely, ranging from $250,000,000,000 to $500,000,000,000, depending upon the length of the war. In any case the debt, in honest money, will be an all-time world's record. It staggers all imagination as well as the comprehension of anyone who does not believe in the "deficit spending" and "we will owe it to ourselves" doctrines, preached by Keynes, of London, and Hansen, of Harvard, and practiced so fervently of late years on the Potomac.

Dr. O. Glenn Saxon

At the reported current rate of Federal expenditure of $2,000,000,000 per week, some estimate that the debt will be $240,000,000,000 on June 30, 1944, with $70,000,000,000 to $100,000,000,000 more for each year of global war thereafter.

It is quite doubtful if we can actually spend $2,000,000,000 per week. But it is reasonable to assume that the war will necessitate a total debt of $300,000,000,000 to $350,000,000,000 by the end of 1945 or before the world has once again settled down to relative stability.

Assuming a final gross debt of, say, $350,000,000,000, can this gigantic sum, the equivalent of our entire national wealth in 1940, be redeemed in money of present or pre-war purchasing power, or will it be repudiated directly or inflated out indirectly in whole or in part?

The answer is, it can be paid, and will be, if our people have the moral fibre and economic good sense to do it. If

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Simplification Of Proxy Rules Desirable For All Concerned

Stockholders As Well As Management Would Benefit

By CLARENCE O. DIMMOCK, Jr.
Dimmock, Snyder & Van Patten

Now that a large crop of proxy statements for annual stockholders meetings has been reaped this Spring under the new proxy rules (effective Jan. 15, 1943) of the Securities and Exchange Commission, the proof of the pudding is at hand and it appears timely to analyze, in the light of hindsight, the palatableness of the dish which both the managements and stockholders of corporations are currently eating.

Clarence Dimmock

The following is a random harvest of a few excepts from recent proxy statements which will be used to point up the analysis appearing below. In reading these excerpts it should be borne in mind that the managements of the respective corporations merely wanted the stockholders to vote upon the election of directors.

[The following is a stockholder's proposal contained in the recent proxy statement of Standard Brands, Inc.]

"'Resolved that if the Standard Brands Incorporated does not declare a dividend of at least 20¢ a share on its common stock for the fiscal year 1942 (provided the 20¢ a share is earned), that all executive salaries of the Standard Brands Incorporated, parent company or any of its subsidiaries shall be cut 25% if the executive salary is $20,000 a year or more.'"

[The following is an excerpt from the recent proxy statement of American Smelting and Refining Company.]

"Apart from the remuneration received by officers and directors as above stated, during 1942, . . . Kenneth C. Brownell received remuneration aggregating $240.00 from General Cable Corporation and $160.00 from Revere Copper and Brass Incorporated; Charles Earl received remuneration aggregating $180.00 from General Cable

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Comment On "The Future Of The Gold Standard"

By FRANK CIST

"The Commercial and Financial Chronicle" of April 1 has invited reader comment on an article in that issue entitled "The Future of the Gold Standard," written by the internationally famous monetary expert, Dr. E. W. Kemmerer, of Princeton, N. J. The timeliness of this article was emphasized within the week by publication, April 7, of a plan for an "International Clearing Union" drawn up by Lord (J. M.) Keynes and sponsored by the British, one avowed purpose being "to supplant gold as a governing factor." Lines of battle, therefore, appear to be drawn between those, like Dr. Kemmerer, who cling to gold, and those, like Lord Keynes, who want discretionary monetary powers to "correct a potential deficiency," or even an excess "of world purchasing power." What, let us ask at the outset, is claimed to be the matter with the gold standard that makes people want to leave it?

A number of faults are usually found with gold by critics of the gold standard. It is said to be unstable in value, fluctuating with the discovery of new mine fields. It is accused of permitting some management of money without being consistent and allowing complete management of money. In a modern age it is called "unscientific." But the main complaint is that the gold standard causes such cyclical disturbances as that of 1929, a charge which we will now examine in detail.

It must be admitted at once that no economic product, under any system of free enterprise, including gold and money, can be free from cycles of production. Somebody has to estimate the quantities which normal demand will absorb and, our fallible human nature being what it so unfortunately is, these estimates are quite likely to be wrong, either overrunning the correct amount or falling short of it.

This cyclical process is conveniently illustrated by the lowly

(Continued on page 1767)

Stock Market Comments

Investors will probably be interested in the statement made by the President of Kennecott Copper at the recent stockholders' meeting to the effect that the company for the first quarter of this year calculated their excess profits tax at a rate of 90% and the normal and surtax at the rate of 50%. . . . Later developments, of course, may indicate that this was merely ultra-conservative accounting, but on the other hand it may be a case of "coming events cast their shadows before."

This leads us, too, to make the comment that one is pretty much blindfolded these days in attempting to forecast per share corporate earnings. For not only are the new tax rates uncertain and undetermined, but in addition the factor of re-negotiation is becoming increasingly important. Consequently it seems obvious to us that earnings' predictions can only be on a highly tentative basis,—high sounding words for mere "guess work."

* * *

The Mail Order Companies

There has been some evidence in recent days and weeks of an increasing investor interest in mail order shares; Sears Roebuck and Montgomery Ward. In our view this interest is justified although we hasten to make the comment that it is quite possible that purchases made at this time may be premature. We say this because it is obvious that priorities will continue to adversely affect these companies for the war's duration, although it may be that we have passed the peak of restrictions on consumer goods.

Generally speaking, we would regard Sears as possessing a somewhat better investment rating than Montgomery Ward, although its sales volume is probably more dependent on "hard goods." On the other hand, Montgomery Ward has had the better comparative sales record in the last 12 or 15 months, but this business has been done at a gross profit margin inferior to Sears.

By and large we feel that both of these stocks are reasonably priced if one looks beyond the war, although it appears quite clear that current purchases may require a reasonable degree of patience.

* * *

Near-Term Market Outlook

The market as a whole acts a bit fatigued and perhaps it will be somewhat less dynamic as Congressional corporate-tax discussions get under way.—*Ralph E. Samuel & Co.*

Weston Hill Forms Own Advertising Agency

Weston Hill, well-known for many years as a copy writer and creative executive for Ruthrauff and Ryan, Blackett-Sample-Hum- Mr. Hill recently inserted in advertising trade papers a full-page advertisement and H. W. Kastor & Sons, has announced the opening of his own agency, Hill Advertising, Inc., with offices at 250 Park Avenue, New York. A branch office will be opened soon in Chicago.

Weston Hill

tisement, **A New Kind of Advertising Agency Is in the Making,** outlining his proposed policies. New products and processes will be emphasized in the plans of the new agency, Mr. Hill stated.

Staff personnel, accounts and other similar data will be made public in forthcoming announcements.

Hipkins And Topping With Braun, Bosworth

Clifton A. Hipkins and James D. Topping, formerly partners in Hipkins & Topping, have become associated with Braun, Bosworth & Co., Inc., of Toledo, as Vice-Presidents in charge of their newly-opened New York City office at One Wall Street.

Stewart R. Terrill and James F. Woolley Jr., who have been associated with Hipkins & Topping, will be in the trading department of the new Braun, Bosworth office.

Offer Convenient Record For Security Transactions

Wayne Hummer & Co., 105 West Adams Street, Chicago, Ill., members of the New York and Chicago Stock Exchanges, have published a simple and convenient loose-leaf record for listing security transactions and holdings; it includes sections for bond and stock records, taxable income, profit or loss on sales, and other information of importance to investors. Copies of this record may be secured from Wayne Hummer & Co. at a cost of one dollar each.

The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
William B. Dana Company
Publishers
25 Spruce Street, New York
BEekman 3-3341
Herbert D. Seibert,
Editor and Publisher
William Dana Seibert, *President*
William D. Riggs, *Business Manager*
Thursday, May 13, 1943

Published twice a week [every Thursday (general news and advertising issue) with a statistical issue on Monday]

Other Offices: Chicago—In charge of Fred H. Gray, Western Representative, Field Building (Telephone State 0613). London—Edwards & Smith, 1 Drapers' Gardens, London, E.C.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

Subscriptions in United States and Posessions, $26.00 per year; in Dominion of Canada, $27.50 per year; South and Central America, Spain, Mexico and Cuba, $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year.

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

"Toppers" Will Hold Spring Dinner May 27

The Toppers, an association of municipal bond men, announce that their organization will hold a dinner and "fite nite" at the Downtown Athletic Club, on Thursday, May 27. The group usually holds a golf outing each Spring, but has decided to have a dinner this year to continue their traditional get-together. Eight five-round boxing bouts, sponsored by the Downtown Athletic Club and featuring "Golden Glove" and "Diamond Belt" metropolitan and New York State champions, will be a special attraction of the evening.

Fifty-five members of the Toppers are now in the armed services.

C. J. Stimpson With Greene Trading Dept.

Greene & Co., 37 Wall Street, New York City, members of the New York Security Dealers Association, announce that Charles J. Stimpson, for many years in the trading department of Kiely & Horton, has become associated with them in their trading department.

20 YEARS WITH G-M

Alfred P. Sloan, Jr.

Alfred P. Sloan, Jr., Chairman of the Board of General Motors Corporation, on May 10 celebrated the completion of 20 years as chief executive of the company.

Woltz Trading Mgr. At Varnedoe, Chisholm

SAVANNAH, GA.—Varnedoe, Chisholm & Co., Inc., Savannah Bank & Trust Co. Building, announce that Millard Thompson Woltz is now associated with them as manager of the trading department. Mr. Woltz was formerly with E. M. Fitch & Co., Inc., of Philadelphia.

West Va.-Pittsburgh Coal Situation Interesting

The current situation in West Virginia-Pittsburgh Coal Co. First Mortgage Income 6s of 1947 offers attractive possibilities according to D. F. Bernheimer & Co., Inc., 42 Broadway, New York City, from whom interesting descriptive material on this issue may be had upon request.

Ferron R. Davis Opens

(Special to The Financial Chronicle)

SOUTH BEND, IND. — Ferron R. Davis has opened offices in the City National Bank Building to engage in a general securities business. Mr. Davis was formerly with H. E. Marshall & Co. for many years.

Avers Keynes And Morgenthau Stabilization Plans Would Set Up Super-National Brain Trust

Dr. B. M. Anderson Views Both As Relieving England Of Burden Of Paying Capital Frozen In England Belonging To Those In Foreign Countries

In an analysis of the Keynes and Morgenthau foreign exchange stabilization plans, Benjamin M. Anderson, Ph. D., asserts that "obviously foreign exchange stabilization is a desirable thing if we can get it in a sound way without creating worse evils." "But," he observes, "instability of a weak currency in the foreign exchanges is merely a symptom of an underlying financial disease, and to peg the foreign exchange rate without correcting the fundamentals is merely to mask the symptom and to let the disease grow worse." A hidden purpose of the Keynes plan, swallowed whole by the Morgenthau plan," says Dr. Anderson, "is to relieve England of the burden of paying great sums of capital now frozen in England and belonging to men and institutions in foreign countries." He goes on to say:

Benj. M. Anderson

"Without the relief on this score England will be hard pressed after the war, an embarrassed debtor rather than a powerful creditor. If this frozen debt can be put into the international bank, however, and England can be given the more than 23 years provided for in the Morgenthau plan to pay it off, she is relieved of the burden. The creditors of the fund bear the burden, and the United States will be the chief creditor of the fund."

Dr. Anderson, who is Professor of Economics of the University of California at Los Angeles and Consulting Economist of the Capital Research Company, Los Angeles, discussed the two stabilization plans at a dinner given by the officers and directors of the Los Angeles Chamber of Commerce on May 11. From a press summary of his remarks we quote:

"The Keynes and Morgenthau Foreign Exchange Stabilization

(Continued on page 1773)

Editorial—

Bolivia's Good Neighbor

The President has chosen again to place conspicuously before the public what he is pleased to term his "good neighbor" policy toward Latin America. This time he has chosen one of his favorite techniques—that of gratuitously damning investment bankers. At the conclusion of recent conversations with the President of Bolivia, he made it a point to inform the press that he had felt obliged to apologize to his visitor for a loan made some years ago to Bolivia by American investors through an underwriting firm, which President Roosevelt appears to feel "exploited" the borrowing country by charging an exorbitant "commission" on the deal and fixing the interest rate on the loan unduly high. He seems rather plainly to imply that Bolivia did not really need or want the money, but was persuaded to accept it by "supersalesmanship" on the part of the underwriters.

Since upon such occasions the President does not permit himself to be quoted exactly, it is not easy to determine precisely what he did say about this transaction. All accounts of the matter have the President saying that an interest rate of 8% was charged, and some have him adding an 8% "commission." The only loan by the investors of this country to Bolivia within the dates fixed by the President was a $14,000,000 31½-year loan (or some part thereof, a portion of it being withheld for sale in Europe) bearing a coupon rate of 7% and

(Continued on page 1774)

Dick Heads Committee Of Commerce Chamber

Frederick E. Hasler, President of the Chamber of Commerce of the State of New York, announced on May 11 the appointment of a Special Committee on Investment and Securities headed by Fairman R. Dick of Dick & Merle Smith. The committee, whose appointment was authorized at the April 1 meeting of the Chamber, is charged with the study of and recommendations relative to:

(1) The accumulation of capital from savings;
(2) The investment of capital in productive enterprise.
(3) The sale and distribution of investment securities;
(4) The maintenance of an adequate free and open market for the sale and exchange of such securities.

The other members of the committee are William R. Coe Jr., Vice-President and Treasurer of the Virginian Ry.; Chauncey L. Waddell, Executive Vice-President of Barrett, Herrick & Co.; Benjamin Strong, First Vice-President of the U. S. Trust Co., and Francis M. Weld of White, Weld & Co.

Deep Rock Oil Attractive

Common stock of Deep Rock Oil offers interesting possibilities according to an analysis prepared by Doyle, O'Connor & Co., 135 S. La Salle Street, Chicago, Ill. Copies of this analysis may be had from the firm upon request.

Tomorrow's Markets Walter Whyte Says——

By WALTER WHYTE

Despite bull market resumption signal market action is not convincing. Continue advising staying away from long side.

* * *

Looking at the market from a day-to-day angle there is nothing obvious to the eye that is disturbing. Yes, back in the beginning of April the market broke. But after a dull period of a couple of weeks, it snapped back nicely, with some of the stocks even getting above their old highs.

* * *

This action is so obviously good that nobody feels pessimistic about the near-term future. Of course, where the longer term is considered you can get all shades of opinion. However, this column is concerned with the immediate, rather than the future trend.

* * *

According to the much-discussed Dow theory if the averages make a high, that is, in both averages, a signal of a continuance of a bull market has been given. If the same averages decline and if such a decline is followed by a rally which does not get above previous highs; and if subsequently they get under their previous lows, then a bear market signal has been given. If contrariwise, both averages don't break the previous lows and go through their old highs, a bull market is still on. In the week just passed the latter is what you saw.

* * *

The averages did go through on the upside. Their ability to go through was so obvious and so well advertised that there is hardly a person interested in the stock market who wasn't and isn't aware of it. And even the small shakeout of the end of last week didn't dampen the bullish enthusiasm.

* * *

There is little doubt but that the speculative public is in the market. If I had any doubts of it when I was in New York I have no doubts after speaking to people in the Southwest, from where

(Continued on page 1769)

On the Treasury's Plan For the Stabilization of Currencies

By RENÉ LÉON

Once upon a time, testifying before the Finance Committee of the Senate, your humble servant stated, in part:

"The most recent and, let it be recognized, the most effective artificiality devised to achieve favorable balances is the deliberate depreciation of exchange. Its effectiveness is the more complete because it is the most insidious and deceptive instrument of price destruction hitherto conceived. . . . To establish this principle is to challenge competition in the same way. . . . This system must be broken up at all costs if we are to avoid a general collapse. . . . It can be terminated by international action. . . ."

This was 10 years ago, Feb. 15, 1933, to be exact, and although it has taken time, considerable agreement with the foregoing is now being expressed. On April 7, last, there were published our Treasury's proposals for an international fund **to stabilize currencies.** No. 6 of its stated objectives was "to help eliminate bilateral exchange clearing arrangements, multiple currency devices, and discriminating exchange practices."

The following day the British proposals for an international clearing union after the war were also made public. Object "B" of this plan was expressed as follows: "We need an orderly and agreed method of determining the relative exchange values of national currency units, so that unilateral action and **competitive exchange depreciations are prevented.**"

It remained for a layman, Wendell Willkie by name, to state in plain language which all could understand that, after the last war **". . . the instability of foreign exchange** remained the principal obstacle to full revival." ("One World," page 198.)

These are three distinct expressions of the same thought coming from high places on both sides of the Atlantic, all of them compelled by the force of circumstances. Here then is our problem. How do we solve it?

To question the motives of the authors of the British and American plans would manifestly be unfair. It were better, a priori, to credit them with the loftiest objectives. But we are not interested in objectives familiar to us all; our sole concern is their proposals. By what method do

(Continued on page 1774)

Securities And Inflation

Obviously the market is inflationary in character. All the harbingers of such markets have appeared in the preliminary upsweeps. Violent churning of low-priced issues regardless of quality, the swift flow of trading activity from group to group, ignoring of unfavorable news, except temporarily and then quick recovery, warnings against uninformed speculation, confirmations of nominal guide-posts, huge turnover in speculative bonds and uneasiness in high-grades, Government spending that staggers the imagination, Lease-Lend distribution at breath-taking expense. These things promote inflation as well as attend it. They are inflation, so plain that he who runs may read. Surplus funds are seeking sanctuary.

Helping It Along

The advance, creeping up for over a year, has produced many sold-out bulls long of cash and yearning for reactions, and numerous bears still unconvinced. Buyers rush in precipitately when inevitable corrective reactions materialize. There are innumerable potential buyers to take prices higher ultimately. The new-rich are with us in mounting numbers. There is said to be a spread of around $43 billion between funds available to buy goods and goods to buy. The homely solution of permitting more things to be sold to take up this slack is too simple. Therefore these stupendous funds are finding their way into the market place. These are fruitful causes of higher security prices.

The Shadow of Inflation

The ever-present questions: What can I do to preserve my capital? How can I come through this distractive period with a reasonably whole financial skin?—are in every mind. These are difficult problems and make each of us go deeper into investment subjects. We seek diligently for some form of wealth that can ride out an inflationary hurricane. It is not cash, for that buys less and less. It is not consumers goods, for they are perishable. It can hardly be heavy goods, for the tremendous over-production will make them of small value. The irrefutable answer is that real wealth is in the ground. Oil, gold, silver, iron, coal, copper, zinc, lead, asbestos, sulphur, chrome, manganese and other minerals, stored free by Mother Nature, only mined when profitable, and otherwise left alone to await other times and better days.

The Substance of Wealth

Transportation facilities, processing equipment, manufacturing plants, sales organizations, are part of the general wealth, but all dependent on the raw materials, including food, that come from the good earth. These concomitants of solid wealth are essential in the general scheme, but they are bright marks for the taxgatherer and therefore the hard-headed, deep-thinking investor turns to the earth, knowing that as the first of the great fortunes came therefrom, so it now affords the surest refuge against the storm and strife of dangerous times.—*From Peter P. McDermott & Co.'s "Investment Survey."*

New Haven Railroad Continues To Forge Ahead

Reports Highest Gross Income For Any April On Record; Substantial Portion Of Gross Carried To Net

Howard S. Palmer, President of the New York, New Haven & Hartford Railroad Co., is estimating that gross revenues in April, 1943, ran to approximately $14,825,000. While this will show a slight seasonal decline from the March level (the latter, incidentally, represented the first $15,000,000 month in the company's history) it will be the highest gross for any April on record and 20% above the highly satisfactory showing of a year earlier. These figures contrast sharply with the New Haven's depression experience when monthly gross was running at only about a third of the April estimate.

Howard S. Palmer

The April business will bring gross revenues for the first four months of the year to approximately $56,633,000. From here on operations will be affected by the suspension of freight rate increases and interstate commutation fares, which Mr. Palmer has estimated will reduce New Haven's gross by more than $400,000 a month. Nevertheless, revenues for the first half of the year should run in excess of the full 12 months' gross realized in five of the ten pre-war years. The record monthly highs being reported in gross are particularly significant when one considers that average rates per ton mile and per passenger mile are 22% and 28%, respectively, lower than in the previous peak, 1929.

While increased costs and taxes are taking a heavy toll, a substantial portion of the increase in gross is being carried down to net. Net operating income for the first quarter of the year was 53% above a year ago and further year-to-year gains are indicated in subsequent months. In contrast to the experience of many other of the reorganization roads these earnings are being utilized for the rapid repayment of accruals for past-due interest on the company's mortgage bonds. Divisionals have already been made current as to interest and it seems likely that bonds secured under the 1st & Refunding Mortgage will be current by the time a final plan of reorganization is decided upon.

Jos. A. McCord, Jr., With Merrill Lynch, Pierce Co.

(Special to The Financial Chronicle)

ATLANTA, GA.—Joseph A. McCord, Jr., has become associated with Merrill Lynch, Pierce, Fenner & Beane, 25 North Pryor Street. Mr. McCord was formerly assistant manager of the Atlanta office of Thomson & McKinnon.

R. M. Horner Forms Own Investment Co.

John B. Cornell to Head Trading Department

Robert M. Horner has formed R. M. Horner Co., with offices at 30 Broad Street, New York City, to engage in a general securities business. Associated with Mr. Horner as manager of the trading department is John B. Cornell.

Mr. Horner was formerly Vice-President of Amott, Baker & Co., Inc., for many years. Mr. Cornell was previously with Atlantic Investing Corp. in the trading department; prior thereto he was in charge of the reorganization securities department of Roggenburg & Co., and in the past he was a partner in Callahan, Cornell & Co., and Du Val, Cornell & Co.

Certain Rail Bonds Now Legal Investments for Mass. Savings Banks

Certain fixed interest bearing railroad reorganization securities will be legal investments for savings banks in Massachusetts, according to a new law. Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange, have prepared an analysis of the new law and list the new railroad securities which, in their opinion, will be legal; also quoted in the analysis is all of the new law pertaining to railroads. Copies of this interesting analysis may be had from Pflugfelder, Bampton & Rust upon request written upon letterhead.

Warren Brothers Looks Good

Warren Brothers "A" "B" "C" offer interesting possibilities according to a circular just issued by Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of this circular may be had upon request from Goodbody & Co.

R. Hoe Co. Attractive

Common stock of R. Hoe & Co., Inc. offers attractive possibilities according to a circular being distributed by Aigeltinger & Co., 76 William Street, New York, N. Y. Copies of this interesting circular may be had from Aigeltinger & Co. upon request.

Railroad Securities

The various securities of Alleghany Corporation have enjoyed sharply increased interest recently, running into new high ground by substantial margins as the problem of the 1944 maturity has been cleaned up. One phase of the operation has caused considerable amusement in financial circles. Not very long ago Mr. Young and his associates, on behalf of the Chesapeake & Ohio as a minority stockholder of Erie, were incensed over the failure of Erie to get competitive bids on its proposed sale of bonds. Since that date there has apparently been somewhat of a change in sentiment on this point, judging by the manner in which a large block of Alleghany's holdings of Chesapeake & Ohio stock was disposed of.

Be that as it may, the whole Alleghany picture has certainly been clearing up nicely. Proceeds from the sale of the 85,000 shares of Chesapeake & Ohio common, together with a bank loan of $19,600,000, were utilized for the redemption of the $22,647,000 5s, 1944. The operation not only relieves the apprehension there had been over the company's ability to meet the maturity early next year, but, also, reduces annual interest charges to a slightly greater extent than income will be cut by the sale of the Chesapeake & Ohio stock.

The bank loan carries an interest rate of only 4% for a total annual charge of $784,000. The bonds retired had an annual interest charge of $1,132,350. At the rate maintained by Chesapeake & Ohio in recent years ($3.00 regular and $0.50 extra) the loss of annual income through sale of the stock amounts to $297,500. At the same time it is expected that Alleghany Corporation will commit itself to divert a large proportion of income in excess of interest requirements and expenses and taxes to the rapid reduction in the bank loan, with some funds perhaps utilized for purchase and retirement of the other two later maturity bonds.

In addition to the new bank loan of $19,600,000 Alleghany Corporation has outstanding $21,661,000 of 5s, 1949, and $19,137,000 of 5s, 1950. Aggregate annual interest requirements on the bonds and bank loans will now amount to $2,823,900. While Alleghany Corporation has large investments tied up in the Missouri Pacific situation which may be of substantial value in the course of time, the most important investment, and practically the only revenue-producing asset at the present time, is represented by approximately 1,850,000 shares of Chesapeake & Ohio common.

At the present annual dividend rate, and the extra paid in the past few years, the holdings of Chesapeake & Ohio stock bring in $6,475,000 a year, or more than twice the annual interest charges on bonds and bank loans. Even allowing for annual expenses and taxes of as much as $600,000 this would leave a balance of more than $3,000,000 a year for future debt retirement and other corporate purposes. Furthermore, the hope has been expressed that the present clarification of the Alleghany picture may make possible the lower coupon refunding of the other bond issues. In any event, the coverage of income should bring about the fairly rapid reduction in the bank loan. The loan agreement provides for consideration of a cut in interest below 4% when the principal has been reduced below $10,000,000.

These recent developments carry particularly favorable implications for the prior preferred stock which is outstanding in the amount of only about 111,000 shares and is entitled to cumulative dividends at the rate of $2.50 a share. Accumulations now amount to $21.25 a share, involving an aggregate of only $2,358,750, or less than one year's balance of income after interest charges, expenses and taxes. As the prior preferred dividend acculates at the rate of less than $300,000 a year the regular preferreds would also be in a position to benefit directly, and in short order, once the company was in position to resume any dividend payments. The preferred stock (5½%—$100 par) is outstanding at 667,539 shares with annual dividend requirements of $3,671,464. Due to the heavy accumulations on this stock (nothing has been paid since May 1, 1931) the common shares are obviously in poor position even on a long-term basis.

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 12 price—58⅛.

Chicago Brevities

8-Cent Fare For Chicago Tractions Made Permanent; Unification Plan Rejected

Prices of Chicago traction bond issues rose to peak levels for the last two or three years in heavy trading in the over-the-counter market last week, following a decision of the Illinois Commerce Commission in rejecting a plan to provide one great local transportation system for the city through unification of the street car and elevated lines.

Dealers reported that issues of the Chicago Surface (street car) Lines rose 1 to 5 points, and that bonds of the Chicago Rapid Transit (elevated lines) Co. advanced 2 to 3 points. The Chicago City and Connecting Railways 5s of 1927 were said to have shown the widest percentage advance in moving from a price of 6 to 10.

Meanwhile the decision of the Illinois Commerce Commission, rejecting the unification plan, had the effect of casting the traction situation back into the virtual muddle that it has been in for years. The Commission decided that the unification plan was financially unsound.

The plan proposed the setting up of a new unified company, to be called the Chicago Transit Co., which was to operate as a single unit in the street-car properties, elevated lines and the new subway system now under construction. Under the proposal a total of $179,000,000 of securities was to be issued, of which $136,000,000 would be given to present holders of surface lines securities and $43,000,000 to holders of elevated lines obligations.

8-Cent Fare Made Permanent

The Commission in its decision gave the Chicago Surface Lines the authority to make permanent an 8-cent street-car fare. A year ago the Commission had authorized a temporary raise in the fare from 7 to 8 cents, and the higher rate has been in effect since April 20, 1942. In making the 8-cent fare permanent, the Commission overrode the recommendation of the Office of Price Administration, which had urged a reversion to the lower charge as an anti-inflationary measure. The Commission decided that a return to a 7-cent fare would result in an operating loss on the part of the street-car company, in view of higher operating costs and payroll expenses.

The rulings of the Commerce Commission came as a fulfillment of the expectations of local security dealers, who had freely predicted that the unification plan would be rejected. The general feeling, moreover, had been that the 8-cent fare would be placed on a permanent basis because it was understood, as the Commission decided, that the lower fare would result in operating losses.

In passing on the unification plan, the Commission said in part: "There exists no definite probability that the petitioner (Chicago Transit Co.) will possess, pursuant to all of the proposals submitted herein, the financial resources required to acquire facilities sufficient to serve the public adequately at a reasonable rate."

The Commission said further: "The petitioner does not even claim it will be able to raise the capital necessary to modernize its equipment and facilities to a degree sufficient to afford adequate mass transportation operation by the medium of sales of bonds or any security junior to mortgage bonds. The petitioner does not even claim it can obtain any substantial loan from the Reconstruction Finance Corporation or from any other source."

Decision Irks Mayor Kelly

Action by the Commission in rejecting the plan met with no favor on the part of Edward J. Kelly, Mayor of Chicago, who declared that he could not see "how a small body of men can throw the results of years of work up for grabs."

William P. Sidley, Chairman of the Traction Reorganization Committee appointed by Federal Judge Michael L. Igoe to represent the court in the case, submitted a report to the court Monday on the decision of the Commerce Commission. He received permission from Judge Igoe to file a petition for a rehearing of the case before the Commission. Both the Chicago Surface Lines and the Chicago Rapid Transit Co. are in Federal court receiverships, and Judge Igoe is handling the cases.

At the same time, Judge Igoe requested various parties in the case to file briefs discussing the extent of the Commerce Commission's authority in rejecting the unification plan. In asking for the briefs, Judge Igoe said: "If the ICC has no authority to pass on this question no one will be happier than this court." The case before Judge Igoe was continued to May 17 to permit the preparation of the petition for rehearing.

"Chicago is now confronted with a very serious proposition, now that the whole thing (the merger plan) seems to have been done for naught," William H. Sexton, special traction authority for the city, told the court. "This leaves conditions chaotic right now when war conditions increase the need for service. I can't help feeling that this raises the question of the ICC's authority."

Mayor Kelly said the city's request for rehearing of the case will ask for an opportunity to prove the soundness of the proposed financial structure of traction unification "at any rate of fare necessary to make the finances come out even." The city previously had opposed the 8-cent street-car fare, but the Mayor said Monday that "there has to be a rate high enough to support the structure."

Chicago Municipal Bonds

Bonds of Chicago governmental units sold at all-time highs to feature a strong municipal market in the late stages of the Second War Loan drive. The occasion was the liquidation by the Retirement Board of the Municipal Employees' Annuity and Benefit Fund of Chicago of a total of $6,215,000 of bonds held in its investment account. The liquidation embraced $2,650,000 City of Chicago obligations, $343,000 of the Chicago Board of Education, $653,000 of the Chicago Park District and $2,569,000 of the Sanitary District of Chicago. All of the bonds are optional on various dates 1945-1948.

After analyzing the winning bids, bankers declared that Chicago bonds never before had traded at such high levels. The sale resulted in a book profit of $276,000 to the benefit fund, which represented the difference between the prices paid for the tax-exempts and those at which they were sold. The benefit fund made a $6,000,000 investment in the new Treasury 2s of 1950-1952 with a part of the proceeds.

As examples of the prices paid by banks and investment firms for the bonds, a block of $1,484,000 City of Chicago 3s, optional Jan. 1, 1945, was sold by the benefit fund at 103.47, or a yield basis of 0.90%, and a block of $1,443,000 Sanitary District 4s, carrying the same call date, brought a price of 105.08, or a 0.93% basis.

War Loan Drive

Investment bankers played an important part in success of the Second War Loan drive in the Metropolitan Chicago area. The 145 securities dealers and bond departments of downtown banks had the job of covering 3,500 large corporations and the principal executives of the companies through personal solicitation. The securities dealers themselves had about 725 men working on the job of putting the Treasury drive across.

The drive in Metropolitan Chicago was conducted under the leadership of Jay N. Whipple, partner of Bacon, Whipple & Co., and President of the Investment Bankers Association of America. Mr. Whipple's job was to raise some $370,000,000 in subscriptions from non-banking sources. That was the minimum quota assigned to Metropolitan Chicago. When this goal was crossed, sights were set on a $500,000,000 total. The area wound up the drive with total non-bank subscriptions around the $630,000,000 mark.

Unlisted Stocks

Trading activity in unlisted stocks has followed the pattern of recent dealings on the New York Stock Exchange, dealers reported. Activity has centered in low-priced issues, with trading running at a brisk pace. Such issues as Majestic Radio, Franklin County Coal and Consolidated Dearborn have met with demand at rising prices. Among features, it was pointed out that Northern Continental Utility preferred had advanced from 6½ in January to 18, and in the last couple of weeks Bendix Home Appliances had advanced from 33 to 41.

Bank Stocks

Recent trading in stocks of Chicago Loop banks has run at a dull pace at irregularly higher price movements, dealers said. Continental Illinois National was quoted on the bid side at the end of last week at 95, compared with 97½ on April 24. In the same period shares of the First National Bank of Chicago rose 2 points. Gains extending to 5 points were shown in other bank issues.

Harry Payne Nominated As Chairman Of Governing Board Of Chicago Stock Exchange

Harry M. Payne, partner of Webster, Marsh & Co., was nominated to succeed Arthur M. Betts as Chairman of the Board of Governors of the Chicago Stock Exchange, it was announced on May 4 by Paul H. Davis, Chairman of the Exchange's 1943 Nominating Committee, which filed its report of nominees of all offices to be filled at the annual election to be held June 7 next.

The following were nominated to serve three years as Governors: Arthur M. Betts, present Chairman of the Board, Alfred L. Baker & Co.; John W. Billings, Sadler & Co.; Joseph E. Dempsey, Dempsey-Detmer & Co.; F. Fletcher Garlock, F. S. Moseley & Co.; Charles R. Perrigo, Hornblower & Weeks; Frederick J. Stannard, 135 South LaSalle Street; Barrett Wendell, Lee Higginson Corp.; Edwin T. Wood, 120 South LaSalle Street.


Harry M. Payne

Elmer A. Kurzka, Fred W. Fairman & Co., was nominated for a two-year term, and John R. Burdick, Jr., 208 South LaSalle Street, was nominated for a one-year term. This slate of Governors were nominated to succeed Walter J. Buhler, M. Ralph Cleary, Thomas E. Hosty, Harry M. Payne, Richard W. Phillips, Sampson Rogers, Jr., and R. Arthur Wood, whose terms will expire upon the election of their successors. Messrs. Wood and Cleary are retiring from the Board because of the provisions of the Constitution of the Exchange limiting the election of Governors to two successive terms. Walter J. Buhler, Thomas E. Hosty, Richard W. Phillips and Sampson Rogers, Jr. are the other retiring Governors.

Arthur M. Betts, retiring Chairman, has served five consecutive terms as Chairman of the Board of Governors of the Chicago Stock Exchange. Mr. Betts has served longer as the elected head of the Exchange than any other member.

Paul B. Skinner, Hornblower & Weeks; Leo M. Apgar, Apgar, Daniels & Co.; William A. Fuller, William A. Fuller & Co.; John J. Griffin, 120 South LaSalle Street, and Henry L. Vehmeyer, 120 South LaSalle Street, were chosen as nominees for the 1944 Nominating Committee.

The 1943 Nominating Committee which presented the report on May 4 consisted of Paul H. Davis, Chairman, Paul H. Davis & Co.; Michael J. O'Brien, Paine, Webber, Jackson & Curtis; Frederick R. Tuerk, Cruttenden & Co.; Chancellor Dougall and Clyde H. Bidgood.

The Exchange's announcement had the following to say regarding Mr. Payne's career:

Harry M. Payne, the nominee for Chairman of the Board of Governors, is a partner of the firm of Webster, Marsh & Co., 120 South LaSalle Street. His firm has been one of the two general odd-lot dealers on the Exchange since 1924, and are also specialists in 23 issues on the Exchange, among which are Commonwealth Edison Co., Radio Corporation of America and Swift & Co., three of the most active dual listed issues on the Board.

Mr. Payne is 44 years of age and is a graduate of Hyde Park High School in Chicago. He started his business career in the advertising department of the Chicago "Tribune" in 1918. When the "Journal of Commerce" was organized, Mr. Payne continued his advertising work with that newspaper, and continued in the advertising business until he was admitted to membership in the Exchange on Nov. 8, 1922. He has been on the floor of the Exchange continuously since that time.

He has been prominently identified officially with the Chicago Stock Exchange since he was first elected a Governor in 1929. He has served on practically every committee of the Exchange since that date. He has been a member of the Executive Committee for three years and was Chairman of that group during a part of 1942.

Hempstead Washburne With Harris, Hall Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — Hempstead Washburne has become associated with Harris, Hall & Company, 111 West Monroe Street. Mr. Washburne was formerly Chicago correspondent for the Mercantile-Commerce Bank & Trust Company of St. Louis. Prior thereto he was with Farwell, Chapman & Co., was an officer of McGowen, Cassady & White, Inc. and the First of Michigan Corporation.

J. C. Culbertson With Doyle, O'Connor & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—John C. Culbertson has become associated with Doyle, O'Connor & Co., Inc., 135 South La Salle Street. Mr. Culbertson previously was with Mason, Moran & Co. Prior thereto he was with William R. Stuart & Co., Inc. and Charles Sincere & Co.

Thomson, McKinnon Florida Offices Open

Thomson & McKinnon announce that they have closed their seasonal office at Palm Beach, Florida, for the Summer, but that the personnel of that office will make their headquarters at their West Palm Beach office, which is a year-round office. Their offices at Miami, Jacksonville, Tampa, Orlando and St. Petersburg will also remain open during the Summer months.

Sigarth Johnson Now With Alfred O'Gara

(Special to The Financial Chronicle)

CHICAGO, ILL. — Sigarth N. Johnson has joined the staff of Alfred O'Gara & Co., 209 South La Salle Street. In the past Mr. Johnson was with Shearson, Hammill & Co. and prior thereto was a partner in Blake Brothers.

Wayne Hummer Co. To Admit Marion R. Baty

CHICAGO, ILL. — Marion R. Baty will shortly become a partner in Wayne Hummer & Co., 105 West Adams Street, members of the New York and Chicago Stock Exchanges. Mr. Baty has been associated with the firm as manager of the government and municipal department.

Clarke A Major

CHICAGO, ILL.—John Walter Clarke, President and Treasurer of John W. Clarke, Inc., 135 South La Salle Street, has been commissioned a major in the U. S. Army and will leave shortly for the School of Military Government at the University of Virginia. This school trains administrators to help set up civil governments in the countries reclaimed from the Axis, or to aid returning governments in their preliminary operations.

Major Clarke was for many years Vice-President for Brokaw & Co., forming his own business in 1932.

Liphardt With Dickson

(Special to The Financial Chronicle)

CHICAGO, ILL. — Edward H. Liphardt has become connected with R. S. Dickson & Co., Inc., 135 S. La Salle Street. Mr. Liphardt for many years was with John W. Clarke, Inc.

Chicago Recommendations

Adams & Co., 231 So. La Salle St., are receiving compliments on their new brochure, **"Securities, With Present Opportunity For Capital Gain"** and have additional copies available for dealer distribution. This is an exceptional job of compilation, art work and is in color. There are 15 situations which offer better than average market enhancement possibilities, which are benefiting at the present time, because of their direct or indirect war participation and potential post-war value. Diversification is the keynote and covers lumber, coal, utilities, transportation and real estate.

Dealers who request reprints of separatte pages of this brochure, which describes one issue, may be accommodated, as an extra stock has been printed and is available at the cost to **Adams & Co.**

* * *

Brailsford & Co., 208 So. La Salle St., will send, upon request, analysis of **Vinco Corp. Common Stock**, showing recent earnings.

* * *

Caswell & Co., 120 So. La Salle St., will send to anyone, on request, late earnings and data on **Gisholt Machine Co. Common, Reliance Steel Corp. Common**, and **General Box Co. Common**. This firm will also furnish quotations on all **Chicago Real Estate Securities.**

* * *

Cruttenden & Co., 209 So. La Salle St., will furnish recent memorandum on **Le Roi Co.** common stock, upon request.

* * *

Kneeland & Co., 141 W. Jackson Blvd., have just completed a revised circular on **Consolidated Dearborn Corp.**, showing Balance Sheet and up-to-date figures. On request.

* * *

John J. O'Brien & Co., 231 So. La Salle St., have compiled some terse data on **American Superpower, 2nd Pfd.**, listed on N. Y. Curb, and **Government of Peru, 6s of 1960-61.** Information on request.

* * *

Paine, Webber, Jackson & Curtis, 209 So. La Salle St., have compiled a comprehensive booklet on **Aetna Life Affiliated Companies.** This is a complete picture of the four companies from a financial and historical standpoint. Copies on request.

* * *

Ryan-Nichols & Co., 105 So. La Salle St., now have recent figures on **Ampco Metal, Inc.**, contained in analysis, which is available on request.

* * *

Straus Securities Co., 135 So. La Salle St., have, through their Statistical Dept., prepared recent analysis of **Marmon-Herrington Co., Inc., The Steel Products Engineering Co.**, and **Foote Bros. Gear & Machine Corp.** Sent on request.

* * *

There is considerable interest in the **rubber stocks** group of the securities market. **Thomson & McKinnon's weekly Review** of May 3 highlights the further gains in the price of these issues, and should be of interest to holders and prospective buyers. Copy of the Review may be had, free of charge, by addressing the **Statistical Library, Thomson & McKinnon**, 231 So. La Salle St., Chicago.

To Be Cgo Exch. Members

CHICAGO, ILL.—Memberships in The Chicago Stock Exchange have been posted for transfer to Sidney L. Castle of Chicago, partner of Carter H. Harrison & Co., and Dr. Henry G. Langworthy of Dubuque, Iowa.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

It is no simple matter to appraise the relative investment worth of fire insurance stocks on the basis of near-term earning prospects. Generally speaking, it seems quite certain that this year's premium volume will, in all probability, exceed that of last year; that total funds available for investment by the companies are larger than in 1942; that there will be no repetition of last year's ocean marine loss experience; that the burning ratio is likely to compare favorably with that of recent years, etc. On the less favorable side, it is known that expenses are increasing, that taxes will be higher, and that the rate of return on invested assets will be lower. Offsetting this last item is the fact that the average volume of funds invested by the companies throughout 1943 will be substantially above the average invested throughout 1942.

Meanwhile the market price of fire insurance stocks has been steadily mounting since the close of 1942. As measured by Standard & Poor's weekly index of 18 stocks, they have advanced from an index of 105.4 on Dec. 30, 1942, to 115.2 on May 5, 1943, an appreciation of 9.3%. Since the lows of April 29, 1942, the appreciation has been 31.5%.

At present market levels, what does the investor in fire insurance stocks get for his money? This is a fair question, and it is entitled to a fair answer. It is not necessary, however, to elaborate on what has already been told so many times regarding the fundamental nature of the fire insurance business, the diversification of risk which it represents, its long and successful history of earnings and dividends, etc. This is an old story, and it can be taken for granted that the fire insurance business will exist so long as free enterprise exists, and that the "old line" companies are going to stay in business to grow and prosper as the nation grows and prospers.

The pertinent question is: what are representative fire insurance companies earning, and what earnings can the investor buy with his dollar? In the tabulation below a statistical reply is attempted for a group of 28 representative companies, on what would appear to be a fairly reasonable basis of assumed earnings.

Company	Asked Price 5-4-43	Est. Net Op. Earnings	Est. Earn. Yield	Current Div. Yield	Div. % of Earnings
Pacific Fire	107½	$10.56	9.8%	4.6%	47.0%
National Union	176	14.65	8.3	2.8	33.8
Agricultural	73½	5.90	8.1	4.4	54.3
Bankers & Shippers	90	7.22	8.0	4.5	56.3
Providence-Washington	36⅝	2.70	7.4	3.8	51.4
Northern	102	7.58	7.4	4.9	66.2
United States Fire	54¼	3.92	7.2	3.7	51.4
New Brunswick	32⅞	2.35	7.2	5.5	76.4
Fire Association	66¾	4.54	6.8	3.8	56.0
St. Paul Fire & Marine	281	18.10	6.5	3.6	55.4
Fidelity-Phenix	50	3.17	6.4	4.4	68.8
Boston	607	38.95	6.4	3.5	54.7
Average	---	---	6.37	4.0	62.8
Franklin	29	1.80	6.2	4.8	77.4
Home	30¼	1.87	6.2	5.3	85.5
North River	25⅜	1.54	6.1	3.9	63.9
Springfield F. & M.	127½	7.74	6.1	3.7	60.6
Continental	48½	2.85	5.9	4.1	69.5
Insurance of N. America	78¾	4.63	5.9	3.2	54.3
American Alliance	23⅞	1.40	5.9	5.0	84.7
American Equitable	20¾	1.23	5.9	4.8	81.5
Security (New Haven)	41¾	2.38	5.7	3.4	59.6
National Fire	59½	3.18	5.4	3.4	62.9
New Hampshire	47	2.51	5.3	3.8	71.5
Hartford	95¾	4.85	5.1	2.6	51.0
Great American	30¼	1.48	4.9	4.0	81.5
Hanover	27⅞	1.37	4.9	4.3	87.8
Aetna	56½	2.65	4.7	3.2	68.1
Phoenix	88½	4.14	4.7	3.4	72.4

Estimated net operating earnings for each company are figured on the basis of net investment income for 1942 reduced 5%, plus net underwriting profits averaged for the five years from 1937 to 1941 inclusive. Net underwriting results for 1942 were given no consideration in view of their abnormal character.

It will be observed that, on this basis, the average earning yield for the group is 6.37%, that 12 stocks show an earning yield above average and that 16 stocks show an earning yield below average. The range is from 9.8% for Pacific Fire to 4.7% for Phoenix and Aetna.

As regards dividend yield, the average is 4.0% and ranges between a high of 5.5% for New Brunswick and a low of 2.6% for Hartford Fire.

If an investor is looking for dividend yield, he has quite a choice. But he should look beyond this to earning yield, which is far more significant. Particularly significant is the percent which dividends bear to earnings, and which are shown in the last column. It will be noted, for instance, that an average 62.8% of earnings are distributed as dividends, and thus 37.2% are reinvested in the business. An interesting example of an individual stock is Home, which shows an above-average dividend yield of 5.3%, a below-average earning yield of 6.2%, 85.5% of earnings distributed as dividends and only 16.5% retained in the business. Another interesting example is Providence-Washington with a below-average dividend yield of 3.8%, an above-average earning yield of 7.4%, 51.4% of earnings distributed as dividends and 48.6% retained in the business.

Louis W. Noland With Finch, Wilson & Co.

Louis W. Noland, formerly of Saratoga Springs, New York, is now associated with Finch, Wilson & Co., 120 Broadway, New York City, members of the New York Stock Exchange, in their Investment Department.

Mr. Noland is well known throughout the State of New York as the organizer and operating executive of the Saratoga State Waters Corporation, which was acquired in 1932 by the State. In 1933 he became president of the reorganized Saratoga National Bank and continued in that office until 1941. Mr. Noland is a former president of the Saratoga County Bankers Association and of the Saratoga Springs Rotary Club.

Jas P. Cleaver Joins Goodbody Trading Dept

James P. Cleaver has become associated with Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges, in their trading department.

Mr. Cleaver was formerly manager of the public utility bond and industrial stocks department of Greene & Company. Prior thereto he was a partner in Randolph & Cleaver and was a principal of James P. Cleaver & Co., Inc.

Augenblick & Kohn, NYSE Firm In Newark

NEWARK, N. J.—Augenblick & Kohn, members of the New York Stock Exchange, will be formed as of June 1 with offices at 14 Edison Place. Partners will be Harry A. Augenblick, Exchange member, and Richard E. Kohn. Mr. Augenblick has been active as an individual floor broker in New York City and prior thereto was a partner in Eisele & King.

United Corp. Attractive

The $3 preference stock of United Corporation, an investment company whose holdings are concentrated for the most part in large Eastern utility systems, represents an attractive vehicle for participation in the rise in prices of utility shares, according to a memorandum issued by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of the memorandum discussing the situation may be had upon request from Ira Haupt & Co.

DIVIDEND NOTICES

NEW YORK STOCKS, INC.

The Board of Directors of New York Stocks, Inc., has declared the following dividends on the Special Stock of the Company, payable May 25, 1943 to stockholders of record as of the close of business May 5.

Agricultural Industry Series	$.17
Alcohol & Dist. 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

T. F. CHALKER, Treasurer

Investment Trusts

First Quarter Reports

A balance sheet item which in recent years of depressed markets had become something of a rarity in investment company reports was again to be found rather frequently in their statements for the quarter ended on March 31, 1943. This item, variously described by different accountants, represents the excess market value over cost of securities held. The existence of such excess market value or "unrealized appreciation" is an eloquent testimonial of what has been going on not only in the markets, but in the investment company field as well.

The following figures are from first quarter reports now at hand:

Affiliated Fund, Inc.—Assets on March 31, 1943, including $10,000,000 of debentures outstanding, totalled $22,025,053 as compared with $16,938,056 a year earlier. Offering price of the common stock rose during the year from $1.94 to $3.29 a share, a gain of 69.5%.

Broad Street Investing Corp.—Net assets on March 31, 1943, totalled $6,078,483, which was equivalent to a liquidating value of $24.84 per share of capital stock outstanding.

Dividend Shares, Inc.—Net assets on March 31, 1943, exceeded $44,000,000 and were 18.3% higher than on Dec. 31, 1942.

Capital Administration Co., Ltd.—Net assets after deducting $1,300,000 of bank loans were $3,897,255 on March 31, 1943. This amounted to asset coverage of $89.79 per share of $3 preferred stock and asset value of $12.04 per share of class A stock.

Chemical Fund, Inc.—Net assets increased during the quarter ended March 31, 1943, from $9,123,792 to $10,858,925. Net asset value per share increased from $8.91 to $9.65.

Fundamental Investors, Inc.—Net assets on March 31, 1943, amounted to $8,720,010, which was equivalent to $19.96 per share. This represents an advance of 23.8% from the year-end valuation of $16.12, and a gain of 50.0% for the full 12 months' period.

Incorporated Investors—During the first quarter of 1943 net asset value increased from $34,253,145 to $44,500,970 and the number of shares outstanding increased by more than 48,000 shares. Net asset value per share increased from $14.64 to $18.62. From the fall of France on June 10, 1940, to March 31, 1943, the net asset value per share increased 55%.

Insuranshares Certificates, Inc.—Net assets on March 31, 1943, totalled $4,759,657 and liquidating value per share amounted to $9.74.

Keystone Custodian Fund, Series "S1"—Net assets at the fiscal year ended March 31, 1943, amounted to $454,673. During the fiscal year, net asset value per share increased from $17.90 to $23.78, or more than 32%.

Keystone Custodian Fund, Series "S3"—During the fiscal year ended March 31, 1943, net assets increased from $349,237 to $1,033,577. Net asset value per share

(Continued on page 1773)

Simplification Of Proxy Rules Desirable For All Concerned

(Continued from first page)

Corporation; John C. Emison received remuneration aggregating $260.00 from General Cable Corporation, $220.00 from Revere Copper and Brass Incorporated and $100.00 from two of said foreign corporations; . . ."

(and so on for half of another printed page.)

[The following is an excerpt from the recent proxy statement of Bethlehem Steel Corporation.]

"Any officer of the Corporation and also any director of the Corporation other than a director acting only in that capacity (except Mr. Grace, the President and a director of the Corporation, who has waived all right to a pension thereunder), may be eligible to participate in the Amended Pension Plan of the Corporation and Subsidiary Companies which was approved by the stockholders of the Corporation at their Annual Meeting held on April 8, 1941. Such Plan provides, in substance and among other things, that any Employee (except as therein otherwise provided) of the Corporation or of any subsidiary company (as the term "a subsidiary company" is defined in such Plan) of the Corporation who, at the time of his retirement, shall have had at least 25 years continuous service and shall have attained the age of 65 years shall upon his retirement be entitled to a pension in a monthly amount equal to 1% of the average monthly compensation received by him for the 120 calendar months next preceding his retirement, multiplied by the number of years of his continuous service, but no pension . . . ."

(and so on for another printed page.)

[The following is an excerpt from the recent proxy statement of D. A. Schulte, Inc.]

"During said fiscal year . . .

2. This Company paid to Park and Tilford the sum of $16,666.67 under an agreement made in 1932 pursuant to which this Company was granted the right to sell candy under the name of "Park & Tilford". This agreement expired June 30, 1942.

3. This Company made purchases of candy from Huyler's in amounts aggregating $9,691.80.

4. This Company received from Huyler's the sum of $1,386.98 pursuant to an arrangement for assistance to Huyler's in real estate problems. This arrangement was cancelled on March 10, 1942.

5. This Company purchased merchandise, consisting of various kinds of smokers' articles, from Alfred Dunhill of London, Inc., at prices aggregating $13,764.04."

(and so on for five more similar items.)

No criticism whatsover of the draftsmen of the above mentioned proxy statements is intended. They had to force the foregoing information upon the stockholders, even though they considered it perfectly immaterial and irrelevant. Now let's see why this was necessary.

At the outset, it should be remembered that the Securities and Exchange Commission was first given its authority over proxy solicitation on June 6, 1934, under the Securities Exchange Act of 1934. This Act provided for regulation of securities from many aspects, and proxy regulation was only one of the numerous and varied phases covered.

The proxy solicitation provision of the Act was contained in Section 14 and was relatively short and simple. Congress merely delegated complete authority to the Commission to make such laws regarding proxies as the Commission saw fit through the adoption of whatever rules or regulations on the subject that it wished—the Congressional enactment simply making it unlawful to solicit proxies for listed securities "in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors." Thus, the only legislative guide-posts for Commission proxy regulations were their necessity or appropriateness "in the public interest or for the protection of investors." The Congressional committee reports did not throw much additional light upon the legislative intent, although the Senate committee was apparently interested in having stockholders informed as to "major questions of policy" and the House committee also seemed to be interested in "disclosure of their interest" by "insiders" and "adequate explanation of the management policies which they intended to pursue."

Thus, assuming such a broad delegation by Congress of legislative power to an administrative body does not violate the Constitution, the field appears to be practically unrestricted for the Commission to make whatever laws on the subject that it desires; and a fine up to $10,000 and imprisonment up to two years may be imposed for "willful" violation of any of such Commission-made laws. This is only the criminal penalty and in normal course would be enforced through the office of the Attorney General of the United States.

A further penalty, of a civil nature and perhaps more serious, may be imposed under Section 18 (a) of the Act which provides, in substance, that "any person who shall make or cause to be made any statement in any application, report or document filed pursuant pursuant to (the Act) *or any rule or regulation thereunder* . . ., which statement was at the time and in the light of the circumstances under which it was made false or misleading with respect to any material fact, shall be liable to any person (not knowing that such statement was false or misleading) who, in reliance upon such statement, shall have purchased or sold a security at a price which was affected by such statement, for damages caused by such reliance, unless the person sued shall prove that he acted in good faith and had no knowledge that such statement was false or misleading." (Italics supplied).

The Commission, itself, has added another test of liability, which presumably would apply to both the above mentioned criminal and civil penalties as well as to the below mentioned injunctive penalty, as follows:

"No solicitation subject to Section 14 (a) of the Act shall be made by means of any form of proxy, notice of meeting, or other communication containing any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact, or omits to state any material fact necessary in order to make the statements therein not false or misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of a proxy for the same meeting or subject matter which has become false or misleading."

Moreover, under Section 21 (e) of the Act, the Commission has the power to bring an action to enjoin proxy solicitation or the holding of a stockholders meeting "whenever it shall appear to the Commission that any person is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of (the Act) *or of any rule or regulation thereunder*, ..." (Italics supplied).

Armed with the foregoing authority, the Commission prescribed its first proxy rules in September, 1935. They were quite simple and did not materially change previous corporate practice. They did prohibit the solicitation of proxies by means of any communication or statement which was false or misleading with respect to a material fact and required the filing of the proxy solicitation material with the Commission—thereby bringing into play the above outlined criminal, civil and injunctive penalties where the material was false or misleading. This, of course, was desirable and heightened the care taken in preparation of proxy solicitation material to see that it met the tests of truthfulness and clarity.

However, on Oct. 1, 1938, after inviting comments by corporate executives and lawyers and receiving substantial remonstrances, the Commission made a complete revision of its proxy rules by imposing detailed items of information which had to be furnished stockholders in the form of a proxy statement. The approach to the problem, as contained in those rules, is the same as that now in effect under the present rules. Last Winter, the Commission again made substantial revision of the rules, which added materially to the items of information required to be furnished and which went into effect Jan. 15, 1943.

To indicate the breadth of the field covered by the proxy rules, while the term "proxy rules" is commonly used, Section 14 of the Securities and Exchange Act applies to "any proxy or consent or authorization in respect of any security" registered on an exchange, and the rules themselves add that a "consent" or "authorization" may take the form of "failure to object or dissent." Thus, the proxy rules apply to solicitations of consents in respect of bond issues as well as stock proxies.

Also, while the rules originally applied only to corporations having securities listed on an exchange, further rules adopted under the Public Utility Holding Company Act of 1935 and the Investment Company Act of 1940 make proxy solicitation in respect of securities of registered public utility holding companies (or their subsidiaries) and registered investment companies subject to the proxy rules adopted under the Securities and Exchange Act of 1934, even where such corporations do not have any listed securities.

As to the requirements of the rules for proxy statements, certain rather formalistic information must appear in all proxy statements, such as whether or not the proxy is revocable by the stockholder; a summary of any appraisal rights of dissenting stockholders with respect to any matter to be acted upon pursuant to the proxy; the manner in which the proxy solicitation is to be made and who is to bear its expense; and whether the management or other named persons are making the solicitation and any direct or indirect interest which they may have in any matter to be acted upon pursuant to the proxy. Apart from such formalistic information, the items of information required in proxy statements by the proxy rules have been classified by the Commission according to the type of matter to be acted upon pursuant to the proxy. These classifications may be summarized briefly as follows:

1. Election of directors;
2. Election of officers other than directors;
3. Election of auditors;
4. Any plan providing for remuneration of any director, officer or employee or with respect to any other compensation of any director or officer;
5. Any amendment of the charter, by-laws or other document;
6. Authorization or issuance of any securities otherwise than in exchange for outstanding securities of the corporation;
7. Any plan involving the modification of any class of securities of the corporation, or the issuance of securities of the corporation in exchange for outstanding securities of the corporation;
8. Any plan of merger or consolidation, or any liquidation plan or plan involving acquisition of the assets or securities of another company;
9. Acquisition or disposition of any property;
10. Action with respect to any asset, capital or surplus account of the corporation;
11. Action with respect to any report of the corporation or of its directors, officers or committees or any minutes of meetings of its directors or stockholders;
12. A catch-all provision where action is to be taken with re-

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Canadian Securities

By BRUCE WILLIAMS

Although everyone agrees that a pay-as-you-earn tax system has manifold advantages, particularly in a wartime economy, we are still fighting over the details of an acceptable plan. As this is written the Senate version of the Ruml-Carlson skip-a-year plan appears to have the best chance of enactment.

Canada is on a pay-as-you-earn tax basis. And for the benefit of our collectivist-minded Treasury Department, it should be noted that the Canadian system is a modified version of the Ruml plan. What may be news to some Americans, however, is that a Canadian business man proposed just such a plan to his Government in December, 1941—nearly 18 months ago!

The man is Philip N. Mainguy, of Montreal. After working out the details of his plan and finding that it won the hearty endorsement of his business associates, Mr. Mainguy submitted the plan to Finance Minister Ilsley. Although Canada did not adopt pay-as-you-earn taxes until over a year later, Mr. Mainguy has received official recognition as the real originator of the idea in Canada.

These facts should in no way detract from the credit Mr. Ruml deserves for having originated the plan in this country. He and Mr. Mainguy do not know each other. They should get acquainted.

* * *

Some here and in England are predicting that the end of the war will not halt the trend toward collectivism and greater regimentation of the individual by the State. The following editorial from the "Financial Post" of Canada is a refreshing antidote to such thinking:

"Profit Is Honorable; Let's Recognize It"

"Hon. C. D. Howe recently gave the House of Commons some information about profit on war contracts that should show M.P.'s and Canadians generally much about the real nature of profit.

"'One is amazed,' Mr. Howe said, 'when he sees how costs can be brought down by organization, efficiency and repetition.'

"That is the key to profits everywhere and in all kinds of business, and Mr. Howe made it very plain. As the experience of war contractors increases as their operations gain in 'organization, efficiency and repetition' their profits increase. Constantly, the Minister pointed out, this makes it possible to rewrite contracts, reducing cost to the Government, keeping profits on a reasonable scale. He added: 'It is quite usual for a contractor to tell us that his profits are too large under a contract and to make a voluntary refund.'

"Too many people have the completely erroneous idea that profit is something squeezed out of the public—that it comes from holding up prices and extracting more from the consumer.

"The truth in modern society, of course, is precisely the reverse. Increased profit comes from increased efficiency which permits lower costs which permit wider distribution.

"The motor car industry for example: Its profits have increased in measure as its efficiency and the quality of its product have increased and their sale price has been reduced.

"The whole history of modern industry demonstrates unequivocally that the most profitable firms have been those which have paid the best wages, had the best skill and management, and gave the public the best value for its money.

"Who pays for such profits; out of whose hide do they come? Certainly it isn't the taxpayer, or the consumer or the worker. Each of them is saving or making money out of this efficiency, this management skill.

"Businessmen in recent years have talked too little about profit. Too often they have talked about profit as illicit or shameful. Profit is the indispensable fuel of the democratic system of individual enterprise. Let's recognize and honor it as such."

* * *

For dealers and investors who are interested in the bonds of the Dominion of Canada and Canadian Provinces, we recommend the 28-page handbook published by Wood, Gundy & Co., Inc. (New York office, 14 Wall Street). This little book contains a complete statistical summary of all issues outstanding as of January, 1943.

Our Reporter On "Governments"

By S. F. PORTER

The 2s are racing ahead, leading the market from the start. . . . They're already up to 100⅜ and showing no signs of fatigue. . . . As predicted, they're a much better speculative bond than the 2½s and, for some time, they'll continue to be. . . . It's a beautiful market all around, of course, but the action of this one bond is particularly significant. . . . And from the Government mart's movements in the last several days we may now draw these conclusions:

(1) If you're interested in playing the market swings during this coming year of war financing, restrict your operations to the securities banks can buy. . . .

(2) Expect the major movement in new issues to occur in the one bond the commercial banks can purchase and look for more gradual price advances in the bond that has a limited number of buyers. . . .

(3) Concentrate on the issue which is most oversubscribed, for although this is an obvious statement to speculative interests, it is especially important during these days of unprecedented borrowing deals. . . .

We're seeing a pattern develop—a pattern of war financing and market movements which is entirely new. . . . And the person or institutional management watching these trends from the start will get the most benefit. . . .

SELL THE 2s?

There's no question of the market's stability, its attractiveness as of today. . . . In fact, the situation looks so good that it's almost frightening. . . . It's just not natural for things to go along so smoothly despite the long list of reasons for the excellent action. . . . For instance. . . . We know there'll be no more borrowings until Fall. . . . Secretary Morgenthau last week stated in his usual conservative manner that "August" was the first possible date for a financing, but a superficial glance at the figures indicates the Treasury can get by comfortably until October, so let us assume the Fall will be the date. . . . And we know bank deposits are going up and going to continue up so that commercial banks will remain heavy buyers. . . . And we know that the support behind the market is powerful and informed. . . . And we know that liquidation is light and is under complete control. . . .

The reasons are so good that despite any observer's reluctance to admit the obvious, the obvious must be admitted. . . . The market acts well and looks wonderful. . . . And for once, all the dealers seem to be on the right side and are making money. . . .

But to get back to the 2s. . . . The big play in this bond now appears to be over. . . . Assuming the market does go higher, which is what the above suggests, the most we can expect from the 2s in the near future is another ⅛ or ¼ point and then the issue must stop and rest for a while. . . . A higher premium would place it out of line and that isn't healthy or indicated for a new loan. . . .

There are other issues on the list, though, that seem to be out of line on the other side. . . . To be underpriced as of this moment. . . .

It may be wise, therefore, for a holder of the 2s to consider lightening up on his 2s and switching into an outstanding issue for permanent investment. . . . There'll be plenty of buyers for the 2s at this level and the market won't be affected. . . .

THE 2¾s OF 1965

One of the cheapest issues on the board today is the 2¾s of 12/15/65/60, selling at a premium of 10½ points to yield 2.04% to call date. . . . That's a stiff premium, of course, but:

(1) The issue is tax-exempt and if you can use tax exemption there is no need for additional explanation of the value of this feature. . . .

(2) The bond is in the intermediate maturity classification and comes right before the basket of 2½s now available. . . .

(3) It has been outstanding for some time and is well absorbed therefore. . . .

According to one dealer, "There's a point or more in the 2¾s from this day on." . . . According to another checked on this angle, "That's one of the best issues out." . . .

Use your own judgment, naturally, but remember the supply of tax-exempts is dwindling all the time while the demand and urgent need for exempts is skyrocketing. . . . And the 2¾s carry the partial tax-exempt clause that all institutions outside of the savings banks and life insurance companies can use. . . .

It's possible that you might work out a switch from the 2s—taking a profit on these—and into the 2¾s. . . . No good on maturity or price comparisons but it may be an exceedingly profitable move on market action basis alone. . . .

INSIDE THE MARKET

The "on sale" 2½s of 1969/64 are doing well, too, but not nearly as well as the 2s because of the bank-buying angle. . . . Experts look for a gradual upswing in the 2½s after the initial fuss is over. . . . These are good bonds and will get better as time goes on, but for now, they're in the shade. . . .

Total outstanding of the new 2½s exceeds amount of previous issues. . . . Here's the comparison: there are $2,118,000,000 of the 1967/62 loan out, selling above 100½; there are $2,831,000,000 of the 1968/63 loan out, selling around 100⅛; there are $3,738,000,000 of the 1969/64 loan out, selling slightly below 100⅛. . . . Issues seem in line so all may be expected to move up together. . . . Although the 1969/64 issue will get the bigger play over the coming weeks. . . .

There has been some selling in the market but right through the demand has been on top. . . . As one trader put it, "The buying is considerably more important"—and that tells the story. . . .

One bond that has many interesting angles is the 2½% loan of 9/15/72/67. . . . Selling at 100¾, to yield 2.45% to call date. . . . Longest-term bond out but only 2½ the banks can buy, and that's an important point. . . . Only long-term banks can buy that is close to par. . . . The issue appears attractive to any institution that can afford the maturity but it may be that it will not come into its own until the insurance companies and savings banks, which hold millions of the obligations, lighten up. . . . In the meantime the issue is there to be bought while cheap and to be held for years. . . .

"Free riders" have been in this loan, of course, and it would be silly to deny that. . . . But they're taking their time about selling and freezing their profits. . . . Apparently, that "bottom" at par and the general conviction that the Federal Reserve and Treasury really have this market in hand have had great influence on free riding psychology and tactics. . . .

The 2s would have gone beyond 100.12 the day the allotment figure of 16% was announced had not the Federal Reserve intervened and sold some bonds to keep prices down. . . . Subscriptions for the 2s totaled $9,914,000,000, banks were permitted to buy $2,039,000,000. . . . Entire issue totals $4,796,000,000, making it the biggest loan on the board. . . . No other total comes even near to this. . . .

REFUNDING CALENDAR

The borrowing side of the financing calendar is going to be blank during the balance of this fiscal year but the Treasury still has some major refundings coming up. . . . And it's possible that at the time of the refunding deals, Morgenthau will pick up a few billions in cash, too. . . .

Outside of the certificate and discount bill issues, which are simply "rolled over" as the dates come up, Morgenthau must refund the $629,000,000 of 1⅛% notes, coming due June 15. . . . The $454,000,000 of 3⅜% bonds of 1947/43, also coming up June 15. . . . The $324,000,000 of RFC 1⅛s, up for repayment July 15. . . . And the $279,000,000 of 1s, maturing September 15. . . . It looks like small stuff after the multi-billion-dollar deal we've just had, but the activity will be there nevertheless. . . .

Simplification Of Proxy Rules Desirable

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spect to any matter not specifically referred to above;

13. Also, if the persons making the proxy solicitation are informed that any other person intends to present any matter for action at any security holders meeting, the proxy statement must identify such matter and show the disposition of it proposed by the persons soliciting the proxies.

From the foregoing, it is apparent that the proxy rules cover a tremendous number of corporations, and apply to every conceivable type of activity of those corporations where any vote or consent of their security holders is involved.

As the Commission has covered such a broad field in its proxy rules, as indicated by the above summary, it is necessary that this article be restricted to an analysis of the proxy statement requirements for an election of directors, this being the most frequently recurrent occasion for solicitation of proxies. Even as so restricted, I must further eliminate from my discussion any analysis of the numerous legal questions of a more or less technical nature which arise from the proxy rules, such as problems of construction and ambiguity, and thereby limit myself to the fundamental problems involved.

The proxy rule requirements in respect of management solicitation of proxies for election of directors may be summarized as follows:

(a) Any stockholders cumulative voting rights must be disclosed.

(b) The outstanding number of each class of voting securities of the corporation must be shown.

(c) The names and amount of securities owned by all holders of over 10% of the outstanding voting securities of the corporation must be shown.

(d) If any director or nominee has been or is proposed to be elected pursuant to an arrangement or understanding between any of the persons making the solicitation or the director or nominee and any other person or persons except the directors and officers of the corporation acting solely in that capacity, such arrangement or understanding must be briefly described.

(e) As to each director and each nominee, the following must be shown:

(i) His principal occupation and the name of the corporation or other organization in which it is carried on.

(ii) The year in which the director first became such.

(iii) Approximate amount of each class of securities of the corporation owned directly or indirectly by the director or nominee.

(iv) If more than 10% of any class of securities are benefically owned by the director or nominee and his associates, the approximate aggregate amount of each class of securities benefically owned by such associates must be shown, naming each associate whose holdings are substantial.

(f) The nominees must be named and their term of office shown.

(g) The business experience during the last five years must be briefly described for each new nominee.

(h) Any direct or indirect interest of each director or nominee must be shown in any transaction during the past year or in any proposed transaction to which the corporation or any subsidiary was or is to be a party.

(i) As to each director, each nominee for director, and each officer (not a director) who received remuneration of more than $20,000, the following must be shown for the past year:

(i) His total remuneration from the corporation and its subsidiaries, directly or indirectly, with a description of all transactions involved in its receipt, including the receipt of securities, options and other property for services and the exercise of options previously received for services;

(ii) Where the remuneration totals more than $20,000, any increase over the previous year must be set forth;

(iii) The amount paid by the corporation and its subsidiaries for his benefit pursuant to all pension or retirements plans, and the estimated annual benefits to him in the event of retirement;

(iv) His largest aggregate indebtedness to the corporation and its subsidiaries during the past year, except indebtedness arising from transactions in the ordinary course of business, and the amount of such indebtedness outstanding at the end of the year, together with the rate of interest thereon.

(j) Information comparable to that outlined in the immediately preceding paragraph (i) with respect to individual officers and directors must be set forth as to all directors and officers of the corporation as a group.

(k) There must be set forth the number of employees of the corporation and its subsidiaries (other than officers and directors of the corporation) who, during the past year, received remuneration exceeding $20,000 but not more than $50,000, the number who received more than $50,000 but not more than $100,000, and the number who received more than $100,000, giving the aggregate amount of remuneration paid to the persons in each group.

(l) Each person, other than a director, officer or employee of the corporation, must be named where his aggregrate remuneration during the past year exceeded $20,000, and the amount of such remuneration and the capacity in which it was received must be stated.

A mere summary, as set forth above, of the proxy statement requirements for an election of directors gives some indication of how detailed and complicated they are. The ostensible purpose of the Commission in making such requirements is to aid the stockholder, in the light of the information disclosed pursuant to the requirements, in determining whether the nominees should or should not be elected directors. To say the least, however, it would be extremely difficult to set forth all of the information which might reasonably be considered relevant to a nominee's qualifications as a prospective director, and the proxy rules fall far short of any such attempt. Recognizing that it is impossible to set forth all information which might be considered relevant, it seems to me that only really important information should be required and the line should be drawn to exclude relatively unimportant information, particularly where such unimportant information imposes a substantial burden upon the corporation in preparing it or only tells the unfavorable aspect of the story and discourages stockholders from voting by proxy due to lack of full understanding on their part.

The most important information to a stockholder in connection with an election of directors is, of course, the identity of the directors proposed to be elected. As above indicated, the proxy rules, quite properly, require disclosure of their names. Previously, the practice was quite prevalent for managements of corporations to solicit proxies for the election of directors without making such disclosure. Under the corporate theory now in vogue, the personnel of the Board of Directors is, of course, highly important to stockholders of a corporation. The Board of Directors ordinarily elects the officers of the corporation and is charged with its general supervision. The Board of Directors meets periodically and considers what the officers have done and propose to do, as well as what policies or transactions of major importance the management should carry out. By "management" I refer to the officers of the corporation who have daily charge of its affairs. If the personnel of the Board is incapable, lacking in diligence or integrity, or inattentive to the corporation's affairs, an unhealthy situation may well arise for the stockholders. An able management, of course, can offset a weak Board, but, under the corporate theory, the Board is supposed to have a relationship toward the management somewhat akin to that of Congress toward the executive branch of the Government. It is generally considered unhealthy, or potentially so, for the legislative branch to be subservient to the executive branch, and something of the same theory exists in respect of the relationship between the corporation's Board of Directors and its management.

Through the previous practice of omitting to disclose the names of the management's proposed nominees for directors, incapable managements were able to enhance their chances of staying in office. Corporate managements, of course, have ready access to all of the corporation's records, the names of the stockholders and the corporate funds. Through such facilities, even incapable managements did not usually find it difficult to obtain enough proxies from stockholders to elect whatever directors they desired. This situation stimulated some managements to cause the election of directors who would be subservient to the management, such directors, in turn, re-electing the management as officers of the corporation. As a practical matter, such a procedure of management self-perpetuation was found possible by incapable managements until the corporation's affairs had deteriorated to such a point that it was almost on the doorstep of bankruptcy. Then, under many practical handicaps, a group of stockholders would organize and engage in a proxy war

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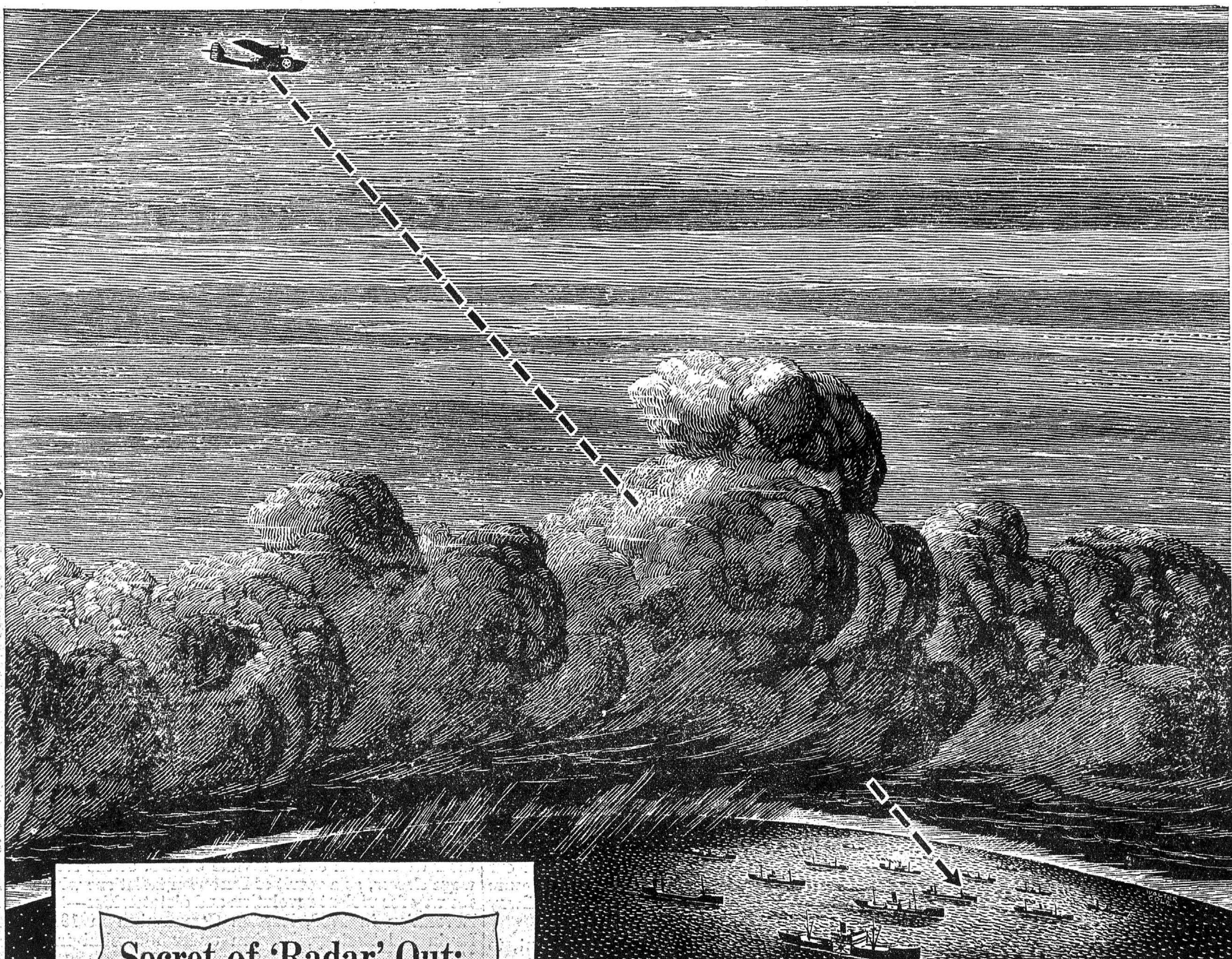

Secret of 'Radar' Out; Device to Spot Enemy

WASHINGTON, April 24. — The War and Navy Departments today lifted, in part, the veil of secrecy that has shrouded one of the two services' most hush-hush defense devices—the detection device known as "Radar."

Until today, newspapers were prohibited from even using the word "Radar," which is an abbreviation of "Radio-Detecting-and-Ranging."

Satisfied, apparently, that by now early models of Radar have fallen into the hands of our enemies, the War and Navy Departments disclosed that the device is being widely used by land forces to detect ap-...aching enemy air... by ... released until the Army and Navy are convinced that the enemy already has information from some other source."

RADAR GUARDS COAST

Since the United States entered the war Radar has been standing guard on our coasts and on the bridges of American battleships, maintaining a constant vigil over the skies and the seas for approaching hostile aircraft and warships. In some outlying military posts and on some of our ships Radar had been installed long before the war.

It was a radio detecting device (not then known to the public as Radar) that enabled a private at Pearl Harbor to dete... approach of Japanese ai... his wa...

Radar means RAdio Detection And Ranging. Radar seeks out the enemy beyond the range of human eyes and ears. Through ultra-high frequency radio waves, it locates and measures the distance to enemy targets. It warns against the approach of hostile forces. Fog, clouds, storms or darkness have no effect upon its miraculous powers!

RADAR, THE SECRET WEAPON, TELLS THE SENSATIONAL STORY OF PHILCO AT WAR!

NOW THE SECRET IS OUT! The story of Philco's vital contribution to victory is officially revealed. It's *Radar*—the fabulous secret weapon whose miraculous power seeks out the enemy *"through fog, clouds, storms or darkness"!*

Throughout Philco's overwhelming leadership in radio, its laboratories have *pioneered* in the field of ultra-high frequency radio waves, upon which Radar is based. When the Jap struck and our fighting forces asked Philco to perform *"impossible"* tasks of Radar development and production, Philco laboratories and production lines were *ready.* And they won their Army-Navy "E" for *"performing today what yesterday seemed impossible"!*

While Philco soldiers of production are turning out tank radios, communications equipment, ordnance and storage batteries, *Radar,* the once secret weapon, is one of their major war assignments. Theirs is the most dramatic story that has yet been told from the annals of war production.

But even more important is the vision of the peacetime sequel to their war achievements. In radio, television, refrigeration, air conditioning, only the future can reveal the untold progress that will appear under the famous Philco name . . . when peace is made secure!

PHILCO CORPORATION

Simplification Of Proxy Rules Desirable

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with the management in an endeavor to cause non-subservient directors to be elected which, in turn, would throw out the incapable management.

One theory of a beneficial effect to be hoped for from proxy statements can be illustrated by the above-mentioned problem of self-perpetuation by incapable managements. The theory of this benefit is "preventative" in nature, and rests upon the supposed embarrassment which would be caused the management if widespread publicity among the stockholders of their corporation was given to the fact that they proposed to elect a slate of directors who were lacking in ability or reputation. As above set forth, the new proxy rules require that the proxy statement must not only name each proposed nominee for election as a director, but also state his principal occupation and the name of the corporation or other organization in which such occupation is carried on. Further, in the case of a nominee who has not previously been elected a director by stockholders, his business experience for the last five years must be briefly described. Thus, when the management knows that, in soliciting proxies, it must set forth the above-mentioned information regarding the nominees it proposes to have elected as directors, and that such information will receive widespread publicity among the stockholders of their corporation, the effect hoped for is that the management will be discouraged from proposing "dummy" directors or persons who cannot meet the tests of ability and integrity. It is possible that this theory may have the desired results, but it seems to me to tend toward "wishful thinking." I believe that an adequate supply of directors can always be found who will be subservient but who, on the surface at least, do not appear to be lacking in reputation, ability or integrity.

Moreover, this "preventative" theory can be carried too far, with the result of discouraging transactions which, if consummated, might be of considerable benefit to the corporation. For instance, as above set forth, the proxy rules require disclosure of any direct or indirect interest of each director or nominee for director in any transaction during the past year or in any proposed transaction to which the corporation or a subsidiary was or is to be a party. This requirement necessitates disclosure of all transactions between two corporations where they have a common director. Even transactions in the ordinary course of business must be set forth, except such transactions as are "immaterial and insignificant." Obviously, such disclosure pursuant to proxy rule requirements carries with it the inference that something might be wrong with the transaction and that it should be closely scrutinized. The threat of law suits, baseless though they may be, and the questions and criticism which might result through insufficient knowledge of the facts on the part of the stockholders might well have the tendency to discourage such transactions, even though, if consummated, they would be beneficial to both corporations.

It seems to me that the Commission has gone considerably farther than is desirable in its disclosure requirements with the result that the benefits from the "preventative" aspect might well be outweighed by the detriments. I do not wish to suggest that there should not be proper disclosure of transactions between directors and their corporation. But a proxy statement does not strike

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Can The United States Support A 300 Billion Dollar Debt?

(Continued from first page)

we want to preserve our constitutional democracy and to avoid totalitarian dictatorship, the debt must be repaid in dollars of approximately their present value. Otherwise we will have fought the war to end dictatorship only to embark upon the road to dictatorship, despite victory, through the route of national bankruptcy, the direct cause of the Italian, Russian and German dictatorships of today.

The Nation's Debt Record

However, our debt record as a nation is confusing and conflicting. Despite our present good intentions, our past performances in debt redemption cast shadows of doubt over the future. In the final anaysis, the decision will rest with the ballot box.

Let's look at the record briefly. In our colonial period, despite widespread prevalence of straight-laced, stiff-necked blue laws, and the like, 12 of the 13 original colonies defrauded their creditors and citizens by currency manipulation of various types—ten of them depreciated their currencies 50% or more in gold value. In some the currencies became utterly worthless.

During the Revolution the paper monies issued by many of the States depreciated 99% and were finally repudiated. Alexander Hamilton, by gargantuan efforts, finally was able to establish the credit of the newly born United States by full redemption at gold parity of all foreign loans made to the Continental Congress. By a log rolling deal with Jefferson, Hamilton finally was able to effect Federal assumption of all State debts incurred as a result of the Revolutionary War, in exchange for an agreement to remove the Capital from Philadelphia to Washington. To do so, however, he was politically forced to repudiate entirely the paper money, issued during the war by the Continental Congress, which had already become practically worthless.

Yet, less than 50 years later, the new nation was able to declare a dividend to the States from a surplus in the national treasury. A little political courage and patience would have permitted full redemption with honor.

In the '30s and '40s of the 19th century some of our States repudiated bonds sold to foreign investors to secure funds for internal development of State resources, railway construction, etc.

Following the Civil War, the Federal Government, to discourage rebellion, rightly insisted that all bonds and currency of the Confederacy be repudiated. In subsequent years certain States again defaulted on bonds sold abroad.

A Proud Civil War Record

During the Civil War Federal bonds and greenbacks, not redeemable in gold on demand, depreciated about 65% in terms of gold. Following the war three political campaigns were fought to determine whether these bonds and greenbacks should be redeemed at par. Finally, 15 years after the war, honesty and integrity prevailed. They were made redeemable fully at par, and the Supreme Court courageously enforced the gold clause in all contracts. At the close of the war, the Federal debt was only $2,700,000,000, and within 28 years it was reduced to less than $1,000,000,000, the lowest in all our history since 1862.

Another Proud Record

We entered the first World War with a national debt of about $1,200,000,000. It rose in 1919 to a peak of $25,500,000,000, in bonds containing the gold clause promise of the Government to redeem the bonds in gold dollars of the same weight as of date of issue. This clause had become necessary to assure their sale to the public, which was skeptical of Government promises in the light of the record. In the 10 years following 1919 this debt was reduced to $16,900,000,000, at the rate of almost $1,000,000,000 per year, with an average annual national income of about $72,000,000,000 for the period. Yet in this period Federal taxes were substantially reduced from 8.7% of the national income in 1921 to an average of only 5.6%.

The Gold Clause Repudiation

The depression years, 1930-33, increased the debt to $22,500,000,000. In 1933, gold payments were outlawed by the Federal Government on both Government and private contracts, thereby repudiating the Government's promise to redeem its bonds and currency in gold dollars at a fixed weight. This action of the Federal Government was sustained by the Supreme Court in 1935. All bonds, Federal and private, since then, have been permitted to carry no protection against devaluation.

From 1933 to 1941 the Federal debt almost doubled, reaching $42,900,000,000. Since the outbreak of war in 1941, it has risen by leaps to about $130,000,000,000 today, and will approximate $250,000,000,000 by June 30, 1944. It is all payable in dollars of no definite standard. It can be redeemed in dollars of any value determined by Congress or (if the power of devaluation is again delegated, as it was in 1933), by the President at his discretion.

On the record, therefore, the chances of redemption, in dollars of present or pre-war value, of a national debt of $300,000,000,000 or more would appear uncertain.

The higher the debt goes, the greater will be the pressure to redeem it in dollars of much lower value than at present or pre-war rather than tax it away over a long period of years. However, sustained integrity of purpose in government and the economic good sense of our people, who are realizing increasingly the issues underlying debt repudiation, are good omens that we shall again have the moral fibre to redeem the debt honestly.

The People's Stake

Secretary Morgenthau on March 22 announced that at that time there were over 50,000,000 investors in war bonds and 25,000,000 participants in payroll savings. In addition, there are about 25,000,000 bank depositors and more than 50,000,000 insurance policyholders in the United States. Approximately 30,000,000 persons are being taxed on their payrolls, establishing credits in Washington for old-age pensions and unemployment compensation. There are several millions of holders of obligations of private corporations and individuals totaling $115,000,000,000, others who hold obligations of the States, counties and cities totaling $16,000,000,000. In January, 1943, the banks of the country held 47% of the total Federal interest-bearing debt and the the insurance companies held 10%, a total between them of 57% of the entire Federal debt, then estimated at $114,300,000,000. In the aggregate, therefore, more than half our population, and, in fact, every family in the country, has a direct and vital stake in preservation of the present or prewar purchasing power of the dollar.

All who advocate the cowardly way of inflation or direct repudiation will do well to examine the real temper of the people before accepting the easy road of repudiation or inflation rather than the harder, more courageous road of honesty and integrity. The people can readily recall the utter destruction of the middle classes, of the salaried and wage classes, as a result of European inflations which paved the way for violent revolution and dictatorships—the French Revolution in 1789, Russian Communism in 1917, under Lenin and Trotsky, Fascism under Mussolini in Italy in 1921, and Hitlerism in Germany in 1932.

Will Politics Force Repudiation?

At present, in light of various over-ambitious, unofficial post-war plans, the future is not too reassuring. For instance, assume for the moment a national income after the war of $100,000,000,000 and a gross national debt of $350,000,000,000. The State and local governments are spending $9,000,000,000 annually; the Federal expenditures over the past 10 years averaged $8,000,000,000. This makes a total of $17,000,000,000 for ordinary expenses of government. Add $6,000,000,000 to $8,000,000,000 for interest on the post-war debt, between $10,000,000,000 to $20,000,000,000 estimated for "Cradle to the Grave" social security, $20,000,000,000 for the post-war armed services (as estimated recently by Vice-President Wallace), and $1,000,000,000 at least for veterans and dependents. This totals to about $70,000,000,000 of the $100,000,000,000 estimated national income without allowances for debt redemption, world-wide relief, and other favorite projects. There's the major cause of most of the doubt. Merely to tabulate the costs shows the absurdity of the program.

Recent assurances have come from Washington. The Congress has just voted to discontinue the President's power to devalue the currency. The present huge holdings of $22,500,000,000 of gold bullion, more than 90% of the total world supply, are cited as a safeguard against currency depreciation.

There would be still more confidence in the future, if the currency were again redeemable in gold on demand, and if gold were again allowed to circulate freely. This move would go far to prevent any currency depreciation. The revival of the sanctity of the gold clause, protected by constitutional amendment, would give **complete** assurance.

The next question is the vital one—**can** we redeem a $350,000,000,000 gross debt in honest dollars, and, if so, how?

The answer is yes, if we have the political courage to attempt it.

The British Experience

Great Britain for many years has carried a national debt more than 200% greater than its national income, treating the debt more or less as a permanent one. Yet it quite consistently maintained a balanced budget in the years preceding the present war.

The Napoleonic Wars, 1793 to 1815, caused an expansion in British debt from £245,000,000 to £734,000,000. This debt is reported to have been greater in relation to British national income at that time than the debt of the 1930s in relation to British national income of that period. While between 1815 and 1850 this debt of Britain remained stationary, yet, because of the rapid increase in population and the substantial increase in productivity resulting from the Industrial Revolution, the debt, which to many in 1815 seemed unbearable, in subsequent years was negligible.

Our First World War Experience

National income is, at best, an inadequate and dangerous concept. It is variously defined and its methods of determination are subject to grave defects. Yet, if used with extreme caution and qualifications, it is helpful in conclusions not otherwise available.

In the period 1909-13, our estimated national income averaged $30,700,000,000. The Federal tax take during this period was only 2.2% of the national income. The war inflation raised prices from 1909-1913 through 1920 (Wholesale Commodity Index) by 126%. National income rose to $73,500,000,000 in 1920, but due to the price rise, the real national income probably did not rise as much as 10%.

During the war, however, the Federal tax take rose to a high of all time up to then of 5.9% of the estimated national income in 1919, 8.4% in 1920, and 8.7% in 1921. This was the high point until the Roosevelt Administration took office.

From 1920 through 1932 prices fell sharply, but national income rose to a peak of about $80,000,000,000 in 1929 (before adjustment to price changes) and fell to about $45,000,000,000 in 1933, the low since 1917. However, estimated national income for 1919-38 averaged $66,600,000,000 in current prices and $70,000,000,000 after price adjustment. **Average national income, therefore, after price adjustment, rose about 55% during the period 1919-38 over the period 1909-13.**

This real gain of 55% was due to a sharp increase in population and increased production arising out of improved machine technology. We not only held the gains of the war period, but greatly improved upon them. Despite the subsequent "great depression" years 1930-35, in 1939 estimated national income was $67,000,000,000 before adjustment for price changes, compared with $38,000,000,000 in 1914, an increase of 76%, while prices in 1939 were only 14% higher than in 1914. In this period, however, per capita productivity probably did not increase because of unemployment and shorter hours.

National income in 1940 is estimated at $76,000,000,000, in 1942 at $117,000,000,000, and for 1943 at $135,000,000,000, all before adjustment for price changes. In 1940 the Wholesale Commodity Index (1926=100) stood at 78.6 (1½ points over 1939). By March, 1943, the index rose to 103.3, an increase of almost 35% over 1939. Reduced to 1939 prices, the estimated 1943 national income would be almost $100,000,000,000 compared with $67,000,000,000 in 1939, evidencing a very substantial, real increase in production!

Can The Debt Be Paid In Honest Dollars?

Consequently, if the last war and post-war periods are fairly accurate precedents, we can expect, at least, to hold and even to improve upon the present war level of production and of national income, despite sharp fluctuations in prices and national income which can be expected over a period of time. We should, if the forces of production, capital and labor are permitted to operate without bureaucratic domination, look forward to expansion of our national income over the next 50 years very substantially, despite the fact that by 1960-70 our population is expected to become more or less static with an average increase of about 1,000,000 persons per year until then. We can overcome this by full utilization of our of man and woman power, by increased production per man hour through constantly improved machine technology and cost-saving devices, and, if necessary, by a longer work week than 40 hours.

By 1960 we should have a population of 150,000,000. If we in the meantime take advantage of our reduced costs of production (resulting from increased supply of skilled labor, improved plant and equipment, and increased machine technology growing out of the war) to reduce prices and tap the huge unexploited markets at home and abroad in the lower income-groups, we will use our productive plant, our magnificent labor force, and our huge capital funds to the maximum. Our national income in dollars, despite lower prices based on lower costs, could increase substantially over present levels, more than making up in increased volume what is lost in lower prices.

It would appear quite feasible for us to maintain a permanent minimum national income of $100,000,000,000, and even to expand it to $150,000,000,000 over the next 50 years or more. In the immediate post-war years of reconstruction abroad and satisfaction of bottled-up demands at home, it should be comparatively easy. In fact, we may well be short of man and woman power to do the job, rather than be faced with unemployment.

In subsequent years, the full working force, capital funds and productive capacity of the nation can be kept fully at work, especially if we gradually accept the doctrine of buying abroad those things produced cheaper there and selling there those things we can produce cheaper here. Our real standards of living will be raised thereby, through lower prices, and huge foreign markets will be opened to us. Furthermore, only by allowing our debtors to pay us their debts in surpluses of our imports over our exports, can we receive repayment of huge sums to which we will be entitled.

Necessary Changes In Federal Policies

All this, however, will require governmental policies fostering maximum production based on lower costs rather than subsidized restriction of production with prices artificially pegged by government above their true level. It will require maximum employment rather than subsidized unemployment, wages and hours determined by collective bargaining on a free, rather than a statutory, artificial market. It will require encouragement of lower rather than higher prices, and the re-establishment of free determination of prices on a free competitive market. It will also require recognition of the fallacies that higher prices make for prosperity and that we will have more for distribution among all of us by restricting production. It will also require the rehabilitation of the profit motive as the necessary stimulant and incentive to maximum production.

All this will mean full employment of capital, plant, and man power. It will mean greater and surer social security without Government domination. It will mean higher real wages, a higher standard of living, and in the long run a shorter work week than the Government can ever assure by legislation.

How The Debt Can Be Paid

From 1922 through 1932 the Federal tax take averaged only 4½% of the national income, but under the present administration it rose in the 1930s to an average of 6½%, and in 1938 reached 9.7%, the all-time high until the present war.

In 1932 Federal, State and local taxes took 17.4% of the national income, 4% going to the Federal Government, 13.4% to the others. By 1938 the total take was 22.4% of the national income, 9.7% going to the Federal Government. In 1933 England and France took in taxes for all government 26.7% and 27.8%, respectively, of their national incomes, while in 1938 they took only 21.7% and 24.9%, respectively.

With a **minimum** national income of $100,000,000,000, expanding over the coming years, and an annual tax take of not more than 25% for all government purposes (State, local and Federal) we would have a minimum of $25,000,000,000 for all governmental purposes. In the '30s the State and local expenditures averaged $8,000,000,000 and the Federal expenditures $8,100,000,000 though the average Federal expenditures in 1923-1933 were only $3,000,000,000 per year.

Allowing $8,000,000,000 per year for State and local governments, we will have $17,000,000,000 for Federal purposes out of the $25,000,000,000 total tax take. Since a national income of $100,000,000,000, with a relatively static population, will mean relative full employment and reasonable farm incomes, Federal subsidies for relief (which cost $25,000,000,000 in the last ten years) and for agriculture, etc., can be substantially reduced, if not eliminated. Ordinary Federal expenditures of the '30s can therefore reasonably be cut from an average of $8,100,000,000 to $6,000,000,000, still a 100% increase over the average Federal expenditures for 1923-33.

Subtracting the $6,000,000,000 from the $17,000,000,000 left after the State and local expenditures, leaves only $11,000,000,000 for increased veterans' benefits ($557,000,000 in 1940), for annual debt retirement and interest, and for additional costs of the armed services. Allowing $1,000,000,000 for additional veteran and dependents' benefits, $10,000,000,000 is left for these other purposes.

This clearly does not allow much for interest, amortization, the armed forces, and emergency expenditures, but we are using **minimum** revenue figures.

Offsetting, Realizable Assets

Assuming a gross debt of $350,000,000,000, there are

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Simplification Of Proxy Rules Desirable

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me as being an appropriate place for such disclosure. Firstly, with the brevity desirable for a proxy statement, it is usually difficult to describe a transaction adequately so that a stockholder can understand it fully. Secondly, if the transaction is described in the report (usually Form 10-K) made annually by the corporation to the Securities and Exchange Commission and the stock exchange upon which the corporation's securities are listed, sufficient disclosure of the transaction should be accomplished. Those reports may be examined by any stockholder (or any person, for that matter) and if there is anything wrong with the transaction, the odds are greatly in favor of its being given a thorough investigation by interested stockholders (and their lawyers).

In this connection the present proxy rules are tending to require much of the information contained in the Form 10-K reports to be duplicated in proxy statements. Obviously, the reason for this is that the average stockholder never sees these rather voluminous Form 10-K reports because he usually has only a small investment in a large company and disproportionate effort and expense would be incurred by him in having an investigation made of the Commission's files.

But, firstly, it is highly doubtful that the average stockholder is interested in such voluminous information or that he would take the time to read it even if printed and mailed to him. To include a large part of it in proxy statements adds substantially to the already lengthy and complicated nature of proxy statements which is further enhanced by the care necessary on the part of managements that no criminal, civil or injunctive penalties be incurred and the tendency on the part of the staff of the Commission to regard proxy statements as being prepared more for the "average moron" than for the "average stockholder." Already the staff of the Commision is getting itself into a position of urging certain information to be contained on the first page of the proxy statement for fear that stockholders will not read beyond the first page.

Secondly, items of information now required in proxy statements tend to show only narrow segments, in an unfavorable light, of a picture which, as a whole, may be very attractive. For instance, in showing transactions with and compensation of directors, the benefit which the corporation received from the transactions or services of the directors cannot also be depicted. In this connection, it should be remembered that penalties, both criminal and civil, can be imposed for misleading statements which blacken the picture by failing to show the whole facts. If a stockholder sold his security because of misleading information on the bearish side, he would have a cause of action for damages just as much as though he had bought the security in reliance upon misleading information on the bullish side. Although done pursuant to Commission mandate, the present proxy statements do tend to emphasize only the bearish side of the story and in this way may give some unjustifiable impetus to security sales with a detrimental effect upon stockholders wholly outside the contemplation of Congress.

A quite likely effect of most of the proxy statement disclosures upon the stockholder who reads it is merely to cause him not to sign and send in his proxy because he cannot fully understand all of the information and must necessarily be left with the inference that something is wrong

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Simplification Of Proxy Rules Desirable

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or the information would not have to be set forth. This makes much more difficult the management's task of obtaining a quorum of stockholders represented at the meeting, and adds to the expense of proxy solicitation by necessitating follow-up letters and more extensive canvassing of stockholders. Further, under most State corporation laws, failure to obtain a quorum merely results in the election not being held and the directors then in office become "hold-over" directors with substantially the same practical effect as though they had been reelected. In such case the purpose of the proxy rules would be largely nullified. In the light of such a result some corporations have seriously considered omitting entirely any proxy solicitation so as to eliminate the work and expense involved but without such omission having any practical effect upon their directorships or managements.

A much happier solution than requiring such detailed proxy statements would seem to be to require any information, which reasonably may be considered of sufficient importance and relevance, to be included in the Form 10-K filed annually with the Commission. This filing could be made concurrently with the filing of the management's proxy solicitation material. The proxy solicitation material could state that the further information was on file and that copies would be furnished to any stockholder upon request and upon payment of a small charge which should be as low as possible but sufficiently high to discourage "idle curiosity" requests. Any opposition proxy solicitation could then circularize the stockholders and make such use as it wished of the material on file with the Commission, so long as it made no false or misleading statements nor omitted any material facts. In this way, it is believed that the great majority of managements who are doing a good job and are not vulnerable to attack would be spared many undesirable effects of the present proxy statements. On the other hand, those few managements which properly should be attacked would undoubtedly encounter just as vigorous opposition as they now do under the present proxy rules, and would be forced, in defending themselves, to answer and explain any substantive points of attack made by opposition in at least as much detail but probably on fewer and more highly concentrated items than would have resulted through the initial information in the current form of proxy statement.

Opposition to the management is accorded substantial help under the proxy rules, probably on the theory of the supposedly inherent advantages which the management has in a proxy war. For instance, the information required to be set forth by the opposition is much simpler than in the case of management solicitation, and, as a practical matter, consists only of the formalistic matters above mentioned and the above-mentioned items (d), (e) and (h), where their proposed nominees had not previously been directors of the corporation, plus a brief description of the business experience of each nominee during the last five years. Of course, the opposition can usually obtain its own list of stockholders and do its own circularization direct, but, under the proxy rules, the management must mail the opposition proxy solicitation material upon being tendered payment of the expense therefore.

It also would seem that the above-mentioned theory of letting the opposition point up the matters at issue could be applied to

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Can The United States Support A 300 Billion Dollar Debt?

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many off-setting items which can be listed. The Director of the Federal Budget Bureau recently stated that at the end of the war the Government would have on hand $50,000,000,000 of surplus supplies (exclusive of plant and equipment) scattered all over the world. This sum is greater than our entire national debt in 1941 and about the same at present exchange rates as Britain's entire national debt in 1942 after three years of the present war.

We have advanced to our Allies under "lease-lend" about $10,000,000,000 and we can reasonably expect that account to reach $25,000,000,000 before the end. There is also the matter of about $14,000,000,000 due us from the Allies on account of the last war.

The Government has also invested at least $5,000,000,000 in Government owned plants for war production and $25,000,000,000 in other construction. Probably another $5,000,000,000 will have been invested in real estate and $5,000,000,000 in loans to Latin American countries. Probably as much as $25,000,000,000 will be in Government owned shipping at the end of the war. These figures do not include many billions of dollars of Government financed plants and equipment, industrial and other, much of which is under option to private industries at the end of the war. All in all, the total will amount to more than $150,000,000,000, more than three times our national debt in 1941.

Let's hope that at least $75,000,000,000 will be salvaged to reduce the gross debt over a period of years from $350,000,000,000 to, say, $275,000,000,000. It can be done, if there is the will to do it. And it will be much easier to salvage 50% ($75,000,000,000) than to produce that same volume and to tax it from our people.

But let's figure a salvage of only one-third, or $50,000,000,000, leaving a net debt of $300,000,000,000 to be repaid over the years. With a minimum national income of $100,000,000,000 we can, judging from British experience, reasonably sustain a national debt of twice the size of our national income, or, say, a net debt of $200,000,000,000. In fact, there are many reasons to believe that our country can sustain a greater debt in relation to our national income than the British can. The $300,000,000,000 figure will, however, severely strain all our resources to carry it, and balance income and expenditures. But it can and must be borne and redeemed in honest dollars, if we are to avoid national bankruptcy and dictatorship.

A Balanced Budget Necessary

It makes relatively little difference how long it takes to repay the debt. What matters most is popular confidence in the honesty and integrity of purpose of the Government to repay it. And the best means of establishing that confidence is the maintenance of a balanced budget, which has not been attained by the Federal Government since 1930.

With a national income of $100,000,000,000 we could, by taking the entire national income, repay it all in three years. By taking $3,000,000,000 for debt redemption, we can repay it in 100 years and maintain a balanced budget, but the carrying charges will be heavy.

Assuming a debt retirement of $3,000,000,000 per year and subtracting that sum from $10,000,000,000 still available from our assumed annual Federal revenues of $17,000,000,000, we have left $7,000,000,000 per year for interest on the debt, for additional expenses for the armed services and for emergency expenditures, if we are to keep the budget in balance.

Interest On The Debt

A debt of $300,000,000,000, converted into bonds with an indefinite maturity date (rather than permanent bonds) can possibly be carried at an interest rate of, say, 2%. If necessary, to assure this rate, special inducements could be offered, such as partial inheritance or income tax exemption, or redemption in gold dollars of a fixed weight. This rate would mean an interest charge annually of $6,000,000,000, leaving only $1,000,000,000 for the armed forces and emergencies.

With some substantial support from the rest of the world, which we presumably will be policing for some years to come to maintain peace, $1,000,000,000 should, after a reasonable time, suffice for maintenance of the armed forces.

In case of emergencies, such as necessary subsidies in various quarters, or additional funds for the armed services, or additional interest on the debt (if a 2% rate proves too low), the total tax take could be raised temporarily from time to time by 5%, but 25% of the national income for taxes is, from past experience, about all that a nation can stand, except in emergencies, without disastrous repercussions. However, even a total tax take of 30% of the national income, yielding an additional $5,000,000,000 for the Federal Government, would be only 7.6% more than was taken by all Government in the United States in 1938 when tax rates were considerably lower than in 1941, not to mention present war-time rates.

It is also well to remember that over the next 50 to 100 years our national income can be reasonably expected to reach $150,000,000,000. A 25% or lower tax take on such an income would give the Federal Government ample leeway to balance the budget, reduce taxes, or increase the annual debt redemption rate.

Lotteries For Debt Retirement

Another device worthy of some consideration to provide a good margin of safety for possible emergencies and to reduce the huge debt more rapidly in any case, is an annual lottery, conducted by the Federal Government. It could reasonably be expected to yield from $5,000,000,000 to $10,000,000,000 per year, if properly managed, with adequate prizes. Our people love to gamble, as is evidenced by the stock market, the dog and horse races, our national game of "craps" and the widespread popularity of bingo. Some will object, on moral grounds, but the alternative to lotteries may be much worse, to say the least. Lotteries have been used by governments in the past, and our laudable objectives will fully justify them. In any case, they would be as palatable as a sales tax to raise a like amount.

Post-War Taxation

In closing a word must be said about post-war taxation. Redistribution of wealth and income since 1929 has gone on at such a rapid pace that the wealthy are fast disappearing and the so-called middle class is seriously threatened. In these groups lie the savers of the nation, whose capital is so vital to economic progress.

In 1917 there were 141 Federal tax returns of $1,000,000 or more. In 1920 there were only 33, by 1921 only 21. They rose again to more than 500 in 1929 to fall to only 41 in 1935.

In 1938 the total income of all persons receiving $5,000 or more was only $6,500,000,000, only enough to finance this war 3¼ weeks at the reported rate of expenditures—$2,000,000,000 per week.

Since the war began, wages and weekly pay-rolls have risen much more rapidly than cost of living. So likewise with income of farmers. Industrial workers and farmers are the chief beneficiaries of the increased national income arising from the war effort.

The Federal tax structure must be revamped so as to secure a larger yield from the lower-income groups and ease the strain on the higher-income levels, if we are to maintain the savings so vital to our machine technology and to our steady economic progress.

Post-war taxes must be levied with an eye to reducing costs of production, encouragement of saving, and preservation of our free economy from government ownership or bureaucratic domination of all economic activity.

Declining Private Debt

One encouraging note, worthy of mention, is that between 1930 and 1940, while the Federal debt increased about $32,000,000,000 and State and local debt rose $1,500,000,000, a total increase of $33,500,000,000, private debt in the United States declined $28,600,000,000, almost offsetting the rise in government debt. If the private debt, which was $115,000,000,000 in 1940, can be cut to $80,000,000,000 by 1945, and steadily reduced under conditions of high production, as seems feasible, the governmental debt can be maintained more readily.

There is also real hope that State and local debt and taxes can be substantially reduced during the war and the subsequent years of increased productivity. Taxpayers' groups, such as the Pennsylvania Economy League, are now operating in 32 States, advocating good government at less cost, and making the people tax- and debt-conscious.

"A Little Repudiation—A Little Inflation"

Just a word in regard to the all-too-prevalent view that we can take care of the huge post-war debt by a little repudiation, a little inflation, and a little taxation. It won't work. Repudiation or inflation, in large or small doses, penalizes those who can least afford to pay. They do not take into account the individual's ability to pay, and they are unscientific and utterly dishonest.

There is no assurance that inflation, based on devaluation, would work in any case. A 50% devaluation, in hopes of doubling prices, would probably be offset in five years or less by lower prices resulting from lower production costs, arising out of the war and from increased competition and rising production, as prices in the early stages began to rise. Furthermore, devaluation can and will be upset by competitive devaluations by other nations, selling to us and our customers. Also, we have no assurance that simultaneous devaluations by the various nations would have any effect at all, if the same rates were used by all. Finally, controlled inflation, wherever attempted, has never worked without complete dictatorship. Small doses are ineffectual and are offset. They are then followed by larger and larger doses until the middle class is destroyed. Of course, controlled inflation will work if all prices are enforced by the bayonet, the firing squad, and the concentration camp.

No Easy Way Out

There is no easy road out of debt. "Taxes are paid in the sweat of every man who labors, because they are a burden on production. If excessive, they are reflected in idle factories, and tax-sold farms. Our workers may never see a tax bill, but they pay in deductions from wages, increased costs of what they buy, or in broad cessation of employment."

The author of that statement, Franklin D. Roosevelt, holds today the fate of this Nation in his hands. We can only hope that he and his Administration will remember that principle and couple it with another just as vital and just as powerfully expressed by the President: "Too often liberal governments are wrecked on the rocks of loose fiscal policy."

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

Comment On "The Future Of The Gold Standard"

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potato. So brief is its growing season that errors in estimate as to the proper scale of production are not long in being detected. If production is too great and market prices are correspondingly low, farmers tend to be discouraged and underplant and underproduce. The next year the crop is smaller, prices rule higher and the farmer turns optimist. He then tends to overplant and overproduce, thus closing the circle on a normal two-year cycle. In the case of a crop like apples, which takes longer to bring into bearing, the error in estimate becomes more slowly manifest and the cycle is longer, as are those of gold or factories or money.

The important point, however, is the admission at the outset that the production of gold, and of any money on a metallic base, ebbs and flows in a cyclical pattern. This admission does not lead to the mistaken conclusion that therefore gold, under an orthodox gold standard, caused the boom and collapse of 1929. Gold had relatively little to do with either boom or collapse. What are the facts? If gold caused the boom it must have been a surplus of gold. If it caused the collapse it must have been a deficiency which caused the collapse.

It was, in the first place, not a surplus of gold which caused the boom. Sir George Paish, writing in "The Tariff Review" of November, 1927, two years before the final smash, prophesied the trouble because of our deficiency of gold. Even then, in his orthodox opinion, our gold reserves were inadequate. Two years later, at the peak of the boom, in spite of unwisely large gold imports in the previous decade, our monetary gold stocks, instead of being maintained at an orthodox ratio of 10% of the $60,000,000,000, more or less of our combined bank deposits and hand-to-hand money, had been permitted to fall to less than 7% of that amount. By orthodox tests we had too little gold reserves and the boom arose in spite of this deficiency.

This shortage, although clear enough by conventional tests, was not a controlling factor under the Federal Reserve Act, which had so greatly expanded the amount of credit which could be put out on a given gold base that the limit never came in sight. Whatever psychological effect warnings such as that of Sir George Paish had on the Federal Reserve authorities, or did not have, there was at least no time when they could not, had they wished to do so, have added substantially to member bank reserves by open market purchases of Government bonds. Charts published by the Board of Governors of the Federal Reserve System show that there was actually less Federal Reserve credit in use in 1929 than there had been in 1920-21. There was thus no legal shortage of Federal Reserve credit nor of gold in 1929.

It follows that if the quantity of money which could have been made available by our banks to American business in 1929 was still largely in the discretion of the Federal Reserve authorities, as it was, then that quantity was still being managed at that time. And it was being managed along accepted lines. Throughout the years 1926-29 the levels of both wholesale and retail (cost of living) prices were apparently being held at about the level—recently accepted as a "normal" level—of the year 1926. Had gold been in command, under an orthodox gold standard, the deflation would have occurred years earlier and, presumably, have been less catastrophic.

Not only did our gold policies contribute to world-wide disorder in the '20's, but so did also our tariff increases. The contention, therefore, that laissez faire and gold demonstrated their inadequacy in 1929 bases itself on a distortion of the facts. Laissez faire did not have a real chance in that period. Arbitrary interferences disrupted the normal workings of the laws of supply and demand both as to the flow of goods and gold in international channels because of our tariffs, and as to the quantity of our money through our policies, contradictory as these were, of "economizing" and "sterilizing" gold. That this signal record of mismanagement should now be cited as proof that still more management will be the cure is odd logic.

It is not enough, however, to demonstrate that the advocates of managed money are mistaken in blaming gold for the collapse of 1929. That does no more than tell us what was **not** wrong with our economic system at that time. But if we are to prevent a repetition of disaster we must know what was wrong and what to do about it. Something was clearly the matter, and our orthodox economists and "sound money" men will not regain public confidence by ignoring the fact.

The trouble, on the analysis here presented, while it arose partly out of tariffs, was due even more, perhaps, to the superabundant credit made possible by the Federal Reserve Act of 1913. The area of management of credit had been so greatly expanded by that Act that the restraining hand of gold, which could operate decisively only after the legal supply of credit had exhausted itself, was thereby indefinitely removed from the controls.

What the sponsors of the Federal Reserve Act failed to see was that gold cannot be "economized" beyond a certain point, and the legal amount of bank credit which can be issued upon a given gold base cannot be indefinitely increased without making the gold standard a mockery. Just as a glass of icewater does not become a highball because we add a drop of whiskey to it, so does a monetary system not become a gold standard if we overdilute the influence of gold. This is clear enough in any extreme case. A system which permitted the issuance of a million dollars of bank deposits to each dollar of gold would not be called a gold standard by the most optimistic. The question is one of degree, of the length to which we can go in weakening the influence of gold on the quantity of money without emasculating the forces of supply and demand.

If this conclusion is accepted, then two others follow. First, that the conventional definition of the gold standard has been inadequate to put gold in effective control of the volume of money and should be amended to forbid any abnormal proportion of credit to gold. Secondly, that under the definition as thus revised we were not on an effective gold standard in 1929 and have not been since the passage of the Federal Reserve Act. It is, in fact, probable that the critics of the gold standard, when they use the term, are really talking about a different thing from its defenders when they use the term. Dr. Kemmerer, for instance, is plainly discussing a standard under which gold, if it is not in constant and immediate control of the volume of money, at any rate sets definite and practical limits to overexpansion. Most critics, on the other hand, when they condemn gold are thinking about what passed muster for a gold standard in 1929, a standard which, on the foregoing analysis, was so highly diluted that it should not have been permitted to be called a gold standard at all. The trouble with gold in 1929, in other words, was not that it failed, but that it was not fairly tried.

A few other arguments may be touched upon. It has been claimed that the arbitrary fixing of the quantity of our money by some central authority (not a political authority, of course, Heaven forbid!) will do away with monetary cycles. And so, of course, it will. So would the fixing of any other production quota do away with cycles for that product. But it would do away with free enterprise along with them. And without ending mistakes. One of the clear lessons of 1929 should be that excessive profits and expansion—and a bad cycle—occurred in spite of "managing" the quantity of money to hold prices stable.

It is also claimed that a procession of small cycles under a tighter tie to gold will be quite as disastrous in the aggregate as less frequent cycles such as that of 1929. Both experience and analogy should discourage this contention. The 1920-21 cycle, for instance, was a mere trifle, economically and politically, compared to that of 1929. Small cuts and bruises are normal to the active human body, but while they may shed as much blood in the aggregate as deeper cuts, the latter make the trouble.

Still another criticism, and one advanced by Lord Keynes, is that money under a gold standard does not respond to the laws of supply and demand and is inelastic in production.

"Money has, both in the long run and in the short period, a zero, or at any rate a very small elasticity of production, so far as private enterprise is concerned, as distinct from the monetary authority: elasticity of production meaning, in this context, the response of the quantity of labor applied in producing it to a rise in the quantity of labor which a unit of it will command."—Keynes was speaking of gold Theory of Employment, Interest and Money," Harcourt Brace & Co., New York, 1936, page 230.

All that can be said of this ambiguous assertion is that if Lord Keynes was speaking of gold when he talked about "elasticity of production," then he was mistaken, because the general increase of about 70% in the price of gold in the early '30's nearly doubled the quantity mined, in spite of the efforts by South Africa to discourage mining of their high-grade ore, and thus developed a very obvious "elasticity of production." If, on the other hand, he was talking of bank deposits when he said "money" was "inelastic," then it is difficult to figure out what he meant when he spoke of "the response of the quantity of labor applied to producing" bank deposits.

There will always be an area of management, of course, under any system which supplements metallic money with paper or credit. And the wider this area the wider are likely to be our cyclical monetary fluctuations about the point of monetary balance. But if we destroy control by gold in order to avoid these fluctuations, we necessarily destroy gold as a means of identifying the point of balance. And we do so without setting up any alternative means of finding this point. No man or men have yet been found who knew this point of balance.

"The best hope for the future," says Dr. Kemmerer, "consists in the improvement of the gold standard rather than in substitution of some other standard in its place." What could now be done to improve our gold standard? On the theories here presented the first step should be to amend the Federal Reserve Act to require orthodox limits to deposits with reference to their gold base. Then, as an alternative to a substantial rise in general prices we might well revise downward our present excessive price for gold. And then, as a means of curing and preventing the recurrence of serious world maldistribution of gold we should renounce further tariff increases. A change of heart in these matters would be a powerful weapon both for war and peace. We cannot convincingly fight for "free enterprise" while reserving the right for ourselves to interfere at will with the workings of free enterprise in these important fields of tariffs and money.

A final word may not be out of place about the Keynes plan. With present gold reserves so largely monopolized by the United States, no widespread use of the gold standard can be reestablished until either this gold has been redistributed through purchases of foreign goods by us or until, at the very least, the rest of the world has been given time to mine itself new stocks. Meanwhile some currency arrangement must be thought out which will enable the doing of international business. Some hope in the matter, even though makeshift in character, is important both for the winning of the war and for the peace which follows.

Keynes gives such a plan. Whether that plan will ultimately be so developed and fashioned as to reinstate gold as a standard or whether it will continue to subordinate gold to the outer fringes of control, useful for sale to us at $35 an ounce but otherwise substantially superseded, will depend largely on ourselves and Britain. But the Bank of England, which will have much to say about British monetary policy, has, since the time of Bagehot, according to Walter Leaf, invariably put the public welfare ahead of private profit. In this case British welfare is closely tied to world welfare. It seems, accordingly, more likely that Lord Keynes, who has on occasion severely ridiculed the orthodox banking fraternity, has been put by the Bank of England in his present position in order, because of his influence in Washington, to help enable the bank to "sell" Washington a currency scheme which will prove really workable, than that he has suddenly been able to persuade the bank of the virtues of his Utopian ideas for totalitarian controls for money. On this hypothesis it would be a reasonable guess that, unless the United States continues to upset the world monetary applecart, the Keynes plan or any other plan which proves acceptable to the bank will prove no more than a useful stopgap in a profound and well-considered program looking to ultimate restoration of a proper gold standard.

New March 1943 Am. Bank Reporter Directory Now Ready

With over a century of service, the American Bank Reporter for March, 1943, is off the press and now in the hands of its subscribers. The desk edition, 6½x3½ in., of this directory is particularly adapted for desk use and the traveling man's suit case.

In concise form, the desk edition contains an alphabetical list of all the banks in the United States and Canada, arranged by States. The tabular arrangement shows the names of the official personnel, correspondents in New York, Philadelphia, Boston and other money centers, with charter number of each national bank as well as the capital, loan, deposit, surplus and profits, securities and cash on hand, and due from banks.

In addition, the listings include the principal Loan, Trust and Investment Companies, the attorneys in the large towns and cities; also a list of banking institutions in the principal cities abroad.

The book is published by The Charles Steurer Press, Inc., 420 East 149th Street, New York, N.Y.

Foreign Investment Information Service

The Department of Commerce announced on April 30 the establishment within its Bureau of Foreign and Domestic Commerce of the Office of Foreign Investment Information to supply information to American business interested in developing new enterprises in Latin America. The service will work in cooperation with the Export-Import Bank, RFC agencies and the United States Commission of the Inter-American Development Commission. Eric Johnson is chairman of the United States Commission and Nelson Rockefeller is head of the Inter-American Development Commission.

THE NEW YORK CENTRAL RAILROAD COMPANY

EXTRACTS FROM ANNUAL REPORT—1942

To the Stockholders:

The experience of 1942 strikingly demonstrates that the nation is largely dependent upon the transportation facilities of its railroads. Never before have they been called upon to move such a tremendous volume of traffic. That their performance constitutes an outstanding contribution to the war effort is widely recognized.

Your Company has participated fully with the other rail carriers of the country in this vital transportation effort.

In addition to the vastly expanded industrial production for war, other factors influenced the upsurge of railroad traffic during the year. First among these was the disruption of shipping along the Atlantic coast, and the withdrawal for war transport elsewhere of vessels formerly in coastal and intercoastal service. This diverted to the rails a huge volume of traffic, the major part of which was petroleum products that formerly moved to the eastern seaboard by water. Further diversion of both freight and passenger traffic to the rails, the extent of which cannot be accurately measured, followed gasoline rationing and the rubber shortage. In the field of passenger traffic the volume was greatly expanded by troop movements.

This abnormal wartime traffic volume has had a pronounced effect upon the business of the Company. Not since 1929 has it had a year of comparable gross revenues. Despite heavily increased costs for taxes, wages and materials, the Company earned in 1942 a net income of $49,082,183, equal to $7.61 a share. Increased operating efficiency, reflected in a substantial reduction in the ratio of operating expenses to gross revenues, and lower annual interest charges incident to the Company's policy of debt retirement, contributed to this result.

Operating Revenues and Expenses

Railway operating revenues totaled $593,666,096, more by $145,876,441, or 32.6%, than in 1941, and included an increase of $91,375,731, or 27.1%, in freight revenue, and an increase of $45,649,168, or 68.5%, in passenger revenue.

The volume of revenue freight moved, as measured by the number of tons moved one mile, was 36.1% larger than in 1941. The revenue per ton mile, however, declined to 8.65 mills, the lowest since 1918. The classes of freight accounting for the largest gains in tonnage, with the percentages of increase over 1941, were: Products of Agriculture, 14.4%; Products of Mines, 14.5%; Manufactures and Miscellaneous, 19.7%.

Passenger traffic, as measured by the number of revenue passengers carried one mile, increased 55.5% above 1941. Revenue per passenger mile averaged 2.058 cents, the lowest, except for 1940 and 1941, since 1917. The movement of armed forces in active military service contributed largely to the increased volume of passenger traffic, which was further augmented by members of the armed forces traveling on furlough at reduced fares.

In both freight and passenger traffic, the volume moved constituted an all-time high in the Company's history.

Railway operating expenses (before taxes, other deductions, and fixed charges) were $402,669,598. This was an increase over the previous year of $71,231,487, or 21.5%, due to the greater volume of business as well as a larger maintenance program, greater accruals for depreciation, increased rates of pay and higher costs of materials and supplies.

Railway operating ratio was 67.83, the lowest since 1916.

Taxes

Railway tax accruals were $82,890,104, greater by $39,478,275, or 90.9%, than in 1941 and equivalent to $12.86 per share of stock. Increased personnel and higher wage rates necessitated larger payments under the Federal railroad retirement and unemployment insurance acts, which payments amounted to $15,204,144, compared with $12,729,288 in 1941, and represent 2.56 cents out of each dollar of operating revenue. United States income and excess profits tax accruals were $41,579,081, as compared with $7,592,388 in 1941. Accruals for Canadian income and excess profits taxes totaled $1,880,985 as against $838,185 in 1941.

Net Income

Net income, after all deductions, was $49,082,183 and was transferred to the credit of Profit and Loss. This result reflects the unprecedented volume of traffic, both freight and passenger, occasioned by the war.

Dividend

The Board of Directors, on November 11, 1942, declared a dividend of $1.00 per share on the capital stock, payable January 15, 1943, to stockholders of record December 10, 1942. The amount of this dividend, $6,447,394, was charged to Profit and Loss.

Capital Obligations

During the year a reduction of $51,318,857 was effected in the amount of capital obligations (including amounts due the State of New York on account of grade crossing eliminations, and for equipment acquired under railroad equipment agreements assigned to banks) of the Company and its lessor companies outstanding in the hands of the public. At the end of the year the total of such obligations was $917,737,246, compared with $969,056,103 at the end of 1941, and $1,108,807,952 at the end of 1932.

Interest charges on an annual basis on the obligations outstanding at the end of 1942 were $11,353,106 less than on the obligations outstanding at the end of 1932.

In the four years 1943-1946 inclusive, the Company will be called upon to provide for approximately $50,464,000 of maturing obligations of the Company and its lessor companies.

Wage Increase

Payroll costs, including taxes, reflect the increased rates of pay and vacation allowances which became effective December 1, 1941, following the settlement of demands of organizations representing railroad employes.

On September 15, 1942, organizations representing fifteen groups of railway employes served notices requesting a further increase in pay of 20c per hour with a minimum hourly rate of 70c, and also the adoption of a "union shop" rule. Following rejection of these requests by the railroads, the services of the National Mediation Board were invoked by the labor organizations, but, its efforts having failed to effect a settlement, the matter is now in abeyance pending further action under the Railway Labor Act and Executive Orders of the President of the United States. On January 25, 1943, other organizations, representing locomotive enginemen and firemen, conductors, trainmen and switchmen, served notices requesting a further wage increase of 30%, with a minimum increase of $3.00 applied to the daily rates.

Freight and Passenger Rates

Increases in interstate freight rates and passenger fares were authorized by the Interstate Commerce Commission for all railroads in the early part of 1942 following wage increases made effective at the close of 1941. Corresponding increases were, with but few exceptions, made applicable to the Company's intrastate traffic within the various states in which the Company operates. The increase in passenger fares was 10 per cent. It applies as yet only to a small portion of the commutation traffic. The increase in freight rates varied from 3 to 6 per cent, depending on the commodity, and spread over the total freight traffic amounts to about 4.5 per cent. An effort is now being made by the Office of Price Administration, the Department of Agriculture, and other governmental agencies, to secure cancellation of the increases in whole or in part in a proceeding now pending before the Interstate Commerce Commission.

For Comparative Income Account, Balance Sheet, etc., see Statistical Issue dated May 17th.

Simplification Of Proxy Rules Desirable

(Continued from page 1766)

permit the presentation of stockholders proposals for action at the stockholders' meeting rather than requiring the management to do so. The present rules require that the management set forth all proposals which any security holders intend to present at the stockholders meeting, together with a statement of the reasons of each such security holder in support of each proposal (such reasons being limited to 100 words per proposal). Perfectly ridiculous proposals are possible and tue of this rule and there is no limitation upon the amount of language required to describe the proposal although the reasons for the proposal must be limited to 100 words. In order to discourage management baiting, by virtue of this rule, it is suggested that the security holders making the proposals be required, themselves, to have their proposals printed at their own expense, but to permit them to be mailed with the management's material (or, if the management objects to the enclosure with its material, at the corporation's expense). This would tend to discourage purely specious proposals.

Summarizing, the following highly undesirable aspects of the proxy rule requirements may be stressed:

They result in long, complicated proxy statements which, quite probably, are not generally read by stockholders;

They greatly add to the difficulties and expense of proxy solicitation and have a tendency toward disenfranchisement of stockholders by encouraging corporations to refrain from proxy solicitation;

They impose substantial burdens upon the corporations which have listed securities and which, therefore, are required to comply with the proxy rules, such burdens not being incurred by other corporations (except utilities and investment companies) whose securities are admitted to unlisted trading privileges or dealt in over-the-counter, thereby tending to discourage the listing of securities upon stock exchanges; and

They stress the disclosure of facts which, viewed alone, put managements in an unfavorable light and give rise to bearish tendencies in security values, whereas, if additional facts could be set forth (which, as a practical matter, cannot be done) showing the whole picture, no unfavorable or bearish impression would be given the stockholders.

The foregoing unfavorable aspects could be largely eliminated by simplifying the proxy rule requirements for proxy statements so that they stress really important information on the director-nominee's qualifications, supplementing the proxy statements by broadening the Form 10-K requirements to the extent the Commission deems reasonably necessary and requiring the filing of Form 10-K concurrently with the filing of the proxy solicitation material. This would facilitate opposition solicitation on any points where the particular management may be properly vulnerable.

In simplifying the proxy statement requirements, such information as stockholdings (except in cases exceeding 10% ownership of a class of stock), and compensation and transactions of the director with respect to the corporation should be eliminated, as well as such extraneous material as compensation to officers, employees and others who are not even nominees for directors. These items do not have any great bearing upon the nominees qualifications. Much has been written as to whether directors should or need not own securities of their corporation. Most State corporation laws and, I believe, most corporation charters or by-laws, do not require stock ownership by directors, or, if required, only a nominal amount need be owned. A man can be just as good a director without owning stock as he can where he does own some. However, if he is interested in one class of stock of the corporation to as large an extent as 10% of the issue, he, of course, may tend to favor such class in his director activities and this might bear upon his qualifications as a director to such an extent that it should be disclosed in a proxy statement. Compensation to directors should be judged in the light of their abilities and duties and the consequent benefit to the corporation, and the mere statement of a dollar amount of compensation to a director is obviously meaningless. The same conclusion is true in respect of transactions between the corporation and a director—the story is not complete unless the stockholder knows the benefit which the corporation received. The proxy rules require disclosure of about the same information for directors whose terms are expiring and who are not coming up for re-election as they do in the case of nominees for directors, and such information obviously has no bearing upon the qualifications of the proposed nominees.

It is submitted that disclosure should be required of only the following information in the management's proxy statements: the names and business experience of the proposed directors, as well as any arrangement or understanding whereby any of them may reasonably be considered a representative on the Board of another person or company; the stockholdings owned or represented where they exceed 10% of a class; any cumulative voting rights; the amount of stock outstanding of each class; and the formalistic matters referred to earlier in this article. It is believed that management proxy statements stressing such information, and confined thereto, would have much more benefit to the stockholders without the detriments than the present proxy statements. As above outlined, any other information could be made available to stockholders through Form 10-K reports or through communications to stockholders by any opposition to the management that thinks it has a sufficiently meritorious case to present to the stockholders.

It is urged that an analysis be made of the many proxy statements now available under the new rules with the view of simplifying and clarifying the rules to the end that their burdens and detrimental aspects may be minimized, endeavoring in such analysis to use a fair sense of proportion as to what is and is not really important to stockholders.

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

President Sees Need For World Body Of Law

President Roosevelt, in a message to the American Society of International Law, on April 30 said that the nations of the world must have a definite body of law for its dependence and that "it cannot permit a recurrence of the present reign of lawlessness." The President further said that such a body of law "must be a steadily growing one, tempered by past experience but capable of fulfilling the needs of a rapidly changing world."

Mr. Roosevelt's message, sent to the Society's annual session in Washington and addressed to Frederic R. Coudert, President of the organization, follows:

"The objects and purposes of the Society, namely, to foster the study of international law and to promote the establishment and maintenance of international relations on the basis of law and justice, are praiseworthy, and the Society's record in promoting interest in this important field is a matter of justifiable pride.

"Objective and enlightened discussion of the rules of conduct that should govern the relations between nations tends to focus interest on a subject, the importance of which is too little emphasized.

"With war raging on all seas and in far-flung lands, we are face to face with the proposition that the alternative to such shocking destruction as exists today is a definite body of law accepted and followed by nations in their relations with each other. It is not sufficient to hope that international problems will automatically adjust themselves. We know too well that progress is achieved the hard way.

"Men on the battle fields are dying that civilization may be saved and that law by which we have learned to govern our conduct toward our neighbor, and not force, shall prevail. The body of law under which our civilization must advance must be a steadily growing one, tempered by past experience but capable of fulfilling the needs of a rapidly changing world. The world must have such law for its dependence. It cannot permit a recurrence of the present reign of lawlessness.

"There has scarcely been a time when there was greater need than now for constructive thinking looking to the supremacy of law, justice and common decency in the relations between nations and their peoples. Learned organizations, such as your society, are in a position to play a helpful part."

New WLB Wage Edict Is Inflationary Says L. H. Brown, President of Johns-Manville

Lewis H. Brown, President of Johns-Manville, asserted on May 8 that the War Labor Board has "determined to relinquish the fight against inflation by breaking through its own 'Little Steel' formula," said the New York "World-Telegram" of May 8, which also gives the following:

The statement was issued following the WLB directive order establishing a general wage increase of 2½ cents per hour and ordering a maintenance of union membership with the voluntary checkoff of union dues at the company's Waukegan, Ill., factory.

Lewis H. Brown

Mr. Brown made public a letter he had sent previously to the Board warning of the inflationary effects of the blanket wage increase.

"I believe the country at large should be informed that you have determined to scrap the 'Little Steel' formula, and that it is no longer in effect," he wrote. "This matter is too vital to the welfare of the country to go unpublished."

Contending the company's position in opposing the increase has been based entirely on "four sincere attempts to co-operate with the government in its efforts to head off inflation," Mr. Brown said that a continuation and extension of the board's policy on wages may compel Johns-Manville to abandon its "patriotic but difficult to maintain" policy of not asking for general price increases above the present ceilings.

He said nothing has happened to relax Johns-Manville's consistent policy of opposition to all forms of the closed shop and check-off.

"Johns-Manville is working at capacity to produce goods for the war effort and will continue to do so under any circumstances and to the best of our ability.

"If maintenance of membership is ordered I wish you to know that we can accept it only as a dictatorial war measure imposed upon us and one to which we will submit only under the discipline of war and will regard as applicable only for the period of the war."

"I realize that efforts of the government to hold the line against rising costs of living have not been effective and that prices, particularly food prices, have risen to an extent which has placed employees in a difficult position," he asserted. "I am in full sympathy with the phase of this problem.

"The only way it can be solved, however, without disastrous inflation, is for the government to follow a courageous and unyielding policy of price and wage controls for everybody. To try to keep ahead of price rises by increasing wages creates a race against fate in which the employee inevitably will be the loser."

Liguori O'Donnell With Straus Securities Co.

(Special to The Financial Chronicle)

GARY, IND.—Liguori A. O'Donnell has become associated with Straus Securities Co., as representative in Gary with offices at 504 Broadway. Mr. O'Donnell was formerly president of O'Donnell & Co., Inc.

J. E. Pepper Co-Manager

YORK, PA.—John E. Pepper, manager of Reynolds & Co.'s office at Pottsville, Pa. has also become co-manager of the firm's office at York, Pa., in the Yorktown Hotel Building. Joseph H. Mosser remains as manager of the York office.

De La Chapelle Heads NY Bond Club Slate

Richard de La Chapelle, of Shields & Co., has been nominated for president of the Bond Club of New York for the ensuing year to succeed Albert H. Gordon, of Kidder, Peabody & Co. The election will take place at the Club's annual meeting to be held on June 9.

Henry G. Riter, 3rd, of Riter & Co., has been nominated for the office of vice-president, the post held by Mr. de La Chapelle during the past year.

W. Fenton Johnston, of Smith, Barney & Co., has been nominated for secretary, and Walter W. Wilson, of Morgan Stanley & Company, for treasurer.

Nominations for members of the Board of Governors, to serve for three years, include T. Jerrold Bryce, of Clark, Dodge & Co., Frederick H. Brandi, of Dillon, Read & Co., and Henry C. Brunie, of the Empire Trust Company. James Coggeshall, Jr., of The First Boston Corporation, has been nominated to serve the unexpired term of George D. Woods.

Continuing as governors will be: Harry W. Beebe, of Harriman Ripley & Co., Inc., Eugene R. Black, of The Chase National Bank, Joseph A. W. Iglehart, of W. E. Hutton & Co., Joseph H. King, of Union Securities Corporation, and Lee M. Limbert of Blyth & Co., Inc.

Members of the nominating committee were Perry E. Hall, Chairman, Walter F. Blaine, Henry H. Egly Joseph H. King, and Joseph A. W. Iglehart.

Robt. Laffan Joins Chas. W. Scranton Co.

NEW HAVEN, CONN.—Robert Laffan, a member of the "Wall Street Journal" editorial staff for more than fifteen years, has resigned to take a position with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

Mr. Laffan came to the "Wall Street Journal" from the "New York Journal of Commerce" in 1927. He wrote a stock market column daily for the "Wall Street Journal" from 1934 to early 1942. He also wrote a feature column for the "London Daily Telegraph" twice weekly prior to the war. Early in 1942 he discontinued writing about the stock market to cover communications, rubber and other industries. With Chas. W. Scranton & Co. Mr. Laffan will supervise investment portfolios and engage in promotional work in the firm's research and analysis department.

Eric A. Johnston Will Address N. Y. Bond Club

Eric A. Johnston, President of the Chamber of Commerce of the United States, will address the Bond Club of New York at its next luncheon meeting to be held at the Bankers Club on May 19. Albert H. Gordon, President of the Bond Club, will preside at the luncheon.

Now David Morris & Co.

The firm name of William Morris & Co., 52 Wall Street, New York City, specialists in over-the-counter securities has been changed to David Morris & Co.

Formation of David Morris & Co. was previously reported in the "Chronicle" of April 29.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1756)

this is written. Almost everybody in Arkansas, Louisiana and Texas who is interested in security prices (and their number surprised me) is convinced that prices are bound to rise. They point to all sorts of reasons, and with their own businesses so obviously good that thinking of the market as too high, or on the verge of a break seems sheer madness.

* * *

I have stressed here time and again that nowhere is unanimity so dangerous as in the stock market. The reasons for this defy analysis. You either accept it or leave it alone. You can't argue with it.

* * *

This doesn't mean that prices are going down immediately. The very reason that the public is in and anxious to get in deeper will, for the time being, either make for higher prices or a prevention of any wide open break. But the basis on which prices advanced originally is gone. From now on advances are based on hope, a mass hope.

* * *

Of course, the question of timing now becomes paramount. But with the public standing by with wide open purses the answer is not easy to find.

* * *

It is possible that a piece of news may set off a decline; a minor piece of news which under ordinary market conditions would leave the price structure untouched. But whatever the reason or the cause that may start the market downhill the fact remains that the fat has been removed. It's not an easy thing to sit by idly and watch stocks go through old highs. I remember, however, when there were times when not only both averages gave a bull market signal only to step back and do pratt-falls but before going into acrobatics managed to pull a lot of people along with it.

* * *

There is something about this present market which does not ring true. What it is I can't put my finger on. But whatever it is I can't bring myself to buying. And if I can't, I won't advise readers to do it. Perhaps by the time the next column is written enough signs will appear to change my opinion. But until it does the advice given here last week and the week before to hold all profits and wait still applies.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Ins. & Bank Evaluator

The current issue of the "Insurance and Bank Stock Evaluator," issued by Butler-Huff & Co. of California, 210 West Seventh St., is now being distributed. The "Evaluator" contains a comparative analysis of 82 insurance companies and 37 banks as well as a brief discussion of the position of the insurance business.

Copies of the "Evaluator" may be had from Butler-Huff & Co. upon request, together with the current issue of "News & Views" containing interesting notes on various insurance companies.

Park Central Hotel General Mortgage Bonds
870 Seventh Avenue Corporation

4½ Points In Back Interest Will Be Paid May 18.
2¼ Points Accrued Interest Will Be Paid July 1.
Yield Of Over 10% Obtainable. Earnings Increasing.

An announcement was made that the Plan of Modification of these General Mortgage Bonds to place them on an income basis was abandoned May 1, 1943, because of insufficient support from bondholders. The interest therefor remains fixed at 4½%. The Trustee has advised that interest payments due July, 1942, and January, 1943, totaling $45 per $1,000 bond, will be paid to bondholders of record May 17, 1943.

There will be another semi-annual interest payment of $22.50 due July 1. Bonds purchased today will be entitled to these payments.

Despite the fact that hotel business in New York is far better now than during the Worlds Fair era, the bonds of this property are currently selling below the high price reached at that time.

Because of its large size and excellent location, this 1,600-room hotel is receiving a good share of the current hotel boom The bonds carry with them stock representing an equal share in two-thirds of the ownership of the property, a feature that is not only a hedge against inflation but which should permit the bondholders to receive the maximum benefit from the property.

The gross income of the hotel for the single year of 1942 was over $2,500,000, yet at the present price at which the General Mortgage Bonds with stock are quoted, the value of the entire property, including the furniture and furnishing contained therein, is being placed at less than $3,000,000. This is in interesting contrast with the original cost of the hotel, which was in excess of $11,000,000, and the value of $6,750,000 placed on the property by the City of New York in its 1942-43 assessment.

It is also interesting to compare the original funded debt of the hotel with its present debt:

Original Funded Debt—	
First mortgages	$8,500,000
Second mortgages	2,000,000
Notes	378,103
Total	$10,878,103
Present Funded Debt—	
First mortgage	$1,200,000
General mortgage bonds	4,055,000
Total	$5,255,000

The hotel, occupying the entire block front of Seventh Avenue between 55th and 56th Streets, New York City, is but a short distance above Times Square with its theatre and amusement district and is easily accessible to the shopping and business sections of the city. Moreover, the buildings are relatively modern and well maintained (erected 1925 and 1927). The buildings are 31 stories high and contain a total of 1,600 rooms. In addition to its other features, the hotel contains a large indoor swimming pool.

The General Mortgage Bonds were issued in reorganization of the property effected in 1935. Under the plan, funded debt was sharply reduced and the bond issue placed on an income basis, cumulative at the rate of 4½% per annum until Feb. 1, 1940, thereafter fixed at this rate, a requirement which is now being continued.

The management suspended fixed interest payments July 1, 1942, and instead made substantial periodic principal payments on the first mortgage which had become due. In this manner they were able to avoid a foreclosure of the mortgage while negotiating for a new first mortgage. It also gave them time to solicit the bondholders' approval to return to a 4½% cumulative income interest basis. This measure was first required by the holder of the first mortgage and later by the institution making the new loan. The apparent reason for the request was that the lenders did not want to have their interest or principal payments placed in jeopardy in case a bankruptcy action was necessary because of failure to pay the General Mortgage bondholders fixed interest. Sufficient consents from the bondholders could not be obtained. However, earnings of the hotel so materially increased that a new loan of $1,200,000 was obtained from the Connecticut Mutual Life Insurance Co. without requiring any modification of the bondholders' fixed interest stipulation. This loan was somewhat in excess of the first mortgage outstanding at the suspension of interest payments on the bonds and was sufficient to refund the old first mortgage and to provide funds with which to pay the back interest to the bondholders.

Published earnings of the hotel for the year 1942 were 5.65% on the bonds compared with 4.40% in 1941. Business thus far in 1943 apparently is considerably better than in 1942. In a letter to the bondholders dated April 4, 1943, the management estimated that if the balance of 1943 showed the same relative improvement as the months of January and February, earnings would be equivalent to 7.5% on the bonds. However, in their computations in arriving at this figure, they deducted certain reserves required in their plan of modification. Now that the plan has been abandoned and if earnings continue as in the past several months, we do not believe it would be too optimistic to estimate earnings as much as twice the 1943 interest requirement on the bonds. Of necessity, however, there will be certain expenses to be paid for the plan of modification and, of course, brokerage commission for the new loan. These items, if charged to 1943 income, may lower this estimate. Regardless of this contingency, the remarkable increase of current earnings of this and other hotels in the section would indicate a safe coverage of interest requirements on the bonds. All in all, these securities seem like a good speculation for income and price appreciation.

A condensed statement of earnings before depreciation for the past two years is as follows:

	1942	1941
Gross Income:		
Roome	$1,220,899	$1,128,670
Service	629.398	563,709
Other income	650,566	577,152
Total	$2,500,863	$2,269,530
Costs & expenses	1,985,520	1,815 061
Other expenses	34,459	15,776
Real estate taxes	200 475	204,911
First mtge. interest	48.030	50,149
Amortization	3.297	5.270
Balance	229.082	178,363
Genl. mtge. interest	182,484	182,484
Earned per bond	5.65%	4.40%

Real Estate Securities

Series C-2 Mortgage Trustees Sell A Property Which Has Been A Drain On The Trust Estate For 55% of Cost

We believe that this sale is significant in that it shows clearly that the Series C-2 Mortgage Certificates at present levels of approximately 38 are considerably underpriced.

If a property such as the Mecca Theatre and the adjoining stores, occupying the west side of Avenue A from 14th to 15th Streets, New York City, can be sold for all cash in the amount of $170,000 when the actual income from it could not cover operating expenses and real estate taxes, the logical conclusion is that good properties providing net income to the Trust Estate enabling it to make income distributions to certificate holders will command prices in liquidation in excess of a 55% ratio to cost.

Ownership of real estate as a reliable hedge against inflation is a well-known axiom. With new buildings limited for the duration, purchasers of real estate must confine their search for this type of investment to completed properties in good physical condition with rent rolls and occupancy sufficient to show a fair return on the invested capital.

There is no doubt of the increased activity in the purchase and sale of income producing properties and it is our contention that the Mortgage Trustees, who have more or less through necessity devoted their past efforts to keeping properties in condition and improving income, now find themselves in a position to take advantage of greatly improved real estate conditions and to liquidate at much better prices than in the past. One important point to be considered in the certificated issues such as Series C-2 is that the cost to the Trusts of the properties is in most cases the amount of the mortgage outstanding at the time the Trustees took possession. With this thought in mind, it is quite possible that in a good market liquidations should in many cases be close to cost and in some cases in excess of cost. An accurate estimate cannot be made but we believe it reasonable to assume that final liquidation could be around the 75% or 80% level. With this future prospect and a fair yield on invested capital, the approximate present price level of Series C-2, 38 seems out of line with conditions.

We are informed that it is the intention of the Trustees to submit to the Court for consideration certain proposals for the sale of property in which, together with the cash involved, the Trustees would be permitted to accept certificates in part payment. Such a procedure should create a substantial demand for the Certificates.

IBA 31st Convention Proceedings In Book

The Investment Bankers Association of America has made available a booklet containing the proceedings of its 31st annual meeting and war finance conference, which was held Oct. 18-20 in New York City. Full details of the meeting are given in the publication, in which is also presented the list of the 1942-43 officers and governors, national committees, group executive committees, constitution and by-laws and group constitution.

Cities Service Looks Good

Common stock of Cities Service Company offers an attractive situation according to an interesting memorandum just issued by Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange. Copies of the memorandum may be had upon request from Van Alstyne, Noel & Co.

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

Seligman, Lubetkin & Co., Inc., 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.

OUR REPORTER'S REPORT

Preliminary inquiry reported by dealers indicated a quick cleaning up of the $38,000,000 of first mortgage 3¼%, 30-year bonds of the Public Service Company of Indiana, which were expected to be placed on the market today.

Dealers reported a broad interest, with a number of New England insurance companies applying to the selling group for sizeable amounts.

The bonds were sold in competitive bidding on Monday with the successful syndicate paying the company a price of 101.0969 for the issue which will mature in 1973.

The public offering was fixed at a price of 102⅜ less ½ point to dealers, and it was expected that subscription books would close without undue delay.

Proceeds accruing to the issuer, are to be applied toward redemption, at 106¼ and interest, of an equivalent amount of outstanding series "A" 4s which are not scheduled to mature until the Fall of 1969.

The new issue, known as Series "E," is the first sizeable new corporate financing to reach market in the wake of the recently completed Second Victory Loan Drive of the Treasury, which for several weeks kept a large part of the underwriting and security dealers' fraternity rather completely occupied.

Another Fast Operation

Although considerably smaller than the Public Service Company of Indiana project, the public offering of John Morell & Company debentures was likewise catalogued among dealers as an issue which would "go out the window" in the parlance of the Street.

Sponsored by a Chicago house, and with the issuer well known in the Middle West, it was indicated that the bulk of the offering would find takers in that area. None-the-less, it was the expectation that a sizeable part of the loan would wind up in the hands of New York investors.

Totalling $7,500,000, the sale of the debentures with a 15-year maturity, would provide the company with funds for liquidation of certain notes, aggregating about $5,384,700, and with money for carrying increased receivables and to reduce current liabilities.

A "Photo-Finish"

When it comes to serials and intermediates, such as railroad equipment trust obligations, bankers are thinking pretty much in the same price terms these days.

This was quite clearly illustrated again early in the week when the New York Central marketed an issue of $5,300,000 of one-to-ten year certificates.

Three groups bid for the issue, all of them specifying a coupon rate of 2%. A differential of only nine cents on a $100 piece separated the bids of the winning group and its nearest competitor.

The successful bidders paid a price of 99.279 while the runner up bid 99.27, with the third bid fixing a price of 99.1399.

Older Issues Cleaning Up

With things returned to more or less normal in the investment market now that the Treasury has temporarily satisfied its war needs, reports indicate that buyers are showing more interest in issues that have been resting on shelves for a while.

Some of the flotations which preceded the Treasury's undertaking proved a bit slow, such as the Public Service Company of New Hampshire $20,500,000 of 3¼s and the Erie Railroad's $10,000,000 of one-to-ten-year collateral trust notes.

Both those issues came at a time when investor interest, both institutional and individual, was turning strong in the direction of the huge war-financing.

The private undertakings consequently suffered some neglect marketwise. But within the past fortnight, reports indicate both issues have been moving more freely, with practically all of the Eries placed and with the balance of the New Hampshires having been whittled down considerably.

Houston Light & Power Common Stock Offered

Public offering of 242,664 shares of the no par common stock of Houston Lighting & Power Co., one of the most important operating units in the Electric Bond & Share System and formerly 100% controlled subsidiary of National Power & Light Co., was made May 12 by a countrywide group of 69 investment banking firms headed by Smith, Barney & Co., Lazard Freres & Co. and Blyth & Co., Inc. Other principal underwriters are: Goldman, Sachs & Co.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; Lehman Brothers; Mellon Securities Corp.; Stone & Webster and Blodget Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co.; Lee Higginson Corp. and Spencer Trask & Co.

The sale of these shares, priced at $54, will complete the distribution to the public of the entire 500,000 shares of Houston Lighting & Power common stock formerly owned by National Power & Light Co. These shares represent the rest of the common stock of Houston Lighting & Power Co. owned by National which were unexchanged under the offer to the holders of National's $6 preferred stock, made last year. Of the total of 500,000 shares outstanding, 257,336 shares were distributed publicly through the operation of the exchange offer.

The present offering marks a further step toward the dissolution of National Power & Light Co. and with the completion of the sale of these shares Houston Lighting & Power will cease to be either a subsidiary or an affiliate of National Power & Light or Electric Bond & Share Co.

Houston Lighting & Power Co. will apply in due course for listing of the stock on the New York Stock Exchange.

The Houston company serves Houston and Galveston and 148 other cities, towns, villages and communities as well as an extensive rural area in Texas. Its franchise dates from 1882 and for the year ended Dec. 31, 1942 net income after provision for Federal taxes, including excess profits taxes, and after preferred dividend requirements, was $2,526,490, equal to $5.05 per share on the 500,000 shares of no par common stock outstanding. For the past ten years Houston common has paid dividends of $3.60 per share per annum.

The Securities Salesman's Corner

Open New Accounts—Use "Big Name" Securities
GUARANTEED RAILS LOOK LIKE ONE ANSWER!

One of the difficulties encountered by salesmen specializing in over-the-counter securities is that they are often met with the objection that their offerings are not representative of well-known companies. Although the fact that a security of a well-known company is certainly nothing in itself to recommend an investment, from the standpoint of the sales psychology behind such an objection, it is important, and must be overcome in many cases before the sale can be made.

There are experienced salesmen who actually use "big name" securities to open an account. They select a nationally known stock that is listed on the Stock Exchange, and although they can make no commission on this first sale the effort is charged to the cost of opening the new account.

It is a fact that people like to talk about things with which they are acquainted. Confidence is inspired when well-known securities are recommended. It's the same situation from a selling standpoint as when your haberdasher tells you it's an Arrow collar, or a Stetson hat. Your new prospect, who has just recently made your acquaintance, has the same reaction if you recommend a security that is a household by-word.

A salesman's job is to do business. Any legitimate procedure that will help him to gain this objective should have the support of his organization and his salesmanager. Whenever a salesman can offer a "big name" security to his clientele (providing, of course, that such a security is suitable for recommendation) then we believe he should do so. These companies have spent millions of dollars in advertising to build up their names with the public—WHY NOT CASH IN ON THIS GOOD WILL?

IN THIS CONNECTION WE SUGGEST THAT THE **GUARANTEED STOCKS** OF OUR MAJOR RAILROADS TODAY OFFER ONE OF THE BEST OPPORTUNITIES TO THE SALESMAN WHO WISHES TO SELL PRESTIGE-BUILDING SECURITIES THAT WE KNOW OF. In addition, THESE STOCKS ARE TRADED OVER THE COUNTER. Look at them—notice their long records of continuous dividend payments, their bright outlook today, their still reasonable prices in comparison with many other railroad securities—THEN REMEMBER THAT YOU CAN SAY TO YOUR PROSPECT: **"Here is a dividend that is guaranteed by the New York Central, or the READING, etc., etc."** This is material for a sales campaign IF YOU WANT TO OFFER SECURITIES THAT PEOPLE KNOW ABOUT—BESIDES, THE RAILS ARE IN FAVOR NOW, WITH BOTH INVESTORS AS WELL AS SPECULATORS.

Here is a combination of "Big Name" securities, attractive yields, favorable market position, and in addition, THE PUBLIC IS IN A RECEPTIVE MOOD TOWARD RAILROAD SECURITIES NOW! A sales campaign based upon the offering of a GUARANTEED RAIL that you believe to be attractive today SHOULD BRING RESULTS.

An Arsenal In Wartime; Great Industry In Peace

The Railroad Equipment industry is an arsenal in wartime and a great industry in peace, and its securities offer interesting possibilities according to a study of the industry and the Railroad Equipment Series of New York Stocks, Inc., being distributed by Hugh W. Long & Company, Inc., 15 Exchange Place, Jersey City, N. J. Copies of this interesting study may be had from Hugh W. Long & Co. upon request.

Cytryn Now A Partner In E. F. Waterbury Co.

Edward Cytryn has been admitted to partnership with Edward F. Waterbury in E. F. Waterbury & Co., 60 Broad Street, New York City.

Kuhn Loeb Group Offers Public Service of Indiana Bonds

A large banking group headed by Kuhn, Loeb & Co., New York, is today offering for public subscription an issue of $38,000,000 Public Service Company of Indiana, Inc. 3¼% series E first mortgage bonds, due May 1, 1973 and priced at 102⅜ and accrued interest. Preliminary interest in the offering indicated that the issue would be quickly absorbed. Proceeds of the financing will be applied by the company toward the redemption of an equivalent amount of 4% series A first mortgage bonds which have a maturity date of Sept. 1, 1969. Redemption price of latter is 106.25.

Gersten Heads New York State Bankers Group

(Continued from first page)

tion of the war. According to Harold Marshall, the Association's Secretary, efforts that would normally have gone into planning and staging a convention have been devoted to research into wartime banking problems and the publication of reports based upon research findings. Mr. Marshall said:

"It is the belief of our state banking leaders that the average bank will receive more benefit from this type of activity than from any amount of oratory, golfing and other features tradition-


C. George Niebank


E. Burnham Guild


Joseph A. Broderick


John P. Myers


Theodore Rokahr


Robert A. Barnet


Andrew Wilson, Jr.


Perrin L. Babcock


Harold J. Marshall

ally associated with a trade convention. Hence our efforts have been directed along lines which we believe will help bankers perform wartime duties effectively in the face of almost paralyzing shortages of manpower and equipment.

"Some of banking's wartime jobs include financing the war effort through bank purchases and sales to customers of Government securities, providing credit for agriculture and war industry, handling, auditing and clearing ration coupons, and at the same time servicing an unprecedented volume of new deposits created by the geared-up economy of the nation at war."

Research projects carried on by the Association during the past twelve months include a manpower survey which indicated that the banks have replaced 6,000 men lost to the armed forces with women officers and employees, studies of thrift account interest computation methods, agricultural credit, war industry financing, publicity and public relations, banking service charges, competing credit agencies, government financing, economic stabilization and the examination of banks by directors' committees.

In addition to electing regular officers, the member banks during the week of May 3 balloted for officers to represent the New York State banks in the American Bankers Association. The result of this ballot, also conducted through the mail, was the unanimous election of a group of nominees which included the following:

Two members of the executive committee of the A.B.A. for term of three years—Perrin L. Babcock, Vice President, Onondaga County Savings Bank, Syracuse, and John P. Myers, President, Plattsburg National Bank and Trust Co., Plattsburg.

For member and alternate for nominating committee of ABA for terms of one year—member: H. C. Brown, President, First National Bank, Glens Falls, and alternate: Joseph A. Broderick, President, East River Savings Bank, New York City.

For State Vice-President of the Savings Division of the ABA for term of one year — Robert A. Barnet, President, Irving Savings Bank, New York City.

For State Vice-President of the National Bank Division of the ABA for term of one year—Henry B. Kingman, Vice-President, Merchants National Bank, Dunkirk.

For State Vice-President of the State Bank Division of the ABA for term of one year—Theodore Rokahr, Vice-President and Treasurer, First Bank and Trust Co., Utica.

For State Vice-President of the Trust Division of the ABA for term of one year—Andrew Wilson, Jr., President, County Trust Co., White Plains.

Mr. Gersten, the new President of the State Bankers Association, is a native of New York City and was educated in New York public schools. He started his banking career in 1910 with the National Bank of Commerce and worked in practically every department of the bank. Mr. Gersten was appointed Assistant Cashier in 1919, Second Vice-President in 1924, Vice-President, 1926, which position he held at the time he resigned at the end of 1928 to assume the presidency of the Public National Bank and Trust Co. in January, 1929.

The State Bankers Association's annual convention was indefinitely postponed in order to prevent encroachment upon transportation facilities needed in the prosecution of the war and to conserve manpower in the banks which are actively engaged in selling government securities, financing war time industry and agriculture, handling the counting and clearing of ration coupons, and otherwise aiding the war effort, in the face of growing shortages of trained personnel.

Offer Common Stock Purchase Warrants of International Minerals

Hornblower & Weeks and Hallgarten & Co. are offering today, at $10 per warrant, 150,000 stock purchase warrants for purchase of common stock of International Minerals & Chemical Corp. The warrants entitle the holders to purchase a like number of common shares at $8.125 per share at any time until Feb. 1, 1947.

International Minerals & Chemical Corp., since its organization in 1909, has been engaged in the mining and sale of phosphate rock and preparation and sale of complete or mixed fertilizers. In 1936 the company widened the scope of its business by participating in the development of a potash mining enterprise which was merged with the company in 1942.

Recent progress in the company's diversification program is revealed by the registration statement, which discloses that production has just commenced at the new potassium chlorate plant at Columbia Park, near Cincinnati. The potassium salts for this plant will come from the company's mining operation in New Mexico and, when equipment again becomes available, plants for producing other potassium chemicals are contemplated on the Columbia Park site.

The opening of the potassium chlorate plant follows by about a month commencement of production of epsom salt and silica gel at a plant in Augusta, Ga. Effective Nov. 30, 1942, the company acquired as a going business Amino Products Co., one of two commercial producers in this country of a vegetable protein derivative in demand by makers of liquid and dehydrated soups and by the Army for one of its rations as an ingredient to enhance taste. Another recent addition to the company's products is a defluorinated phosphate cattle feed material, the essential raw material for which comes from its phosphate rock operations. Due to the food shortage situation, the company states that demand upon it for fertilizer currently is in excess of its production.

The company will not receive any of the proceeds from the sale of the stock purchase warrants which are already outstanding.

Says Keynes And Morgenthau Plans Would Create Super-National Brain Trust

(Continued from page 1755)

plans are in essence the same. Each would create a great international bank to deal with the central banks or treasuries of stabilization funds of the various governments of the world. The resources of the international bank would be in both cases drawn primarily from the treasuries or stabilization funds or central banks of the countries financially strong (which means chiefly the United States), and these resources would be used in supporting the currencies of the weak and debtor countries in foreign exchange markets.

"Both plans set up a super-national Brain Trust which is to think for the world and to tell the governments of the world what to do. The Morgenthau plan contains some safeguards for the United States not contained in the Keynes plan, including a veto on certain points, but the Morgenthau plan makes it the obligation of member countries 'to adopt appropriate legislation or decrees to carry out its undertakings to the fund and to facilitate the activities of the fund,' which would mean that the international bank could tell the Congress of the United States what to do and that the Congress would be obliged to do it. With respect to this provision, there is no veto on the part of the United States.

"What are the purposes of this elaborate super-national machinery? Why did we never have it before? I may say that there are hidden purposes in the proposals, purposes clear enough in the minds of the authors of the Keynes plan, though I am not sure that they are understood by the authors of the American plan. Both the plans are British plans in my opinion. Both grow out of long trends in Keynesian thinking and in British monetary policy.

"The avowed purpose, as distinguished from the hidden purposes of the plans, is the stabilization of the foreign exchange rates at the end of the war so that exports to Continental Europe may not be hampered by the weakness of the Continental currencies. Obviously, foreign exchange stabilization is a desirable thing if we can get it in a sound way without creating worse evils. But instability of a weak currency in the foreign exchanges is merely a symptom of an underlying financial disease, and to peg the foreign exchange rate without correcting the fundamentals is merely to mask the symptom and to let the disease grow worse.

"The Keynes and Morgenthau plans propose in substance a pooling of the financial resources of the different countries of the world so that all of them appear strong. All moneys, good, bad and hopeless, look the foreign exchange market level in the eye. Bad money becomes as good as good money, and, if the process is continued, good money becomes as bad as bad money.

"Similar proposals were made in 1921. But we had in 1921 a vivid memory of a futile and harmful application of the Keynes-Morgenthau idea. We had seen a great post-war boom based on the pegging of foreign exchange and on the artificial support of foreign exchange, and we had seen the great crisis of 1920-21 following the collapse of that needless post-war boom.

"Following the Armistice our Government loaned our European Allies nearly three billion dollars, which was used in pegging and supporting the foreign exchange rates.

"Europe needed help. It needed loans from outside, but it did not need three billion dollars from our Government. Very much smaller sums properly used would have solved the problem, had they been conditioned on drastic internal financial reforms. Two hundred million dollars, loaned to Germany in 1924, after the mark had fallen to a trillion to one, accompanied by drastic internal reforms and a measure of foreign supervision, set Germany on the upward path again under the Dawes Plan. Very much smaller loans, accompanied by drastic internal reforms and foreign supervision, straightened out Hungary in 1925 and Poland in 1927. But when we gave them the money without strings, after the Armistice, and they used it for supporting the foreign exchanges, the Continental European Finance Ministers continued to drift, refrained from taxing, refrained from balancing their budgets, borrowed banknotes from their central banks, refrained from controlling their money markets and took the easy way. The three billions did no lasting good.

"A shortlived reaction which followed the Armistice was turned into a strong boom by our Government's continued loans to Europe. Our exports to Europe continued on a great scale. We had an export surplus of 410 million dollars in January, 1919. In June, 1919, we had an export surplus of 625 million dollars of which nearly 600 million was with Europe. Our markets continued to be drained of goods. Our commodity prices rose. We went into our violent post-war boom of 1919-20, and our violent crisis of 1920-21. Had we taken our licking following the Armistice, when everybody was braced for it, we should have had no such severe shock as we went through in late 1920 and the first eight months of 1921. This boom and crisis were due precisely to what the Keynes-Morgenthau plans propose to repeat, the artificial support of foreign exchanges without the correction of the fundamentals.

"When our Government ceased making loans, at the end of June, 1919, the exchanges weakened further, but the striking thing was that sterling went down with the rest. England was balancing her budget and straightening out her finances, and it was anomalous that sterling should have fallen along with francs and lire and drachmae. The explanation was that England interposed her great credit and financial prestige between us and the Continent. She was buying here in great quantities, giving us her sterling and dollar obligations and reselling on the Continent for francs, lire and drachmae. She, too, had a great boom, and for a time great paper profits. She had ultimately great losses on these transactions.

"One of Lord Keynes's hidden purposes grows, I think, out of his recollection of this episode. Section 14 of the Keynes plan says, 'This would give everyone the great asset of multilateral clearings, whereby (fcr example) Great Britain could offset favorable balances arising out of her exports to Europe against unfavorable balances due to the United States. . . . How, indeed, can any country hope to start up trade with Europe during the relief and reconstruction period on any other terms?'

"It would, indeed, have been very nice for England if the proposed Keynes or Morgenthau arrangements had been in existence during the boom of 1919-20, if there had been an international fund into which she could have poured the francs and the life and the drachmae as constituting liquidation in full of her dollar and sterling obligations to the United States. Then she would have had her profits clear of risk —so long as she took pains to remain net debtor to the deteriorating international fund. But we should have been net creditor, and it would not have been good for us.

"The attitude of the Morgenthau and Keynes plans toward 'abnormal war balances' is a very discreditable one. By what right can we refuse to give back to the outside world the gold which they have sent here for safety and which they have every right to demand back? By what right can England refuse to honor the sterling balances of the Scandinavian banks which have trusted her, or withhold the gold of the National Bank of Norway which is supposed to have come to England when the Germans invaded that county? By what right can England hope after the war to continue to freeze funds owned by the Dominions in the sterling bloc or by India?

"If England cannot pay, let her say so frankly, beg the indulgence of her creditors, and do the best she can. She will find a sympathetic financial world which believes in her long-run future and which will make concessions, and extend financial aid. But let us not create a great international financial mechanism, under which the United States and a few other financially strong countries find this burden unloaded on them."

Investment Trusts

(Continued from page 1760)

rose from $7.18 to $9.76, or approximately 36%.

National Bond & Share Corp.—Net assets on March 31, 1943, totalled $8,254,864, equivalent to $22.93 per share. This compares with a net asset value of $20.19 per share on Dec. 31, 1942, and $18.06 per share on March 31, 1942.

New England Fund—Net assets amounted to $2,983,906 on March 31, 1943. This was equivalent to $11.93 per share compared with net asset value of $10.17 per share on Dec. 31, 1942.

George Putnam Fund—Net assets on March 31, 1943 totaled $7,112,000, and net asset value per share was $12.73 as against $10.99 on Dec. 31, 1942, and $10.29 a year ago.

Wellington Fund, Inc.—Net assets on March 31, 1943, totalled $8,967,414, or $15.74 per share compared with $5,352,723, or $11.97 per share a year earlier.

Discusses Treasury's Plan For Stabilization Of World Currencies

(Continued from page 1756)

they propose to achieve stabilization of currencies in the dynamic days to come? The very word stabilization has a static connotation ill-attuned to our times, and it were certainly less pretentious but more convincing to offer us a plan designed to achieve comparative stability. In this connection the British plan is the less ambitious and the more elastic. It is no cut and dry proposal; rather it is a sort of trial balloon, a challenge for the production of something better which it will certainly evoke. By comparison our own plan is marked by completeness and finality. **But both are managed currency plans and as such dangerous in the extreme.**

Boiled down to its essentials, the American plan is an invitation to all who would participate in it to aid and abet us in the perpetuation of a great blunder and to make of that blunder the very cornerstone of the future international monetary structure.

It would create the "Unitas" as the international exchange medium; it would tie the "Unitas" to gold at $35 per ounce and, by asking other nations to link their own currency units to the "Unitas," it would invite them to barter real values in the form of goods and services for extrinsic values in the form of gold on an arbitrary price basis of our own fixing. They could not do otherwise in their attempt to create the reserves of "Unitas" suggested in the plan.

Needless to say that this they will never accept; for the yellow metal hasn't the same fascination for them as it seems to have for the authors of our Treasury's plan. They know that gold's value is purely extrinsic, and that unless, by common consent, it is endowed with a utility which it doesn't otherwise possess, the yellow metal degenerates to the position of a doubtful luxury—and so they do without it.

When in 1934 we raised the price of gold by some 70%, we acted independently. We consulted no one. The absurdity of our act was such as to render it difficult for any nation, however willing, permanently to return to a gold basis. Even the chief gold producing countries continued the regime of managed currency, as witness South Africa, Canada, Australia, Mexico and Peru. They treated gold as a commodity to be exploited for profit, exported at a fancy price, but much too expensive for home consumption. That is the position of gold today, and America is "holding the bag." In this awkward business, America has a silent partner.

There is as much gold buried and unmined in South Africa as there is buried and refined in Fort Knox. The world's two great reserves, of which Britain and America are the trustees as well as the owners, call to them for some action which will rescue gold from sterility. Some action which, price-wise, will place these reserves within the reach of those nations who, alone by their cooperation, can restore to gold its former utility. Are Britain and America ready to make that sacrifice? Will they willingly contribute to peace a fraction of what they are compelled to spend for war? Time will tell. In the meantime, the American Treasury's plan points in the wrong direction.

We have been living in an era characterized by a growing mania for currency management and, like opium, currency management is habit-forming. Peculiar of opiates is that their dosage must ever be increased. This seems equally true of managed currency; else how explain the attempt to widen its scope by extending to the international field a system which had so dismally failed in the narrower confines of national affairs. Times must indeed have changed if "nothing succeeds like failure."

And so it is high time that we called a halt and returned to sounder principles. Be it remembered that the true function of government is to coin and **regulate, not manage, money;** for management, as distinct from regulation, is a continuous process which no money system can withstand.

The sooner we put hard money back into the hands of all peoples, the better will be our chances for monetary stability, because an ounce of gold or an ounce of silver still weighs 480 grains on either side of any frontier, and is thus amenable to regulation. This is not true of paper or alloys, whose values are subject to fluctuations once they cross the boundary lines because they merely represent the credit of the issuer and, therefore, must always be managed. Moreover, whereas hard money is in itself actual payment, paper merely postpones ultimate payment. But hard money must be economically priced to be freely acceptable and to furnish to regulation the indispensable limitations of production. For if it takes $12 to $15 to produce an ounce of gold, it doesn't make sense to ask people to barter for it $35 in goods and services. Nor will the community willingly labor for the sole benefit of the owners and producers of gold. They rightfully demand equality of treatment for all producers, with special shelter and subsidy to none.

In justification of the $35 per ounce price for gold some point to the premium over that price now being paid in certain markets. But they ignore the purely artificial scarcity of the metal, now surrounded by restrictions of every kind. They also overlook the fact that this premium is being paid with paper money which the buyers of gold distrust. Instead of a shortage there is a superabundance of gold, as evidenced by the figures of recent production. But the metal is sterilized as rapidly as it is produced—hence its seeming scarcity. Were gold, like silver, to be demonetized, it would flood the markets like a tidal wave and soon be priced well below the cost of its production; for, unlike silver's, gold's commercial utility is very limited.

And so it looks as though our Treasury had made a false start. But of that we needn't despair; on the contrary, the very fact that stabilization of currencies is being widely discussed is good reason for hope. An additional cause for optimism is the recent refusal by Congress to extend the Administration's power to raise still further the price of gold. That in the light of past experience the request should have been made at all passes all comprehension and readily points to the inspiration of the Treasury's proposal for currency stabilization. It is that Midas-like concept, the delusion that magic resides in dead metal, which we must at all cost dispel for the sake of progress. Else we bar access to one of the four precious freedoms we have proclaimed by forcing worship of the Golden Calf. For unless we endow gold with real utility by monetizing it wisely, we shall be left with a large yellow pile, still heavy, still ductile, but quite useless. Devoid of monetary stability, trade will languish, unemployment will spread, and the road will be paved over which future oppressors will march all over again.

But if we act wisely, recent history will not repeat itself.

Municipal News & Notes

Net funded debt of the City of Philadelphia has been reduced more than $95,000,000 during the past 10 years and is today smaller than it has been at any time since 1927, Adgar W. Baird Jr., City Treasurer of Philadelphia, stated recently in a luncheon address before the Bond Club of Philadelphia. There will be further reductions during 1944-45-46 by an amount in excess of $30,000,000, he said.

The debt reduction to date was accomplished largely during a period of great financial hardships and without forced refunding or extension of the city's obligations, he declared.

"From the figures I have just cited you can appreciate the fact that Philadelphia has put its financial house in good order," the City Treasurer stated. "Our current operating position is excellent and as time goes on our balance sheet should, under normal conditions, continue to steadily improve."

The city's cash balance stood on April 30 at about $34,000,000—a greater sum of money than the city has even before had on deposit, Mr. Baird pointed out. "Our revenues this year show every indication of being greater than our budgetary requirements as estimated in December, 1942. Even considering the steadily increasing costs of materials and the probable demand for new services, all indications point to the fact that Philadelphia will complete the year 1943 with a net surplus."

Alabama Legislature Approves Bridge Refunding

Both branches of the Alabama Legislature have approved bills authorizing the creation of the State Bridge Finance Corporation and empowering it to refund the approximately $4,365,500 of outstanding bonds of the Alabama Bridge Corporation and the Alabama Bridge Authority. The legislation provides for dissolution of the latter two agencies. Sponsors of the measures expect that the existing 4% indebtedness can be refunded through the new agency at about 1½%.

Chicago Area Debtors Cut 1942 Debts By $24,500,000

The six major governmental units in the Chicago area reduced their aggregate indebtedness by approximately $24,549,000 in the 12 months ended March 31, according to a recent analysis of their quarterly financial statements. Total indebtedness of the six units on March 31 was $438,-781,000, which compared with $463,330,000 a year earlier.

Total indebtedness at the close of 1942 was $407,837,000, some $31,000,000 higher than the March 31 figure, but this increase reflected the sale of 1943 tax anticipation warrants.

Net bonded debt of the six units declined to $293,567,000 on March 31 from $321,269,000 a year earlier, a reduction of $27,702,000. Redemptions by the City of Chicago and the Sanitary District of Chicago figured prominently in this decline. The city cut its net bonded debt to $58,755,000 from $67,152,000 a year ago, and bonded indebtedness of the sanitary district receded to $102,-995,000 from $110,688,000.

All of the six units had lower net bonded debt totals than a year ago. The Chicago Park District lowered its total by more than $6,000,000 to $72,480,000 from $78,551,000. Smaller reductions were reported by Cook County, the board of education, and the Forest Preserve District.

Floating debt of the taxing units, which includes such items as unpaid bills, salaries and judgments, declined $5,283,000, aggregating $20,605,000 and comparing with $25,888,000 on March 31, 1942. The city cut its floating debt almost in half to make the decline in the aggregate possible. Floating debt of the municipality amounted to $7,974,000, of which $3,093,-479 was represented by unpaid bills and payrolls, and the balance by judgments. Last year's figure of $15,450,000 included $8,228,040 in unpaid bills and payrolls.

Two other of the governmental units, the Forest Preserve District and the Sanitary District, were able to report reductions in their floating debt structures. The three other units reported increases, with the totals of the park district and the county each rising more than $1,000,000.

The park district, on the other hand, was the only one of the six that had a smaller amount of tax anticipation warrants outstanding than last year. The park district's total declined to $7,874,000 from $8,-605,000. The largest increase was shown in statement of the county, whose total advanced to $10,370,000 from $6,580,000.

Says Long War Will Require Local Economy

Municipalities have the prospect of obtaining higher, or at least stabilized, real estate tax revenues for the time being, in the opinion of Edwin H. Spengler, of the department of economics of Brooklyn College. He made this statement in a discussion of the effect of the war on property tax collections in a book published by the Tax Institute of Philadelphia.

"Should the war be a long one, the added Federal income and excise taxes, bond sales, and rising costs of living might result in such a heavy drain on the taxpayers' purses as to force local governments into a drastic policy of retrenchment because of lack of revenue," Mr. Spengler wrote.

Major Sales Scheduled

The calendar of pending bond awards of $500,000 or more is currently restricted to the $2,700,000 State of Minnesota rural credit deficiency fund certificates of indebtedness, for which bids will be received until June 2. The issue matures semi-annually from July 1, 1951 to Jan. 1, 1953. At the previous sale of similar obligations the successful bidder was a syndicate headed by the Wells-Dickey Co. of Minneapolis, and the second high offer was made by the National City Bank of New York and associates.

Bolivia's Good Neighbor

(Continued from page 1755)

sold to the public at 98½ early in 1927. It was not customary at that time for underwriters to make known their commission, but the President says that the borrower received 92% of the face amount of the obligation, in which case the "spread" was 6½ points.

How the President found an 8% commission in this deal, the reader must determine for himself. It is beyond us. He may have obtained something approaching an 8% rate by applying the coupon rate of 7% to the 92% of the face value of the loan, which he says is all that the borrower received, and adding the amount required annually during the life of the bond to amortize the discount. Even such procedure, which would certainly be somewhat unusual in such a case, and would morover have included the cost of the commission of which the President complains, would leave the rate a substantial fraction below 8%—but perhaps close enough according to New Deal standards.

Neither the President nor his New Deal associates have ever shown any understanding of the fact that a borrower, unless he is so fortunate (or unfortunate) as to have an addled-pated "gold daddy" to supply his needs for reasons which do not ordinarily enter into a business transaction, must pay the price fixed by the market, but this failure of understanding does not alter the fact in the slightest. Ordinarily two factors enter into the determination of the price the borrower must pay. One is the general level of interest rates ruling at the time; the other is the status of the borrower in the market.

If such mundane considerations held any interest for the President, a little inquiry would have revealed that at the time these bonds were offered in this market the Federal Reserve discount rate was 4%; that the official call money rate was 4%; the very best grade corporation bonds were yielding upwards of 4.25% at market prices; many high grade corporate bonds were yielding very nearly 5%; that the Bolivian 8s of 1947, which had been outstanding four or five years, had sold within the year as low as 96½; and that the Bolivian 7s of 1958 (to which the President was presumably referring) sold in the open market one year from the date of their original offering at 95¾. He is apparently aware that all these bonds have been in total default for a dozen years, but would have us believe that the reason is found in the cost of the loan — an explanation no school boy can have the credulity to accept.

From this record it seems obvious to us that if there was any exploitation in this case, the American people, not Bolivia, were the victims. Bolivia at least got 92 cents of each dollar of the face value of the bonds; the lenders got a few years interest on the face value of the bonds and a trifling part of their principal back. The same is true of a good many other loans to Latin America throughout this "interesting era" of which the President speaks. That phase of the matter does not, however, appear to trouble the President a great deal—despite all that he and his associates have said about protecting investors. Latin America is now long of dollars, but there has been no suggestion that any of them be applied to the mountainous debt owed to American investors.

The Administration has, moreover, for a good while past been actively engaged in the same type of exploitation. On June 15, 1942—no later figures have been permitted to reach the public, so far as we are aware—the Export-Import Bank had outstanding some $575,000,000 in loan commitments to various Latin American countries. In addition stabilization loan accommodations to Latin American countries amounted to some $250,000,000 or more. These figures, of course, do not take into account the vast quantities of goods for which in some instances we have no earthly use, the same Administration has bought or agreed to buy from Latin America. Doubtless the rates of interest charged on the loans recently made are lower than 8%, but this lower rate merely serves to enlarge the degree of exploitation of the American people, who would need a large measure of naivete to expect very substantial repayments.

Will the President of Bolivia, or of some of the other Latin American nations, in the 1950's have the grace to apologize for their exploitation of the American people during the 1940's?

Calendar of New Security Flotations

OFFERINGS

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. The issue was awarded to a syndicate headed by Smith, Barney & Co. (the only bid submitted) at $51.85 a share.

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

Offered May 12, 1943, at $54 a share by Smith, Barney & Co. and 68 investment houses throughout the country.

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).

Offered May 13 by Hornblower & Weeks, and Hallgarten & Co., at $10 per warrant.

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).

In an amendment to its registration statement dated May 11, John Morrell & Co. fixed the interest rate on its proposed issue of $7,500,000 of 15-year debentures at 3%, and the offering price to the public at 99 plus accrued interest from May 1, 1943, to date of delivery.

The underwriters with the amounts which they have agreed to purchase are given as follows: A. G. Becker & Co., Inc., Chicago, $1,500,000; First Boston Corp., New York, $750,000; Lehman Brothers, New York, $750,000; Smith, Barney & Co., New York, $750,000; Hallgarten & Co., New York, $500,000; Ladenburg, Thalmann & Co., New York, $500,000; Merrill Lynch, Pierce, Fenner & Beane, New York, $500,000; Central Republic Co., Inc., Chicago, $400,000; Harris, Hall & Co., Inc., Chicago, $400,000; Lee Higginson Corp., Chicago, $275,000; Wisconsin Company, Milwaukee, $275,000, and Kuhn, Loeb & Co., New York, $900,000.

Offered May 12, 1943, by A. G. Becker & Co. and associates at 99 and interest.

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.

Awarded May 10, 1943, to a syndicate headed by Kuhn, Loeb & Co. and associate, on bid of 101.0969.

Offered May 13 by Kuhn Loeb & Co. and associates at 102⅜% and interest.

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.

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

GOLDBLATT BROS., INC.

Goldblatt Bros., Inc., has filed a registration statement for 9,000 memberships in the Savings and Profit Sharing Plan of Goldblatt Bros., Inc., and 150,000 shares of common capital stock of Goldblatt Bros., Inc., par value $8 per share.

Address—333 South State Street, Chicago, Ill.

Business—Principal business of company and its subsidiaries is the sale of a wide line of general merchandise in a number of retail stores.

Purpose—The 9,000 memberships in the savings and profit sharing plan represent the maximum estimated number of memberships which have been and which may be offered to employees of Goldblatt Bros., Inc., during the 12 months following the effective date of the registration statement, upon their becoming eligible for membership in accordance with the rules of the plan. The 150,000 shares of common capital stock of Goldblatt Bros., Inc., which are registered, represent the maximum of shares which, it is anticipated may be purchased by the plan for its members during said period in accordance with the rules of the plan.

Registration Statement No. 2-5133. 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).

MERCANTILE PROPERTIES, INC.

Mercantile Properties, Inc., has filed a registration statement for $3,100,000 secured sinking fund 4½% bonds due May 1, 1963.

Address—60 Wall Street, New York City.

Business—Owns two commercial buildings in New York City, each of which is rented to F. W. Woolworth Co.

Underwriting — Principal underwriters are Laird, Bissell & Meeds and Spencer Trask & Co., both of New York City.

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

Proceeds—Net proceeds will be used, together with any necessary funds from its treasury, to redeem all of its presents outstanding secured sinking fund 5½% gold bonds in the face amount of $3,031,000.

Registration Statement No. 2-5135. Form S-1 (4-29-43).

MONDAY, MAY 24

WEST INDIES SUGAR CORPORATION

West Indies Sugar Corporation has filed a registration statement for 470,178 shares of common stock, par value $1 per share. The shares are already issued and outstanding.

Address—60 East 42nd St., N. Y. City.

Business—Is a holding company owning the securities of several operating subsidiaries engaged principally in the production of raw cane sugar and invert and black strap molasses in the Dominican Republic and Cuba.

Offering — Price to the public will be supplied by amendment. Statement says that 395,178 of the 470,178 shares registered will be publicly offered as soon as practicable after registration statement becomes effective. The remaining 75,000 shares will be offered within a reasonable time thereafter, but not before July 17, 1943, without the consent of the underwriters of the 395,178 shares. The 395,178 shares being offered initially are shares issued and outstanding, of which 325,000 shares are held by the City Company of New York, Inc., in dissolution; 53,691 shares by the National City Bank of New York, and 16,487 by Avery Rockefeller and the National City Bank of New York as trustees under the will of Percy A. Rockefeller. In addition, the National City Bank of New York holds 75,000 shares which it proposes to sell within a reasonable time after the initial offering.

Underwriting — Harriman Ripley & Co., Inc., head the underwriters. Other names will be supplied by amendment.

Proceeds—To the selling stockholders.

Registration Statement No. 2-5136. Form A-2 (5-5-43).

TUESDAY, MAY 25

FLINTKOTE COMPANY

Flintkote Company has filed a registration statement for $3,000,000 15-year 3% debentures due May 15, 1958.

Address—30 Rockefeller Plaza, N. Y. City.

Business — Either directly, or through subsidiaries, is engaged in the manufacture and sale, and in the sale either for its own account or for the account of others, of various asphalt and asbestos-cement roofing and siding products, structural and decorative insulation board products, asphalt emulsions, chipboards and boxboards, solid and corrugated containers, set-up and folding boxes, etc.

Underwriting — Principal underwriters are Lehman Brothers, New York; A. C. Allyn & Co., Inc., Chicago; Bacon, Whipple & Co., Chicago; Bear, Stearns & Co., New York; A. G. Becker & Co., Inc., Chicago; Dominick & Dominick, New York; Graham, Parsons & Co., Phila.; Granbery, Marache & Lord, New York; Hallgarten & Co., New York; Hemphill, Noyes & Co., New York; Hornblower & Weeks, New York; Ladenburg, Thalmann & Co., New York; Laurence M. Marks & Co., New York; Merrill Lynch, Pierce, Fenner & Beane, New York; Paine, Webber, Jackson & Curtis, Boston; L. F. Rothschild & Co., New York; Schoellkopf, Hutton & Pomeroy, Inc., Buffalo; Shields & Co., New York; I. M. Simon & Co., St. Louis; Stroud & Co., Inc., Phila.; Swiss American Corporation, New York, and Wertheim & Co., New York.

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

Proceeds—Will be added to the general funds of the company.

Registration Statement No. 2-5137. Form S-1 (5-6-43).

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.

BURTONITE CORPORATION

Burtonite Corporation has filed a registration statement for 10,000 shares of 7% preferred stock and 15,000 shares of common, no par.

Address—2500-22 Fisher Street, Fort Worth, Texas.

Business—Manufacture of face brick.

Offering—Present offering consists of 2,000 units, each unit consists of four shares preferred and one share common, price per unit is $10.

Underwriting—None. Distribution is to be made by direct sales by the corporation of its treasury stock.

Proceeds—Expansion of plant facilities, installation of additional equipment and for working capital.

Registration Statement No. 2-5105. Form S-2 (3-5-43).

(This list is incomplete this week)

John A. Coleman Elected Chairman Of Board Of Governors of New York Stock Exchange

At the annual election of the New York Stock Exchange, held on May 10, John A. Coleman of Adler, Coleman & Co. was elected Chairman of the Board of Governors for a one-year term. In addition to the election of a new Chairman, the Exchange members elected the regular slate chosen by its Nominating Committee.

Mr. Coleman succeeds Robert L. Stott of Wagner, Stott & Co., who was not a candidate for re-election. Mr. Coleman has been a member of the Stock Exchange since 1924, a Governor since 1928, and Vice-Chairman of the Board since May, 1941.

Following are the names of the other newly-elected officers of the Exchange:

Nine Members of the Board of Governors

Four members of the Exchange residing and having their principal places of business within the metropolitan area of the City of New York:

For the term of one year—Robert P. Boylan, at E. F. Hutton & Co.

For the term of three years—William B. Haffner, Wilcox & Co.; Ernest L. Jones, Mallory, Hollister & Co.; Sylvester P. Larkin, at Peter P. McDermott & Co.

Three allied members of non-members residing and having their principal places of business within the metropolitan area of the City of New York, who are general or limited partners in member firms engaged in a business involving direct contact with the public:

For the term of two years—Percy M. Stewart, Kuhn, Loeb & Co.

For the term of three years—Irving D. Fish, Smith, Barney & Co.; John C. Maxwell, Tucker, Anthony & Co.

Two members or allied members or non-members of the Exchange residing and having their principal places of business outside of the metropolitan area of the City of New York, who are general or limited partners in member firms engaged in a business involving direct contact with the public, of whom not less than one is a member of the Exchange:

For the term of three years—H. Prenatt Green, G. H. Walker & Co., St. Louis, Mo.; Edgar Scott, Montgomery, Scott & Co., Philadelphia, Pa.

Two Members of the Gratuity Fund

For the term of three years—Clinton S. Lutkins, R. W. Pressprich & Co.; William D. Scholle, Scholle Brothers.

Five Members of the Nominating Committee

For the term of one year—Three members of the Exchange: Stephen A. Koshland, Carl M. Loeb, Rhoades & Co.; James G. Purcell, Nugent & Igoe; David W. Smyth, Filor, Bullard & Smyth.

Two allied members of the Exchange: F. Edward Bosson, Putnam & Co., Hartford, Conn.; Herbert F. Boynton, F. S. Moseley & Co.

Nomination of these officers was reported in our issue of April 15, page 1381.

Issues Report On Active Foreign Securities

In answer to many requests for comments on market developments in foreign securities or interesting situations in the foreign field, and for quotation lists on "Foreigns," Carl Marks & Co., Inc., 50 Broad Street, New York City, have issued their first periodical report on active foreign securities, giving closing rates at May 1, 1943. The firm analyzed some 1,500 foreign issues in the preparation of this quotation list, and eliminated about three-fourths of these as being of lesser interest. Copies of this interesting report may be had from Carl Marks & Co. upon request.

Situations of Interest

Federal Machine & Welder Co. and Purolator Products, Inc. offer attractive possibilities, according to Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Interesting basic reports upon these companies may be had from Reynolds & Co. upon request.

Becker & Co. Offers John Morrell & Co. Deb.

A. G. Becker & Co., Inc., headed an underwriting group which made public offering May 12 of a $7,500,000 new issue of John Morrell & Co. 15-year 3% debentures priced at 99%. This marks the first public financing for the 100-year-old Ottumwa (Iowa) meat-packing firm, which was established in England in 1827 and which first extended operations to the United States in 1865. The founder and his descendants have been in continuous charge of management. In 1929 a block of common stock was publicly offered on behalf of certain stockholders.

In addition to A. G. Becker & Co., Inc., other members of the underwriting group are: Kuhn, Loeb & Co.; The First Boston Corp.; Lehman Brothers; Smith, Barney & Co.; Hallgarten & Co.; Ladenburg, Thalmann & Co.; Merrill Lynch, Pierce, Fenner & Beane; Central Republic Co., Inc.; Harris, Hall & Co., Inc.; Lee Higginson Corp., and The Wisconsin Co.

Of the proceeds of the new issue $5,384,750 will be used to redeem two note issues and the remainder will be used by the company to carry additional receivables and inventories and for other corporate purposes.

Following redemptions described above, the only outstanding debt of the company other than the new issue will be $2,400,000 face amount of 2% notes maturing serially to 1950 and $2,000,000 face amount of 1¾% notes, maturing serially from 1945 to 1948. There are in addition 389,700 outstanding shares of no-par capital stock.

The sinking fund provisions call for retirement of $500,000 each on May 1, 1949 and 1950, and for $800,000 redemptions on May 1 of the years 1951 to 1957, both inclusive. The debentures may be redeemed at the option of the company as a whole or in part on 30 days' notice at the following schedule: To and including May 1, 1945, at 103%; thereafter, to and including May 1, 1948, at 102%; thereafter to and including May 1, 1951, at 101%; thereafter, to and including May 1, 1954, at 100½%, and thereafter at 100%.

New Developments In Lackawanna Leased Lines

The current issue of "Railroad Securities Quotations" being distributed by B. W. Pizzini & Co., 55 Broadway, New York City, discusses recent developments in "Lackawanna" leased line securities particularly affecting stockholders in suggestions presented for adjusting the back income tax debts of the companies. Copies of "Railroad Securities Quotations," which contains guaranteed stock quotations, underlying mortgage railroad bond quotations, reorganization railroad bond quotations, minority stock quotations, and guaranteed telegraph quotations, may be had upon request from B. W. Pizzini & Co.

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.

Graham Adams Advances

Directors of the National Dehydrators Association have selected Graham Adams as Executive Secretary and General Manager of the Association. Mr. Adams organized the Washington, D. C. office at 815 Bowen Building and has been serving in the capacity of assistant to the President since February 1 of this year.

Florida Bond Quotations

Clyde C. Pierce Corporation, Barnett Building, Jacksonville, Fla., has prepared an interesting circular containing quotations and information on Florida Municipal bonds, and a revised classification and rating of the bonds. Copies of this circular may be had upon request from Clyde C. Pierce Corporation.

The Business Man's Bookshelf

Comparative Analysis of Leading Oil Companies—E. W. Axe & Co., Inc.—Tarrytown Press, P. O. Box 157, Tarrytown, N. Y.—paper—35c—free to public libraries and non-profit institutions.

American As He Is, The—Nicholas Murray Butler—Charles Scribner's Sons, New York, N. Y.—paper.

Five Commercial Types of Synthetic Rubber, The—A Statement of the over-all synthetic rubber situation prepared for the layman — United States Rubber Company, Synthetic Rubber Division, 1230 Sixth Avenue, New York, N. Y.—paper—free.

Foreign Exchange Regulations for Great Britain—Monetary and Economic Department, Bank for International Settlements, Basle, Switzerland — paper — 9 Swiss francs.

Foreign Exchange Regulations for the Protectorate of Bohemia and Moravia (in German)—Monetary and Economic Department of the Bank for International Settlements, Basle, Switzerland—paper —2 Swiss francs.

Liberty—Equality—Fraternity, Essays and Addresses on the Problems of Today and Tomorrow — Nicholas Murray Butler — Charles Scribner's Sons, New York, N. Y.—cloth $2.50.

Looking Forward Through The Eyes of Research — Charles F. Kettering, Vice-President of General Motors in Charge of Research — paper — Department of Public Relations, General Motors, Detroit, Mich.

Manual Of The St. Louis Stock Exchange for 1943 — St. Louis Stock Exchange, Security Building, St. Louis, Mo.—paper.