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Capitalism And Americanism Go Hand In Hand

Hill Enlightens Employees On The Significance Of Capitalism To Them

Every employer would do well to emulate J. B. Hill, President of the Louisville & Nashville Railroad Co., in the splendid work he is doing in an effort to create a better understanding between capital and labor. Three of his recent messages appearing in the Employees' Magazine of his railroad are given below. Mr. Hill informs the Editor of the "Chronicle" that all are free to reprint these messages in whole or in part, or use them in any way they see fit in employee-employer educational programs. The Louisville & Nashville made reprints of these particular messages in pamphlet form.

J. B. Hill

(Continued on page 2070)

Pennsylvania Corporates-Municipals

Special section devoted exclusively to Pennsylvania corporate and municipal securities starts on page 2062.

"Functional Finance"—Friend Or Foe Of Private Capital?

The above caption indicates the topic of a debate by prominent figures in the financial and academic world and attended by more than one hundred fifty men of finance, industry and the Government, held last month at the New School for Social Research.

The new fiscal theory, first put forward by J. M. Keynes in England, was laid open to comment from the floor by a number of guests, after the initial discussion of the problem by Dr. M. Vidal Guardiola and Professors Albert Hahn and Abba P. Lerner.

Dr. Vidal Guardiola, the leading main speaker, expressed in part, the views that Functional Finance is a successor to deficit spending and that it runs counter to the sentiments of individual freedom and enterprise and can succeed only in a "society of ultra-collectivist simplicity."

Hans Staudinger

Dr. Abba P. Lerner, taking an opposing view, contended that Functional Finance is a fiscal doctrine by which the Government can keep the total money demand for goods and services at the right level by adjusting its own spending, raising or lowering tax rates and borrowing or repaying money—and that this new fiscal theory is the best friend of private enterprise, which must use it to prevent the eclipse of individual capital for good.

An abstract of the address by Messrs. Guardiola, Hahn and Lerner is given below together with a summary of the views expressed by Professor Oskar Lange and Dr. Julius Wyler. William Cumberland, Robert B. Warren, Prof. Harold Berger, Prof. Ralph Young, Prof. Wm. Carsen, Prof. Milton Freedman and others also participated in the debate.

The meeting was presided over by Dr. Hans Staudinger, Dean of the New School's Graduate Faculty.

DR. M. VIDAL GUARDIOLA

1. Up to 1914, free enterprise, supported by moderate Government spending, spread throughout the world increased and progressively better distributed purchasing power for the people. Such fruitful collaboration was interrupted after World War I by an all out change (monetary, commercial, financial, social) that shook the foundations of the economic system, discouraged initiative and investment, and led to endemic under-employment. Pump-priming and deficit spending had reached nowhere a satisfactory solution when the menace of war and actual war

M. Vidal Guardiola

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Can The United States Support A 300 Billion Dollar Debt?

Can, and will, the gigantic post-war Federal debt be redeemed in money of present or pre-war purchasing power, or will it be repudiated directly or indirectly, in whole or in part? Dr. Olin Glenn Saxon, Professor of Economics, Yale University, undertook to supply an answer to this question of primary concern to the entire nation and, at the same time, discussed the vital stake of the millions of investors in war bonds in the methods employed in working out a sound solution of the problem, in an extremely timely article, bearing the above caption, which appeared in the "Chronicle" of May 13. In Dr. Saxon's opinion, the debt can be paid in what he terms "honest dollars," provided, of course, that the nation's leaders "have the political courage to attempt it."

Dr. O. Glenn Saxon

In line with its suggestion, the "Chronicle" received various comments regarding the views and conclusions set forth by Dr. Saxon in his article. Some of these letters were given in our issues of May 20 and May 27 and others are given herewith:

JAMES J. HUNTER
San Francisco

With regard to the final $300 billion national debt, I may say it is all so stupendous I am utterly confused. There are, however, some things which seem to me to be simple and axiomatic. It's the last straw (of debt) that breaks the camel's back.

This nation has progressed at an unparalleled rate almost from its inception, but I am afraid we are going to be "caught in our own craftiness."

Since the War No. 1, before which we had a reasonably balanced budget, we have been expanding our credit on such a colossal scale that gold had to be detached from the pyramid. In fact, when the Supreme Court validated the right of Congress to confiscate gold they demonetized it. It's all pretty theory to say our credit is based on gold, but until it is the inalienable right of the individual to own and possess the metal, it is just so much superstition. Credit (confidence) has gone beyond all possible capacity for gold. It had been getting that way over a very long period and the break just happened when it did to maintain confidence in

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The War And American Foreign Investments

The "Chronicle" of May 27 carried several letters referring to an article, bearing the above caption, which appeared in our issue of May 20. In this article the author, Dr. Max Winkler, noted, among other things, that the aggregate market value of foreign government securities has enhanced materially since the outbreak of the present war and made certain observations pertaining to the status of the Russian bonds of pre-Soviet Russia. During the past week we have been favored with additional letters, including one from the author of the article. These comments follow:

DR. MAX WINKLER

In answering my appraisal of foreign loans, including Russian bonds, in a recent article in the "Chronicle," one writer states, *inter alia*, that my remarks have "an air of finality" when I point out that "all foreign loans (of pre-Soviet Russia), without exception, are absolutely repudiated." May I remind the writer that the "air of finality" is not mine, but that of the Kremlin? In Harvey E. Fisk's "The Inter-Ally Debts," published by the Bankers Trust Company (p. 303, ff.), he will find the official text of the "Soviet Decree Invalidating Russian Debt," section 3 of which reads as follows:

"All foreign loans, without exception, are absolutely repudiated."

I repeat: The above decree has neither been revoked nor modified. For more than a quarter of a century it has been on Moscow's statute books, despite the writer's plea that "official records, persons and events tell us that conditions have changed." We are aware of this, but also of the fact that the repudiation decree has not changed.

The writer then speaks of "several other controversial matters" and comes "to the question of Belgium, France, Denmark and Norway." He "reasons" that the "high quotations are probably due to repatriation out of 'blocked' funds." This is quite probable, and my

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Weekly Stock Market Comments

During the past three weeks, and more particularly during the past few days, the market has acted disappointedly. It appears just as if most of the sophisticated investors and traders, who realize that the Dow Theory is just a theory and that frequently its signals do not work out in practice, decided to "copper" the signal given Tuesday and Wednesday and sell out on the new crop of Dow Theorists. The market is running into sizable offerings, particularly in railroad stocks, which it is having considerable difficulty absorbing. At this point of the market, after thirteen months of rise, we favor consolidation of positions on a fairly substantial scale because of many uncertainties and conditions, more or less important, which previously during the rise the market has not been called upon to digest: (1) Congress is having unusual or extraordinary difficulties in arriving at a tax plan and, with an enormous budget facing it, will have to find new taxation sources and perhaps heavier rates; (2) making a landing in most places in Europe, and staying there, isn't likely to be child's play, even given some air superiority; (3) it is understood that margin account debits of leading houses have been increasing sharply; (4) shorts are becoming bolder; (5) substantial clients hesitate to purchase even the best values and appear to be thinking only of strengthening their future buying power; (6) labor has become increasingly restive; (7) floods are causing serious losses; (8) the business index appears to be stalling at current very high levels and "cutbacks" in certain munitions programs have been given wide publicity. It is difficult for the business index to make progress now that plan construction largely has been accomplished, and the building index is on the toboggan; and (9) perhaps most important in the uncertain factors is the unfavorable weather condition which has been discouraging to crops for 1943. Farmers have been seriously retarded in efforts to plow or plant. Reductions in food production goals appear inevitable. If crop failures should develop later, the excellent industrial and military momentum developed in the past six months could be thrown in reverse; temporarily, of course. The market appears unprepared for digestion of this array of supply factors.

In the past two weeks our let-

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Harriman Ripley Names Four Vice-Presidents

Joseph P. Ripley, Chairman of Harriman Ripley & Co., Incorporated, 63 Wall Street, New York City, announced that at a regular meeting of the board of directors, Harding C. Woodall, Walter V. Millette, David L. Skinner and Franklin T. McClintock were elected vice-presidents of the company.

Joseph P. Ripley

A graduate of Sewanee University with the Class of 1917, Harding C. Woodall entered the investment banking business in 1925 with The National City Company after a period of service with Wright Aeronautical Corporation and Cia Azucarera Vertientes in Cuba. He has been associated with the Harriman Ripley organization since January, 1935, and is a manager of the buying department.

Walter V. Millette, a native of Vermont, was with The National City Company organization continuously from 1921 to June, 1934, when he became associated with Brown Harriman & Co., Incor-

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V. & W. F. Fitzgerald Form Partnership

Frings & Nicholson Will Be With New Organization

Vincent Fitzgerald and W. F. Fitzgerald have formed a partnership to conduct a general securities business under the name of Fitzgerald & Company, at 40 Wall Street, New York.

The partners of Fitzgerald & Company were formerly President and Treasurer of Fitzgerald & Company, Inc., which is being dissolved.

J. George Frings will be associated with the firm as manager of the Trading Department and will trade in a general list of stocks and bonds. William D. O'Connor will be in charge of the bank and insurance stocks department, and John T. Nicholson, Jr., will be Sales Manager.

St. Pauls vs. MOPS

An interesting comparison of the merits of St. Pauls and "MOPS" is contained in a circular being distributed by McLaughlin, Baird & Reuss, One Wall Street, New York City, members of the New York Stock Exchange. Copies of this circular may be obtained from the firm 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.

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

Cgo. & Southern Airlines Offers Possibilities

Ward & Co., 120 Broadway, New York City, members of the New York Security Dealers' Association, have completed a detailed survey on Chicago & Southern Airlines, Inc., including the proposed post-war expansion of routes to establish a link between the North American continent and Greater East Asia, and to the Canal Zone and the West Indies. This is the second in a series on over-the-counter air line stocks which the firm's research and statistical department has prepared.

Also offering an attractive situation at present levels is Metal & Thermit Corporation, a leader in its field, the recovery of metallic tin, tin oxide and other tin compounds, and heavy melting steel from tin plate scrap.

Copies of both circulars may be had upon request from Ward & Co.

Now Corrigan & Co., Inc.

MIAMI, FLA.—It is announced that the firm name of Corrigan, Miller & Company, Incorporated, has been changed to Corrigan & Company, Incorporated, effective June 1, 1943. Personnel of the firm, which is located in the Security Building, remains unchanged.

Peacetime Prospects For Aircraft Industry

By E. E. WILSON
President, United Aircraft Corp.

In view of the uncertainties as to the general attitude of Government toward postwar business, it is difficult at present to estimate peacetime prospects for the aircraft industry.

Eugene Edw. Wilson

There are three major fields of operations. First, military and naval aviation; second, commercial air transport, and, third, private flying.

In the military and naval field, if we profit by previous experience, our national policy will require an adequate air force in a high state of readiness for emergency, equipped with aircraft of the most advanced type. The emphasis should be on advanced technology, since research can be made the basis of national security.

In the field of commercial air transport, we can hope to find a greatly broadened application of the airplane. The breadth will vary directly with the advance in engineering and design.

In the field of private flying, aviation can find a new outlet provided aircraft are developed which are better suited to that field. As an example, we may consider the Sikorsky helicopter, presently under development.

In all the foregoing, the emphasis on engineering research and development is paramount. Technological development flourishes under conditions favoring competition, and reward of individual initiative and enterprise. If those conditions return in the postwar period, aviation's future seems bright.

Ulen Realization Corp.

War destroys values and creates opportunities. When the Germans drove into Poland, it was not only Polish property that was destroyed. The assets of Ulen & Co., a prominent utility engineering concern of world-wide experience and reputation, suffered drastic shrinkage. This company frequently took in payment for construction of utility projects the bonds of the nation where the work was performed. It held a large block of National Economic Bank of Poland 8s, 1967.

By October, 1941, the position of Ulen & Co. had become rather hopeless from the standpoint of getting new engineering contracts in foreign countries. The decision was made to liquidate and the present Ulen Realization Corp. was formed to take over the assets of the old company. Although the new company has made some progress in accomplishing its purpose, it is clear that the bulk of liquidation will come after the war.

In addition to its present holdings of National Economic Bank of Poland bonds amounting to $7,519,000 par value, the assets of the company include: (1) a contract for the operation of and additions to the water works of Athens, Greece; (2) a small holding of Greek 7s; (3) a 16-year contract with the State of Maranhao, Brazil, for the operation of public services on an annual fee basis; (4) various domestic bond holdings among which are $1,300,000 Rio Grande Water Co. 5s, 1976, and $200,000 Maverick County (Texas) water bonds.

The only capital obligation of the company consists of 400,000 shares of capital stock. All investments are carried at nominal quotations in the last published balance sheet, Oct. 31, 1942. With the increasingly favorable turn in the war, there has been substantial improvement not only in the outlook for the company's foreign assets, but also in the market value of its foreign bond holdings.

With respect to the company's principal asset—its National Economic Bank of Poland bonds—it has already filed claim against the French gold held in the United States. Poland was reported to have transferred the bulk of her gold to the Bank of France for reshipment to the United States before the Nazis overran the country. Whether this gold fell into the hands of the Germans later is

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The Challenge Of Post-War Deficit Financing

Federal spending is now at the annual rate of nearly 100 billion dollars, with only about one third of this amount collected in taxes. The minimum Federal debt at the end of the war will likely be around 300 billion dollars. Such a debt can be carried provided favorable conditions prevail for business expansion, sound economic and financial policies are followed, and the people are determined to take a firm and uncompromising stand in meeting the crucial issues involved in the financing of Government expenditures. This will not be an easy task for there is no royal road to take.

The battle lines over Government financing will be sharply drawn and bitterly contested for the stakes are high. In consequence, even while we are fighting a global war we must give serious thought to the fiscal policies we adopt since the manner in which the monetary problem is settled may well shape the course of events for decades and perhaps generations to come.

A new school of thought has sprung up in this country which holds the view that we need not worry about the debt since we owe it to one another, and that interest charges on public obligations are no burden on the economy because they represent merely the transfer of purchasing power from one group to another.

The statement that there need be no concern over the debt, since it is internally held, is not a realistic approach as we are not a collectivist society, although the adoption of the proposed philosophy would be likely to lead us in that direction. As our economy is now constituted, each individual maintains a separate accounting system of income and outgo, and must meet his own obligations. This fact is now being brought home to every taxpayer in the land. As he is compelled to make a drastic overhauling of his family budget in order to pay taxes, subscribe to War Savings Bonds, and meet the rising cost of living, it will be of little comfort to be told that his outlay for taxes constitutes no loss of purchasing power for the nation as a whole.

During the last depression there were wholesale defaults on farm mortgages. Many thousands lost

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Compromise Pay-Go Tax Bill Passed By House

The compromise pay-as-you-go tax bill as agreed on in conference was adopted by the House on June 1 by a vote of 256 to 114.

Favorable action by the Senate was expected yesterday (June 2) and assurance has been given that President Roosevelt will sign the measure.

Under the bill, designed to put 44,000,000 income taxpayers on a current basis, a 20% withholding levy against the taxable portions of wages and salaries will become effective July 1.

The income tax compromise bill provides:

1. Each taxpayer owing up to $50 in taxes for the one year, 1942 or 1943, in which he had the smaller taxable income, will get 100% abatement.

2. Persons whose abatement year tax bill is between $50 and $66.67 get a flat $50 abatement, and

3. All taxpayers with an abatement year bill over $66.67 receive a deduction of 75%; the remaining 25% to be paid half on March 15, 1944, and half March 15, 1945, in addition to current taxes.

In all cases the abatement occurs in the one year, 1942 or 1943, in which the taxpayer had the smallest taxable income.

It is estimated that the measure would add about $3,000,000,000 to Federal revenues in the 1944 fiscal year, through the partial doubling up in collections.

Enactment of this bill does not relieve taxpayers from paying the June 15 second installment of their 1942 income tax obligation. Associated Press advices from Washington, June 1 stated:

"Installments paid before July 1 on the basis of 1942 income will be transferred as a credit to 1943 obligations. Wages and salary earners will begin paying July 1 the rest of their 1943 bill through the withholding levy.

"Persons with income other than wages and salaries must estimate their income for the current year, and continue to pay by quarterly installments. Similarly, persons with wages or salaries above the 20% withholding level will estimate their upper bracket income, and pay quarterly on that part of their obligation above the withholding level.

On next March 15, all taxpayers—as at present—will file their final return on 1943. On this return, adjustments will be made for differences between the estimated or withheld tax, and the correct tax reported by the taxpayer.

Agreement on the compromise measure was noted in these columns May 27, page 1956.

N. Y. Bank Earnings Increasing?

By W. W. PHILLIPS

Banks in general, and New York City banks in particular, are likely to charge off assets in large totals this calendar year; they are practically certain to end the year not only with the largest total assets on record, but with the largest expansion of assets—in dollars—on record. Finally, incomplete, but official figures, suggest that 1943 will show the largest profits, even after heavy charge-offs, for many years—possibly an all time record.

Loans and Investments Expanding

It is an amazing fact that bank stocks in general have been comparatively neglected because of an astounding and fairly general error. "Banks cannot earn large profits because they cannot lend their money"—that is the amazing error many well informed people labor under. These people think that banks cannot lend their money when as a matter of fact loans and investments are expanding at the most rapid rate in the entire history of the country and are now at an all-time peak. Take New York City banks for instance. On May 19, 1943, official figures released by the Board of Governors of the Federal Reserve System, show $18,330,000,000 loans and investments. On September 4, 1929—peak of the great bull market in stocks—loans and investments of these same reporting member banks stood at $7,546,000,000. In short, loans and investments of reporting New York City banks are approximately 2½ times as large as they were when this country was white hot with commercial and industrial activity, and when many New York bank stocks were quoted several times current prices.

Number of Employees Reduced

Take another date for comparison—December 29, 1937. On that date reporting New York City member banks had $7,857,000,000 loans and investments, which compares with $18,330,000,000 on May 19, 1943. Loans and investments have not only more than doubled since the end of 1937 BUT with this unprecedented increase in loans and investments, these banks have actually succeeded in reducing the number of employees. For instance, we mention that the Guaranty Trust Company, although its assets have about doubled, is now employing about 600 fewer people than at the end of 1937. Chase National Bank is employing approximately 800 fewer, and it may be stated on the authority of the office of Comptroller of Currency that national banks in New York had 12,778 employees at the end of 1942, which compares with 13,671 at the end of 1937.

Bank Capital Increasing

With assets more than doubled and fewer employees one might

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Beveridge Declares His Plan For Post-War Social Security Unsuited To United States

Cites Geographic, Historic And Economic Experiences Between U. S. And Britain

Sir William Henry Beveridge, author of Great Britain's Social Security Plan told the Columbia Alumni on June 1 that he did not think his plan is wholly applicable to the United States, even though both countries face the same post-war need for a social security program, said the New York "Herald Tribune" of June 1, which also gave the following:

"You don't want anything exactly like my plan, but you do share our problems and you must find some solution," the sixty-four-year-old Scot told the Columbia University Alumni Federation at its annual luncheon in the Men's Faculty Club at 117th Street and Morningside Drive.

Sir William explained that he did not think his plan would work in the United States because of geographic, historic and economic differences between this country and Great Britain.

For one thing, he said, this country is much larger and more homogeneous than Great Britain, and for another this nation started to gather wealth much later than Great Britain and became wealthy much quicker.

As for the geographic differences, Sir William cited the coal strike as an illustration of national disunity that would not arise in his country because it is situated "3,000 miles closer to Germany" and is, therefore, much more aware of its danger.

"We in Great Britain," said Sir William, pointing out other differences between the countries, "are far more ready to believe in the possibility of good government than you are. We are not afraid of government, because we are a democracy and can control it. But you, possibly remembering your experiences 150 years ago, are suspicious of it."

Explaining his social security plan in general terms, Sir William said that it was the result of a careful analysis of Great Britain's economic structure.

His plan for social insurance, he explained, "is simply an appeal to fact and reason," based upon the facts of wealth and poverty in Britain. An analysis of conditions in Britain, he said, convinced him of the need for an adequate sharing of the national income.

Sir William expressed confidence that the plan eventually will be adopted by the British government because, he said, the plan "is insurance, not charity," and because it requires a weekly contribution from all toward a subsistence benefit, yet leaves them free to add to the benefit in any manner they can.

"It is security with freedom," said Sir William. "It is universal: it applies to all, rich and poor." The plan makes the nation more conscious of a national unity, he added, and gives the people hope for post-war security.

Railroad Securities

Announcement of the recommendations of the Fact Finding Board on the demands of the non-operating railroad unions for an increase in wages was practically ignored by both the bond and stock lists. The increase of eight cents an hour was somewhat more than was generally expected but did represent a sharp reduction from the twenty cents an hour increase sought. Also, the Board refused to recommend a closed shop or an increase in the minimum wage from 46 cents to 70 cents an hour. Probably the most important consideration was the reasons given by the Board for the recommended increase.

The action is not based on the "Little Steel Formula" but it is certified as being consonant with the national stabilization program. The increases were recommended specifically as the minimum noninflationary adjustments necessary to correct gross inequities and to aid in the effective prosecution of the war. The manner of the award is being accepted as an indication that little, if anything, is liable to be awarded the operating unions in their pending requests for wide increases. Certainly it would be difficult to justify a recommendation by the Board for higher wages on the grounds of inequities and if a substantial award is recommended to "aid in the effective prosecution of the war" it would be difficult to avoid granting wage-increases of similar nature to any group seeking higher wages.

The recommendations of the Fact Finding Board are not subject to review of the War Labor Board but may be modified by Stabilization Director Byrnes. It is generally expected that he will not make any modifications and that the recommendations will therefore become effective in thirty days. The attitude of both the speculative and investment markets is that the uncertainty as to wages has now been pretty well cleared up, and that the danger of a substantial increase to the operating unions has been abated materially. Thus, the market can return now to a more accurate appraisal of earnings trends and potentialities, and financial progress and prospects. A generally bullish feeling is clearly in evidence.

While the increase recommended is somewhat greater than had been generally expected and is retroactive to February 1, it will not have too serious an influence on 1943 earnings at least. Traffic volume remains the one key to railroad earnings regardless of any other consideration. The emergency Board estimated the annual cost of these wage increases at $204 million but independent estimates place the figure at closer to $180 million. In either event the gross cost in 1943 will be no higher than $180 million. Of this total it is indicated that roughly 50% (and perhaps more) will come out of the United States Treasury's pocket, being offset by savings in income and excess profits taxes.

This increase in wages will be supplemented by the loss in revenues from recent suspension of freight rate increases. In recommending the wage increase the Board specifically pointed out that they do not justify any increase in rates or resistence to justifiable reductions in such rates. The net loss probable from suspension of the freight rate increases this year, after adjusting for the tax savings, has been estimated at no more than $90 million.

The net effect of the two influences on 1943 earnings, then, will likely be around $170 to $180 million. In the first quarter alone net operating income of all Class I carriers was about $120 million above a year ago and the indicated further gain in April should go far towards wiping out the balance of the estimated loss from rate and wage adjustments. On this basis it seems safe to forecast that 1943 net income will be the highest for any year on record with the exception of 1942 and not far below the level of roundly $950 million, after taxes and charges, realized in that period.

The influence of the wage and rate adjustments will naturally not be uniform for the individual units in the industry. Some will suffer considerably from the loss of revenue and increase in expenses. On the other hand, those that have been in the high excess profits tax brackets will be little affected. Also, roads carrying a large proportion of farm products, iron ore, etc., will suffer relatively little loss because the freight rate increases had been of little benefit in any event.

John L. Shea Forms Own Investment Firm

(Special to The Financial Chronicle)

BOSTON, MASS.—John L. Shea has formed Shea & Company to engage in a securities business from offices at 31 State Street. Mr. Shea was formerly an officer of Sears Corporation and its predecessor Sears & Co., Inc. for many years.

Pennsylvania Municipals

As has been true of most local and sectional municipal markets, that of Pennsylvania has shown noticeable strength in the last three weeks. Typical likewise has been a decided curtailment of supply. The source of what few offerings have appeared has represented, principally, liquidation on the part of insurance institutions, which liquidation has been readily absorbed.

Early in May, the Teachers' Pension Fund at Harrisburg sold at public auction, $4,000,000 Philadelphia School District 1½s, maturing from 1944 to 1959, at substantially high bids and there are but $390,000 of these bonds unsold. An additional $1,000,000 of the same bonds were bought by the Fund's Sinking Fund. The impressive fact about this sale was the number of bidders and the high bids made for other blocks of bonds which, however, were not sold.

The market on various City of Philadelphia bonds has advanced steadily to the high of the past few years to such an extent that the bonds, eligible under the Refunding Plan of 1942, show from a minus yield to a 1.8% yield on the longest maturity. Prices for the 1½% bonds, in a number of instances, are higher than their original offering prices of October, 1941.

The bettering of City of Philadelphia bond prices may properly be attributed to this particular display of bidding strength and paucity of supply. Even so, Philadelphia, Allegheny County and Pittsburgh issues account for most of transactions recorded. Other descriptions are from scarce to absent.

It is interesting to note that, during and following the Second War Loan Drive, there was marked investment buying of municipal obligations. The fact that the War Loan Drive was oversubscribed by $5,000,000,000 appeared to have a stimulating effect on all municipal markets. This oversubscription of five billion dollars was approximately equivalent to the largest sale of Liberty Bonds during the First World War. The mere announcement of the oversubscription caused a widespread marking-up of municipals held in inventory.

The elmination of the Pennsylvania four mills personal property tax (leaving four) did not seemingly affect the municipal market. There was little if any publicity given this reduction, but there was no apparent disposition to look for possible corporate switches.

Pennsylvania Turnpike bonds continue in demand and have firmed in price over the last fortnight despite driving restrictions which have seriously affected revenues. With pleasure driving banned, permissible commercial traffic may or may not cover fixed charges, but the available reserve fund is considered ample to protect debt service for a long time ahead.

The general feeling is that the scarcity of new issues will continue. Municipalities have tightened their belts for the duration. New projects have been postponed until peacetime. Scheduled offerings of $75,000 Ridley Townships, $80,000 Abington Townships and $1,500,000 Allegheny County bonds will not go far toward satisfying a continuous and growing demand.

New Jersey municipals, many of which find primary markets in Philadelphia, are subject to the same conditions of under-supply and over-demand. A recent issue of Montclairs, maturing from 1943 to 1958 were sold as 1¼s and Hamilton Township 3½s, 1961-78, are offered from 2.28 to a 2.50 basis.

DEALER BRIEFS

Allentown, Pa.

Don't sell America short! Certain railroad issues—bonds in particular and some preferred stocks—selling at ridiculously low prices will within the next few years, we believe, be sought after at considerably higher levels. The reorganized rails in particular, with drastic capitalization reduction, should be able to meet their fixed and contingent charges even during "slump times." However, prewar prognostications impel us to forecast that with the world's abnormal demands for all types of merchandise and materials, we look for the greatest wave of prosperity we have ever experienced. Be an optimist—not a scholarly, economic communist who has it all figured out for everyone although none have ever made good personally. Don't sell America short.—*Charles C. Applegate, Roth and Company.*

Pennsylvania Brevities

Traction Issues Favored

Fare registers are clicking overtime and the sounding of a motor horn has become a strange cacophony as the O.D.T. lets go its Sunday punch against the automobile. The silver lining is plentifully intermixed with copper and nickel as John Q. Public and his neighbor join the straphanger army. The Philadelphia Transportation Company and the Pittsburgh Railways Company, systems serving Pennsylvania's two large metropolitan areas, report traffic movement in excess of anything experienced for over a decade.

Traction issues have been quick to reflect the anticipation of augmented revenues, a good proportion of which will be carried through to net. Equipment of both the Philadelphia and Pittsburgh companies is excellent, much of it new. Generally speaking, these two large traction companies are in a position adequately to handle and to benefit from the diversion of additional traffic from rubber to rail. The curtailment of competing bus service is another favorable factor. Some bus routes have been eliminated. In other instances, only the morning and evening schedules are retained. This should serve to equalize traction loads throughout the day. Moreover, traction companies which have previously found it necessary to operate non-profitable auxiliary bus service will now largely be relieved of this burden.

In appraising the present and future value of street railway securities, the duration of present restrictions on gasoline and rubber and the question as to whether such restrictons are likely to be relaxed or intensified is of great importance. Gasoline and fuel oil requirements of the armed forces are of paramount concern. We have been assured that our military offensives will continue relentlessly. Only those qualified to know can estimate the tremendous supplies of fuel which must be stored at all points of attack and which must be unfailingly maintained throughout activities. Thus it appears reasonable to believe that restrictions will continue as long as large-scale military operations are planned or in progress on any fighting front, in other words for the duration of the war. It may further be assumed that any relaxing of restrictions will occur in reverse order. If this surmise is correct, the ban on pleasure driving will be the last to be lifted.

At the annual meeting of the **Investment Women's Club of Philadelphia**, held May 17, the following were elected to serve for the current year: President, Ruth P. Empfield, Montgomery, Scott & Co.; Vice President, Emily E. Gabel, E. H. Rollins & Sons; Treasurer, Elizabeth Groener, Montgomery, Scott & Co.; Secretary, Elizabeth Fox Patterson, Lazard Freres; Executive Board, Marjorie A. Dechert, National Board of Medical Examiners; Helen V. Newkirk, Stone & Webster and Blodget; Adela E. Brooks, Provident Trust Company.

The following new members, all of Montgomery, Scott & Co., were admitted: Betty Brilliant, Katherine R. Grohe, Anne T. Sullivan and Helen Whittaker. The business meeting was followed by a fish fry at the Russian Inn.

U.G.I. Plan "Stubbed"

Two stockholders of **United Gas Improvement Co.**, Emma L. and Walter Howard of Germantown, between them owning 1,250 shares U.G.I. common, have thrown an obstacle in the path of the company's partial liquidation plan which was approved by the S.E.C. March 18 and which has since been ratified by stockholders.

Objectors' counsel states that, under the Plan, U.G.I. preferred stockholders would receive as much as $12 per share more than appears equitable. The U. S. District Court is asked to set aside the S.E.C.'s confirming order and limit the return to U.G.I. preferred stockholders to $100 per share.

Consensus: Another typical nuisance action, annoying but futile. Trading in U.G.I. "Stubs," the residual certificates, has quieted down. The over the counter market remains firm at 2, less to plus a commission.

Because of restrictions on automobile driving, the annual outing of the Bond Club of Philadelphia has been indefinitely postponed. Similar action was taken by President George H. Williams of the **Investment Traders Association** in respect to the Field Day scheduled for June 11. Net savings: some gasoline, a lot of beer and an indeterminate num-

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Tomorrow's Markets Walter Whyte Says—

Current market action cancels last week's "up" signals. Immediate reaction not indicated but "down" signs gathering again.

By WALTER WHYTE

Last week I decided that the market had at long last showed enough to warrant abandoning my snug sideline seat and therefore recommended the purchase of a list of stocks at specific prices. I was painfully aware that by doing this I was following the path of least resistance. I also realized that in taking a bullish stand I was joining the mob. Frankly I didn't like it. But I knew too much of the devastating power latent in a locomotive with a full head of steam to stand on the track daring it to do its worst. So I jumped the gun. Or rather I waited until everyone else had jumped the gun and then followed.

* * *

Since then I have watched the market carefully. I checked all checkable transactions. I pored over short positions; examined odd lot buying and selling. In fact I did about everything it is possible to do as if I was not already committed to the long side. The result was not cheerful.

* * *

The buying did not show up as "quality" buying. Short positions were smaller than generally realized; in most cases they were of the day to day variety—a short line put out in the morning and taken in at the close. Odd lot selling by odd lot brokers was heavier than usual. This means that the small trader was in there buying and that the odd lot broker was in there selling.

* * *

The only indication I could discover which pointed to higher prices was the possibility of inflation taking hold in the price list. Inflation however does not preclude sound trading practises. On the contrary, the good trader knows only too well that the question of timing is of paramount importance in inflationary markets. He knows he won't get the tip of any move except by accident but that shouldn't prevent him from converting his paper into cash when the market gets to the talking up stage. It is quite possible that in getting out he may be way ahead of the market. Prices may go up some more and leave him stranded looking silly. But in my experience I have discovered that it's a lot more comforting to look silly with cash than be glum with margin calls.

* * *

As this is being typed the D. J. industrials have made a new high of 142.90 while the rails have dropped off a few pennies. It's easy to point to the action of the rails and say that their refusal to follow industrial strength is ominous. However it is nothing of the sort. A one day's action doesn't mean anything in the scheme of things. No, it is not the action of the averages of yesterday which rings a danger bell. It's the lack of action followed by the vociferous public which sees in this lack nothing more serious than just another "resting spell" that adds another warning note to the others mentioned a few paragraphs back.

* * *

I realize all the foregoing sounds quite pessimistic for the immediate future. I don't intend it to be so. For while there are enough signs to indicate lower prices none of these signs are urgent in character. In all likelihood the market will probably go up some more before it is ready to turn down. Yet, as I have pointed out, I don't know when this reversal will take place. So instead of waiting until all the indicators are in their proper slots I prefer to sound the warning now.

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NYSE Margin Rule On Securities Under 5

The New York Stock Exchange's revised general margin rule requiring that no value be given to securities selling below 5, in determining the margin status of customers' accounts, went into effect on June 1. However, the Exchange points out, registered non-exempted securities selling below 5 continue to have loan value under Regulation T of the Board of Governors of the Federal Reserve System. It is also stated that "any amount of margin which may be required because of the provisions of paragraph (o) of Rule 550, as amended March 25, must be obtained promptly and in any event within a reasonable time." This amended rule was reported in our issue of April 1, page 1205.

Mann & Boore With Hogle

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—William H. Mann and N. Milton Boore have become affiliated with J. A. Hogle & Co., 507 West Sixth Street. Mr. Mann was formerly a partner in Wm. H. Mann & Co., of Hollywood, and prior thereto he was with Post & Flagg, Lamborn, Hutchings & Co. and Thomson & McKinnon. Mr. Boore was previously with Harbison & Gregory and Van Denburgh & Bruce.

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ber of trades which would have to be cancelled the following day anyway.

Lukens Steel Co., with its subsidiaries, By-Products Steel Corp. and Lukenweld, Inc., has arranged a $10,000,000 V-Loan 3% credit to finance vastly expanded war production program. Approximately half this sum will be currently utilized. Negotiations were conducted with the Bank of Manhattan Co., which acted as agent for others participating in the loan: the Pennsylvania Co., First National Bank of Phila., Tradesmens National Bank & Trust Co., Central Penn National Bank, Fidelity-Philadelphia Trust Co., Marine Midland Trust Co., Empire Trust Co. and National Bank of Chester Valley.

Consolidated sales of **Lukens Steel** and subsidiaries for the first 24 weeks of the current fiscal year were $24,851,530, a new record as compared with the previous high of $19,920,168 for the similar period of the preceding year. Net profit for the period was reported at $591,968 after all charges and an estimated allowance for income taxes, but before giving effect to possible renegotiations.

Walter Schumann, Dolphin & Co., has completed construction of his sumptuous "No. 3 Dog-house," which is now ready for occupancy. Charles ("Bey") Wallingford, E. H. Rollins & Sons, has borrowed the plans and will erect a similar structure in the back yard of a new Germantown property which he has purchased with this thought in mind.

Trading in the financial district is not always confined to an exchange of multi-colored engraved certificates. **Drexel & Co.** and the **First National Bank**, two of Philadelphia's "oldest and biggest" have concluded negotiations to swap their midtown banking quarters, both at 15th & Walnut Sts. The exchange of properties had been delayed pending a court decision as to the rights of the bank in respect to its present lease. This has now been determined.

Drexel & Co.'s building, built in 1927, was specially designed to accommodate the combined business of deposit banking, general securities and underwriting. In 1940, Drexel & Co. discontinued deposit banking. So now, the better to serve the interests of their respective customers, the securities firm takes over banking quarters, and vice versa!

"Poor & Weary" to Remain So?

The S.E.C., last week, deluged the **Philadelphia & Western Railway Co.'s** recap plan with a bucket of ice water in the form of an advisory report which concluded that the plan, while fair, was not feasible and should not be approved. Going back over the records of 22 years' operations, the S.E.C. selected the 5-year span, 1936-1940, as being representative of the Company's normal earnings expectancy. The fact that these particular five years were by far the least favorable in the Company's entire history can scarcely be accepted as coincidental. At any rate, the S.E.C. believes that the existing mortgage bonds, now outstanding in the amount of $2,627,000, should not be scaled down to $1,057,300, as contemplated in the Plan, but should be reduced to not exceed $500,000. The Company reported net earnings for 1942, after all expenses and taxes, of $225,720. **Sic transit gloria mundi.** And sometimes Tuesday, too.

The common stock of **Autocar Company**, currently on a $2.00 dividend basis and selling for less than 15, may still be undervalued from a market standpoint. The Company's backlog of military orders is at an exceptionally high level but because of rigid censorship on defense contracts, actual figures are not available. Plant expansion which virtually doubled capacity has been completed and production should run well above normal peacetime output for the duration.

While the company will benefit from large Government orders and from increased industrial demand arising from the war effort, it is also in a unique position in that its post-war adjustments should be comfortably cushioned by an accumulated demand for new trucks.

The stock is tax free in Pennsylvania.

A committee of four Philadelphia siege guns, **Edward Hopkinson, Jr., Drexel & Co.; James E. Gowan, President of Girard Trust Co.; Marshall S. Morgan, President Fidelty-Philadelphia Trust Co.,** and **Clarence A. Warden,** have been granted permission by the S.E.C. to solicit authorization of representation from preferred stockholders of Commonwealth & Southern Corp. in connection with the company's integration and simplification proceedings. Hearings have been set for June 7.

The directors of Philadelphia Electric Co. have authorized applications for listing on the New York Stock Exchange of the company's 4.4% preferred, $1-dividend preference common, when issued, and new common, when issued. It is planned to effect the listing when the details of reclassification have been completed.

With York Ice Machinery Corp.'s Plan of Recapitalization and Merger still locked up in the chambers of President Judge Biggs, U. S. Circuit Court of Appeals, Assistant Treasurer John F. Lebor was asked the company's disposition in respect to further possible legal delays. He replied as follows: "In the event of a favorable decision from the Circuit Court, we would immediately proceed to arrange for the physical exchange of securities in accordance with the Plan. The new stock certificate plate has been

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Investment Trusts

Material to assist dealers keep in touch with old and new clients by mail is an important part of sponsor literature these days. This development is the logical answer to increasing transportation difficulties and manpower shortage.

Whereas the bulk of investment company literature in recent years has been prepared in a format permitting enclosure in a standard business envelope, the context and presentation of the material has more often been designed for the dealer and the salesman than strictly for the investor. In contrast, the "mailing pieces" coming to hand recently bear evidence of having been prepared to meet the requirements of dealers in making effective direct-mail contact with their clients.

A striking example of such material is Lord, Abbett's new folder on Union Common Stock Fund B. Entitled, "Now You Can Get Both," it pictures the greater gain-possibilities and larger dividend-income available from lower-priced common stocks. Type, color and lay-out are skillfully combined to give emphasis and eye-appeal to the presentation. It's the kind of sales help salesmen-shy dealers will welcome—and it's designed to get results.

Using a time-tested approach for developing new clients, Calvin Bullock is offering dealers material for a somewhat different type of mailing. It consists of two double postcards, one stressing assurance of sharing in any further market advance and the other stressing stability of income. Folders covering these two aspects of Dividend Shares are available for use in answering returns from the postcard mailings.

Another mailing piece just off the press is Hugh W. Long & Co.'s "Ten Investment Advantages Tested by Ten Years of Successful Service to Investors." It is a simple, readable leaflet summarizing the features of fundamental investors.

Distributors Group's most recent sales presentations adaptable to direct mail use by dealers are two impressive folders on Fully Administered Shares. While the format is the same for both, they are quite dissimilar in context. As succinctly stated by the sponsor, "one has 'color'—the other leans to the dignified side."

In the Mailbag

National Securities & Research Corp.'s last issue of **National Notes** contains an interesting discussion of "Trading Versus Investing in a Bull Market." This column thought the following comments were particularly apropos:

"Market history is replete with stories of unstable amateur investors who buy on bulges, get scared out on dips, in again on the next bulge, out again on the reaction—and finally end up broke at the top of a Bull Market. Most in-and-outers, who are not shrewd traders, will not do as well as they would by selecting good issues and sitting tight excepting for necessary adjustments.

"A law of physics is that there is no movement without friction, and no friction without wear. **Too many traders wear out their capital instead of investing it."**

* * *

Lord, Abbett's **Abstracts** examines "A Year of Rising Markets" and demonstrates that, "leverage in a common stock fund gives you added appreciation in rising markets because extra dollars work for you." The record covers the period from March 31, 1942 to March 31, 1943. Here it is:

	% Gain
Affiliated Fund	69.6
Average of 31 (Non-leverage Funds*)	40.3
Dow-Jones (Composite Average)	38.9

*Funds in Barron's Quarterly Investment Trust Gauge.

* * *

The Parker Corporation **Letter** quotes at length from the April issue of **Exchange** on the important steps which should be taken "Before You Can Invest Intelligently." Shares of Incorporated Investors are held in every State in the Union in amounts ranging from one share to over 23,000 shares.

Edward Brockhaus Co. Now Is A Partnership

CINCINNATI, OHIO—Edward Brockhaus & Co., Union Trust Building, formerly a corporation, is now active as a partnership.

Weekly Stock Market Comment

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ters have been cautionary. Now, we believe a more decisive capital-protection policy might be instituted since all of us should be reminded how sudden, unexpected reactions, of a few days, such as in July, 1933, or for some weeks or months, as in the Summer of 1934 and in the Springs of 1939, 1940, 1941 and 1942, vitiated the accumulated profits of the previous months or years; (1) those who borrow money at banks to buy securities, or who do business on margin, should sell down to an outright basis, as someone has said to "the sleeping point"; (2) large outright trading and investment accounts which are not temperamentally prepared for a possible sharp, or slow and extensive reaction and who tend to sell stocks "at the market" in a market scare, after they are considerably down from their highs, should secure cash reserves of approximately 25% of the aggregate present value of their holdings; and (3) small accounts, say up to $100,000 in value, which usually cannot afford to lose any money, should secure even larger credit balances.

For those who, despite the foregoing, feel that they must purchase securities for income or for other reasons, we direct attention now only to strong defensive equities such as American Chicle, Beech-Nut Packing, National Dairy and Swift, and to preferred stocks selling below call prices; also, to selected aircraft manufacturing stocks such as Lockheed, Consolidated Vultee Aircraft $1.25 convertible preferred and common and others which have enjoyed relatively little rise and therefore are not as subject to corrective reaction.

Rail Stocks

We would withhold further purchases of Southern Railway common and traders in it are advised to accept profits in this or any other railroad common stock which has enjoyed material advance from 1942 lows. With a rate cut effective May 15th, a wage increase just granted for one railroad employee group and another increase for other railroad employees expected, and with traffic arising from construction of industrial plants, camps and many other war-induced building projects disappearing, there seems to be adequate reason for the lack of progress exhibited by most speculative railroad stocks immediately after the bullish Dow signal was given. We feel that net operating income of many railroads from here on will make much less inspiring comparisons with last year. Also, note Southern Railway's comparative decline for April.—*Research Department, J. R. Williston & Co.*

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engraved and the only delay would be the short time involved in the actual printing of the certificates, simultaneously with which instructions would be issued to stockholders regarding the mechanics of effecting the exchange. The latter would be done through a fiduciary agent representing us."

Renegotiation Service Opens In Detroit

DETROIT, MICH—The Renegotiation Service Company announces the opening of offices in the Penobscot Building. Principals in the firm are Milton A. Manley and Edward T. Bennett, partners in the Detroit Stock Exchange firm of M. A. Manley & Co.

Real Estate Securities

1410 BROADWAY BUILDING
Built On The Site Of The Famous Casino Theatre

Bonds Earn 6.88%—Pay 3½%—Yield Over 10%

In the old days of Weber & Fields, Lillian Russell, Anna Held, John Drew, David Warfield and other great stage favorites of the gay nineties, The Casino including the famous "Casino Roof" was the spot of New York's strenuous night life of those hilarious times. The Casino was the deluxe home of musical comedy and the "Casino Roof" was the most popular night club of that period—except in those days a night club was known as a "music hall."

In 1930, realizing the need in New York for a building where department store and women's specialty buyers could find under one roof wholesalers of women's apparel and general accessories, a prominent firm of builders took a lease on this famous property, which is located at the southeast corner of Broadway (107 feet) and 39th Street (144 feet) and demolished the romantic Casino Theatre and erected in its place a 33-story mercantile building containing a rentable area of about 270,000 square feet. In order to finance the construction of the building, bonds were sold to the public. These bonds are secured by a first mortgage on the building and on the leasehold estate in the land. The lease of the land runs for a term ending April 30, 1951, with the right to three renewal terms of 21 years each. Rental for the first 21 year term was twice reduced and is at present $132,000 per annum. Rental for the renewal term is to be determined by an appraisal on the basis of the then value of the land considered as vacant and unencumbered but never less than the preceding term. The fee cannot be mortgaged prior to the lease except to defray (and to the extent of) inheritance taxes.

The assessed value of the property for 1942-3 was $3,350,000, of which $1,600,000 represented the value of the land and $1,750,000 the building. Inasmuch as the bonds are not secured by the fee, but only a mortgage on the leasehold and on the building, let us consider only the value of the building for comparative purposes. At the current market of the bonds, a value of only $440,220 is placed for the entire bond issue compared with the value of $1,750,000 placed on the building alone in the City of New York's assessed valuation. It is also interesting to note that in April, 1931, appraisals were made by three leading real estate brokers of the leasehold and completed building. The lowest of these appraisals was $2,300,000 and the highest $2,535,000. There are $1,334,000 bonds outstanding compared with $1,400,000 originally issued. Interest on the bonds is fixed at 3½% and bonds are currently offered at 33% of face value. Sinking fund requires annual retirement at the rate of 15% of net earnings after maintenance, ground rental, real estate taxes and bond interest but before Federal taxes and depreciation.

Interest rate on the bonds and ground rental was originally higher than at present. Both were voluntarily adjusted as follows in the following years:

1933—Under an agreement effective May, 1933 (98% of the issue assenting thereto) interest rate on these bonds was reduced from 7% to 3½% per annum for the period Oct. 15, 1932 (interest payment April 15, 1933) to April, 1941, and ground rent reduced from $208,000 to $159,000 until April 15, 1941.

1938—Plan proposed on Dec. 22, 1938, and declared operative in July, 1941, provided for: (1) Extension of maturity of the bonds to April 15, 1951, subject only to reduction in annual rental payable under ground lease to $132,000 for and during the period of extension; (2) Continuation of interest at 3½% during period of extension; (3) Continuation of existing sinking fund requirements.

Bondholders (about 10% in amount) who did not assent to the plan have received no payment of principal or interest.

Earnings for 1942 have improved, showing interest earned 1.96 times per bond against 1.45 times in 1941. We are informed

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Joseph Mayr Co. Formed

Joseph Mayr & Company has been formed with offices at 50 Broad Street, New York City, to engage in a securities business. Partners in the firm are Josef Mayr, Senta Mayr and Theophil Wolter. Mr. Mayr was formerly proprietor of Hanover Exchange Co. and prior thereto was an officer of Hansa Securities Corp.

Commentary On Dr. Anderson's Analysis Of Keynes And Morgenthau Stabilization Plans

A summary of the address made recently by Dr. Benjamin M. Anderson, in which he analyzed the Keynes and Morgenthau Foreign Exchange Stabilization plans, was given in the May 13 "Chronicle," and the full text of his paper was also published; the first part in the second section of May 20 and the balance in the issue of May 27. In connection with Dr. Anderson's study of the plans, the following letters have been received:

ARTHUR W. MARGET

Professor of Economics and Finance, University of Minnesota

The remarks by Dr. B. M. Anderson on the Keynes and Morgenthau plans, like all of Dr. Anderson's utterances, are provocative and challenging, and deserve either acceptance or refutation. For my part, I accept some of the steps in his argument; but I deny that these particular steps necessarily lead to his conclusion: namely, a condemnation of "the Morgenthau and Keynes plans **in toto.**"

The parts of Dr. Anderson's argument which I accept are as follows:

1. "It is a desirable thing to have stability in foreign exchange rates." Since there is no disagreement between Dr. Anderson and myself on this proposition, I should like to point out that there has been very violent disagreement on it as between Dr. Anderson and myself, on the one side, and, on the other, some of those who are now actively sponsoring the Morgenthau and Keynes plans. It was, after all, the Roosevelt administration that, at the London economic conference, effectively sabotaged the chances of obtaining a working arrangement for preventing competitive exchange-depreciation. (It is simply a misrepresentation of the facts to suggest that the issue at that conference was a choice between no agreement and an agreement to return to the gold standard at the old pars). And it was Lord Keynes who, from the early 1920's, persistently minimized the importance of exchange-stability as compared with other types of "stability" which, he believed, conflicted with the maintenance of exchange-stability.

This fact seems to me of the utmost importance. For what it means is that, after some years' experience with the blessings of "autonomy" in international monetary matters, two of the leading sinners, among the nations of the world, are prepared to confess their sins and promise to mend their ways. I cannot, therefore, see, in the fact that under both plans the United States and Britain promise to limit their sovereignty in matters of international monetary policy, the sinister significance which is suggested by Dr. Anderson's statement that "both plans set up a super-national Brain Trust which is to think for the world and to plan for the world, and to tell the governments of the world what to do."

2. But, Dr. Anderson argues, "a rigging of the foreign exchange markets so that they will record fixed rates among sound and unsound countries, regardless of a deterioration in the fundamentals governing the values of the moneys of the unsound countries, merely masks the facts of financial disease and disorder, and defers the time when these fundamentals must be dealt with." Of course I agree entirely with this proposition. Where I disagree with Dr. Anderson is in his conclusion that both the Keynes and the Morgenthau plans are bound to lead to this mistaken kind of "stabilization." And I disagree even more strongly with his implication that, under any practicable alternative to the Keynes and Morgenthau plans, we stand a better chance than we do under either of those plans of avoiding either the Scylla of ill-conceived attempts at stabilization or the Charybdis of complete "autonomy" in the direction of competitive exchange stabilization.

I grant, without hesitation, that what is involved here is a judgment as to practical possibilities and probabilities. I grant, further, that justice to Dr. Anderson's argument would demand an examination of the reasons he advances in support of his own judgment, in a detail which is denied me here by the limitations of space. But it does seem to me fair to point out that the issues involved in this type of judgment as to practical possibilities and probabilities are the same as those involved in any discussion of post-war arrangements in the international **political** field.

"If the fundamental causes of the exchange weaknesses in Europe were corrected," argues Dr. Anderson, "no such international machinery would be needed." Of course I agree. I wish to point out merely that one could say, with equal justice, that if the nations of the world would use their sovereignty in such a way as to refrain from policies leading to war, there would be no need for international machinery, involving the sacrifice of considerable elements of sovereignty, to maintain peace. There is a growing feeling throughout the world that, in the political sphere at least, the risks associated with the establishment of an international machinery for the maintenance of peace are, on balance, much less than the risks of trying to get along without machinery in that sphere. It may turn out that those who feel this way are starry-eyed dreamers, who will in the end do more harm to the world than the hard-boiled "realists" who contemplate no sacrifice of the smallest part of national sovereignty. It may also turn out that those who look forward, in the field of international monetary policy, to the degree of cooperative action contemplated by the Keynes and Morgenthau plans, are likewise starry-eyed dreamers, who will in the end do more harm to the world than hard-boiled "realists" like Dr. Anderson. But I survey the results of the absence of such cooperative action, and the machinery for effecting it, during the last two decades, and I find myself, for once, on the side of the "dreamers."

KEEHN W. BERRY

President, Whitney National Bank of New Orleans

I think the statement of Dr. Anderson on the Keynes and Morgenthau stabilization plan should be given general circulation. I concur in his reasoning.

Oil Output To Decline

Petroleum Administrator for War Harold L. Ickes on May 20 certified to the various oil producing States a production rate for June, 1943 of 4,218,900 barrels daily of all petroleum liquids, a net decrease of 18,500 barrels daily from the May, 1943 rate.

The rates of production certified to the Eastern and Midwest producing states were generally reduced to conform with the continued declining productive capacities of the fields in these areas. The production rates certified for the Rocky Mountain and California producing areas remain essentially the same as those certified for May. The rate certified to District 3 was increased 11,300 barrels daily.

US And Canada Agree On Joint Export Plan

An agreement whereby exports of the United States and Canada to other American republics are to be "jointly programmed" to assure their use in the war effort was announced on May 21 by the State Department in Washington.

"Effective June 1," the Department's announcement said, "Canada will participate in the decentralized export control plan, the purpose of which will be utilized to the best interests of the war effort and to maintain the essential economy of those countries." The announcement added:

"The procedure provides for the joint programming of exports within the available supply of scarce materials and within the available shipping space."

This joint programming will follow as far as possible the specific requests or recommendations of the importing countries, the statement said, according to Associated Press advices, which also stated:

At present, agencies set up in the American republics certify, within the available supply and shipping tonnage, orders for goods to be exported from the United States. This procedure now is to be applied also to Canadian exports, with American diplomatic missions and Canadian representatives co-operating closely.

Details of intergrating the program are being worked out by the State Department, the Board of Economic Warfare and Canadian officials, it was said. The announcement asserted a policy that no advantage should be taken by nationals of either country at the expense of the other.

Bank Employees' Part In Bond Drive Shown

One out of every three of the nation's bank employees was actively engaged in the Second War Loan drive which culminated in the sale of more than $18,000,000,000 of Government securities during the month of April, according to a nationwide survey made by the American Bankers Association, the results of which were presented to the Secretary of the Treasury by the ABA. The advices made available May 22 by the latter state:

"The survey shows that 97,800 out of a total of 280,000 people employed in the banks throughout the country took an active part in the three weeks' campaign, while at the same time banking activities were continued without interruption through the redoubled efforts of all.

"More than 11,000 of the nation's 15,700 commercial banks, savings banks and trust companies participated in the survey which showed that 97,852 bank people took an active part in the three weeks' campaign and that in most communities bankers served as chairmen of local War Finance committees.

"This service of the banking fraternity to the nation's war effort was acknowledged by Henry Morgenthau, Secretary of the Treasury, in a letter to ABA President W. L. Hemingway, as follows:

"'The bankers of the nation played a large part in the successful First War Loan drive. The results obtained in the Second War Loan drive clearly indicate that the bankers entered with even greater energy and enthusiasm the task of making this drive the success that it was. I know that we can continue to count on the fine cooperation of the American Bankers Association and its member banks, for which are most appreciative.'"

Canadian Securities

By BRUCE WILLIAMS

Canada continues to combat stoutly the menaces of inflation. The preliminary figures of the Fourth Victory Loan are impressive. The goal of $1,100,000,000 has been easily topped, and the final total will be in excess of 1¼ billions. Most significant is the fact that over 40% was subscribed by individual investors as compared with the proportion of about 11% realized in this category in the Second U. S. Victory Loan drive. This is a large contribution toward the closing of the inflationary gap, and Canadians have shown once more that the necessity of solving this problem is fully appreciated.

As anticipated, with the completion of the loan drive, and a return to normal working conditions, the Canadian market here has gone from strength to strength. The most spectacular movements have taken place in the lower grade securities. It is felt that the situation as a whole is favorable, therefore most profit is to be derived by taking securities with the highest yields. Consequently, Albertas have moved into a still higher ground to sell at 81.

The passing of Mr. Aberhart, Premier of Alberta, and advocate of the doctrines of Social Credit, makes it more than ever likely that this province will fully revert to orthodoxy in its financial policies. It it hoped that the end of a sorry chapter in the province's financial history is now in sight.

A wide-spread demand has suddenly arisen for Saskatchewan bonds and the 4½'s of 1960 have risen from 87 to 90. Likewise, turning to the less speculative Manitoba issues, the 6's of 1946 at 108½ now yield only 3¼%, and the return on the 4½'s of 1956 at 104¼ has decreased to 4.10%. It is interesting to recall that a year ago, the shortest term Manitobas produced yields of 6 to 7%.

The higher grade section, although less spectacular, has also forged ahead impressively. The recently issued Dominion bonds continue to attain new high levels, the 2½'s of 1948 at 102¼ now yield 1.80%, the 3's of 1953 at 104¼ yield 2½%, and the 3's of 1958 at 103½ yield 2.75%. Dominion-guaranteed Canadian National Railway issues are at last commencing to move more into line with the direct obligations as fewer bonds are coming down from Canada, but the leeway is still too great. C. N. R. 4½'s of 1951 at 111¼ return nearly 3%, 4½'s of 1956 at 114½ yield 3.18%, and the 5's of July, 1969 callable in about 1 year at 108⅛ still yield over 2%.

British Columbia issues, although in steady demand in this country, are still at prices which make them appear very attractive when consideration is given to the Canadian valuation of these bonds. Such remarkable progress has been made in this province over the last decade that its obligations in Canada are held in almost as high regard as those of Ontario and the situation is still improving.

With the completion of the Alaska Highway, rich virgin territories in Northern British Columbia have been uncovered. New mineral discoveries including important deposits of high grade coal have resulted from recent geological surveys. Moreover, the same area in the neighborhood of the Peace River has exceptionally fertile soil and is climatically suitable for extensive settlement in the post-war era. After the war the Northwestern regions of the American continent are as likely as any area in the world to witness rapid development rivalling that which took place in this country fifty years ago. Furthermore, progress is no longer harnessed to the horse and buggy, but rushes ahead with the cargo-plane, bulldozer, and truck.

British Columbia issues, unlike those of New Brunswick and Nova Scotia, have always been popular in this country, and the market generally for these bonds is large and active in comparison. The 4½'s of 1951 at 107 yield 3½%, and the 5's of 1954 at 111⅛ yield 3¾%. Although at new high levels, British Columbia bonds have still a long way to go before coming more into line with the obligations of Ontario and Quebec. New Brunswick bonds, although held in high esteem by investors here, have always been slow moving. It would appear, nevertheless, that the longer term bonds at current levels are outstanding investments. For example, the 4½'s of 1958 at 105 yield 4.05% and the 5's of 1959 at 108¾ return 4.25%.

There has been discussion recently of the possibility of steps being taken to make Canadian bonds of the higher grade legal investments for Savings Banks in New York State. An effort was made in 1936 to achieve this object without meeting with any success. Now, however, the situation is much stronger, and the new administration in New York has the opportunity not only to make a friendly gesture to Canada, but also to enable Savings Banks in the State to obtain welcome diversification in their portfolios together with higher returns and sound investments.

Canadian Newsprint Shipments Up In April

Canadian shipments of newsprint increased in April for the first time since March, 1942, the total of 243,813 tons being up 5,467 tons, or 2.3% as compared with a year ago, the Newsprint Association of Canada stated on May 13 in its regular monthly report.

In Canadian Press Montreal advices it was further reported:

Shipments to Canada and to overseas customers increased 0.7% and 86.6%, respectively, while shipments to the United States declined 2.5%.

Canadian production amounted to 229,573 tons and was 48,168 tons, or 17.3% below April, 1942.

"Functional Finance"—Friend Or Foe Of Private Capital?

(Continued from first page)

brought about a transitory revival. The ghost of stagnation and decay looms over the future.

2. Functional finance, which aims at superseding deficit spending, offers to an anxious world—not only for the immediate post-war period (boom or slump) but also for the much more difficult period of subsequent normalcy, the aspect of which nobody can foresee—a "panacea" of economic security. According to this theory, Government need only keep the total rate of spending at the level where all goods that it is possible to produce could be bought at current prices. How? Simply, it is argued, by increasing or reducing taxes, borrowing or repaying debts, printing or destroying money, "careless of financial soundness," judging only by economic results.

In spite of the illusions of its apostles, the theory of functional finance is impracticable because it is contrary to the sentiment and habit of individual freedom. The cleverest bureaucrats in charge of its execution could never know in time all facts necessary to prepare their ever changing decisions; nor could these be rapidly enforced. Constant frictions would shake confidence, kill incentive to work and to give employment; they would dislocate incomes and private capital, and provoke frequent and unpredictable changes in the price level. Functional finance cannot guarantee society against the dangers of the loss of confidence in the stability of currencies when money and Government loans are issued in unlimited amount. A real success could only be attained in life were standardized down to a level of ultra-collectivist simplicity. A "petitio principii"!!!

3. A well prepared gigantic program of Government spending will be an essential part of world reconstruction. National or international Government agencies must invest whenever a direct adequate return cannot be expected (roads, sanitation, etc.) or when such return can only be expected after many years. This public investing should comprise long-range operations aiming at the progress of yet undeveloped areas (eg. in Latin America, China, Africa, India).

However, it can never be a substitute for, nor have the stimulating force of investment by private enterprise. On the contrary, the whole manipulating with taxes, loans and money is doomed to failure if private initiative and free enterprise do not continue to be looked upon as the basic elements in economic life, these elements which, by their readiness to assume risks against the expectation of a fair return, guarantee intensification of production, spreading of technological progress, adequate control of social costs and a fair distribution of products according to everyone's deeds.

Functional finance should be considered as complementing and extending the role played by central banks, but its action can only be very harmful if it is not co-ordinated with a policy of respect for free enterprise.

4. Under the pressure of events, American economic science has today an important share in the leadership of world thought. Its job and its responsibilities are correspondingly great. If it cannot find a way for close co-operation between free enterprise and functional finance, it will cripple the efforts of the next generation. In an endeavour to disseminate prosperity, it will merely be organizing misery.

Dr. Guardiola was formerly Professor of Finance, University of Barcelona and now is Secretary General of CHADE.

ABBA P. LERNER

The essential idea of Functional Finance is that the government should undertake the responsibility for keeping the total money demand for goods and services at the right level. Total demand must not be too low or there will be depression. Total demand must not be too great or there will be inflation. The government can keep total demand at the right level by (a) adjusting its own spending and (b) influencing other spending by raising or lowering tax rates and by borrowing money or repaying debt. Functional Finance declares this to be the real function of taxing and borrowing as financial measures by the government. It would override any consideration of "Sound Finance" as regards balancing the budget or keeping down the national debt, for by eliminating both depression and inflation Functional Finance directly prevents all the evils that are feared by the advocates of "Sound Finance."


Abba P. Lerner

Functional Finance must be undertaken by the **Government** because although it is in the general social interest to avoid both depression and inflation, it is not in the interest of private individuals to adjust their spending in this way. The opposite is more frequent—it is to the individual's private interest to increase his spending when inflation threatens and to decrease his spending when there is likelihood of depression.

In one sense Functional Finance is neither a friend nor an enemy of private enterprise. It can be applied by a government which wishes to destroy all private enterprise just as well as by a government run by the Chamber of Commerce. In another sense Functional Finance is the best friend of private enterprise, for if some form of Functional Finance is not utilized, bigger and better depressions will lead to revolutions that will wipe out private enterprise for good.

If private enterprise declares itself to be an enemy of Functional Finance and refuses to make use of it, private enterprise will be destroyed as surely as the United Nations would have been destroyed by a declaration of enmity to the Airplane and a refusal to make use of it in this war.

Dr. Lerner is an associate professor of economics of the Graduate Faculty of Political and Social Science. He was formerly assistant professor at Amherst.

ALBERT HAHN

Dr. Hahn challenged Dr. Lerner's thesis that deficit spending to combat unemployment can be indefinitely continued, regardless of the ratio of governmental debt to national income. All responsible authorities, continued Dr. Hahn, even the most unorthodox Keynesians, think that a limit to governmental debt, as high as it may be, must be set. Unlimited spending, just because full employment is not reached, must lead to deterioration of governmental credit and ultimately to inflation. If inflationary tendencies arise, it is not sufficient just to stop new spending. In this moment the public is reluctant to take over new loans, and, on the contrary, demands repayment for the amounts becoming due. Refunding operations do not succeed any more. To maintain the service of the governmental debt, taxes have to be collected. This is the moment in which the community has to pay for the deficit spending, which seemingly could go on without anybody having to pay for it. That is why businessmen do not consider unlimited governmental debt—even if internally held—such an unimportant matter.

Dr. Hahn was formerly a banker and simultaneously, a lecturer at Frankfort University. He is the author of several books on finance. He is joining the Graduate Faculty of Political and Social Science next fall.

JULIUS WYLER

Dr. Lerner's brilliant projection of "Functional Finance" shows that only large scale measures, not timid tinkering can win the battle against the unemployment to be faced after the war. The solution he sees is a large increase of spending for consumption goods. With this I agree. But the idea of a "Central spending power station" implies an over-simplified view of the causes of structural unemployment and of the effects of any compensatory device.

Neither is lack of spending the cause of long run unemployment, nor is unemployment the cause of under-spending. Both are the concomitant manifestations of one common cause,—technical progress, the famous "manivelle" of de Sismondi. As to expansive or contractive measures, we know from experience that their effects are incalculable in advance. The deflationary measures especially are either inefficient or produce a sharp slump.

Laying aside many fundamental objections I want to show the dilemma of Functional Finance at its very beginning. I assume an unemployment of 15 millions as existing or threatening some time after the war. The government increases spending by extensive tax exemptions on lower incomes. It covers the deficit through yearly borrowing and pays the interest through additional taxes on higher incomes.

First we will find that we can re-engage in the consumption goods industries only a small fraction of the unemployed. As far as excess capacities in these industries exist, a great amount of additional goods can be provided with a small amount of additional labor. The lesser part of the newly created spending power goes into wages and salaries, the major part into profits. Deficit spending to be successful as a re-employment measure must assume a huge proportion, say 20 billion dollars a year, which may exceed all current public expenditures. We anticipated a future unemployment of 15 million. But in 1929 not more than 13 million people were occupied directly and indirectly in the production of consumer's goods. In this total are also included retail trade, residential construction, hotel facilities, manufacturing and repair of private cars, but not included are agriculture, public utilities and other services. By 1932 this figure had declined by 4 millions whereas the number of unemployed had risen to over 15 millions. But even if the government is willing to spend any amount whatever, it can go on spending only until it reaches the wall of optimum utilization in the consumption industries. And on this wall is written: Beware of inflation. For, a general rise in prices begins when the given production capacities are exhausted and not when full-employment is established. But according to the very principles of Functional Finance spending has to be stopped in order to avoid inflation, after only let us say 2 to 3 millions out of 15 millions unemployed have been given jobs.

A dead end! But maybe we have forgotten the businessman, who is induced to invest by high profits and by high expectation of increasing sales. Why not invest the savings out of his markedly increased profits? This is possible from the private standpoint, but it is not possible within the economy as a whole. We know that continuous deficit spending not only swells income, but creates approximately the savings funds from which borrowings are made. Therefore the entrepreneur's savings or a corresponding amount are already earmarked. You can't eat the cake and have it too. If the entrepreneurs invest these savings, they contribute to outright inflation. The government has to print money in order to pay salaries and debt interest, while the new workers in the investment goods industries bring about an additional demand for consumption goods, for current demand for consumer's goods exceeds current production.

In order to reduce excess spending "Functional Finance" provides for taxing higher incomes, curtailing profits and savings at the same time. The enterprises can react in different ways, they may counterbalance the contractive measures by investing against inflationary credits or they may suddenly stop all investments, causing a genuine crisis. Unemployment, still very large, will be increased.

It might be possible to raise the production capacities in the consumer goods industries step by step by carefully adjusted investment. Functional Finance has not the power to do this. It expands or contracts only total spending and does not direct it into particular channels. From the beginning it hampers just the investments which are necessary by seizing savings for the creation of new spending. From the beginning it leads to a paradoxical issue. By its very logic it impels to inflation and by its very logic it has to check the inflation through increasing taxes. The economy oscillates from inflation to recession without solving the problem of unemployment. Perhaps farreaching reasoned temporary economic planning might master the difficulties: Investment planning, control of prices, vocational training, etc. Within its own proper framework temporary deficit spending may have a place. But that is not Functional Finance.

Dr. Wyler is an economist and statesman, visiting professor to the Graduate Faculty of Political and Social Science, formerly assistant to Director, Swiss Federal Statistical Office —1915-1941.

OSKAR LANGE

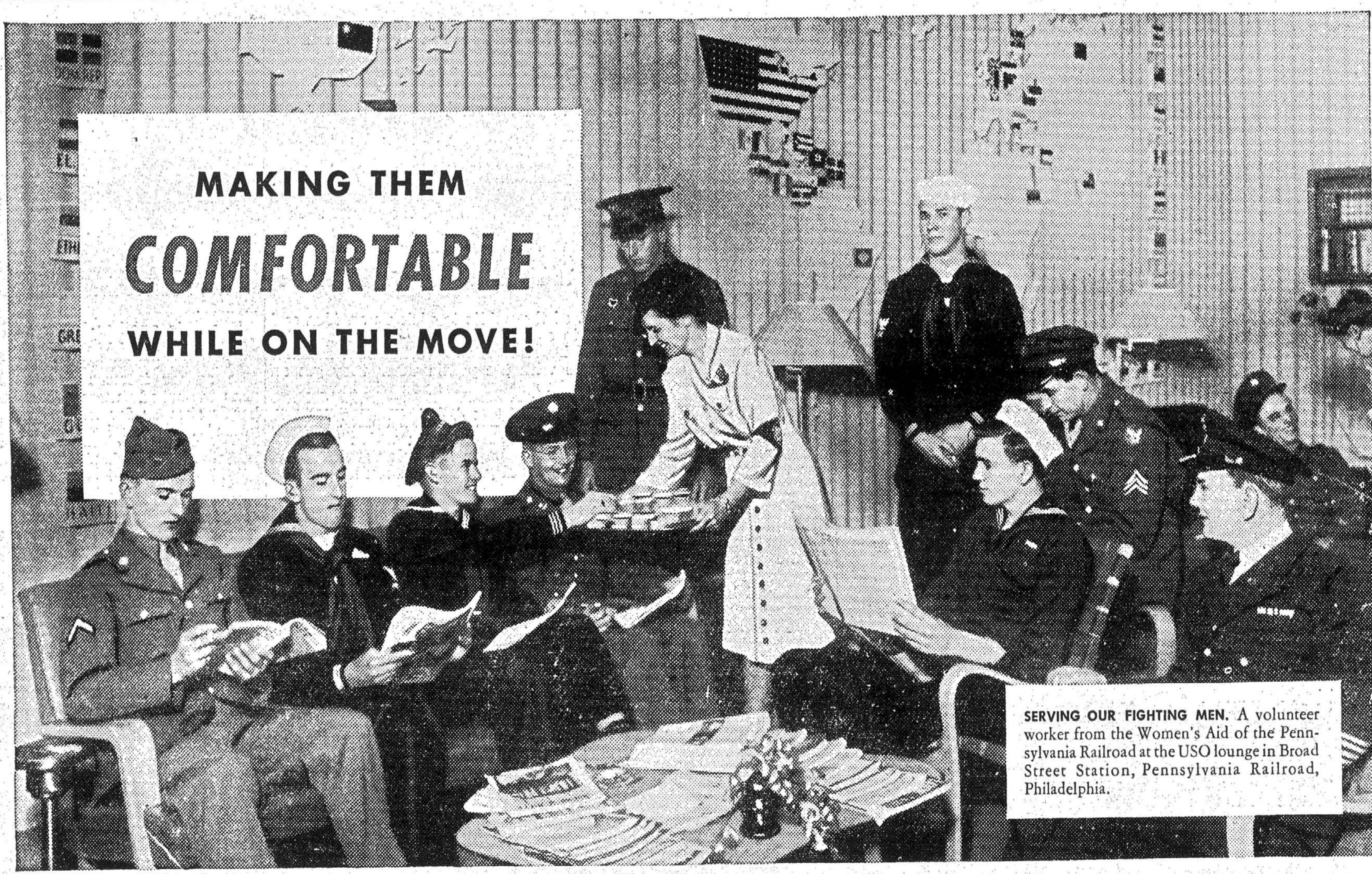
I should like to begin by reminding you that in the summer of 1938 Dr. Lerner read a paper in which he stated that the actual purpose of taxation is not the collection of revenue but the diminution of the public's aggregate expenditure and the prevention of inflation. In a similar way, he said, the purpose of government expenditure is to increase the public's aggregate rate of spending. Taxation and government expenditure should therefore be adjusted in such a way as to maintain the nation's spending level which provides full employment but avoids inflation. Whether this leads to a balanced or unbalanced budget is a secondary matter. It is not the receipts and expenses of the Treasury which should be balanced, but the planned expenses of the whole economy should be kept at a level which maintains full employment. When Mr. Lerner uttered these remarks he was thought to be crazy, but today we have to pay higher taxes and buy war savings bonds not because the government needs our money but in order to avoid inflation. The government will get the arms and goods necessary for the prosecution of the war whether we do pay taxes and buy bonds or not. Thus it is not in order to provide revenue to cover expenses that we have to pay taxes and buy bonds, but in order to prevent inflation. I am sure that in a few years the other part of Dr. Lerner's statement will have become just as much a commonplace as this one.


Oskar Lange

A few words about the criticisms of "functional finance." Many criticisms are quite well founded, but they have nothing to do with "functional finance." Professor Vidal mentioned the danger of unwise spending. Such a danger exists indeed But you can spend unwisely even if you do not adopt the principle of "functional finance." Also under a balanced budget or a budget which yields a surplus the government may spend for foolish purposes.

The important thing in the administration of a program of "functional finance" is that it should be administered in an unpolitical way. Otherwise we run the danger of government spending becoming a football of partisan politics. This can be avoided if a special autonomous institution is created, charged with maintaining full employment. Such an institution should have the same degree of independence from everyday political interference as the Federal Reserve Board has. Then we could provide that this institution would be entitled to spend money whenever serious unemployment raises its head. It would also have to be entitled to collect money in the form of a special anti-inflation tax whenever an inflationary rise of prices threatens to occur. Being autonomous and acting according to well-established rules, such an institution could administer the "functional finance" plan with no greater practical difficulty than the administration of the gold standard by a Central Bank.

Dr. Lange is Professor of Economics and Political Science at Columbia University.



SERVING OUR FIGHTING MEN. A volunteer worker from the Women's Aid of the Pennsylvania Railroad at the USO lounge in Broad Street Station, Pennsylvania Railroad, Philadelphia.

Pennsylvania Railroad provides Station Canteens, Lounges or Special Facilities for Service Men in many Cities

Railroad stations these wartime days are crowded with men from all branches of the service. Some going to induction centers, some to advanced training camps, some to global fronts, some home on well-earned furloughs.

No matter how brief their stay is, the railroads want them to feel "at home."

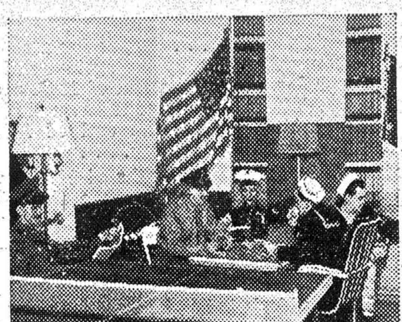
So in a number of stations on the Pennsylvania Railroad, service men are welcomed to canteens, lounges and other facilities especially for them. At Union Stations, the Pennsylvania joins with other railroads in offering service men these facilities.

Here the service men may relax, write, eat, refresh themselves, chat, play games . . . and, at a few, even sleeping quarters are provided. More than 6,000,000 men in uniform have been entertained or assisted in these centers since Pearl Harbor.

The facilities are operated by the USO (including the Travelers' Aid Society, the YMCA, the Salvation Army), the Women's Aid of the Pennsylvania Railroad, the American Legion or other local patriotic organizations.

With the splendid cooperation of these worthy groups, who give so generously of their time and money—the Pennsylvania Railroad will continue to make things as pleasant and comfortable as possible for the boys serving our Country.

NEW YORK. Over 40,000 service men a month enjoy the Lounge in the Pennsylvania Station. Here 200 volunteer women workers serve coffee, doughnuts, buns. At an adjacent canteen, sandwiches and light refreshments are available at non-profit prices.



GRAND RAPIDS. Operated by Navy Mothers Club No. 61, the Service Men's Recreational Lounge in the Union Station offers . . . table tennis, radio, chairs, davenports, books, magazines, cigarettes, cookies, apples and candies for the boys.

DENNISON, OHIO. Trains rolling through with troops stop here for water. On the platform of the Pennsylvania Station, women of Dennison, under the supervision of the Salvation Army, maintain a "portable canteen"—hot coffee, sandwiches, doughnuts, cigarettes, magazines for the boys, any hour, day or night.

Special Facilities for Service Men at Stations in these cities on the Pennsylvania Railroad

NEW YORK
NEWARK
TRENTON
PHILADELPHIA
Pennsylvania Station, 30th Street
Broad Street Station
**North Philadelphia*
WILMINGTON
*BALTIMORE
WASHINGTON
YORK (Penna.)
HARRISBURG
PITTSBURGH
COLUMBUS
DAYTON
CINCINNATI
DENNISON (Ohio)
LIMA (Ohio)
INDIANAPOLIS
TERRE HAUTE
DETROIT
GRAND RAPIDS
CHICAGO ST. LOUIS
**Authorized*

BUY UNITED STATES WAR BONDS AND STAMPS

PENNSYLVANIA RAILROAD
Serving the Nation

★ *32,649 in the Armed Forces* ☆ *30 have given their lives for their country*

"Our Reporter On Governments"

By S. F. PORTER

And now maybe this market is getting ahead too fast. . . . Enough is enough. . . . A strong advance for several weeks is wonderful, but it shouldn't go so far and for so long a period that everybody gets "right" and everybody makes money and becomes confident in the indefinite continuation of the rise. . . . This is not sour grapes but it's just getting to the point where it's too good to be true. . . . And this observer feels bound to add that the attitude expressed is not only personal. . . . But also is being shown by some of the best and smartest traders in the open market. . . .

Here it is the beginning of June. . . . The second war loan drive has been over for weeks. . . . The third isn't due until August or September or October. . . . Even assuming a bank deal takes place before then, the big pressure is set for Fall. . . . But this is only June. . . . Eight to twelve weeks to go. . . . And the market is using up its steam now, is rising so steadily that even the authorities are embarrassed. . . . Let us not minimize this point—a booming market at the wrong time can be as troublesome as a declining market right before a financing. . . . And while the Treasury has remained silent on the matter to date, logic would suggest the preferable action of the market now should be "steady in quiet trading." . . .

In case you've any doubt about what has been happening, glance at some of these comparisons. . . . The new 2½s currently are up to 100⅝, a ⅝ premium in a month. . . . The new 2s are up to 100.23, almost ¾ in four weeks. . . . And consider the fact that the range in some bonds has extended to three points since the beginning of the year!

For instance:

The 2¾s of 12/15/65/60, the favorite bond of this columnist, are at 111.8, at this writing, compared with a 1943 low of 108.8. . . .

The 2⅞s of 3/15/60/55 are at 111.28, compared with a year's low of 109. . . .

The 2¼s of 1/15/56/54 are at 106.22, compared with 104.21. . . .

The 2¼s of 12/15/53/51 are at 106.6, compared with a low of 104.18. . . .

The 3s of 9/15/55/51 are at 111.12, compared with a low of 110 for the year. . . .

And so it goes. . . . The shorter the bond, of course, the smaller the rise, for that's natural and couldn't be otherwise. . . .

But a tremendous amount of money has been made by traders and speculators in the long-term market recently. . . . And while that's all very fine, it's to be wondered whether a marked advance now is the best thing that could be happening, not only for the Treasury but for the investors themselves. . . .

THE FEDERAL'S OPERATIONS

The fact is it's the Federal Reserve Open Market Committee's fault to a great extent. . . . For months this observer has been praising the Federal and the Treasury for what has been characterized as "sophisticated" and intelligent handling of the market. . . . And for the most part, the Federal Reserve Banks have handled the situation efficiently and wisely. . . . They've sold on rises, bought on declines—kept the market in hand throughout bad and good periods. . . . And they've shown a considerable experience in managing price fluctuations during critical periods. . . .

But no so this time. . . . And for the first time in months, the bankers and dealers around Wall Street are expressing doubts about the Federal Reserve's technique. . . .

For instance. . . . Of course, the Federal Reserve System has been selling bonds on this rise in order to hold down the advance and to keep the supply-demand ratio somewhat in balance. . . . But while it sold some 2s recently, it turned right around and built up a position in ⅞s. . . . Effect on the money market? . . . None. . . . Effect on the bankers? . . . If anything, it made them more eager to buy than before. . . . Result? . . . Not so good. . . .

Admittedly, the system is in exactly the same position as any commercial bank. . . . It can't just liquidate and not hold any earnings assets to keep its cash in use. . . . It has to show profits just as any institution must. . . . Thus, there is something to be said for the Federal's action in replacing its 2s with ⅞s and, from the Federal's viewpoint, such step might have been considered imperative. . . . But from a money management viewpoint, the move was a bit on the silly side. . . .

Either the Federal Reserve System is going to be the main agency in control of money market operations or it isn't. . . . And if it is, then holding down this market rise is the objective to be reached. . . . And if that's so, then the operations needed are obvious and should be entered into without delay. . . .

INSIDE THE MARKET

Compulsory bond buying test is still ahead, Washington officials admit, and despite soft-soaping of this issue recently, it's still very much alive. . . .

Secretary Morgenthau's repudiation of the coupon bond idea is not popular in Wall Street. . . . Feeling still is the Treasury could put over an issue of negotiable securities and could sell bonds more easily if the investors knew they'd get interest payments every six months. . . .

Talk around that the next bank issue—to be sold separately, as has been forecast here—will carry an intermediate maturity and will be sold this Summer. . . .

Bank issue will come first, it is believed, before the next drive to the public in September. . . .

Latest estimates on April drive indicate banks took 27% of securities, as compared with four-month average purchases by banks of 40%. . . .

Bank holdings of April issues are increasing all the time due to transfers of 2s from portfolios of dealers and brokers and corporations into positions of banks. . . . No way to regulate this movement incidentally, for it comes under classification of secondary distribution of an issue, and Government sources are having enough trouble just trying to keep track of primary distribution and disposition of securities. . . . Chances are commercial banks will hold much larger share of 2s than generally believed when final check-ups are made. . . .

Federal Reserve System's portfolio reveals all but one-third of holdings fall due within five years, indicating the extreme short-term nature of the central bank's position. . . . Proper for a central bank, though—but another reason, perhaps, why the system shifted out of the 2s and directly into the ⅞s. . . . At the end of 1942, according to system's annual report, 66 2/3% of the securities owned carried maturities within five-year limit while at the end of 1941 40% of securities were in that five-year classification. . . .

Insurance investments in first four months of 1943 amounted to $2,200,000,000, according to latest estimates, more than four times the amount for the same period in 1942. . . . Holdings of Government bonds now total $10,500,000,000, or 30% of total invested funds. . . .

COUPON BONDS?

In Washington and New York today two groups are arguing on a most vital question of the war financing effort—namely, the advisability of de-emphasizing the sale of Series E, F and G bonds and emphasizing the sale of coupon bonds, carrying interest at a low rate, bearing a marketability feature and resembling in many ways the Liberty Loans of 1917 and 1918. . . . It's no minor problem. . . . It may have serious implications to all investors. . . . And the two sides are important in themselves, for the Federal Reserve and most of the nation's major bankers are on the side of coupon bonds while the Treasury and its closest representatives insist on the continuation of war bond sales—at least right now. . . .

There's a lot to be said for a coupon obligation despite Morgenthau's statement of last week. . . . Marketability and use of the securities for collateral would have definite appeal to millions. . . . Payment of interest every six months instead of the "wait-and-see" character of the discount bonds would attract millions more, it is believed. . . . And as for price fluctuations, and particularly fluctuations below par, the control of the market is so great now that we may anticipate holding of the par level indefinitely. . . .

So look for a development of this controversy. . . . And as a guess, this observer forecasts the argument will continue until Morgenthau is forced to make some concession. . . .

The Securities Salesman's Corner

Some Observations On Security Merchandising In A Bull Market

Some years ago there was a meeting of the merchandising men and the advertising experts of the Ford Motor Company and the story goes that they tried to persuade Henry Ford to change the standard black color of his cars to meet the competition of the bright new shades that his competitors were putting on the market. It is repeated that Henry Ford answered, "The public can have any color it wants just as long as it is black." Whether this story is accurate or not, the lesson it teaches is just as valuable—the public got what it wanted and Ford made the change from black to every color in the rainbow.

This tendency on the part of the public to pick up an idea and carry it along can be applied to every line of business. The writer of this column has seen several bull markets as well as bear markets in his time. You cannot argue with the public when they get an idea in their heads. If you want to do business you will have to go along with the crowd—give them what they want. The impetus and the motivating force behind a bull market is based upon the same "herd theory" that is the basis for the manner in which all ideas are given national prominence. People begin to think a certain way, one tells another, the idea grows, finally the tide becomes a flood and you can't stop it.

Now there may be some reformers and bureaucrats among the SEC that won't like the idea that people act this way but there is absolutely nothing they can do about it. They say this tendency on the part of the public to speculate just ain't cricket; isn't good for them; it's bad for the securities business; should be discouraged; we should be a nation of investors, etc, etc. In other words they want to say with Henry Ford, "Give 'e'm black," but the public doesn't want black and they are not going to take it. The fact is that the kind of world the "average investor" lives in and the kind of a world the "Holy Roller Boys" over at the SEC are always talking about are as far apart as John L. Lewis and Henry Wallace. The kind of a world the SEC dreams about exists only on paper.

The point we have led up to is that securities dealers must gear their merchandising and their sales promotional activities to the times. There is no sense in arguing with the public—the only people who can afford to be reformers are those who are on the public payroll and they don't have to care where the money comes from to pay their salaries. There is a bull market on tap today. Things are changing around. Two years ago you couldn't interest half the people in buying securities at half their current prices that are willing to buy them today. It's the same old public but they have caught hold of the idea THAT PRICES ARE GOING UP—THAT'S WHY THEY ARE BUYING—THEY THINK THEY ARE GOING TO BE ABLE TO MAKE A PROFIT. Human nature has gone back to work and the cycle theory is in operation again. THE THING TO DO IS TO GO ALONG WITH THE PUBLIC DEMAND AND OFFER SECURITIES THAT THE PUBLIC WANTS.

Now is the time to pick securities that have the earmarks of price appreciation. In bull markets the public not only likes to make profits on paper but it is even more desirous of TAKING THEM. For this reason it is important that the mark-up made by a dealer is not too large so that profits can be made by the customer and these same funds transferred into other speculative situations that also hold promise. No dealer is going to put his customers into situations that he doesn't believe will work out satisfactorily—it would be shortsighted in the worst way to do this—but it is important in handling speculative accounts during a bull market to guard against over-confidence. Activity in an account, of itself is certainly nothing to be frowned upon. If an account is turned over ten times a year, as long as the results are favorable on balance to the customer, there is nothing but good for all concerned that will result. Your customer will like his profits, you'll enjoy larger commissions—and the only thing you'll have to guard against is to keep from overstaying a bull market which someday in the far distant future (we hope) will once again turn into another bear market—as it always has in the past and always will in the future. Despite the plans of the new crop of planners, the SEC, and the "new world of tomorrow" we have been hearing about—it's the same old world and the same old people in it.

The War And American Foreign Investments

(Continued from page 2053)

article contains no argument against such reasoning.

He finally cheers holders of Bolivian bonds by telling us that Bolivia's President had "indicated that negotiations might . . . be expected to proceed with bondholders' representatives in this country." I do not recall having either denied or confirmed what Bolivia's Chief Executive had indicated.

There is another letter which deals exclusively with my analysis of the Russian bond situation. The author informs us that he "has watched these (Russian) bonds simmer for nearly twenty years" and that he "feels definitely that these 'repudiated' Russian bonds have a very definite speculative value." Since patience seems to be the only or chief characteristic of the writer and his rather shallow "thesis," I see no need for further debate.

ANONYMOUS
New York City

I read with interest Dr. Winkler's recent article "The War and American Foreign Investments" and replies received by you thereto. I do not understand why Mr. Mardfin should berate Dr. Winkler for pointing out that the decree repudiating all Russian foreign loans has up to the present time neither been revoked nor modified, and that the rise in price from 5/16% to 9% may not denote a corresponding enhancement in the intrinsic value of the Russian dollar loans listed on the New York Curb Exchange. On the contrary, Dr. Winkler should be commended for his warning, although it will probably not be heeded any more than his warnings were heeded at the time Central and South American bonds, which subsequently defaulted, were being sold to the American investing public at prices of 90 and upwards. Mr. Mardfin refers to Dr. Winkler as a speculator, others have referred to him as follows:

"Dr. Winkler is the leading authority on American Investments abroad."

—*Evans Clark in N. Y. Times*

"Dr. Max Winkler is one of the most highly regarded authorities on Foreign Finance in Wall Street."

—*World Telegram, N. Y.*

"The Author is America's leading Financial expert."

—*Financial Times, London*

"Dr. Max Winkler is considered in Wall Street one of the most astute students of Foreign Economic affairs."

—*Courtenay Terrett in N. Y. Evening Post*

"I rate Dr. Winkler as our greatest authority on Foreign Loans."

—*Louis Gunther in Financial World*

"The Author is one of the most widely recognized specialists on international finance."

—*Dun & Bradstreet Monthly Review*

I am a subscriber to your publication and in fairness to Dr. Winkler you may want to publish this letter.

Charles Sidlo Dies

Charles T. Sidlo, President of Sidlo, Simons, Roberts & Co., Denver, Colo., died in St. Luke's Hospital after a brief illness. Mr. Sidlo had entered business in Denver in 1907 with J. H. Causey & Co., later becoming a partner in James N. Wright & Co. On his return to Denver after serving in World War I, Mr. Sidlo formed his own investment company which he headed until his death.


Industry is helping win the war...
industry must help build a peacetime world
Fighting now is winning the war...
Thinking now can win the peace
Today millions of service men are fighting for "a better world to live in." Other millions of individuals are performing miracles of production through the united efforts of management and wage earners—all of one mind—for "an unconditional surrender."
Tomorrow these millions will be permanently employed in peacetime pursuits provided they—all of one mind—dictate sound peace terms calling for sustained prosperity.
If the world is to prosper, there must be the same cohesion among the United Nations during the transition period and thereafter as now exists during the world-wide conflict. Internal stability here and in other nations can be gained and maintained only by sustained industrial production and by economic interdependence.
The people of this country, in common with the people of other lands, will prosper materially and spiritually when this war is ended but only if insistence, world-wide in scope, is now voiced for A JUST AND DURABLE PEACE.
THE INTERNATIONAL NICKEL COMPANY, INC.
Subsidiary of The International Nickel Company of Canada, Limited
New York 5, N. Y.
Awarded to Huntington Works
Today
the Army has
a new voice...
CHARLES ROSNER
Tomorrow
Industry will put the
Handie-Talkie to work
PERISHABLES

Capitalism and Americanism Go Hand In Hand

(Continued from first page)

Mr. Hill is also to be commended for the work he is doing in selling the public on the American way of life through excellently executed copy which his railroad is using in its advertising campaign.

MESSAGE No. 93

No two words were probably more misunderstood and their true meaning more abused than the words "Capital" and "Labor." "Unfortunately, Capital is frequently construed to mean large and undeserved accumulation of wealth in the hands of a few unscrupulous persons to the hurt of persons performing lowly physical labor. Labor is pictured as persons doing the essential and physical tasks of the world, underpaid, imposed upon, and without appropriate recognition of their contribution to production or accumulated wealth.

These viewpoints expressed in many variations have created the belief with many that there is some harmful and irreconcilable conflict between those who work, save or invest, and those who work but have no ownership in savings or investment. It is not surprising, therefore, that there should exist an unfortunate antagonism between Capital and Labor which is harmful to both.

Many do not understand what Capital really is. It is defined as accumulated wealth employed or capable of being employed in increasing production and wealth. It is the accumulated saving of things produced over and above what is consumed. Thus, if a farmer produces 50 bushels of corn, consumes 40, and saves 10, the 10 bushels saved become Capital, which he may sell and then invest the proceeds in permanent things he desires. If he raises 10 hogs and saves 2, the 2 or the proceeds of their sale is Capital to be retained in money or things of value. If a railroad employee earns $1,800 a year and saves $200 the savings is Capital which he can invest in land, a home and its furnishings, or in some industrial enterprise. From the latter he would hope to receive interest on his investment as a reward for his thrift.

These simple illustrations, if multiplied millions of times by actual happenings, would represent huge accumulations of Capital, or wealth.

When such savings are used in the development of successful industry, plus profit from the industry reinvested in further enlargement, the opportunity for employment increases, higher wages are paid, and standards of living are raised. Through research, new invention, and the application of machinery, a larger variety of and more and better goods are made at lower prices, and with fewer hours of labor. This results in the betterment of the laborer and the welfare of mankind in general. So used, can any fault be found with Capital? Should not those who deny themselves to save, accumulate or invest, be entitled to the benefits arising from their self-denial and thrift? Should not those who work in industry so developed, whose wages are raised, whose working hours are fewer, who can buy a greater variety of goods at lower prices, be just to those whose accumulation of Capital made their better conditions possible?

It is an undeniable fact that Capital is the foundation of our great industrial development that has enabled us to far exceed other countries and bring better conditions to the average man than the peoples of other countries have ever enjoyed. If the truth of these observations is not readily evident, for proof you have only to contrast living conditions, hours of labor and wages of an industrial community with the conditions in that same community before industrial development came. You have but to compare the conditions in the United States with any other country in the world.

For the purpose of a correct understanding of Capital this discussion assumes that it will be appropriately used, that those furnishing it are entitled to a fair consideration for its use and the risk they take, that it is a benefactor to mankind, and that Labor profits through such use of Capital. There should be no conflict between Capital appropriately used and the best interest of Labor.

This is not to say that Capital has in every instance been used to the general betterment of Labor, or that Labor has had too small or too great a share of the profits from industrial production. Those are questions giving rise to differing convictions, but which, in each case, ought to be the reconcilable by intelligent and conscientious considerations, without the destruction of Capital itself or its beneficent possibilities. Such questions should not be allowed to generate or perpetuate destructive conflict.

Labor has too frequently been regarded as those merely putting forth physical effort and mainly working with their hands. Generally, Labor is referred to as common, semi-skilled and skilled. This classification is too narrow. Labor comprises both the physical and mental. The clerk with his typewriter or machine, the accountant with his rule, pen, or mechanical calculator, the man who plans and directs, and all gradations from the humblest laborer to the executive, are a part of the process of production. Each is a laborer and is due his wage or salary in proportion to his effective contribution. Each is inseparably a part of and much affected by the facilities which Capital has provided and which Labor uses. Generally, the greater the investment in equipment or facilities the higher the production per man, the greater the total production, and the higher the wage or salary. Labor then comprises a wide group of individuals of varying ability and training engaged in mental or physical effort toward widely different purposes. It is not confined to groups doing manual work only. All who labor in production should realize the relation between the facilities with which they work and their own welfare.

Again, there is almost an indefinable line between laborer and capitalist. The instant a laborer accumulates anything of value over and above his requirements to exist, he creates wealth. Hence, the difference between capitalists is one of degree only and not of kind. No destructive attack can be made against capitalism, which followed to its final result will not disturb the ownership of the simplest home or the small holdings of the humblest citizen.

Just as the laborer is dependent for higher wages and more productive employment on the savings of others invested in machinery, equipment and other facilities, just so is the capitalist or investor also dependent upon the laborer for the productive and successful use of that machinery and for an appropriate return on the investment he has made therein. Each is essential to the well-being of the other. Their mutual interest in the preservation of Capital already invested as well as in promoting new development; in insuring an increased production at lower costs; in creating more employment at higher wages, ought to be self-evident. Any unfair motive or action of one toward the other will ultimately hurt both.

All of the foregoing is so simple and elementary that a child should understand it. The difficulty arises when Capital and Labor cannot agree upon a fair division of the profits or losses growing out of investment and the production of labor. These difficulties present practical problems, not easy of solution, but which ought not to be unsolvable if approached by intelligent, fair minded, well informed, conscientious leadership on both sides. All interested persons have the privilege and obligation of selecting and so instructing such leadership. Its general instruction should be that all differences shall be settled by applying the spirit of the Golden Rule: Do unto others as you would have them do unto you.

Is it too much to hope that Capital and Labor can so peaceably adjust their differences that private enterprise may continue to the betterment of both, and that your child and mine may have the opportunity to rise to high places according to their merit?

Those investing capital and those working in industry thus created should, through understanding and cooperation, undertake to banish differences and causes which lead to unwarranted conflict. The purpose of this message is to promote mutual understanding and confidence. Its application will be made next month to the affairs of this railroad which has given all of us employment.

Your thoughtful comment will be welcome.

MESSAGE No. 94

My message last month pointed out the unjustified antagonism which sometimes exists between those who have invested their savings in industrial enterprises (variously referred to as Capitalists or Capital) and those who are employed therein (called Laborers or Labor). It undertook to show that no justified conflict between the two should exist, but on the other hand, that there should be a mutual interest and understanding, and that each is essential to the other.

Let's consider the application of the above to the "Old Reliable" which furnishes all of us employment. It was incorporated in 1850 with a proposed mileage of 187. As first constructed and operated, it had an investment of about $6,607,000, and employed about 1,200 persons, with an annual payroll of about $730,000. Its investment per employe was $5,500. As indicating the low scale of wages in effect, the report to the President of Superintendent Jas F. Gamble, reproduced in the annual report of the railroad for the year 1855-56, contains the following statement:

"The persons immediately connected with transportation have been—

1 Assistant Conductor,
1 Engineer,
1 Receiving Clerk,
3 Brakesmen,
1 Fireman.

The aggregate wages of all of them has been two hundred and twenty-nine dollars per month."

That is equivalent to an average wage per person of about $32.71 per month or a little over $1.00 per day, with no limitation as to the hours of service. Others were paid largely in proportion to the above.

That was nearly 100 years ago. Great industrial enterprises along its line have been developed since that time with a trend in labor from farm to industry. And with this change from the agricultural life to the industrial, requiring the saving and investment of capital, has come an ever increasing wage scale.

Here's what has happened with respect to this railroad. Today, its main line mileage, from purchase, consolidation, and construction, has increased to 4,785; its investment to $530,000,000; its annual payroll to $65,000,000, distributed to about 31,000 persons. Its investment, per employe, has increased to $17,100. An engineer on a passenger run between Louisville and Nashville, with less than five hours running time, is paid about $15.75, a fireman $12.75, a conductor $10.50, and a flagman $7.80, for the run. The average clerk is paid around $5.75 per day; a track laborer about about $3.72 per day. Railroad forces in general now work about 8 hours per day, with one and a half times the hourly rate for time over 8 hours. On the whole, working conditions have much improved. In the meantime, freight and passenger rates paid by the public have been greatly reduced. In 1859 it cost about 90 cents to ship a barrel of flour by rail from Louisville to Nashville. Today it costs 59 cents.

It is estimated that about two million persons hold the stock and bonds of American railroads. These are the investors whose funds, plus the earnings from the properties, furnish the plant and facilities with which railroad men work. The Louisville & Nashville has about 7,500 stockholders, located in 46 states. We do not know the number of bondholders, but they probably equal the stockholders in number. The cash dividends received by stockholders during the last 15 years have averaged about 5.03% per year. The average yearly earnings of employes have increased in the same period from $1,510 to $2,097. Since 1939, there have been expended for improvements to the property about $38,750,000. These expenditures were necessary to meet competition and to handle war traffic. They may not be needed after the war. A railroad plant is never complete. It is necessary to spend large sums every year for improvements. There is no other way to keep abreast of competition, most of which is favored by Government subsidy.

The outstanding bonds, equipment trust notes and loans draw interest at an average rate of about 3.9% per year, admittedly a low rate.

During 1942 stockholders received in dividends about $8,190,000. Bondholders and other security holders will receive about $3,768,000. This is a total to all investors in the railroad for 1942 of about $16,958,000. For the year 1942, employes received in wages about $65,000,000.

The capital stock of this railroad is selling at about $60 per $100 share, par value. Its 3¾% bonds, due in year 2003, are priced at about 84 cents on the dollar. This indicates a lack of confidence in railroad securities. The future outlook does not offer a sufficient inducement to future investors to put new money into improvements of the property so essential to its successful operation and continued high employment.

Look back over the 90 years of the railroad's existence. It has been one of the prime instruments in the developments of the territory between the Ohio River and New Orleans. No influence has been more constructive and beneficial. Certainly Labor has much profited by the investment in railroads and industry. The proof is in the contrast between the conditions a century ago and now.

Is it not clear that without the large investment of capital no such development of the territory would have occurred or that wages would have so increased? Is it not also clear that mutual interest undeniably exists between those who invest and those who labor?

Your own railroad has never been in bankruptcy nor defaulted on an obligation. It has made an enviable record not only in that respect but in helping toward the betterment of the people and communities it serves. Both investors and employes (Capital and Labor) have had a part in that achievement.

The situation of railroads after the war, because of competitive conditions, will be difficult. It should not be added to by any failure of investors and employes (Capital and Labor) to recognize their mutual interests.

Employes and investors also have a mutual interest in insisting that railroads shall have equal standing with other forms of transportation in matters of laws, regulations, subsidy and taxation.

MESSAGE No. 95

In previous messages the mutual regard and essential interest which Capital and Labor must have, each for and in the other, was discussed. The particular situation relating to this railroad's employes and investors was presented.

Now, let's consider the comparative methods and merits involved in privately owned and operated industrial enterprises or utilities, and such enterprises or utilities owned and operated by the Government.

In the first place, either will require large outlays of money for initial construction; or, if already privately constructed and owned, tremendous sums must be raised if purchased by the Government.

Money is raised for private enterprise from the voluntary investment by persons who, by thrift or good fortune, have more than they currently consume. Each person determines for himself whether he will be thrifty and saving, and then whether he wants to invest in business giving promise of paying interest or dividends on the amount he lends or invests. He can seek advice or be the sole judge of whether there is a real demand or necessity for starting or maintaining a particular business; whether its management is capable; whether materials and labor can be procured; whether its labor policies are sound; and whether in general he thinks the business will be successful.

In short, it is a voluntary business venture, from start to finish, suceeding or failing in accordance with whether it is economically and soundly conceived and administered. The men who are chosen to manage it are selected because of training, initiative, character and ability. Their retention and advancement in office are dependent upon performance of a service satisfactory to owners and pleasing to customers. There is a personal and quickening incentive all down the line, and an interest throughout the organization directed toward successful accomplishment.

For enterprise to be owned by the Government, the money must be raised through taxation; or if through the issuance of Government bonds, these and the interest thereon must be underwritten by the Government and ultimately paid through taxation, unless the business itself is operated at a profit. However, governmental operation usually decries the profit motive and makes no profit, usually defending its position by the claim of the performance of a service in the public's interest. Hence, under government ownership, the taxpayer is the involuntary investor in an enterprise. He has little opportunity to pass upon the merits of the investment or its chances of success. The business will be initiated and run, either directly or indirectly, by men whose greatest qualifications are their ability to get elected; or else by men whose selection or appointment is under civil service rules and, for the most part, removed from the virile, quickening influence of interested, alert management, where initiative, ability and superior accomplishment are constantly striving for recognition and reward.

Again, when government elects to own, it must necessarily enlarge its activities to include the control of labor, whereby the right to bargain individually or collectively is lost. An article by Eric Johnston in the Readers Digest for February quotes Wm. Green, president of the American Federation of Labor, as recently saying:

"If this Country ever gets a system of governmental regimentation, labor will suffer most. Labor, therefore, is deeply interested in the preservation of private business; and labor should everlastingly maintain that the owners and managers of business are entitled to a fair and just return upon their investments."

To all who have watched our elective process and have appraised the business ability of men in public office, who have seen the waste and indifference in the conduct of local, State or National Governments — there could be only one wise choice in determining how the business establishments of this country should be run, and who should be responsible for them. The reference to the business ability of men holding public office and directing government is not inclusive of all as there are many fine and capable public servants. Even so, good and wise men are not always perpetuated in office. In all events, responsibility for mistakes is too difficult to place. Nor, is this reference to public representatives aimed at men presently in office. It is true, whether past, present, or future, and regardless of party affiliation.

The unmatched development of the United States has been through the means of Free and Private Enterprise. Nowhere, at any time, has the average man been so well off. During the better part of the last 100 years, the railroads have had a prime part in this development. They are privately owned and operated, but publicly regulated. The Brotherhood of Locomotive Engineers has recently affirmed its conviction that government ownership is undesirable. Referring again to the Readers Digest article, it describes Robert Watt as a labor leader of great prominence in government wartime agencies, and quotes him as saying, among other things:

"We should have a closer cooperation between business and labor in the future than we ever had in the past. By cooperation I do not mean surrender, either by business to labor or by labor to business. By cooperation I mean that both sides should jointly bring forth better fruits of efficiency and productivity."

None of this discussion is to say that Free Enterprise has not made some mistakes. In building such a great structure, some waste and mistakes were inevitable. In these days, when there is so much ill-advised agitation for the Government to get further and further into the ownership and operation of business, thoughtful consideration should be given to past accomplishments of private enterprise. This done, the conclusion is inevitable, that change is not necessarily progress and it is not desirable "to tear down the temple so carefully planned for by our forefathers merely to kill a few rats in the basement."

This temporarily ends the series on Capital and Labor, and matters incident thereto. I hope you have at least found interest in reading them.

Sincerely,

J. B. HILL,
President.

Rebuilding World A Task For Governments After War, League Of Nations Report Holds

Governments must continue to exercise during the first years of peace many of the economic functions which they have assumed during the war, it is declared in a report of the Delegation On Economic Depressions of the League of Nations, of which Sir Frederick Phillips, head of the British Supply Council in Washington, is Chairman. In an exhaustive study of "The Transition From War to Peace Economy," issued recently in this country by the International Documents Service of the Columbia University Press, the Delegation asserts:

"The need for Government action to restart peacetime economic activity and to create the conditions under which normal business, public or private, can function, must be apparent to all. There must be a period of transition. The more effectively governments act, the shorter that period will be.

"To leave the task of reconstruction to be shouldered by the mechanism of private business to the extent to which it was left after the last war showed a misconception of the very principles on which the success of private enterprise depends.

"Great courage and initiative was, in fact, shown by private firms, and when the risks seemed reasonably good business revived rapidly. But what was required to avert the disaster that took place was to restart the wheels of production also where the immediate risks were bad and the hope of profit remote. No business firm, however great, could or should have assumed these risks, and because governments failed to face the real issues, business in all countries suffered, and suffered almost throughout the 20-year inter-war period."

The Delegation was appointed by the Council of the League in February, 1938, to report on "measures that might be employed for preventing or mitigating economic depressions." Its work was carried on under the auspices of the Economic, Financial and Transit Department of the League, now housed at the Institute For Advanced Study, Princeton, N. J.

Its members, in addition to Sir Frederick Phillips, are: J. B. Brigden, financial counselor to the Australian Legation in the United States; Dr. G. H. C. Hart, Commissioner for the Netherlands Indies; Professor Carter Goodrich, of Columbia University; Henry F. Grady, President of the American President Lines, and head of the United States technical mission to India in 1942; Professor Oskar Morgenstern, of Princeton University; Graham F. Towers, Governor of the Bank of Canada; Dr. Zygmunt Karpinski, manager of the Bank of Poland.

International organization for maintaining full employment in all countries, for coordinating commercial policies, distributing scarce raw materials, stabilizing prices, and allocating shipping tonnage is defined as a major post-war necessity for an indefinite period.

"No country will be able to overcome its transition difficulties by national action alone or in spite of unwise international policies," according to the report. "Concerted action and restraint of action on the international market is clearly required." The report also says:

"The war is creating economic changes and upheavals that will greatly intensify the forces leading to instability in the post-war world and it is necessary to devise policies in advance if the risk of depression and unemployment is to be mitigated. A major post-war depression, the factors making for which are already very apparent, could scarcely fail to lead to a resumption of policies of intense economic nationalism all over the world.

"If the economic and social objectives of the United Nations are to be fulfilled, means must be devised for maintaining in time of peace the high levels of production and employment achieved in wartime. Independent action by each country for the achievement of full employment and economic stability would inevitably be self-defeating, and it is of the utmost importance that national policies should be coordinated on the basis of an agreed international plan, each being supported and furthered by the others."

The writing off of plant constructed for war purposes which will be surplus to peace requirements is a prime consideration of post-war governments, the report points out. "Much of it may no doubt be required for the maintenance of security in the world, and some international agreement for its maintenance may prove necessary," it is stated. "But a plant which is not required for this purpose and cannot be adapted to another should be accepted as having scrap value only and the cost courageously accepted as an unavoidable part of the total war outlay."

The report further said:

"Abnormal post-war expenditure by returned soldiers or by the general public can be counteracted by wise publicity, while many forms of capital expenditure could be controlled by requiring licenses for the use of certain varieties of materials, for example.

"Governments will be able to exercise some influence over inflationary tendencies through their fiscal policies. Great caution should accompany the reduction of taxation, although the reduction of consumption taxes which are likely to curtail demand and such corporation taxes as are likely to check enterprise and obstruct the switchover from war to civilian production may prove generally necessary.

"In certain countries a modification of existing fiscal legislation may be required to lessen the incidence of taxation on productive enterprise and on risk-bearing capital. At the same time, government deficit expenditure may be required to be kept down to a minimum.

Control of consumer demand may also be necessary in the immediate post-war period not only to prevent inflation but to assure the restoration of damaged fixed capital, it is explained. "Government may have to direct and control the productive processes and consumption in the same manner, though not to the same extent or for the same purpose, as it did during the war," the report continues. "For this reason rationing will have to supplement the controls of consumers' monetary outlay represented by taxation, war savings and other controls. The post-war demand for different types of skill will certainly be abnormal, and the Government should enforce its power to control monopolistic positions, to train additional workers to meet new requirements, in exactly the same way as it enforces its power to prevent monopolistic prices for goods."

The immediate post-war period will be one of all-around shortage, the report says. It continues:

"One of the most serious postwar risks will be price inflation. If governments endeavor to keep their national price levels stable but allow unlimited competition for raw materials and foodstuffs on the world market, their policy will inevitably break down.

"If government adopt wholly diverse credit policies, if one inflates credit and another depresses wages, the chances of establishing an international price equilibrium under which business can be done may be indefinitely postponed. In the absence of such equilibrium full employment can scarcely be secured or maintained. If one government abolishes its control of prices while others maintain theirs, it will threaten at once its chances of export and its exchanges. If its exports fall off or fail to revive, full employment will not be secured; if its exchanges are deliberately devalued owing to the pressure caused by autarchic price policies, other countries are likely to refuse once more to accept its goods, as they did in like circumstances in the twenties."

High Court Dismisses Rent Control Suit

The U. S. Supreme Court dismissed on May 24 a suit challenging the Price Administrator's authority to fix rents on the grounds that there was "collusion" between a South Bend, Ind., landlord and tenant in filing the litigation. This is learned from Associated Press accounts which stated that by its unanimous decision, the Court also set aside the decision of a Federal District Court at South Bend holding unconstitutional the Emergency Price Control Act of 1942 and Congressional delegation of rent control powers, under the act, to the Price Administrator. The Court emphasized, however, that it was not ruling on the constitutional issues raised by the suit.

The Associated Press advices also reported:

"Edward McKee filed the suit under the alias of Edward Roach, claiming that his landlord, Dick M. Johnson, had charged him $45 a month rent when the Office of Price Administration had set the ceiling at $35 monthly. He sought triple damages for four months' rent on which he contended he was overcharged.

"The Supreme Court said the record of the case showed Mr. McKee instituted the proceedings as a friendly suit at Mr. Johnson's request; that he did not pay lawyers' and court fees and that he did not even read the complaint prepared by attorneys whom he had never seen.

"Under such circumstances, the court ruled, the case is 'collusive' because no real controversy is involved."

The decision of the Supreme Court to review this case was referred to in these columns April 15, page 1402.

Plans For World Currency Stabilization Called Dangerous By Guaranty Trust Co.

Even a brief consideration of some of the implications of the recent American and British proposals for international stabilization of currencies is enough to indicate their dangerous character, states the Guaranty Trust Company of New York in the May 27 issue of "The Guaranty Survey," its monthly review of business and financial conditions. Further discussing the British (Keynes) and the American (Morgenthau) plans the "Survey" continues:

"They would enable nations to buy merchandise without being able to pay for it. The American plan, at least, would require the United States to redistribute a part of its gold in exchange for something of doubtful value—foreign currencies held by an international board. Broadly and basically, both plans would involve the exchange of our own currency for other nation's currencies on terms beyond our own direct control.

"The United States, in particular, as the chief creditor nation, would have to be prepared to confront a combination of debtor nations advocating a course that would favor themselves at the expense of the creditor. A study of the British plan reveals some features that would tend to promote the interests of debtor countries in general, and of Great Britain in particular, at the expense of the United States. It is inconceivable that this country could, under any circumstances, become a party to any such agreement. The nature of both the British and American plans, moreover, is such as to involve some risk of loss to a nation with a credit balance on international account.

"As a matter of fact, a central feature of any international financial system is the laying down of the conditions and terms on which credit shall be granted. Since the United States is likely to be the principal source of credit during the post-war period, it is no more than reasonable that we, in direct contract with the borrowers, should determine the conditions. Strictly short term credit designed to smooth out seasonal or other purely temporary fluctuations in exchange rates might perhaps be safely entrusted to an international stabilization fund. The plans under consideration, however, go far beyond this point and provide for credit that would inevitably tend to become long-term. The granting of such credit is properly a banking function and should be performed by banking institutions of the borrowing and lending nations.

"The whole idea of an international organization to achieve and maintain currency stability is a case of misplaced emphasis. It is not international policies but domestic policies that produce currency stability. Only nations that balance their budgets and follow sound monetary and credit practices can permanently enjoy stable currencies. The most that any international board could do in this direction would be to encourage such practices among its member states. A stabilization fund or clearing union that attempted to provide a substitute for these stern requirements by making loans or manipulating exchange markets—that is, to make itself a financial leaning-post for weak nations—would be foredoomed to failure.

Dangers of Centralized Control

"Advocates of international regulation are correct in pointing out that the gold standard has sometimes given trouble in actual operation. Its failure, however, has been brought about in almost every instance either by war, internal political mismanagement, or the failure of nations to keep their financial houses in order. Experience, therefore, warrants caution against high expectations concerning the results of centralized action. Any such plan represents an attempt to substitute fallible human judgment and discretion for the impersonal action of the markets in regulating balances of international payments and foreign exchange rates.

"Errors of judgment occur, of course, under any economic system. When decisions are arrived at by numerous individuals, however, the correct judgments tend to balance the mistaken ones; and harmful effects, except to the individuals in error, tend to be held to a minimum. With the fate of national economies left in the hands of a small group of individuals, whose national interests could not always be the same, a mistaken conclusion would probably prove much more harmful in its consequences than under the decentralized system of the past.

"If the exchange markets were really free of controls (including arbitrary and manipulative tariff adjustments) and if the internal economies of nations were effectively regulated by the price and profit mechanism, the automotive machinery of markets would be a more effective stabilizer than any international board could possibly be. The gold standard would, moreover, be more clearly understood and would undoubtedly give a greater feeling of security than an artificial and complicated control mechanism."

Wartime Expansion Improves World Basic Commodities Position Of U. S.: Conference Bd.

Wartime expansion has considerably improved the relative world position of the United States as regards production capacity and output of basic commodities, according to the National Industrial Conference Board, which pointed out on May 25 that steel production in the United States in 1940 amounted to 67,000,000 tons, or 42.8% of world output; in 1942 it reached an all-time high of 86,000,000 tons, and will be further expanded to 92,000,000 tons in 1943. The corresponding total steel capacity of the Axis nations is about 61,000,000 tons. These and other data were released from compilations prepared for the Board's Annual Meeting at the Waldorf Astoria Hotel in New York. The release stated:

"The United States produced slightly more than 200,000 short tons of aluminum in 1940, or nearly a fourth of the world total. In the first war year aluminum production was increased to 461,000 short tons, while the rate of production at the end of 1943 should exceed 1,000,000 short tons, according to the Board's figures.

"In 1939 the United States produced 712,700 short tons of copper from domestic ore, or an estimated 29.6% of the world output. The Board estimates United States production in 1942 at 1,100,000 short tons. Production of magnesium in this country in 1940 amounted to about 13,000,000 pounds; ultimate wartime capacity is expected to be between 600,000,000 and 725,000,000 pounds, according to the Board. In 1940 production of alloy steel ingots and castings was 4,966,000 net tons; in 1943 production is expected to be from 13,000,000 to 16,000,000 net tons. Increase in the production of synthetic chemicals and related products has also been impressive, the Board finds."

In further interpretation of these facts, the Board says:

"The war has given tremendous impetus to expansion in the production of alloy steels, magnesium and aluminum. After the war, demand is expected to continue at a high level. Improved technology now permits steel-makers to furnish alloy steels for a much wider range of special purposes than was formerly possible. Lowered production costs for magnesium and aluminum, coupled with their desirable physical properties of strength and lightness, are expected to give these metals important competitive advantages in the post-war markets.

"Current expansion in synthetics is largly the result of wartime necessity. Synthetic chemicals are of vital importance in times of peace as well as in war. The future status of the synthetic rubber industry is indeterminate at present, depending upon post-war international trade policies. Some use of this new rubber will continue, however, because it has properties that cannot be easily duplicated by natural rubber.

"Peacetime uses of rayon have been increasing steadily in recent years, particularly in the case of stable fibre."

SEC Amends Rule For Qualifying Accountants

The Securities and Exchange Commission announced on May 24 the adoption of two amendments to Rule 2-01 of Regulation S-X dealing with the qualifications of accountants certifying financial statements required to be filed with it.

The Commission's announcement explained:

"Subsequent to the adoption, on Nov. 7, 1942, of the present subsection (c) of Rule 2-01, representatives of the accounting profession made inquiry as to whether the language 'in determining whether an accountant is in fact independent with respect to a particular company, appropriate consideration shall be given to the propriety of the relationships and practices involved in all services performed for the company by such accountant' implied that the Commission would seek to determine the 'propriety' of all such relationships in and of themselves. In discussions and conferences arising out of such inquiries, the Commission made it clear that it was interested in relationships between a certifying accountant and a registrant only insofar as the existence of particular relationships might be relevant to its determination whether the accountant was in fact independent. In order to avoid any possible misinterpretation of its policy in this respect, the Commission has amended Rule 2-01 (c) so as to restate its objectives in more general terms, thus avoiding the misunderstanding apparently resulting from the use of more particularized language in the original rule.

"At the same time Rule 2-01 (b) has been amended to make it clear that the relationships listed therein are not the only relationships which would prevent an accountant from being independent in fact."

The Commission directed attention to several Accounting Series Releases, containing statements of administrative policy and opinions of the Chief Accountant on the question of independence, one of which it noted, includes a summary of the principal Commission decisions involving independence of accountants. A summary of informal decisions on the question will be issued at a later date.

Manual Issued To Aid In Bank Examinations

Step-by-step procedure for the examination of banks by their directors is presented in the manual, "How Directors Should Examine Their Bank," published by the New York State Bankers Association. The publication, prepared by a subcommittee of the Committee on Bank Management and Research headed by Warren Unbehend, President of the Lincoln National Bank and Trust Co., Syracuse, is designed to fill a need for a book to assist directors in discharging their full responsibilities in the supervision of bank management.

The manual makes a novel approach to the problem of directors' examinations, in that in addition to prescribing forms for examining committees to fill out, it actually develops the procedure in detail and in simple, understandable language. The manual does not presuppose that the directors have technical bank examining experience; it is written to tell the local baker, grocer, doctor, or attorney, or any other busines or professional man who happens to be a director, what to do in order to find out what is going on in the bank.

While it recognizes there is a limit to the time directors can devote to examinations, the manual also holds that a directors' committee report, to be of value, must represent a thoroughgoing analysis. In order to accommodate both of these elements, the committee has made its instructions all-inclusive, but at the same time sufficiently elementary to preclude any chance of time-wasting mixups.

Steps outlined for examining the assets of the commercial department include counting cash and cash items, checking reserves, evaluating balances due from banks, evaluating the loans and discounts, classifying loans, evaluating real estate, building, furniture, and fixtures, and verifying charged-off assets.

Lester A. Pratt, a Washington, D. C., certified public accountant specializing in bank examinations and an authority on directors examinations, participated in the preparation of the manual, assisting the members of a subcommittee on Bank Management and Research, consisting of Warren Unbehend, Chairman of the Committee and President of the Lincoln National Bank and Trust Co., Syracuse, and Oliver Birckhead, President of the Peoples National Bank and Trust Co., White Plains, who is the author of a similar treatise published some time ago.

The manual contains 32 pages and sells for 50 cents. Copies are available from the New York State Bankers Association, 33 Liberty Street, New York City.

NY War Bond Sales Total $7,051,765,000

A final statement of sales of U. S. Government securities in the Second (New York) Federal Reserve District during the Second War Loan, April 12 to May 1 (with sales of Series E War Savings Bonds as tabulated through May 8) shows a grand total of $7,051,765,000, Allan Sproul, Chairman of the War Finance Committee of the Second (New York) Federal Reserve District, announced on May 12. Advices from Mr. Sproul state:

"Total sales to non-bank investors aggregated $5,167,557,500. Sales to commercial banks (⅞% Treasury Certificates of Indebtedness, 2% Treasury Bonds and Treasury Bills, the latter estimated) totaled $1,445,000,000.

"Sales to dealers and brokers, excluding amounts distributed or ear-marked for distribution by them to non-bank investors—the latter being reallocated to the non-bank investors group—totalled $439,207,500.

"Sales to non-bank investors in the Second Federal Reserve District, were distributed as follows:

"Series E War Savings Bonds, $208,246,000 to an estimated 3,031,000 subscribers.

"Series F and G Savings Bonds, $123,647,000 to 48,133 subscribers.

"Tax Savings Notes, Series C, $484,608,000 to 5,003 subscribers.

"2½% Treasury Bonds, $1,958,132,000 to 38,233 subscribers.

"2% Treasury Bonds, $1,304,682,500 to 15,893 subscribers.

"⅞% Treasury Certificates of Indebtedness, $1,088,242,000 to 4,812 subscribers.

The announcement further stated:

"Comparisons with results in the December drive cannot be made exactly, because of the length of the drives differed and also because the securities included in the respective "baskets" were different. The E Bonds were not included in the December "basket" but it is estimated that 2,264,500 subscribers purchased $93,811,275 during that drive. Sales of F and G Bonds aggregated $67,297,919 to 24,781 subscribers. In December, sales of Series C Tax Savings Notes aggregated $405,669,000 to 3,033 subscribers. In December, $1,036,017,000 ⅞% Certificates were sold to 2,225 subscribers. Instead of 2% Treasury Bonds, 1¾% Treasury Bonds were sold in December in the aggregate amount of $574,432,000 to 4,434 subscribers. Sales of long term 2½% Treasury Bonds in December, aggregated $1,598,048,000 to 21,322 subscribers.

"On the basis of even these rough comparisons, however, it is clear that the Second War Loan reached a much larger number of individuals, as well as accounting for a much larger dollar amount of sales, than did the First War Loan."

Only One Day For Work?

There are days in the year	365
You sleep 8 hours a day	122
Balance	243
You rest 8 hours a day	122
Balance	121
Sundays in a year	52
Balance	69
Half-day Saturday all year	26
Balance	43
Legal holidays in year	12
Balance	31
One hour a day for lunch	16
Balance	15
Two-weeks' vacation	14
Balance for work—one day	1

New York Bank Earnings Increasing?

(Continued from page 2060)

naturally conclude that profits would show a great increase over any recent year. And that is clearly indicated by some more official figures.

Each week the Board of Governors release a mass of bank figures. They are a mine of information for a statistician. One item shown in each of these reports is "Capital Accounts." Under this head is the combined capital, surplus, undivided profits, reserves, etc. The change in this item **suggests**—it does not prove—the trend of profits. These figures now strongly, almost irresistibly, suggest that New York City reporting member banks are currently experiencing a very satisfactory increase in profits. The following table showing the expansion in capital accounts for 20 weeks ended May 19 this year, compared with the corresponding period for previous years, most cogently suggests larger profits for these banks.

(Last figures omitted)

Capital accounts for,	
December 30, 1942	$1,561
May 19, 1942	1,601
Increase	40%
December 31, 1941	1,535
May 20, 1942	1,547
Increase	12%
December 31, 1940	1,503
May 21, 1941	1,519
Increase	16%
December 27, 1939	1,480
May 22, 1940	1,502
Increase	22%

Earnings Increase

This table shows that capital increased in the 20 weeks ended May 19 this year more than three times as fast as for the corresponding period a year ago. While these figures beyond question indicate expansion in earnings, they do NOT indicate that total net earnings for this year are three times as great as last year. For instance, the capital increase is supposed to indicate the amount left after paying dividends. Suppose, for instance that New York banks actually paid $60,000,000 dividends in the first 20 weeks of 1942 and the same amount in the first 20 weeks this year. Since capital increased $12,000,000 last year for the 20 weeks under review, that would suggest earnings of $60,000,000 dividends plus $12,000,000 increase in capital, or $72,000,000. By the same process of reasoning profits this year would be $60,000,000 plus $40,000,000 or a total of $100,000,000. That would suggest an impressive increase over last year, but not three times as much.

There is a widespread error that banks cannot earn profits because of the low interest rates received. That is demonstrably erroneous. Assume that a bank with $1,500,000 capital and, say $3,000,000 surplus, has $110,000,000 assets—there are such banks. Now assume that this imaginary bank can earn ½ of 1% on total assets. That would be $55,000. And it would be about 36% on capital stock; it would be about 12% on total capital, surplus and undivided profits.

They Are "Straddle Stocks"

Such profits on assets that consist largely of government obligations have never before been seen in banking houses. What is more, banks are not only earning profits now, but these profits will continue indefinitely. A large part of their income is derived from bonds and they will own these bonds for many, many years. They will own more than they now have, consequently it is probable that earnings will increase rather than decrease.

Wall Street is searching for "straddle stocks"—stocks of enterprises that are expected to prosper, war or no war. What better investment for this purpose than bank stocks?

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2063)

Last week I recommended a list of eight stocks of which four got down to the prices advised for their purchase. These were Bethlehem about 64½; National Distillers at 31; Newport Industries 16; and Raybestos-Manhattan at 29. The other four, U. S. Industrial Alcohol, U. S. Steel, Youngstown Sheet and Container (which inadvertently appeared as Certainteed) were unavailable at the prices given. All four of the stocks you now have act as well as the market; no better no worse. The stops applying to these are still in effect but in view of the changed picture you might consider taking a smaller profit, if as and when, than I originally had in mind.

* * *

Bethlehem Steel—stop remains 63. Take profits 67 or better. National Distillers, stop 28½. Take profits 33 or better. Newport Industries, stop 14. Profits at 17½ or better. Raybestos-Manhattan, stop 27. Take profit at 30½ or better.

The stocks which did not get low enough to buy last week are now cancelled.

* * *

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.]

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

The term "leverage," as it applies to bank stocks, is frequently defined as the ratio of deposits to capital funds. The basis for this definition is the fact that deposits, which are several times capital funds, represent the bulk of the funds which are theoretically available to a bank for earning purposes. However, this ratio is not entirely satisfactory as a measure of leverage, because it does not necessarily reflect the cash position of the bank, as determined by reserve requirements (which are not uniform among all Federal Reserve districts), bank needs and general credit and investment conditions. Capital funds, which comprise capital, surplus and undivided profits, represent the stockholder's equity or the book value of his stock.

A more practical "leverage" is found in the ratio of earning assets to capital funds. Earning assets comprise, in the main, U. S. Government securities, state and municipal securities, other bonds and securities, loans and discounts, and real estate. These figures may be obtained from the banks' statements of condition as readily as may deposits.

The "leverage" ratios of leading New York City bank stocks have been increasing over the past few years at a very substantial rate, as the accompanying tabulation shows. As of Dec. 31, 1939, the average ratio for the fifteen banks was 6.23 to 1; as of Dec. 31, 1942, it was 10.65 to 1.

LEVERAGE RATIO
Earning Assets to Capital Funds

New York City Banks	Dec.30 1939	Dec.31 1940	Dec.31 1941	Dec.31 1942
Bank of Manhattan	7.95	9.36	11.10	14.64
Bank of New York	9.07	8.59	10.81	13.32
Bankers Trust	7.83	8.81	9.29	9.86
Central Hanover	6.16	6.87	9.76	12.22
Chase National	7.39	8.98	10.57	13.94
Chemical	5.55	6.92	9.09	11.63
Continental	5.45	5.80	6.72	8.95
Corn Exchange	6.48	5.87	8.24	11.47
First National	4.20	5.28	5.53	6.71
Guaranty Trust	4.87	6.00	5.95	8.30
Irving Trust	3.88	4.04	5.23	7.56
National City	9.12	9.41	10.52	14.46
New York Trust	7.03	7.58	8.80	11.88
Public National	6.45	6.72	7.24	11.04
U. S. Trust	2.18	2.24	3.14	3.64
Average	6.23	6.83	8.15	10.65

In view of this increase in the leverage of approximately 71%, the action of the bank stock market is not easy to understand. Standard and Poor's weekly index of New York City bank stocks was 95.8 on Dec. 27, 1939, when the average leverage of the fifteen banks was 6.23; on Dec. 30, 1942, when the average leverage was 10.65, the index stood at 74.0, or 22.8% lower. Since then, however, it has moved up to 92.4, but this is still below the 1939 year-end level by 3.5%.

The wide variation of the leverage which exists among the individual banks is very noticeable, and ranges between a low of 3.64 for United States Trust to a high of 14.64 for Bank of Manhattan. In the case of United States Trust, however, the major source of revenue consists of trust department fees, while commercial banking operations are of secondary importance, thus its leverage has not the same significance as in the case of most banks. Nevertheless, its leverage has increased 67% over the four-year period.

It is of interest to examine the leverage increase of each bank, and to compare this with the market price of each stock as of Dec. 12, 1939, Dec. 31, 1942, and May 28, 1943, and also with the per cent by which each market price has increased or decreased over the period.

MARKET PRICES

	12-30-39	12-31-42	5-28-43	% Change 12-30-39 to 5-28-43	Leverage Increase 12-30-39 to 12-31-42
Bank of Manhattan	17¾	17	21⅛	+19%	84.2%
Bank of New York	439	289	374	—14.8	46.9
Bankers Trust	61½	38	50¼	—18.3	25.9
Central Hanover	107½	75¾	100	— 7.0	98.4
Chase National	37½	29½	38	+ 1.3	88.6
Chemical	51¾	39¾	48⅜	— 6.5	109.5
Continental	14¾	13⅜	18½	+28.7	64.2
Corn Exchange	60¾	37⅞	46⅝	—23.3	77.0
First National	1,935	1,145	1,535	—20.7	59.8
Guaranty Trust	290	238	304	+ 4.8	70.4
Irving Trust	13	11⅞	14⅜	+10.6	94.8
National City	29¾	30⅛	35⅛	+18.1	58.6
New York Trust	113½	74⅜	87¼	—23.1	69.0
Public National	31¾	28¾	33¾	+ 6.3	71.2
U. S. Trust	1,660	1,050	1,225	—26.2	67.0

This record does not seem to make much sense. For example, Chemical's leverage has more than doubled over the four years, yet its stock today is 6.5% lower. Central Hanover's leverage has almost doubled, and its stock is 7.0% lower. On the other hand, National City's stock is 18.1% higher, while its leverage has increased but 58.6%, which is considerably below the average of 72.4%.

The fact of the matter is, in the study of bank stocks, no single ratio by itself is sufficiently significant or comprehensive to be conclusive. Many students of bank stocks attach much weight to leverage, especially deposit leverage, but taken alone it can be most misleading as can readily be illustrated. Bank of Manhattan's net operating earnings in 1942 represented 4.8% on book value; its leverage was 14.64, highest in the group. First National's net

(Continued on page 2076)

PERSONNEL ITEMS

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

NEW YORK, N. Y.—**E. Allen Henderson** recently became associated with **Glore, Forgan & Co.,** 40 Wall Street. Mr. Henderson in the past was in the trading department of W. E. Hutton & Co.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Edward W. Ackley** has become affiliated with **Hunnewell & Co.,** 49 Federal Street. Mr. Ackley was formerly with Kendall G. Hathaway & Company.

(Special to The Financial Chronicle)

DETROIT, Mich.—**James W. Crawford** is now with **Baker, Simonds & Co.,** Buhl Building. Mr. Crawford was previously with Mercier, McDowell & Dolphyn, C. G. McDonald & Co., and Moody, Bollinger & Co.

(Special to The Financial Chronicle)

INDIANAPOLIS, Ind.—**J. A. Swope** of Columbus, Ind. has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane,** Fletcher Trust Building.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—**Harold R. Scherer** has rejoined the staff of **Fairman & Co.,** 650 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Fred **J. Faerber** has become associated with **Samuel B. Franklin & Co.,** 215 West Seventh Street. Mr. Faerber was formerly with Bogardus, Frost & Banning, Klehmet & Co., Dean Witter & Co. and Wm. Cavalier & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—**William B. Richards** has become connected with **Pacific Company of California,** 623 South Hope Street.

(Special to The Financial Chronicle)

MILWAUKEE, Wis.—**August A. Jonas** has become associated with **Merrill Lynch, Pierce, Fenner & Beane,** 710 North Water Street.

(Special to The Financial Chronicle)

PASADENA, Calif.—**Marion B. Mercier** is now with **William R. Staats Co.,** 311 East Colorado Street. Mr. Mercier was previously with Leo G. McLaughlin Company.

(Special to The Financial Chronicle)

SACRAMENTO, Calif.—**Harry A. Armstrong** has been added to the staff of **Mason Brothers,** Financial Building.

(Special to The Financial Chronicle)

SACRAMENTO, Calif.—**Philip J. Daube** has become connected with **Schwabacher & Co.,** Hotel Sacramento, Mr. Daube was formerly with Bankamerica Company and prior thereto was with the Anglo California National Bank of San Francisco.

Food Conference At Hot Springs Expects Freedom From Want To Be Achieved

Expanded Production Urged To Avoid Serious Food Shortage

AT HOT SPRINGS, VA., on June 1 a 7-point declaration of principles comprising 500 words, was made public by the United Nations Conference on Food and Agriculture, in which the delegations from the 44 participating Nations stated their belief that its goal of freedom from want could be achieved. Russell B. Porter, correspondent at Hot Springs of the New York "Times," indicating this, stated in his advices to that paper, that there are great tasks to be done, the first of which is the winning of the war and the deliverance from hunger of millions of people in the occupied countries.

According to Mr. Porter the 7-point declaration said:

The post-war objectives of the United Nations would be international collaboration to maintain freedom from fear of future wars, to expand greatly the production of food all over the world, to expand and balance the whole international economy in order to abolish poverty through full employment and increased buying power and to see that all peoples get the best possible diet for health and life. Mr. Porter's special advices to the "Times" also said in part:

"All participating governments are urged to adopt the recommendations of the conference and hold early conferences on problems outside the scope of the Hot Springs agenda, such as immediate post-war relief, freer trade, price stabilization, foreign exchange and international investments. They must not wait for final solutions of such problems to take the first steps toward freedom from want, the declaration adds, but should make ready now."

On the previous day (May 31) in the account from Hot Springs to the New York "Herald Tribune" from its correspondent, Jack Beall, it was stated:

A comprehensive scheme of socialized world nutrition through subsidies, free or low-cost feeding centers and universal free lunches for school children is being worked out by the United Nations conference on food and agriculture, which is in its final week of meetings here.

Summaries of reports by two sections of the conference, Section I on food consumption and Section III on distribution, which have been circulated to the press, outline the recommendations, but the full text of the reports will not be available for a day or so, as they are subject to action by the full conference.

The most important statement, as publicized by Section III, says that governments of all countries should accept the responsibility, so far as within their power, to improve the diet of all persons who lack a sufficient diet, and lays down the following methods for that accomplishment:

Social security measures, such as family allowances, social insurance and minimum wages.

Direct action to make protective foods available free or at low prices to groups with inadequate diets, and

Special measures for such groups as pregnant women, nursing mothers, infants, children, aged persons, invalids and those with low pay.

The report goes on to point out that there may be some countries engaged in developing their agriculture that may not yet be able to produce enough food for themselves, or be possessed of the means to acquire adequate amounts broad.

"It is therefore desirable that a part of current world food supplies be used to supplement the national food-distribution programs of such countries, and the possibilities for developing these measures should be studied by an international food organization," the report continues, without indicating just how the food should be made available without recourse to a "Santa Claus formula," which has supposedly been disavowed by the American delegation.

The full text states that protective foods can be made available more easily to the consumer, without impairing the interests of the producer, through low-cost feeding centers where the nutritional content of the food is carefully controlled. . . .

School meals should be absolutely free to all, regardless of need, in the opinion of the section, since they would not be operating on a relief basis.

In certain cases, the full report continues, it may be possible, through distribution programs to the lower income groups, to expand consumption substantially, and this increased consumption may be sufficiently great to make it profitable for the farmer to sell part of his crop at less than market prices and for the distributor to handle this part of a crop at a reduced margin.

On the question of "where is the money to come from?" the full report has several suggestions:

In any scheme for low-cost or free food, the contribution by the National Government should be the most important one.

The funds might also come from the consumer, where the food is not free; from the employer, in the case of a factory canteen, and from the food producer and distributor.

"The cost of maintaining such feeding centers," the report says, "should be shared between all bodies or people obtaining some sort of advantage from the existence of such centers. The national government should in most cases, it is repeated, be the principal and most important contributor."

The continuing international food organization which is eventually to be formed, after an interim organization has been set up, might be asked to study the various mechanisms of State subsidy in an effort to solve the problem of supporting such a program, the report states.

One suggestion is that cash payments to the unemployed or the aged should be made large enough to provide for adequate diets because these people would not be able to take advantage of the mass-feeding devices of factory canteens and schools.

The recommendations of Section I, in its summary report, also dovetail into the plan for socialized nutrition brought out by Section III.

On May 30 the Conference was informed by its production section that a severe world shortage of foodstuffs lies ahead for the immediate post-war period, including shortages of transport and the means of production, and suggested steps for expanded production to assure freedom from want. The Associated Press advices from Hot Springs stated:

The Conference's Section II, devoted to problems of production, declared special adjustments in production will be necessary now and immediately after the war to meet urgent needs of the period of shortage.

"There are likely to be not only severe shortages of the principal foodstuffs, but shortages also of transport and the means of production—such as fertilizers, seeds, machinery, farming implements and gasoline," a summary said. "It seems probable that there will be a world shortage of meats and milk and other livestock products, of oils and fats, and even of such high-calorie foods as rice. Lack of adequate transportation from those countries which may have surplus stocks of grains may even cause shortages of bread grains in some areas."

In any case the principal aim of production during the short-term period of shortages will be to forestall actual starvation in the devastated countries and to alleviate hunger in countries whose rural economy has been disorganized by the war.

For this reason production for immediate short-term needs must be planned on a basis which puts alleviation of hunger first and the nutritional improvement of diet second.

Press restrictions on the conference, which have been a point of controversy, were eased somewhat on May 22 when reporters were allowed to circulate in the hotel lobby in the evening. Prior to this announcement by Judge Marvin Jones, permanent chairman of the conference and head of the U. S. delegation, reporters had been barred from the hotel. The reason for the change, it was explained, was that the conference had completed its organization task with executive sessions being held in the daytime.

From the opening of the conference on May 18, reporters were excluded from direct access to the delegates. Judge Jones in a statement on May 19 said restrictions were laid on the press to guard against "release of information which could be of aid to the enemy" and to make it possible for delegates "to freely express themselves and go about their work with as little outside interference as possible." He further stated that the press facilities provided were to give the public a full report on the conference's activities and that "there was no disposition on the part of any one connected with the American Government to conceal any news from the press or the public."

The British proposal for an international world food bank was reported in these columns May 27, page 1976. President Roosevelt's message read to the opening session of the conference appeared in our issue of May 20, page 1877.

The Challenge Of Post-War Deficit Financing

(Continued from page 2059)

their farms because they were unable to meet taxes and mortgage payments, while the creditors lost heavily by foreclosures. There certainly was a loss in national purchasing power even though one group was under obligation to pay other groups within the country. The facts are that, when there is undue strain on one segment of the population, the entire economy is affected and no fancy wording will change or make it otherwise.

Suppose it were arranged that each taxpayer would receive interest from Government bonds equal to the amount of taxes he paid. Even then it would not be merely a transfer of money from one pocket to another, and therefore of no economic significance. This can be made clear by taking the case of a person whose taxes amount to say $2,000. This would call for an investment in Government bonds of $80,000, on the basis of 2½% interest payment. Now if his taxes were only half as much, he would have $1,000 to spend for other purposes instead of paying it out to the Government.

Furthermore, if this lack of concern over the debt is accepted as a general policy, there will develop less and less opposition to public spending and more and more resistance to higher taxes. The natural reaction of a hard-pressed people would be that if the nation can carry an unlimited amount of debt, then why should they sacrifice and carry an intolerable tax load.

The champions of this theory admit that there is no method of measuring a nation's debt capacity but point to England's debt of twice national income, after the close of the last war, as a guide. If our debt should reach $300,000,000,000 which is expected in responsible quarters, then it would be more than twice the predicted income of the post-war period. Despite this situation, the proponents would pass by the 'red lights' they have set up and proceed to embark upon their fiscal program after the war, continuing to pile up debt on debt on the theory that Federal spending generates income and provides the cushion for more debt.

During the 1930's approximately $25,000,000,000 was appropriated to prime the pump and thus create jobs, but at the end of the decade there were about 8,000,000 persons on relief. We are now told that the trouble was that we did not go far enough, as we operated on a hand-to-mouth basis. Under the new proposal there would be a dual system whereby private enterprise produces the goods and the Government guarantees the market through public expenditures. In other words, a system would be set up that combines the features of State socialism and free enterprise. But such a system would not work as the components are mutually antagonistic. The net result would be that as Government activities are extended, business enterprise would be forced to retreat until finally there would emerge a State-controlled society.

According to this theory, full employment would be assured by the use of Federal funds to take up any slack. But it is not possible to keep all industries and all lines of activity operating indefinitely at full capacity because of the variation in the demand for goods. Furthermore, in the event of an international depression, such as we had in the 1930's, we would be called upon to bolster the economy of the entire world.

This theory overlooks the fact that Government deficits provide merely a short-term stimulus to industry, principally to consumers' goods. But because of the fear and uncertainty that chronic defects engender, long-term capital is kept in hiding.

What, then, is the alternative to pump priming as a means of providing a high level of employment after the war? It is to be found largely in adopting public policies that will permit adequate profit incentives so that private enterprise may be encouraged to take risks. Toward this end our tax structure will have to be overhauled so that taxes on profits ploughed back into business will be substantially lower and thus provide a backlog for conversion to peacetime operations, for deferred maintenance and repairs, as well as for expansion. Industry must have this "seed money" to make better products at lower cost, to create more jobs, and pay higher real wages. The risk-taker should be given every inducement to embark upon new ventures. As Sumner Slichter, the noted economist, has said: "The nation which wishes a high standard of living must regard innovators, experimenters and starters of enterprises as peculiarly useful citizens and must be willing to go out of its way to furnish them a congenial and hospitable environment. . . . The country should not lose sight of the fact . . . . that high levels of employment require that a certain proportion of citizens seek to make their living, not by getting on someone else's pay roll, but by creating pay rolls of their own. Consequently a constant object of public policy should be to increase the number of persons who derive their incomes at least in part from job giving."—*From the New England Letter of The First National Bank of Boston.*

Can The U. S. Support A 300 Billion Dollar Debt?

(Continued from first page)

credit which, while gold was loose, was endangered.

I believe one of the greatest hazards to the "freedom from want" is obsolescence. During this war struggle, as in all other wars, there is a terrific wastage of man-hours no matter what dollar sign you attach to it. In peace obsolescence is also taking an increasing toll of man-hours and, with all the Garden of Eden pleasures pictured to the eye and for creature comforts, we had built up a staggering total of unemployment. This it was attempted to support on borrowed money. The theory that you borrow for international wars should justify borrowing for domestic wars against want does not carry through in experience.

The difficulty is that too much of such borrowing is used to maintain a so-called high dollar sign in the wage scales of the country. This forced industrialists—even those socially minded—to seek ways of escaping the necessity for dealing with labor and added to the unemployment problems.

At the present time we are wasting capital faster than we can legitimately accrue it. We are accumulating it through the excessive Government borrowing which must terminate sometime, or some other drastic corrective will take place to establish value for man-hours.

How or when we get back to a basis for a fair exchange of man-hours and to trading with the world, I could not venture a guess, but increasing the debt isn't the way to establish domestic or international tranquility.

"Satan finds mischief for idle hands to do."

S. D. TOWNSEND

Chairman of the Board, Wilmington Trust Co., Wilmington, Del.

I read Dr. Saxon's article and was very much impressed with it, so much so that I turned it over to the other officers of the bank, all of whom read it with a good deal of interest.

It makes one feel a little more optimistic as to the future. I think it is anybody's guess as to what will eventually happen to our tremendous war debt, but we are still hopeful that we can swing it in some way.

C. M. MALONE

President, Guardian Trust Co. of Houston, Texas

I have read the report of Dr. Saxon which I consider a very clear statement. I am frank to say I am not qualified to say whether he is correct in all he says.

I do know that unless the voters of America stop the waste of Government money we will never pay the debt and instead of reducing it we will continue to increase. We must provide the money to win the war and we all realize no matter what the cost it must be won.

There are thousands of Government employees who should be dismissed and put in jobs essential to business or defense. One of these organizations is the Farm Credit Administration. If you have followed the reports of the Byrd Committee which is investigating this organization you know something about what kind of set up it has.

I suggest you get the annual report of Production Credit Corporation from Kansas City office and study this.

You will see that out of 529 P.C.A.'s in the United States only 284 made expenses from farmer loans in 1942 and 245 lost money. This is a bad picture but does not tell the whole story. In Texas there are 36 P.C.A.'s and in 1942 they made $10,372.00 above interest on United States bonds. Three of these made $79,141.00 on this basis, showing that the other 33 lacked $68,769.00 of making expenses, if you take off the interest collected on Government bonds.

* * *

This organization only holds 8% of Non-Real Estate Agricultural loans in Texas and still it is costing the taxpayers a large amount and is not doing any particular good. It is working against the country banks and if allowed to continue will some day probably replace the country banks.

RAY LYMAN WILBUR

Chancellor, Stanford University

Upon reading the article by Professor Olin Glenn Saxon, on "Can the United States Support a 300 Billion Dollar Debt?" I find myself quite sympathetic with the points of view which he brings out. I must say that I am pretty tired of having to count the number of zeros after a figure to know what I am talking about in connection with government finances.

Harriman Ripley Names Four Vice-Presidents

(Continued from page 2058)

porated, now Harriman Ripley & Co., Incorporated. He has specialized primarily in the sales end of the business and is at present New York sales control manager.

After graduation from Dartmouth and two years' active service in the Army, David L. Skinner joined The National City Company as a salesman in 1919, serving that company in various sales capacities until the formation of the Harriman Ripley organization in 1934. He is now syndicate manager.

Born in Spokane, Washington, Franklin T. McClintock engaged in graduate work at Columbia and Harvard for two years after graduating from Princeton and then entered the investment banking business with Brown Brothers & Co. He continued with that organization when it became Brown Brothers Harriman & Co. in 1931, leaving to join Harriman Ripley in 1934. He is now a manager of the buying department.

In announcing the elections, Mr. Ripley said:

"The action of the board today is designed to give recognition to the service of these men and to the increasing responsibilities they are assuming in the company's affairs. Beyond this, it measurably strengthens the equipment of the organization to carry forward its activities in the investment banking field and to meet the calls for war service to which we, in common with other firms in this field, are subject."

Mr. Ripley, in addition to serving as chairman of Harriman Ripley & Co., Incorporated, is also chairman of the Board of Directors of the Cramp Shipbuilding Company of Philadelphia. He played an important part in the opening of this shipyard which is now actively engaged in the building of warships for the United States Navy.

Two Harriman Ripley vice-presidents are now on leave in war service, R. McLean Stewart having been associated for some months with the Army and Navy pilot training program of the Civil Aeronautics Administration, and James G. Scarff having accepted appointment as a Lieutenant Colonel on active duty with the Air Corps. In Chicago, Nathan D. McClure has just rejoined the organization after serving for several months as assistant executive manager of the United States Victory Fund Committee for the Seventh Federal Reserve District, while, in New York, Harry W. Beebe served with the Victory Fund Organization during the Second War Loan Drive.

SEC Amends Rule on Removal Of Securities

The Securities and Exchange Commission on May 29 announced the adoption of an amendment to paragraph (a) of Rule X-12D2-2 under the Securities Exchange Act of 1934. Paragraph (a) of the Rule heretofore has permitted an exchange, following certification of certain facts to the Commission, to remove securities paid, redeemed, or retired from listing and registration. The amendment will permit an exchange to remove the entire class of a registered security when the instruments representing the security come to evidence other securities, by operation of law or otherwise, as a result, for example, of a stock split-up, merger, consolidation, or reorganization.

The Commission's announcement further explained:

"The Rule as amended retains the substance of the provisions of the former Rule with respect to removal of securities which have been paid, redeemed, or retired. In addition, new clause (3) of the Rule as amended permits a registered security to be removed by an exchange if the instruments representing the security have come to evidence other securities of the same or a different issuer, in substitution for the original security, and represent no other right, except to receive an immediate cash payment. A cash payment is not a prerequisite to the operation of this clause; the intent of the exception is to permit the clause to be utilized even though an exchange of securities is accompanied by such a payment.

"Another provision of the amended Rule, which applies to cases in which the instruments representing a registered security have come to evidence another security of the same issuer, requires the exchange to delay the mailing of its notice and certification to the Commission, if the exchange has admitted or intends to admit the new security to trading pursuant to Rule X-12A-5. In such cases the exchange may not file a notice and certification of removal until the substituted security has been removed from its exempted status.

"Various other technical changes are made in the Rule."

Real Estate Securities

(Continued from page 2064)

that interest and principal of the bonds is unconditionally guaranteed by Bricken Construction Company and seven affiliated companies jointly and severally.

Comparative earnings for the past two years were as follows:

	1942	1941
Rental income, etc.	$464,672	$448,484
Operating expenses, etc.	141,451	148,865
Real Estate Taxes	99,439	99,411
Ground Rent	132,000	132,000
Balance	91,780	68,207
*Earned, $100 bond	$6.88	$5.09
Bond Interest	46,853	47,149
*Balance	44,927	21,058

* Before depreciation and amortization and based on bonds outstanding 1942—$1,334,000, and 1941—$1,341,000.

Ins. Stocks Attractive

The Agricultural Insurance Company, American Re-Insurance Company, Continental Casualty Company, Fireman's Fund Indemnity Company, Knickerbocker Insurance Company, Northern Insurance Company, Seaboard Surety Company, and Standard Accident Insurance Company, offer interesting possibilities at the present time according to memoranda issued by Mackubin, Legg & Co., 22 Light Street, Baltimore, Md., members of the New York and Baltimore Stock Exchanges. Copies of these memoranda may be obtained from the Insurance Stocks Department of Mackubin, Legg & Co. upon request.

What Are Traders?

By GEO. KRANZ, Cohu & Torrey

Traders are a peculiar breed living in the financial world. No definite method of producing or training traders is known. Some authorities claim that traders are born, not made; others retort that, if this were true, mothers would drown these babies at the first indication of the trader's curse, which would undoubtedly be a weakness for yelling at a rattle held in the baby fingers like a telephone.

Their admirers believe that traders possess super-sales ability, keen buying judgment, analytical and statistical insight, mathematical genius, and a sixth sense of market trends. Their detractors consider them a combination of Shylock, Scrooge, and Munchausen, with a dash of horse thief and witch-doctor to make it binding.

Converts, or victims, depending on the view-point, are not obtained for the trading profession by the free and premeditated choice of its apprentices. That few men deliberately decide to become traders is a fact gleefully seized by the critics of the breed, and supplemented by the statement that no one deliberately decides to become a dope-fiend, either. Men entering the financial world usually have dreams of competing with Morgan for their rightful place, but during the period of training for the fiscal battle they are induced to "sit in" at the trading desk as a necessary step in their financial education. Here the fascination of trading does its work like a siren, luring men away from their visions of Big Banking. Now, according to the old traders, if these men are brilliant enough to master the arts of this specialized profession, and have all the other numerous qualifications essential to the craft, they will succeed in becoming traders. The critics, however, believe the fascination of trading is like the hypnotism of a snake's stare—to be fought against and conquered.

Traders are adaptable and versatile. On succeeding telephone calls they may switch from a discussion of a railroad in Cuba to the R.F.C. loan granted a paper company in Maine. They can sound bearish to a potential seller, and bullish on the next call to a buyer. Their plans must always be subject to immediate change to become adjusted to new market factors.

They are familiar with both the long term trend of the securities markets, and the minute-to-minute fluctuations, and are expected to anticipate the market's reaction to the latest utterance of President Roosevelt or Hitler, which should entitle them to membership in the Seers and Prophets Union.

During the course of an ordinary business day, traders may easily handle transactions in hundreds of thousands of dollars worth of securities, and on the way home argue over a dime won or lost in a bridge game.

Traders consider themselves as creators of profits, glorified contact men between buyer and seller, the middle-men of financial giants. Their critics consider them parasites living on blood money, a necessary evil in the realm of the money-changers; they usually close their case by quoting the legendary trader who pleaded, "Don't tell my mother I'm a trader—she still thinks I'm playing the piano at a clip-joint."

Davis Doubts Value Of Subsidies As Permanent Check On Inflation

Chester C. Davis, Food Administrator, declared on May 28 that it would be dangerous to depend generally on broad subsidy payments in the fight against inflation and that they would fail as a means of holding down inflation permanently.

Mr. Davis testified before a Senate Agriculture subcommittee inquiring into proposed use of subsidies to repay processors for a 10% roll-back in the retail prices of butter, meats and coffee beginning early in June.

The Food Administrator, however, expressed the hope that Congress would not prohibit subsidies entirely and that it be careful of any restrictions it imposes upon subsidies.

On the previous day (May 27) Mr. Davis told the Senate Banking and Currency Committee that it would be dangerous to restrict the operations of the Commodity Credit Corporation by a narrow prohibition of subsidies. Appearing in behalf of a bill to expand the CCC's borrowing power by $1,000,000,000, Mr. Davis said he thought the authorization was necessary for the corporation to carry on its present enlarged activities.

Associated Press accounts from Washington May 27 quoted him as saying:

"I think it would be dangerous to attach too much importance to the subsidy label, and line the people of the country up in hostile camps, one pro-subsidy, the other anti-subsidy."

Mr. Davis's declaration followed questioning by Committee members concerning subsidy plans. The Food Administrator said he did not know how many of the corporation's activities would be barred if subsidies were prohibited, but added there might be times when subsidies would be "very important to our operations."

Following questioning by Committee members concerning subsidy plans, Mr. Davis is reported as saying that the additional funds for the CCC were not connected with the proposed general food subsidy program involving a roll-back in prices.

Ulen Realization Corp.

(Continued from page 2059)

not known, but the Polish Government in exile is holding the Bank of France responsible and is attempting to recover from the French gold in this country.

Whatever the outcome of this particular controversy, Ulen should be able to realize far in excess of the present market value of its assets after a United Nations victory has been won. Book value of its stock, taken at the nominal values of last October's balance sheet, amounts to about $2.00 per share. Since then the Polish bank bonds have risen in price until the company's assets reflect a potential value of between $10.00 and $12.00 for the stock.

The speculative nature of this stock goes without saying. And yet, at present levels, it could prove to be one of those war-created opportunities.

Bank & Insurance Stocks

(Continued from page 2073)

operating earnings in 1942 represented 8.1% on book value; its leverage was 6.71, next lowest in the group. Both "deposit leverage" and "earning assets leverage" are useful indicators of earning potential, but when used alone they are deceitful.

A Safe Haven For Investment Funds

Individual investors, trustees and other* fiduciaries interested in becoming acquainted with the Federally insured investment opportunities offered by savings and loan associations should write for current explanatory literature to the associations mentioned below. When doing so please mention the "Chronicle."

- **Broadview Savings and Loan Company**
  3344 Broadview Road, Cleveland, Ohio
- **Buckeye Loan & Building Company**
  1302 Main Street, Cincinnati, Ohio
- **Citizens Federal Savings and Loan Association of Cleveland**
  1876 East Sixth Street, Cleveland, Ohio
- **Citizens Federal Savings and Loan Association of Hammond**
  5272 Hohman Avenue, Hammond, Ind.
- **Economy Savings & Loan Company**
  42 East Gay Street, Columbus, Ohio
- **First Federal Savings and Loan Association of Toledo**
  335 Erie Street, Toledo, Ohio—Write for descriptive circular.
- **Mid Kansas Federal Savings and Loan Association**
  215 East William, Wichita, Kans.
- **Northwestern Federal Savings & Loan Association**
  823 Marquette Avenue, Minneapolis, Minn.
- **St. Paul Federal Savings and Loan Association**
  Fourth at Wabasha Street, St. Paul, Minn.
- **Scioto Building and Loan Company**
  61 East Gay Street, Columbus, Ohio
- **Standard Federal Savings and Loan Association**
  735 South Olive Street, Los Angeles, Calif.
- **Union Savings & Loan Company**
  232 Superior Avenue, N. E., Cleveland, Ohio

*Guardians, insurance companies, State, school and municipal sinking funds firemen's, police and other pension funds, etc.

World Organization To Maintain Peace Asked

Dr. Harold W. Dodds, President of Princeton University, told the graduating class on May 29 that the universal desire for peace through the reign of law must be incorporated in an international political organization if peace were to prevail, said a special dispatch from Princeton, N. J. on May 29 to the New York "Times" which added:

Advising the seniors that "victory is only part of the job," Dr. Dodds said the sole alternative to such an international organization was "relapse into dependence on the balance of power as a way of peace." He declared that "in the world that will come out of this war no nation can afford to place its hopes for peace in plans for balancing military force."

"The simple truth," he said, "is that unless we organize for peace we shall not have peace. Unless the idea of international collaboration, which few dispute, is incorporated in some political institution, it will remain a polite platitude."

The task for this generation, Dr. Dodds asserted, would be to see that the lessons of the war were not lost.

"I urge that, when you return victorious and rich in honor, you do not indulge in the luxury of a moral slump, because you will have completed your job only in part," he said. "The American way of life cannot withstand more wars of the exhausting sweep and savagery which expanding technology will make possible."

The world organization necessary to maintain peace, the Princeton President continued, must begin modestly and must respect the emotional strength of existing national loyalties. It must not, he declared, attempt to frame a super-government so new and unfamiliar that peoples would not be prepared emotionally to participate in it.

"At the outset," he explained, "it must therefore be one of limited scope and simple in operation, directed to those areas in which world interdependence is strongest and in which international friction is most readily generated. We shall not succeed if we attempted too much. We shall likewise fail if we attempt too little, for in that case international politics will inevitably revert to the familiar pattern of balance of power as a protection against aggression.

"We can establish the reign of law in international trade, we can assure access to the raw materials of the earth on an equitable basis and we can reduce the fear of insecurity and encirclement which is so often the psychological basis of war."

R. E. Byrne Now With Dempsey-Tegeler Co.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—R. Emmet Byrne has joined the trading department of Dempsey-Tegeler & Company, 407 North Eighth St., members of the New York and St. Louis Stock Exchanges. Mr. Byrne, who was formerly a partner in Edward D. Jones & Co., has specialized in St. Louis trading markets for the last 18 years.

N. Y. Title and Mtge. 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 & Mortgage Company.

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

Hicks With Mitchum Tully

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—William N. Hicks, Jr., and Arthur P. Adkisson have become associated with Mitchum, Tully & Co., 650 South Spring Street. Mr. Hicks, a member of the Los Angeles Stock Exchange, was formerly with the District Bond Co. and prior thereto was with White, Wyeth & Co., and James R. Martin & Co. Mr. Adkisson was previously with Paul J. Marache & Co.

John F. Dunn Now With Staff Of Davies & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—John F. Dunn has become associated with Davies & Co., Russ Building, members of the New York and San Francisco Stock Exchanges. Mr. Dunn was formerly with Swift & Co., Schwabacher & Co., Walston & Co., and Dickey & Co. In the past he was a partner in Russell-Colvin & Co. and was San Francisco manager for Stephenson, Leydecker & Co.

D. Josephs Succeeds James As President Of Teachers Ins. Ass'n

Henry James, President and Chairman of the Board of the Teachers Insurance and Annuity Association of America since 1932, has resigned his office of President, as of May 31, 1943, to devote a part of his time to other activities. The trustees have accepted his resignation with regret, but understand his desire to be relieved of certain administrative duties. Mr. James will remain as Chairman of the Board of Trustees and share the responsibility for the policies of the Association.

A part of Mr. James' policy has been to build a vigorous group of administrative officers. The trustees are therefore fortunate in being able to select from this group, as the new President, Devereux C. Josephs, who joined the Association in 1939 as Financial Vice-President in charge of its investment work.

Mr. Josephs was born in 1893 and was graduated from Harvard in 1915. From then until 1939, except during the period of the last war, he was engaged in the investment banking business in Philadelphia. He devotes part of his time to the investment work of three of the Carnegie foundations.

The new administrative arrangement has had the careful consideration and unanimous approval of the trustees, and they announce these changes with confidence that they are in the best interests of the Association.

STANY Ambulance Fund Is Strongly Supported

The Security Traders Association of New York is receiving excellent support and cooperation in its drive for funds to purchase ambulances for various branches of the U. S. Armed Forces.

Members of the Ambulance Fund Committee are Walter F. Saunder, Dominion Securities Corporation, Chairman; Jerry Aal, Abraham & Co.; Chester de Willers, C. E. de Willers & Co.; Michael J. Heaney, Joseph McManus & Co.; Thomas A. Larkin, Goodbody & Co.; John J. O'Kane, John J. O'Kane, Jr. & Co.; Harry Peiser, Ira Haupt & Co.; Fred Preller, Eastman, Dillon & Co.; Abraham Strauss, Strauss Bros.; Edward Thompson, Smith, Barney & Co.; and Robert Torpie, Merrill Lynch, Pierce, Fenner & Beane.

Checks should be made payable to the Security Traders of New York Ambulance Fund and may be sent to any member of the Committee.

STANY has 55 members in the armed forces.

"Industries Of Tomorrow"

The New York Stock Exchange firm of C. B. Richard & Co., 60 Beaver St., New York, have issued two circulars for private investors in their series of "Industries of Tomorrow." The first statistical study issued by the firm is entitled "The Oil Industry — Petroleum Chemistry" and the second descriptive circular covers "The Electronic Industry." Both circulars are written for the layman and are quite comprehensive and complete in their treatment of both subjects. The firm of C. B. Richard & Co. dates back to 1847.

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 Simons, Linburn & Co., 25 Broad Street, New York City, members of the New York Stock Exchange. Copies of this circular may be had from Simons, Linburn & Co. upon request.

DIVIDEND NOTICES

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 149
Common Dividend No. 133

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending June 30, 1943, and a dividend of 15¢ per share on the Common Stock have been declared. Both dividends are payable July 1, 1943, to holders of record June 10, 1943. The stock transfer books will remain open.

J. P. TREADWELL, JR.
May 26, 1943 *Secretary*

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On May 25, 1943 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable July 1, 1943, to Stockholders of record at the close of business June 17, 1943. Transfer Books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

American Locomotive Company

30 CHURCH STREET
NEW YORK, N. Y.

Preferred Dividend No. 140

A dividend on the Preferred Capital Stock of this Company of $1.75 per share on account of accumulated dividends has been declared payable June 23, 1943, to the holders of record of said stock at the close of business on June 8, 1943.

Transfer books will not be closed. Checks will be mailed by the Bankers Trust Company on June 22, 1943.

JOHN D. FINN
May 27, 1943 *Secretary*

ANACONDA COPPER MINING CO.
25 Broadway
New York, N. Y., May 27, 1943
DIVIDEND NO. 140

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Fifty Cents (50c) per share upon its Capital Stock of the par value of $50, per share, payable June 28, 1943, to holders of such shares of record at the close of business at 3 o'clock P. M., on June 8, 1943.

JAS. DICKSON, Secretary & Treasurer

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY

Dividend No. 44

A dividend of twenty cents ($0.20) per share will be paid on June 16, 1943, to holders of the outstanding Capital Stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business June 5, 1943. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

A. D. NICHOLAS, *Secretary.*
Boston, May 26, 1943.

CELANESE

CORPORATION OF AMERICA
180 MADISON AVE. · NEW YORK, N. Y.

THE Board of Directors has this day declared the following dividends:

5% CUMULATIVE SERIES PRIOR PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.25 per share, payable July 1, 1943 to holders of record at the close of business June 14, 1943.

7% CUMULATIVE SERIES PRIOR PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable July 1, 1943 to holders of record at the close of business June 14, 1943.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable July 1, 1943 to holders of record at the close of business June 14, 1943.

COMMON STOCK

A dividend of 50¢ per share, payable June 30, 1943 to holders of record at the close of business June 14, 1943.

JOHN A. LARKIN,
Vice-Pres. & Sec'y.
June 1, 1943.

DIVIDEND NOTICES

COMMERCIAL INVESTMENT TRUST CORPORATION

Common Stock, Dividend

A quarterly dividend of 75 cents per share in cash has been declared on the Common Stock of COMMERCIAL INVESTMENT TRUST CORPORATION, payable July 1, 1943, to stockholders of record at the close of business June 10, 1943. The transfer books will not close. Checks will be mailed.

JOHN I. SNYDER, *Treasurer.*
May 27, 1943.

DU PONT E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *May 17, 1943*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable July 24, 1943, to stockholders of record at the close of business on July 9, 1943; also $1.00 a share, as the second "interim" dividend for 1943, on the outstanding Common Stock, payable June 14, 1943, to stockholders of record at the close of business on May 24, 1943.

W. F. RASKOB, *Secretary*

THE ELECTRIC STORAGE BATTERY CO.

Exide BATTERIES

The Directors have declared from the Accumulated Surplus of the Company a dividend of Fifty Cents ($.50) per share on the Common Stock, payable June 30, 1943, to stockholders of record at the close of business on June 9, 1943. Checks will be mailed.

H. C. ALLAN, *Secretary and Treasurer.*
Philadelphia, May 21, 1943.

IRVING TRUST COMPANY

May 27, 1943

The Board of Directors has this day declared a quarterly dividend of fifteen cents per share on the capital stock of this Company, par $10., payable July 1, 1943, to stockholders of record at the close of business June 8, 1943.

STEPHEN G. KENT
Secretary

JERSEY CENTRAL POWER & LIGHT CO.
PREFERRED STOCK DIVIDENDS

The Board of Directors has declared the following regular quarterly dividends: The 73rd qtly. div. of $1.75 on the 7% Preferred Stock; the 64th qtly. div. of $1.50 on the 6% Preferred Stock; and the 48th qtly. div. of $1.37½ on the 5½% Preferred Stock. Payable on July 1, 1943, to stockholders of record at the close of business June 10th.

R. R. BOLLINGER, *Treasurer.*

NATIONAL DAIRY PRODUCTS CORPORATION

A dividend of 20¢ per share on the Common stock has been declared, payable July 1, 1943, to holders of record June 7, 1943.

GEORGE H. RUTHERFORD
May 27, 1943 *Treasurer*

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, May 26, 1943.

The Board of Directors on May 24, 1943, declared a dividend of Two Dollars and Fifty Cents ($2.50) per share, being Dividend No. 89, on the Preferred Capital Stock of this Company, payable August 2, 1943, out of undivided net profits for the year ending June 30, 1943, to holders of said Preferred Capital Stock registered on the books of the Company at close of business June 25, 1943.

Dividend checks will be mailed to holders of Preferred Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York, N. Y.

GUARANTY TRUST COMPANY OF NEW YORK

New York, June 2, 1943.

The Board of Directors has declared a quarterly dividend of Three Per Cent. on the Capital Stock of this Company, for the quarter ending June 30, 1943, payable on July 1, 1943, to stockholders of record June 9, 1943.

MATTHEW T. MURRAY, JR., Secretary.

UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable July 1, 1943, to stockholders of record at the close of business June 4, 1943.

ROBERT W. WHITE, Vice-President

Municipal News & Notes

Holders of the $98,500,000 Revenue Bonds of Triborough Bridge Authority are urged in a circular letter of May 29, 1943 from General Paul Loeser, the General Manager and Secretary, to give prompt consent to a plan submitted by the Authority to its bondholders for meeting its financial situation arising from the effect of war restrictions. The plan is designed to prevent default in the payment of the August 1, 1943 interest on the bonds, which would otherwise occur as a result of the drastic decline in bridge traffic and toll revenues arising from war-time gasoline and rubber restrictions.

The Authority's program, as outlined in the letter, proposes, through modification of some of the limitations in the Revenue Bond Resolution to make funds available to avoid the impending interest default and cover interest and principal requirements during the estimated war emergency period. It involves consent by the holders of two-thirds of the outstanding bonds to six amendments to the Bond Resolution, which was adopted in February, 1940, when the bonds were issued.

The Authority has discussed the emergency program with bondholders, including insurance companies and the New York State Comptroller, owning over $40,000,000 principal amount of the bonds, and with Dillon, Read & Co., manager of the original underwriting group, according to General Loeser's letter. These holders informally indicated that the program would receive their assent at the appropriate time.

The amendments contemplate a program for the war emergency, under which the Authority would be empowered to advance operating funds and operating reserve funds for debt service, to withhold from the debt service Trustee an additional $500,000 annually out of revenues which, with short-term loans secured thereby, may be used for debt service and restoration of the advances from operating funds, and also to defer minimum sinking fund payments during the emergency to the extent deemed necessary by the Authority.

Any surpluses over the requirements for the plan are to be accumulated up to but not exceeding $5,000,000 instead of being used for the mandatory sinking fund payments, but when the accumulations exceed $5,000,000, the excess must be applied to sinking fund payments. When the Authority is satisfied that it is safe to do so, it can use the accumulations for the sinking fund even though they are less than $5,000,000. The whole program is limited to a war emergency period ending Dec. 14, 1953, but this period can be terminated earlier by the Authority at its option or by the holders of 51 per cent of the bonds.

"If the amendments are approved promptly," General Loeser's letter asserts, "default on interest payable in 1943 will not occur." It also states that if the Authority's estimates of traffic volume in future years are realized, subsequent defaults on interest and serial maturities will likewise be avoided.

The end of the war by 1947 and the restoration of traffic to the 1941 level by 1948 are premises upon which the traffic estimates are based.

In a covering letter to bondholders, Robert Moses, Chairman, and George V. McLaughlin and Roderick Stephens, the other members of the Authority, recommended that bondholders consent to the amendments, asserting "We adopted this plan believing that under it, interest payments and serial maturities will be met; minimum sinking fund payments temporarily deferred will ultimately be made; maximum reserve funds originally contemplated in the Bond Resolution will be provided for and short-term borrowings necessary to provide funds to carry out the plan will be fully repaid and all operating and operating reserve funds now held by the Authority will be restored, all within the eleven year war emergency period. The estimates upon which the plan is based are the best we can get. No one, however, can be dogmatic about predictions which involve war, federal regulation of production and transportation and other factors subject to fluctuations and changes." Total revenues from all five bridges operated by the Authority amounted to $4,554,365 in 1942 as against $6,846,506 for 1941. As evidence of the situation confronting bondholders as the result of war-time restrictions on the use of gasoline and rubber, General Loeser's letter indicates that total traffic for all five bridges operated by the Authority for the year 1941 amounted to 39,114,832 vehicles, producing total revenues of $6,846,506, whereas in 1942 only 24,943,386 vehicles, yielding total revenue of $4,554,365 used the bridges, although gasoline restrictions were in effect during only a part of 1942.

The Authority, according to the letter, has accumulated $418,000 in its operating reserve funds as of Jan. 1, 1943. In addition, it has a balance in its additional operating fund for the Bronx-Whitestone Bridge amounting to $797,000, which cannot be used for its original purpose because of war-time restrictions on critical materials. Such funds, aggregating $1,215,000, can be temporarily spared for debt service, although the entire amount will eventually be needed for operating expenses. However, unless the Bond Resolution is amended as proposed, none of this money can be used for the debt service.

Names of holders of slightly less than 50 per cent of the revenue bonds are known. The Authority is accordingly taking all possible steps to bring the situation promptly to the attention of other holders, in order that default of interest on Aug. 1 may be prevented through consent, as required, by holders of at least two-thirds of the bonds.

Los Angeles, Calif., Plans Large Refunding Operation

Los Angeles municipal officials, accompanied by representatives of Pacific Coast bond houses, arrived recently in New York City and are now engaged in conversations with New York investment bankers and the city's bond counsel, Thomson, Wood & Hoffman of New York, for the purpose of formulating a program for the refunding of outstanding bonds of the city's Department of Water and Power which are now callable or will be subject to call within the next few months.

There are approximately $40,000,000 of bonds in that category, although it is believed that the proposed operation will be limited to some $20,000,000 of series B term 3s of 1940 which mature in 1976 and are subject to prior redemption on Oct. 1, 1943, at a price of 104. These bonds are expected to be replaced by serial obligations by way of a public offering of the latter sometime this month.

Previous large bond issues undertaken on behalf of the municipality's Water and Power Department were underwritten by syndicates managed by Harriman Ripley & Co., Inc. and Lehman Bros. These two houses were joint managers of the group which marketed an issue of $42,592,000 electric plant refunding revenue bonds, due up to 1976, in Oct. 1940, and two later electric plant refunding offerings were handled by syndicates headed by Lehman Bros.

Delay In Correcting Montreal, Que., Default Criticized

Failure of the City of Montreal to work out a solution to its default status, which has continued for several years, has long been a source of irritation to its creditors in this country. Extent of their impatience appears to have been forcefully illustrated in a recent letter reported to have been written by J. D. Taylor, Treasurer of the Phoenix Insurance Co., Hartford, and directed to the attention of the Montreal executive committee.

Mr. Taylor's letter, as quoted in the press, lauded the patriotic considerations which prompted the city to subscribe $5,000,000 to the Dominion Government's fourth victory loan, but at the same time he inquired if it has been suggested to the city officials that the funds could have been applied still more appropriately to payment of some of the city's delinquent bonds. He is also said to have observed that his company owns Montreal bonds which have been in default over two years, and went on to say that it would be a "pleasure, indeed," for the company to put the money in the Dominion's victory bonds "if the City of Montreal would only pay us off."

The insurance company official presumably was voicing the sentiments of all of the city's creditors at, as he put it, "the disgraceful slowness with which the city sees fit to adjust its financial affairs." While the city has continued to pay the contractual rate of interest on the defaulted bond principal, which amounts to approximately $33,000,000, it is a fact that it has been woefully negligent in arranging for the general debt refinancing which appears to be necessary in order to rehabilitate its credit and place its obligations on a sound basis.

Mr. Taylor's inquiry whether "other holders of your city's obligations are not becoming increasingly impatient" with Montreal's delay in adjusting its financial affairs would appear to be very self-evident.

In connection with the subject, a dispatch from Montreal to the New York "Herald Tribune" of May 27 reported as follows: "A refinancing scheme for the City of Montreal will be submitted by a New York investment house, Councillor Georges Guevremont, member of the City Executive Committee, announced today. Mr. Guevremont had been permitted a delay in order to obtain notification that United States financial interests would submit a plan within thirty days, and he said he had been successful in obtaining written notification of an agreement with a New York house to that effect.

"Not one but several plans will be submitted before the delay expires," Mr. Guevremont said.

"While details of the plans and the name of the New York investment house are not yet available, the executive member said that the New York group will offer the city a plan to float all its bond holdings at a general average rate of interest lower than 3½% while not insisting upon a budget control bureau."

W. E. Clegg In Cleveland

(Special to The Financial Chronicle)

CLEVELAND, OHIO.—William E. Clegg has opened offices in the Central National Bank Building to engage in a general securities business. Mr. Clegg was formerly a partner in Hurd, Clegg & Co., of Champaign, Ill.

NY Analysts Elect; To Hear O'Brien Of SEC

At the annual meeting and election held by the New York Society of Security Analysts, Inc., the following officers were elected for the coming year:

President: Lucien Hooper, W. E. Hutton & Co.

Vice-President: Pierre Bretey, Goodbody & Co.

Treasurer: Lancaster Greene, Lancaster & Norvin Greene, Inc.

Secretary: Oscar Miller.

Executive Committee: Schroeder Boulton, Baker, Weeks & Harden; Seth Seelye, and Wiliam Loss.

On June 16 at the Association's luncheon meeting at 56 Broad Street, Robert H. O'Brien, Commissioner of the Securities and Exchange Commission, will speak on "The S. E. C. and Holding Company Integration." A question and answer period will follow Mr. O'Brien's talk. Also present will be Milton Cohen, head of the Utility Division of the SEC.

At the regular luncheon meeting scheduled for June 4, R. E. Connolly, Secretary-Treasurer of the company, will discuss the Illinois Central Railroad.

On June 7, George P. Montgomery, Vice-President of Seamen's Bank for Savings, will speak on investment problems of savings banks.

Dr. Edw. Von Saher, Chairman of The Netherlands Circle, will address the meeting on June 11 on Netherlands in Europe and in the East Indies from the standpoint of investments.

IBA Governors Meet In New York June 6-8

The regular spring meeting of the Board of Governors of the Investment Bankers Association of America will be held in New York, June 6, 7 and 8 with war financing of the Government and postwar financing of industry the principal subjects to be taken up. The Association in its announcement also says:

"Much of the program will be devoted to a discussion of war bond drives with Treasury officials and men who served in administration capacities in the December and April drives participating.

"A number of national committees that are working on post-war problems in various fields of private finance are scheduled to make preliminary reports outlining studies they are now projecting. These will deal with investment banking's part in the post-war period and the means by which it can carry out its responsibilities in such fields as industrial, municipal, public utility, and railroad financing.

"All national committees of the association are scheduled to hold meetings in conjunction with that of the Board of Governors. An attendance of between 150 and 200 is expected, in consequence."

It is also announced that as in the case of the Association's annual meeting last Fall, the Spring meeting is being held in New York to minimize travel. A substantial majority of the Association's members are located in the large financial centers of the eastern seaboard and those coming from other sections of the country will be urged to combine the trip with one of their regular periodic business visits to the east.

Situation Of Interest

The current situation in Cincinnati and Lake Erie Transportation offers attractive possibilities according to an interesting circular prepared by Lilley & Co., Packard Building, Philadelphia, Pa., members of the Philadelphia Stock Exchange. Copies of this circular may be obtained from Lilley & Co. upon request.

Food Subsidies Called Inflationary

Senator Byrd in a statement on May 29 said that the Administration program to pay "wholesale subsidies" to farm producers, farm processors and food handlers in an effort to check inflationary trends is "strong medicine," which is inflationary in itself, a special dispatch from Washington on May 29 to the New York "Times" said, and went on to say:

The effort, he added, might cost the country even more than the $5,000,000,000 annually which he said was estimated as the price by Leon Henderson, former Federal Price Administrator.

Even at such a cost, he continued, "it will be ineffective unless linked with a strong anti-inflationary policy in the control of wages," adding that with such a policy "these subsidies are not necessary."

Senator Byrd also attacked the practicability of the subsidy program in the immediate results hoped for by its sponsors and said that it would set up demands for subsidies which would last long after the present emergency ended.

These demands, he added, would add "billions of dollars to the public debt of future generations to pay at a time when we cannot hope for the prosperity we now have."

Wright In Armed Forces

Chapin N. Wright, Vice-President of Fred E. Busbey & Co., 10 South La Salle Street, Chicago, Ill., with which he has been associated for the past six years, is leaving to join the armed forces.

Hansons Acquitted

Arnold R. Hanson and Sven W. Hanson, partners in Hanson & Hanson, 25 Broadway, New York City, were acquitted in United States District Court on an indictment charging mail fraud and violation of the Securities and Exchange Act. John W. Hession was convicted on similar charges, and will be sentenced on June 4; he faces possible imprisonment of five years and a fine of $10,000 on each of the 29 counts of the indictment.

Action was brought in connection with the charge that Hession had manipulated the price of bonds of the Wisconsin Central Railway Company's Superior & Duluth Division, which rose on the New York Stock Exchange from 13 in January, 1942 to 36 in July, and subsequently dropped to 12.

Joins R. W. Pressprich Co.

Miss Louise Watson, who formerly conducted an investment management business under her own name, has become associated with the New York Stock Exchange firm of R. W. Pressprich & Co., 68 William Street, New York City, as investment supervisor.

Buys Associates' Interests

SHEBOYGAN, WIS.—Homer C. Denison announces that he has purchased the interests of his associates in the H. C. Denison Company and dissolved the corporation effective May 29, 1943. He will continue the firm's business as an individual dealer from offices in the Security Bank Building.

To Continue As Individual

(Special to The Financial Chronicle)

BOSTON, MASS.—Charles A. Collins, member of the Boston Stock Exchange, and a partner in the recently dissolved firm of Collins, Breed & Co., is continuing as an individual from offices at 82 Devonshire Street.

Calendar of New Security Flotations

OFFERINGS

AMERICAN CASUALTY CO. OF READING, PA.

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

Address—607 Washington St., Reading, Pennsylvania.

Business—Conducts general casualty insurance business.

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

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

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

Registration effective 5:30 p. m. EWT on April 10, 1943.

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

YORK CORRUGATING CO.

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

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

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

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

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

Proceeds—To selling stockholders.

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

Registration effective 12 Noon (EWT) on May 1, 1943, as of 5:30 p.m. (EWT) May 18, 1943.

Offered by Floyd D. Cerf Co., Chicago, May 1, 1943, at $6.50 per share.

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, JUNE 6

PRESIDENT APARTMENTS CORP.

President Apartments Corp. has registered with the SEC $336,333 of first mortgage 4½% real estate bonds and warrants due July 1, 1955, and certificates of deposit representing $336,333 of first mortgage 5% real estate bonds and warrants due July 1, 1943.

Address—1630 Boatmen's Bank Building, St. Louis, Mo.

Business—Apartment building.

Purpose—It is proposed to issue certificates of deposit to the holders of the first mortgage 5% real estate bonds and warrants due July 1, 1943, and, upon the consummation of the plan of extension and revision of the bond issue, to issue in lieu and instead of such certificates of deposit said first mortgage 4½% real estate bonds and warrants due July 1, 1955, which will be created and issued by the execution and delivery of an extension and revision agreement, the stamping of said first mortgage 5% real estate bonds and warrants due July 1, 1943, with an appropriate legend, and affixing of new coupon sheets.

Registration Statement No. 2-5140. Form S-1 (5-18-43).

MONDAY, JUNE 7

INTERSTATE BAKERIES CORPORATION

Interstate Bakeries Corporation has filed a registration statement for $2,500,000 first (closed) mortgage 5% refunding bonds due June 1, 1958.

Address—406 W. 34th St., Kansas City, Mo.

Business—Engaged in the manufacture and wholesale distribution of bread, cake and other bakery products.

Offering—Price to public to be supplied by amendment.

Underwriting — The underwriters and amounts underwritten are: H. M. Byllesby & Co., Inc., Chicago, $1,100,000; A. C. Allyn & Co., Inc., Chicago, $500,000; Central Republic Co., Inc., Chicago, $500,000; Farwell, Chapman & Co., Chicago, $200,000, and Stern Brothers & Co., Kansas City, Mo., $200,000.

Proceeds—Of the proceeds approximately $2,067,000 will be used for the redemption on Sept. 1, 1943, at 105% and accrued interest, of all of the outstanding first mortgage 6% sinking fund gold bonds, due Sept. 1, 1945, issued by Schulze Baking Co. and subsequently assumed by Interstate; $151,875 to the prepayment of the real estate 5% note, payable Sept. 7, 1945, originally issued by Western Bakeries Corp., Ltd., and subsequently assumed by Interstate, and as an addition to working capital.

Registration Statement No. 2-5141. Form S-1 (5-19-43).

DURIRON COMPANY, INC.

Duriron Company, Inc., has filed a registration statement for 70,000 shares of common stock, par value $5 per share. Of the total registered 57,700 are now issued and outstanding and owned by the Chase National Bank of New York. The remaining 12,300 shares are authorized for issue.

Address—450 North Findlay St., Dayton, O.

Business—Produces equipment and castings used in manufacturing, conveying, controlling and otherwise handling corrosive liquids and gases.

Offering—Price to public will be supplied by amendment.

Underwriters — Lee Higginson Corporation, New York, heads the underwriters. Names of others will be supplied by amendment.

Proceeds—Net proceeds from sale of 12,300 shares by the company will be added to its general funds. Net proceeds from 57,700 shares will go to the selling stockholder.

Registration Statement No. 2-5141. Form S-2 (5-19-43).

TUESDAY, JUNE 8

GULF OIL CORPORATION

Gulf Oil Corporation has registered 764,500 shares of capital stock, par $25 per share. All of the shares registered are presently issued and outstanding and none of the proceeds from the sale thereof will be received by Gulf Oil Corporation.

Address—Gulf Building, Pittsburgh, Pa.

Business—Is engaged principally in the production, purchase, transportation, refining and sale of crude petroleum and products derived therefrom, or in businesses related thereto, in the United States and in foreign countries. The corporation and certain of its subsidiaries are actively engaged in exploratory and development work in connection with the acquisition of oil for future requirements.

Underwriting—The shares registered are outstanding shares owned by certain persons and trusts who desire to sell such shares. There is at present no firm commitment to take such shares from the owners thereof. Mellon Securities Corporation owns 546,400 of the shares registered.

Offering—The price at which the shares may be offered to the public, the underwriting discounts or commissions, and the proceeds to the owners thereof have not been determined. The selling stockholders intend not to enter into any agreements for the sale of such shares prior to the effective date of the registration statement. They intend, however, to enter into agreements of such character within a few days after effective date, and to furnish to the corporation the terms of such agreements, the names of the underwriters, the price at which the shares will be offered to the public, etc.

Proceeds—Will go to the selling stockholders.

Registration Statement No. 2-5143. Form A-2 (5-20-43).

WEDNESDAY, JUNE 9

SIXTY SEVEN HOLDING COMPANY

Sixty Seven Holding Company has registered 3,412 shares of preferred stock, $100 par value, to be authorized.

Address — Bankers Securities Building, Philadelphia, Pa.

Business — Owns and operates a ten-story brick and stone apartment house located at 67 South Munn Avenue, East Orange, N. J.

Offering — The perferred stock being registered is to be offered otherwise than for cash. It is to be distributed to holders of the unsubordinated bonds presently secured by the first mortgage on the property of the registrant at 67 South Munn Avenue, East Orange, N. J., at the rate of four shares of $100 value each, in addition to $600 in cash, in consideration for the surrender for cancellation of each $1,000 face value of such bonds.

Registration Statement No. 2-5144. Form S-1 (5-21-43).

SUNDAY, JUNE 13

SECURITY INSURANCEE COMPANY OF NEW HAVEN

Security Insurance Company of New Haven has filed a registration statement for 50,000 shares of capital stock, par value $10 per share, and subscription warrants evidencing rights to subscribe to the stock.

Address—175 Whitney Ave., New Haven, Conn.

Business—Company is a fire and marine insurance company.

Offering — Company proposed to offer the new stock to present stockholders at a price to be named by amendment one share of new stock for each four shares held on the record date. The record date will be supplied by amendment. Provision has been made for the offering of any unsubscribed shares of capital stock by certain underwriters.

Underwriting—The names of the underwriters and the amounts of stock to be purchased by each will be supplied by amendment.

Proceeds — Net proceeds from the sale will be added to, and used as a part of, the company's general funds. Of such proceeds, an amount equal to the total par value of shares sold will be credited to capital stock account and the balance will be credited to surplus.

Registration Statement No. 2-5145. Form S-1 (5-25-43).

TUESDAY, JUNE 15

BEATRICE CREAMERY COMPANY

Beatrice Creamery Company has filed a registration statement covering 91,317 shares of $4.25 cumulative preferred stock, without par value.

Address—1526 South State St., Chicago. Company expects to move its executive office to 120 South La Salle St., Chicago, on or about July 1.

Business—Company and its subsidiaries are engaged principally in the manufacture and sale of butter, ice cream, condensed milk, buttermilk, dried milk and cheese, the distribution of milk, eggs, frozen foods, oleomargarine, operation of cold storage plants, and in practically every branch of the dairy business.

Offering — The $4.25 cumulative preferred is offered for exchange by the company to the holders of its outstanding $5 cumulative preferred stock on a share for share basis. Holders of $5 cumulative preferred accepting the offer of exchange will receive the quarterly dividend, payable July 1, 1943, with respect to their shares of stock.

Underwriting—The shares of $4.25 cumulative preferred not exchanged have been underwritten. The underwriters are: Glore, Forgan & Co., Chicago; Hayden, Stone & Co., New York; W. E. Hutton & Co., New York; Mellon Securities Corp., Pittsburgh; First Trust Co. of Lincoln, Lincoln, Neb.; Central Republic Co., Inc., Chicago; Kebbon, McCormick & Co., Chicago; Lee Higginson Corp., Chicago; Wisconsin Company, Milwaukee; Bacon, Whipple & Co., Chicago; Blair, Bonner & Co., Chicago; Farwell, Chapman & Co., Chicago; G. H. Walker & Co., St. Louis; Boettcher & Co., Denver; Bosworth, Chanute, Loughbridge & Co., Denver; Maynard H. Murch & Co., Cleveland; Kirkpatrick-Pettis Co., Omaha, and Burns, Potter & Co., Omaha. Offering price to the public will be supplied by amendment.

Proceeds — Proceeds from sale of any stock to underwriters, with other funds of the company, will be used to effect the redemption on Oct. 1, 1943, of all of the then outstanding $5 cumulative preferred stock at $102.50 per share plus accrued dividends.

Registration Statement No. 2-5146. Form A-2 (5-27-43).

WEDNESDAY, JUNE 16

ALL AMERICAN AVIATION, INC.

All American Aviation, Inc., has filed a registration statement for 26,218 shares of convertible non-cumulative preferred stock, par $25 per share, and an indeterminate number of shares of common stock, par $1 per share, to be reserved for issuance upon the conversion of convertible non-cumulative preferred stock into common stock.

Address—200 West Ninth St., Wilmington, Del.

Business—Present business is conducted by its two major divisions, Air Transport Division and the Manufacturing Division.

Underwriting—If any offering is made through underwriters their names will be supplied by amendment.

Offering — The preferred stock will be initially offered by the company for sale at $25 a share to holders of ten or more shares of company's common stock on the basis of one share of preferred stock for each full ten shares of common. The period within which holders of common stock may exercise their rights to subscribe to shares of preferred stock will expire ten days after the initial date of offering. Thereafter any remaining shares of preferred stock will be offered to the general public at $25 a share, or the company may offer any remaining shares to underwriters for sale to the public at $25 a share.

Proceeds — Will be applied to finance the company's operations under its contracts with the U. S. Government and to discharge certain of its outstanding obligations.

Registration Statement No. 2-5147. Form S-2. (5-28-43).

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.

ARMOUR & CO. OF DELAWARE

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 slaughter 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.

The exchange offer will expire at 3 p.m. June 3, 1943, local War Time, in the city of the depositary. Depositaries are Chase National Bank, New York; Continental Illinois National Bank & Trust Co., Chicago, and Bank of America N. T. & S. A., San Francisco.

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).

Armour & Co. of Delaware filed an amendment to its registration statement on its proposed issue of $35,000,000 7% cumulative income debentures due April 1, 1978, which lists a nation-wide group of 90 underwriters. The company offers to the holders of its 523,581 outstanding shares of 7% guaranteed cumulative preferred stock of the par value of $100 per share the right to exchange such shares for debentures on the basis of $100 face amount of debentures for each share of preferred stock held, subject to allotment if required. The offer to stockholders will expire at 3 p.m., June 3, 1943.

The debentures not taken upon the exchange offer have been underwritten, with the names of underwriters and amounts subscribed listed as follows: Kuhn, Loeb & Co., N. Y., $2,500,000; First Boston Corp., N. Y., $1,500,000; A. C. Allyn & Co., Inc., Chicago, $500,000; Bacon, Whipple & Co., Chicago, $250,000; Baker, Watts & Co., $150,000; Ball, Coons & Co., Cleveland, $100,000; A. G. Becker & Co., Inc., N. Y., $600,000; Blair, Bonner & Co., Chicago, $200,000; Blyth & Co., Inc., N. Y., $1,000,000; Alex. Brown & Sons, Baltimore, $350,000; H. M. Byllesby & Co., Inc., Chicago, $200,000; Central Republic Co., Inc., $350,000; E. W. Clark & Co., $250,000; Coffin & Burr, Inc., Boston, $300,000; Curtiss, House & Co., Cleveland, $150,000; Dempsey-Detmer & Co., Chicago, $100,000; Dick & Merle-Smith, N. Y., $200,000; Dominick & Dominick, N. Y., $500,000; Drexel & Co., Philadelphia, $600,000; Eastman, Dillon & Co., N. Y., $500,000; Emanuel & Co., N. Y., $200,000; Equitable Securities Corp., N. Y., $200,000; Estabrook & Co., Boston, $300,000; Fahey, Clark & Co., Cleveland, $100,000; Farwell, Chapman & Co., Chicago, $200,000; Ferris & Hardgrove, Seattle, $100,000; Field, Richards & Co., Cleveland, $150,000; First Cleveland Corp., Cleveland, $150,000; First of Michigan Corp., Detroit, $200,000; Glore, Forgan & Co., N. Y., $750,000; Glover & MacGregor, Inc., Pittsburgh, $100,000; Goldman, Sachs & Co., N. Y., $1,000,000; Graham, Parsons & Co., Philadelphia, $200,000; Grubbs, Scott & Co., Pittsburgh, $100,000; Hallgarten & Co., N. Y., $500,000; Harriman Ripley & Co., Inc., N. Y., $1,200,000; Harris, Hall & Co., Inc., Chicago, $350,000; Hawley, Shepard & Co., Cleveland, $200,000; Hayden, Miller & Co., Cleveland, $250,000; Hayden, Stone & Co., N. Y., $500,000; Hemphill, Noyes & Co., N. Y., $500,000; Hill & Co., Cincinnati, $100,000; J. J. B. Hilliard & Son, Louisville, $150,000; Hornblower & Weeks, N. Y., $500,000; W. E. Hutton & Co., N. Y., $500,000; Illinois Company of Chicago, Chicago, $300,000; Kebbon, McCormick & Co., Chicago, $250,000; Kidder, Peabody & Co., N. Y., $750,000; Ladenburg, Thalmann & Co., N. Y., $750,000; W. C. Langley & Co., N. Y., $300,000; Lazard Freres & Co., N. Y., $750,000; Lee Higginson Corp., N. Y., $1,000,000; Lehman Brothers, N. Y., $1,000,000; Carl M. Loeb, Rhoades & Co., N. Y., $300,000; Mackubin, Legg & Co., Baltimore, $100,000; Laurence M. Marks & Co., Baltimore, $200,000; McDonald-Coolidge & Co., Cleveland, $250,000; Merrill, Turben & Co., Cleveland, $200,000; Milwaukee Company, Milwaukee, $250,000; Moore, Leonard & Lynch, Pittsburgh, $150,000; F. S. Moseley & Co., Boston, $500,000; Mullaney, Ross & Co., Chicago, $100,000; Maynard H. Murch & Co., Cleveland, $150,000; Newhard, Cook & Co., St. Louis, $150,000; Ohio Company, Columbus, $100,000; Paine, Webber, Jackson & Curtis, N. Y., $500,000; Arthur Perry & Co., Inc., Boston, $150,000; Putnam & Co., Hartford, $150,000; Reinholdt & Gardner, St. Louis, $150,000; E. H. Rollins & Sons, Inc., N. Y., $500,000; L. F. Rothschild & Co., N. Y., $200,000; Schoellkopf, Hutton & Pomeroy, Inc., $200,000; Schwabacher & Co., San Francisco, $250,000; Singer, Deane & Scribner, Pittsburgh, $150,000; Smith, Barney & Co., N. Y., $1,000,000; Starkweather & Co., N. Y., $150,000; Stein Bros. & Boyce, Baltimore, $250,000; Stern Brothers & Co., Kansas City, $150,000; Stifel, Nicolaus & Co., Inc., St. Louis, $200,000; Stix & Co., St. Louis, $100,000; Stone & Webster and Blodget, Inc., N. Y., $750,000; Stroud & Co., Inc., Philadelphia, $250,000; Swiss American Corp., N. Y., $250,000; Union Securities Corp., N. Y., $750,000; G. H. Walker & Co., St. Louis, $250,000; Wertheim & Co., N. Y., $500,000; White, Weld & Co., N. Y., $750,000; Whiting, Weeks & Stubbs, Inc., Boston, $250,000; Wisconsin Company, Milwaukee, $500,000; and Dean Witter & Co., San Francisco, $500,000.

Registration effective 5 p.m. (EWT) on May 18, 1943.

FLORIDA POWER & LIGHT CO.

Florida Power & Light Co. registered with SEC $45,000,000 First Mortgage bonds, due Oct. 1, 1971; $10,000,000 Sinking Fund Debentures, due Oct. 1, 1956; and 140,000 shares Cumulative Preferred Stock, $100 Par. Interest rates on the Bonds and Debentures, and the dividend rate on the preferred stock, will be supplied by amendment

Address—25 S. E. Second Ave., Miami, Fla.

Business—This subsidiary of American Power & Light (Electric Bond & Share System) is an operating public utility engaged principally in generating, transmitting, distributing and selling electric energy (also manufacture and sale of gas), serving most of the territory along the east coast of Florida (with exception of the Jacksonville area), and other portions of Florida

Underwriting and Offering—The securities registered are to be sold by company under the competitive bidding Rule U-50 of the SEC's Public Utility Holding Company Act. Names of underwriters and price to public, will be supplied by post-effective amendment to registration statement

Proceeds will be applied as follows: $53,170,000 to redeem at 102¼, the $52,000,000 of company's First Mortgage 5s of 1954; $15,693,370 to redeem at $110 per share, the 142,667 shares of company's $7 preferred stock, no par. Further details to be supplied by post-effective amendment

Registration Statement No. 2-4845. Form A2. (9-17-41)

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

IOWA POWER & LIGHT CO.

Iowa Power & Light Co. has filed a registration statement for $17,000,000 first mortgage bonds, 3¼% series due June 1, 1973.

Address—312 Sixth Avenue, Des Moines, Iowa.

Business—Is a public utility engaged in the business of furnishing electric service in Polk County, outside the City of Des Moines and environs, and in 12 contiguous counties in Central Iowa, and furnishing gas service in the City of Des Moines and environs, and in two municipalities in adjoining counties.

Underwriting—Bonds are to be offered for sale at competitive bidding under the rules of the Commission. Names of the underwriters will be supplied by post effective amendment.

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

Proceeds—Bonds are to be issued as part of a series of interdependent transactions which include the acquisition by Continental Gas & Electric Co. of Iowa Power & Light Co. and Des Moines Electric Light Co. from Illinois Iowa Power Co. Proceeds from the sale of the bonds, together with a portion of funds to be received from bank loans aggregating $2,500,000, will be used to redeem on Sept. 1, 1943, a total of $11,232,000 face amount of the company's first mortgage bonds; to redeem on Oct. 1, 1943, 10,133 shares par $100 of the company's 7% cumulative preferred stock; to the purchase from Illinois Iowa Power Co. of $1,750,000 face amount of general refunding mortgage bonds, Series A, due 1955, and $3,000,000 of open account indebtedness of Des Moines Electric Light Co., $4,750,000; to partial payment for Iowa properties of Iowa-Nebraska Light & Power Co., $1,000,000 and for other corporate purposes.

Registration Statement No. 2-5138. Form S-1. (5-12-43).

UNITED GAS CORPORATION

United Gas Corp. registered $75,000,000 first mortgage and collateral trust 3¼% bonds due 1958

Address—2 Rector Street, New York City

Business—Production and sale of natural gas; part of Electric Bond and Share System

Underwriters—None

Offering Terms—Bonds will be sold to institutional investors, whose names will be supplied by amendment, at 99.34%

Proceeds—To redeem $28,850,000 United Gas Public Service 6% Debentures due 1953; to pay 6% demand note of $25,925,000 to Electric Bond and Share; to repay $2,000,000 open account debt to E. B. & S.; and to purchase from United Gas Pipe Line Co., $6,000,000 of its 1st & Coll. 4% bonds due 1961. Balance will be used in part to reimburse treasury for capital expenditures and possibly to pay accumulated dividends of $9,502,490 on companys $7 preferred stock

Registration Statement No. 2-4760, Form A-2 (5-15-41)

United Gas Corp. filed amendment with SEC on Feb. 21, 1942, stating that it had been unable to further extend the purchase agreements with 14 insurance companies covering the proposed private sale to such insurance companies of $75,000,000 of the company's first mortgage and collateral trust 3¼% bonds, due 1959. This amendment states: "These purchase agreements expired on Feb. 16, 1942. The corporation intends to continue negotiations to the end that its bonds shall be either sold privately, by renewal of the aforesaid agreements or otherwise, or offered to the public as circumstances shall dictate in order to obtain the best possible price."

Amendment filed May 29, 1943, to defer effective date.

Book Review

Looking Ahead Fifty Years

By Roger W. Babson, Harper & Brothers, New York and London. pp. 244. $2

Here is a typical Babsonian product. Typical in that the author takes the universe for his field; typical in that there is no shying away from bald prediction; and typical in that an escape (at least so far as the individual is concerned) is found from practically every hazard by appropriate action in the securities markets.

Many will doubtless find the most satisfying passage in the first half of a one page preface. Here it is:

"The United States is between two conflicting trends. These alternatives are as follows:

"(1) If free enterprise is given a fair opportunity and the United States enjoys a sane government, then an era of great prosperity awaits us after World War II.

"(2) If State socialism is given the reins and the United States increases its spending orgy with greater political benefits to labor, the farmers and other groups irrespective of the work performed, then chaos awaits us."

A less intrepid man might leave the matter there. But not Mr. Babson. "As a practical matter," he quickly adds, "I am accepting neither of these assumptions. Rather, I assume that political and inflationary tendencies will continue for a certain number of years. Then will follow a business depression which will be followed by an **awakening**. This latter will result in wiping out much of the foolishness of the present era and in giving the nation a fresh start.

"As to business, looking ahead a few years I am moderately bullish; looking ahead a longer period I am bearish; but considering fifty years I am a great optimist. My grandchildren will live through three great eras."

The author is convinced that a "deluge" will come "sometime during the lives of most readers of this book. By "deluge" he means a business depression of an order of magnitude and intensity different from any heretofore known. "Yet," says the author, "I am an optimist for two reasons: (1) The deluge will wipe away much of the foolishness which has developed since 1932. (2) It will lay the foundations for bringing about some necessary constructive changes." He does not attempt to predict when this deluge will strike us. He is certain that it will not come during the war, or during any **"temporary** slump" which may follow cessation of hostilities. If a boom follows such a temporary slump the deluge will be further postponed.

"Following World War II, there will be some slackening in airplane production," the author says. "The next group to be hit will be the civil employees who have been taken on by the government since 1936. . . . After World War II, the railroads are destined to lose most of the first class mail business and much of the express business. Wise are investors who dispose of their railroad securities before that time comes. . . . I am not so bearish on bituminous coal as many people. . . . Small scale farming, as a mode of living, is ideal; but since 1898 it has not been a money-making venture and perhaps never again will be. . . . Banking is a necessary industry and will always continue whatever political or social theory is in control of the nation. . . . What has happened in other countries, however, indicates that the United States Government may take over our banks and that this is likely to occur before the deluge. . . .

"Real estate will be faced with some difficult problems during the future . . . . The properties which have a bright future are those adjoining air terminals. . . . Probably, of all industries, the deluge will hit most severely those that are making their profits on good will, trade labels and other intangible assets."

How is one to protect himself against all this? "The stocks of companies free from debt, in a necessary business and now selling below their fair book value, will suffer much less than stock of companies dependent upon good will, trade marks, patents, etc. Readers should hold securities only of industries which fluctuate the least. . . . One should also strive to have his savings in **growing** industries, rather than in **declining** industries. Above all, one should diversify properly, both between stocks and bonds and in other ways. Bond holdings should be diversified as to maturity with preference given to the shorter maturities. **It is most important to remember that these changes in one's investment portpolio must be made BEFORE the deluge comes—the sooner the better.**"

Thus does Mr. Babson get "warmed up" for the more detailed discussion to come in later chapters, whose subject matter ranges from "How Can Investors Look Ahead?" to "Are Jesus' Economics Practical?" It was scarcely necessary to have Mr. Babson's name appear on the book. No one else could have written it.

Walter Simmons To Manage Larkin Dept.

Walter C. Simmons is becoming associated with S. P. Larkin, member of the New York Stock Exchange, as Manager of the bond department. Mr. Simmons was formerly with Arrowsmith Company, Inc., Robinson, Miller & Co., Inc., and prior thereto conducted his own investment business.

Mr. Larkin will shortly remove his offices to 111 Broadway, New York City, from his present location at 65 Broadway.

Jones & Kuechle Join Nat'l Sec. & Research In New Branch Offices

National Securities & Research Corporation, 120 Broadway, New York City, announces that Ira G. Jones and M. G. H. Kuechle have joined their wholesale staff. Mr. Jones will be New England and New York representative and will be in charge of the office the company just opened at 10 Post Office Square, Boston. Mr. Kuechle will be middle west representative and will be in charge of the newly opened office at 208 So. LaSalle Street, Chicago.

Mr. Kuechle began his career in the banking business in Milwaukee and in 1916 became Branch Manager in Milwaukee for A. C. Allyn & Co. and later for Merrill, Lynch & Co. He later conducted his own firm in Milwaukee for many years, subsequently opening an office in Pittsburgh for G. E. Barrett & Co., covering the district of Pennsylvania, Ohio and West Virginia. He wholesaled Fundamental Investors for E. A. Pierce & Co. and then became identified with Distributors Group, Inc., of which he was Vice-President and director, representing them for more than seven years in the Middle West.

Mr. Jones entered the investment business in 1921 with Rollins & Co., later becoming associated with Kelly, Drayton & Co. and Tobey & Kirk. In 1924 he formed his own firm in Albany. In 1932 he closed his own firm and helped organize the Plymouth Fund. Since that time, he has been engaged principally in wholesaling investment funds with specialized characteristics.

Attractive Situations

The current situation in Peoples Light & Power common and preferred and H. H. Robertson offers interesting possibilities according to circulars being distributed by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of these circulars may be had from the firm upon request.

Industrial Output Seen at Record High But May Not Offset Increased Costs

Industrial output this year will be at an all-time high, but it will not be enough above last year to offset increased corporate costs, according to a business report gathered by personal contact with industry and prepared by Spencer Trask & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

"This will mean lower earnings and some curtailment of dividends among the top line companies," the survey continues. "Marginal companies may increase dividends due to the piling up of cash and debt reduction of the past three years. The hectic period of constructing and equipping plants for war production is rapidly approaching an end. Even the high octane gas and synthetic rubber plant programs are now well assured. Production of materials for the war effort has been highly successful. Although drastic changes and cancellations are being made in the war program, industry has been and will continue to be able to meet the requirements of the armed forces. Toward the end of the year we expect more merchandise to be available for the civilian economy. In the meantime, a tremendous pent-up demand for merchandise is being created and assures at least two years of high activity after the end of the war."

Key industries included in this broad survey are: steel, automobile, farm implement, construction, aircraft, machine tool, chemical, electrical equipment, nonferrous metal, paper and container, retail, oil, rubber, and railroad equipment.

Copies of the survey may be had from Spencer Trask & Co. upon request.

Southern Bag Looks Good

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

Seaboard Reorganization Analysis Soon Ready

L. H. Rothchild & Co., 120 Broadway, New York City, is preparing an analysis of the significance of Special Master Taylor's Reorganization Plan for the Seaboard Air Line which will be ready shortly after June 16th. Copies of the analysis may be had from the firm upon request.

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.