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The Commercial and FINANCIAL CHRONICLE

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Romfh Made Officer Of Florida Banks

MIAMI, FLA.—Laurence Romfh, member of the boards of The First National Bank of Miami, Florida and affiliated institutions, The Coral Gables First National Bank, Little River Bank and Trust Company and First Trust Company, has been made Vice President of the First Trust Company and Vice President and Assistant Trust Officer of the Little River Bank and Trust Company.

Laurence Romfh

He maintains his office at The First National Bank of Miami, where since January he has been Vice President in charge of loans on stocks, corporate and U. S. war bonds, and also manager of the customers securities department.

He is the son of Edward C. Romfh, Founder, President and Chairman of the boards of the four institutions.

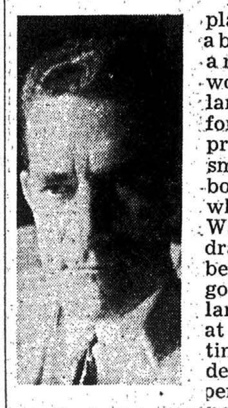
In This Issue

Special material and items of interest with reference to dealer activities in the States of Connecticut, Michigan and Missouri appears in this issue.

Post-War Exchange Stabilization Reviewed

By FRANK CIST, Brewster, Mass.

Five tentative proposals for international post-war exchange stabilization are now before our country. Three, the British, the American, and the recently announced Canadian, are official. A French plan is attributed to Andre Istel and Herve Alphand. And a fifth plan has been offered in the "Chronicle" by Charles S. Dewey, Congressman from Illinois. This paper will attempt to review such parts of the plans and of the comments published about them as seem most important from the standpoint of our own interests.



Frank Cist

All these plans envision a battlescarred and hungry world with a large appetite for American products but a small pocket-book from which to buy. War will have drained the belligerents of gold and dollars and will at the same time have so destroyed or perverted their normal productive capacity as severely to limit their ability to ship us goods for goods. Yet if we are to get them on our side in the war we must give them hope, and if we are to restore world trade to safe proportions for the future we must give them help. To these purposes the plans address themselves.

Two primary American interests involved in the plans, accordingly, are that of making them generous enough to be of real help with the war and the subsequent reconstruction, without making them so lavish as to exceed our means. What, at the outset, is the comparative extent to which we commit ourselves financially under each of these plans?

The Dewey plan seems to envision the financing of our export sales abroad only to the extent of purchases by us from foreign countries of strategic war materials. Such materials could be bought by us only as to quantities not needed for industrial use and a rough computation fixes a maximum figure of $500,000,000 as annually available. This compares with the six billion dollars which, according to Benjamin Anderson, was lent by us abroad in the first year and seven months after the last war.

The French plan leaves the amounts to be lent up to us.

The Morgenthau-White plan requires from us a maximum of 25% of a 5 billion dollar fund or about $1,250,000,000.

The Ilsley-Canadian plan increases this fund to 12 billion dollars with the percentage required from us about the same as under the Morgenthau plan.

The Keynes-British plan is more ambitious. It fixes total quotas at about $30 billion dollars with our "quota" about 4.5 billions, but this figure is deceptively small because the "quotas" are borrowing limits and no limit is placed upon what must be lent. Consequently the United States, under this plan, has an obligation to sell goods on credit in amounts which can conceivably add up, not to a mere 5, but to 25 billion dollars. The total can, in fact, be

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A Moratorium For Non-Essential Activities In Wartime

By ERNEST R. ABRAMS

In the thick of the most serious crisis ever to face this Nation, two Federal agencies are forcing some of our industries, supplying the very sinews of war, to divert seriously depleted manpower to non-essential work. In the present emergency, both the Securities and Exchange Commission and the Federal Power Commission have taken the position that they have mandates from Congress to continue certain peace-time regulatory activities, wholly lacking in contribution to the war effort, until Congress, by specific order, directs them to stop. As a result of this insistence upon "regulation as usual," privately owned electric and gas utilities, since Pearl Harbor, have been forced to devote the full-time efforts of 4,800 employees, representing many millions of man-hours, to activities which in no way aid in winning the war.

Ernest R. Abrams

These irrelevant activities arise under the Public Utility Holding Company Act of 1935, which provides for more than regulation and, in some cases, for the dissolution of electric and gas holding companies. While Title I of the Act does grant the Securities and Exchange Commission authority to carry on certain activities directed at the disintegration of holding companies, Title II empowers the Federal Power Commission to compel electric and gas utilities, among other things, to rewrite their books so as to show property values as of January 1, 1937, at their original cost, which the FPC holds to mean the cost of every unit of property to the person first devoting it to public service. It is these activities of the SEC and the FPC which are hindering an all-out prosecution of the war.

Although the other sections of Title I of the Holding Company Act are largely regulatory in character, the objectives of Section 11, and particularly of subsections (a), (b), (c) and (d) thereof, are primarily reformative in their intent. In the main, their requirements are punitive and serve as penalties against public utilities for real and fancied abuses of the past. Yet, so complete and extensive are the regulatory provisions contained in other sections of the Act that past and future abuses cannot arise without the express approval and consent of the SEC. Even if all activities under Section 11 were suspended, the Act would remain an affective piece of regulatory law.

In brief, the provisions of subsections (a), (b), (c) and (d) of Section 11, which comprise the so-called "death sentence," require:

1. The rearrangement of gas and electric utility holding companies into "integrated" systems;

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A Practical Interpretation of Inflation

By HAROLD B. DORSEY*
President, Argus Research Corporation

With stock prices behaving as they have been for the past couple of weeks, it may appear rather incongruous to bring up the subject of inflation. However, fundamental conditions assure us that it will only be a matter of a very short time before mass investor attention is again directed to this issue. As a matter of fact, it is a subject of such paramount importance to the future of the country that everyone should be thinking about it, although the astute investor should have an understanding of the matter at once because this will dictate the type of commitments he should make when the opportunity is presented.

Harold B. Dorsey

We have all of the components of a rather vicious type of inflation in this country at the present time. We have a huge and mounting supply of cash; we have continuing Federal deficits; there is a shortage of labor; and demand for goods and services exceeds supply. Under normal conditions, these basic elements would combine to give birth to the necessary catalytic agent, psychology, and we would be on the way.

However, we also have wartime restrictions which curb rising commodity prices and wages. These restrictions are tolerated because of the war emergency and they can probably hold-the-line reasonably well until victory. The real problem will come when the war is over.

Cash: By next June 30th, we will probably have a supply of cash (demand deposits of reporting member banks plus money in circulation) about three times as large as that of 1937, the last good year before the war broke out. It seems likely that many individuals will cash in their government bonds as soon as peace returns, so that they may buy consumers durable goods or make a down payment on a new home. Insofar as the commercial banks or Federal Reserve have to take these bonds (or their equivalent), we will create an additional supply of cash. Many people will satisfy their desire for all types of goods and services not currently available by borrowing. Meanwhile,

*This article reflects the views expressed yesterday by Mr. Dorsey at the New York Society of Security Analysts' luncheon.

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Railroad Earnings Have Turned Downward!

It is becoming evident that the railroads have already established their peak earning power. The trend from hereon is downward.

The rate of increase in railroad traffic and revenues has begun to flatten itself out. For example, June, 1943, operating revenues were 19.8% more than June, 1942, compared with corresponding percentage of 39.7 for January, 43.5 for February, 40.0 for March, 30.8 for April, and 26.3 for May of this year.

War plant construction has already passed its peak, and as the war conversion program has also passed its highest point, it would appear that the railroads, from here on, will reflect production figures alone, without the superimposed traffic which was necessary for the construction of factories, plants, etc. So much for total operating revenues.

The net income of the Class I railroads, after deduction of all fixed charges and taxes, more tersely reflects the declining trend of railroad earnings power. Although the June 1943 net income has not been reported, the ICC has estimated that it may approximate $67,000,000, after all taxes have been deducted—which is substantially below the net income of June 1942. This is the first time in recent years that the monthly totals were below a corresponding month of a previous year. We present below a tabulation showing the twelve months' totals, ending with successive months. The following tabulation, in our opinion, indicates that the crest of earnings was reached in May, if Federal Income Taxes are deducted.

(Continued on page 690)

Boston Traders Get Slate Of Officers

BOSTON, MASS. — Sept. 28, 1943 has been set as the date for the Annual Meeting of the Boston Securities Traders Association.

A Nominating Committee, composed of William F. May, Chairman; Andrew N. Winslow, Jr.; Eugene R. Hussey; John E. Sullivan, Jr.; and Theodore Eldracher have made the following nominations for Officers and Governors:

James B. Maguire

President: James B. Maguire, E. H. Rollins & Sons, Inc.

Vice-President: Paul B. Monroe, Hunnewell & Company.

Treasurer: Howard S. Harris, Baldwin & Company.

Recording Secretary: William S. Duncklee, Brown Bros. Harriman & Co.

Corresponding Secretary: James R. Duffy, Paine, Webber, Jackson & Curtis.

Governor—Two Years: G. Carlton Jordan, Jr., R. W. Pressprich & Co.; Walter J. Connolly, Walter J. Connolly & Co.; Lawrence M. Stevens, Graham, Parsons & Co.

Governor — One Year: James J. Galvin, F. L. Putnam & Co., Inc.; William S. Prescott, Carver & Co., Inc.

Any ten members of the Association may in writing nominate additional candidate or candidates for office. Notice of such nominations, however, must be in the hands of the Secretary at least one week before the annual meeting.

John R. Meyer To Be A. G. Edwards Partner

John R. Meyer will become a partner in A. G. Edwards & Sons, members of the New York and St. Louis Stock Exchanges, effective today. Mr. Meyer will make his headquarters in the firm's New York City office at 61 Broadway, and will act as alternate on the floor of the Exchange for Gordon D. Stott. He was formerly a partner in Fitzpatrick & Co. and in the past was with Sartorius, Engle & Co.

Foster & Marshall To Admit J. C. Robinson

SEATTLE, WASH. — James C. Robinson will become a partner in Foster & Marshall, 1411 Fourth Avenue Building, members of the New York Stock Exchange, as of August 26.

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

Cleveland Traders Attending NSTA Meet

CLEVELAND, OHIO — Seven members of the Cleveland Security Traders Association will attend the annual meeting of the National Security Traders Association in Chicago, it is announced by James N. Russell, Gillis-Russell & Co., President of the Cleveland Association.

Those attending are: Edward E. Parsons, Jr. and Carl H. Doerge of Wm. J. Mericka & Co.; Corwin L. Liston of Prescott & Co.; Walter Carey, Robbins, Gump & Co.; and Mr. Russell. Paul Bowden, Ball, Coons & Co., a national committeeman, and Oliver Goshia of Collin, Norton & Co., Toledo, who is a member of the Cleveland association, will also attend.

Kellett Aircraft Attractive

Ward & Co., 120 Broadway, New York City, members of the New York Security Dealers Association, have prepared a descriptive circular on Kellett Aircraft Corp., manufacturers of the Kellett Autogiro plane and manufacturers and subcontractors of aircraft parts. Copies of this interesting circular may be had from the firm upon request.

Pyramid Financial Corp. Formed In NY

John Squadrito has formed the Pyramid Financial Corporation with offices at 67 Wall Street, New York City, to deal in listed and unlisted securities.

Mr. Squadrito for the past 25 years was an officer of the Credito Italiano, representative office at 2 Wall Street, New York. When war broke out between Italy and the United States the office was taken over by the Government and after being with the Banking Department for some time, Mr. Squadrito formed his own organization.

Sincere & Co. Will Admit J. Donoghue

CHICAGO, ILL. — Sincere and Company, 231 South La Salle Street, members of the New York and Chicago Stock Exchanges, will admit John J. Donoghue to partnership in the firm on Sept. 1.

Thomas E. Hotsy, a partner in the firm, will acquire the New York Stock Exchange membership of Raymond H. Kraebel as of Aug. 26.

Denv. & Rio Grande Offers Interesting Situation

Denver & Rio Grande Western 4s of 1936 offer an interesting situation, according to a circular just issued by Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange. Copies of this circular may be obtained upon request from Pflugfelder, Bampton & Rust.

S. W. Public Service Possibilities Interesting

Southwestern Public Service Company at current levels offers an attractive speculation according to a detailed memorandum discussing the situation prepared by W. Dameron of the statistical department of Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges. Copies of this interesting circular may be had upon request from Ira Haupt & Co.

Riter Of NASD Writes State Commissioners Urging Care In Licensing Applicant Dealers

Henry G. Riter, 3rd, Chairman of the National Association of Securities Dealers, Inc., has written all State Securities Commissioners, urging care in issuing licenses to the many applicants for dealer registration in order to protect investors. In his letter Mr. Riter declared:

"During the last three months membership statistics of our Association have shown an improving trend and in June, for the first time in nearly two years, there was a net gain. This might be expected to be very gratifying to us and to some degree it is. It has come about, we believe, because of the improvement in the state of the securities business over the past six months or more.

Henry G. Riter, 3rd

"As I have said, this return of people to the securities business is gratifying to a degree. On the other hand, I am wondering if it also does not offer somewhat of a challenge, particularly to organizations and bodies responsible for surveillance of those who seek to enter and who engage in the securities business. While a return of reputable and honest individuals who can render a needed and valuable service to the investor is a very desirable development, there is also, I think, the danger that the conditions which prompt the desirable element to return to the securities business would also attract the undesirable elements. It is my concern over the latter possibility that prompts me to write to you and to your contemporaries in other States.

"As you know, our Association is charged with the responsibility of administering rules regulating conduct of its members, such rules having their legal origin in the legislation passed by Congress permitting the establishment of securities associations such as NASD. Our rules for admission (Continued on page 691)

The Myth Of An Early Peace

They say that peace is "just around the corner"—that army of armchair strategists who so vastly outnumber the men of the armed forces. They tell us, and they are genuinely aggrieved when we have the temerity to differ with them, that it will be "all over by Christmas," or Thanksgiving, or Labor Day, or whatever nearby date their fancy conjures up for the purpose.

We wish that we could agree with them. We sincerely wish that we could accept the astonishing swiftness and utter completeness of the splendid victories in Tunisia and Sicily as harbingers of equally wonderful things to come in the very near future. Come they will in time, but many long and wearisome months may pass before the Stars and Stripes wave over the ramparts of Berlin.

* * *

The most vivid recollection of Tunisia is of a powerful Axis army being driven from pillar to post to final annihilation. It has been easy to forget the long, tedious months of painstaking preparation that went before. The similar preparatory periods that preceded the Libyan and Sicilian campaigns. We now know that the Tunisian campaign was planned a year ago; the Sicilian affair six months ago. All in all, since this war began we have transported some 2,000,000 men and 20,000,000 tons of supplies to destinations in fifty different countries. And today, after all those long months, and after all those great victories, we have yet to set foot upon the soil of Europe.

* * *

The policies of our military leaders seem to follow clearly defined lines. They call for placing the most magnificent weapons the world has ever known in the hands of the private soldier. They call for the supplementing of these with the finest mobile artillery, tanks and auxiliary equipment that human ingenuity can devise. Finally, they call for the protection of a vast air umbrella composed of the swiftest and (Continued on page 705)

Says British Did Not Repudiate Debt

Editor: The "Commercial and Financial Chronicle," New York.

In your issue of Aug. 5, Mr. J. H. Harrison seeking to soft-pedal the repudiation he thinks awaits our astronomical mounting debt, writes that "England repudiated her debt to us, but seems to have plenty of friends in the United States."

No repudiation, however, can be laid at Britain's door.

A brief summary of the British transactions may be useful. Besides lending her Allies eight billions (much of it spent here but hardly any ever repaid her), her purchases in this country for the prosecution of the war of 1914-1918 totaled over ten billions, or $10,315,000,000. Of this she paid $3,341,000,000 in cash for war supplies from August 1914 to April 1917.

After America's entry into the war, supplies to the amount of $4,074,000,000 were bought here through the United States Government. The Treasury disbursed the money to our manufacturers and shippers, and debited the British government. Additional supplies, however, were bought concurrently during 1917 and 1918, and paid for in cash, to the amount of three more billions. (See: American Foreign Debt Commission Report, pp. 91-93.)

From 1923 to 1933 Britain paid the United States Government on account of the above four billion debit no less than $2,045,000,000. (Most statisticians agree that this represents at peace-time prices the full value of the goods.)

The funding agreement of 1925 stipulated over seven billions of interest on the four billions, so that the 1923-1933 payments went mostly to interest on the Treasury's books!

Franklin D. Roosevelt wrote in "Foreign Affairs" in July 1928: "We have wanted to eat our cake and have it too; while exacting payment we have made it doubly hard for them to pay." He referred to our tariff barriers, twice raised by us during the post-war period. Payments were thus virtually in gold, and they dislocated world finance, and finally drew Britain off the gold standard. (Our devaluation followed.)

On June 15, 1933—six months after Britain's last full semi-annual payment (in bar gold) on Dec. 13, 1932, amounting to $95,000,000—she made a token payment of 10%, followed by another on Dec. 15, 1933.

Mr. Stanley Baldwin uttered solemn warnings, delivered to the United States Secretary of State, of the catastrophic effects on the world's economy, of continued payments otherwise than in goods. But in April, 1934, the Johnson Act was passed, and Britain was notified by the Treasury in the following June that token payments would no longer be accepted in avoidance of default.

It is difficult to see how, when, and where the British government has been guilty of repudiation throughout the history of the case as presented above.

ERNEST F. BARRY,
Statistician.

Boston, Mass., Aug. 11, 1943.

R. V. Mitchell Named To Copperweld Steel Board

The election of R. Verne Mitchell to the board of directors of the Copperweld Steel Co. has been announced. Mr. Mitchell is Chairman of the Executive Committee of McDonald, Coolidge & Co., investment bankers, Cleveland. He is President of Harris-Seybold-Potter Company, Cleveland, manufacturers of printing-press equipment and is a director of Thompson Products, Inc., Cleveland; General Printing Ink Corp., New York, and Cornell-Dubilier Corp., South Plainfield, N. J.

NSTA Advertising Notes

Thanks to **Don W. Miller** of **McDonald-Moore & Co.** and **Charles Bechtel** of **H. V. Sattley & Co.** who constitute our **Detroit** affiliate's advertising committee a couple of more ads have just come to hand from Detroit firms.

As was to be expected **Al Tryder** of **H. T. Greenwood & Co.** has come through in good style with business from **Philadelphia.**

Don Summerell of **Merrill Lynch, Pierce, Fenner & Beane, Los Angeles,** who is also President of the Los Angeles affiliate, has been helpful on the business-getting end in his City, too.

Please bear in mind we can handle advertisements and booster listings up until August 23rd. We can certainly use more contracts. A great surprise is awaiting you when the meeting is called to order on August 20th in Chicago. Let all of us boosters of the NSTA get busy and make a final stab at getting in some booster listings and ads. Make the last shot count.

Our special Annual Meeting issue of the "Chronicle" will appear August 26th so look for your firm's ad and your name and your firm's in the paid roster of boosters. Everybody else will be looking for it.

Harold B. Smith, Chairman
NSTA Advertising Committee
Collin, Norton & Co.
30 Pine Street
New York 5, N. Y.

Nat'l Security Traders Ass'n Opens Two-Day Meeting Friday; 300 Expected To Attend

More than three hundred security traders from principal financial centers of the country will gather in Chicago Friday at the Palmer House for the opening of the two-day annual meeting of the National Security Traders Association, Inc., where members will hear Patrick B. McGinnis, noted railroad security specialist, and Carl H. Chatters, municipal expert, deliver the principal addresses.

Mr. McGinnis will address the railroad forum on "Railroad Securities in the Post-War Era." He is one of the most authoritative specialists on rail securities in the country and frequently testifies before the ICC and other regulatory bodies. Mr. Chatters will address the municipal forum on "The Position of Municipal Finance in the Post-War World." He is executive director of Municipal Finance Officers Association of the U. S. and Canada.

Twenty-three regional security traders associations, including the Bond Traders Club of Chicago, Inc., are cooperating with the national Association in sponsoring the meeting which is being streamlined into two days with all entertainment functions eliminated. Larry Higgins, Hulburd, Warren & Chandler, and Leo J. Doyle, Doyle, O'Connor & Co., are handling hotel and registration arrangements.

Barnard Dean Favors Drafting Of Women

The drafting of women is advocated by Virginia C. Gildersleeve, Dean of Barnard College, whose views on the subject were expressed on Aug. 16, following her return from a 5-week educational study in England, where, she noted, women have been conscripted for several years. The New York "Journal-American" of Aug. 16 in reporting Dean Gildersleeve's views quoted her as follows:

"There is no reason why women should not be drafted just as men are for the armed forces or for any work necessary to the national war effort.

"I have always thought we should be compelled, eventually, as England has been, to draft women.

"The manpower situation here is getting worse, and although the United States has three times Britain's population, things are getting tight here, and things generally work out very much the same way in both nations."

Dean Gildersleeve made a study of the operation of the women's draft in England.

"The girls there seem to accept it as a matter of course," she said. "It applies to all social classes."

Dean Gildersleeve returned full of admiration for the great social changes going on in England, particularly in the field of education.

Warns Of Dangers Of International Police

The American Legion National Commander, Roane Waring, warned the department of California at its annual convention on August 16 "about some of this talk about an international police force," said a special dispatch from San Francisco to the New York "Times" on Aug. 16, which also stated:

He was not interested in an international police force, he said, because he did not know "who will command it" or "who will decide what that force is going to fight for and sustain."

"I am only interested in a national defense force, an American Army and Navy that will fight for the dictates of our American judgment, regardless of what any international court or society of people may decide," he went on.

Describing himself as "a nationalist," not an "isolationist," he opposed "placing the destiny of this America of ours in the hands of any international organization of any kind under any circumstances."

He declared that he did not want to "let some other foreign group of governments decide what America's policy shall be, what America's financial interests shall be, whom America will feed, supply and support," but was "ready to let that remain in the hands of the American people."

He called upon the country to "take a definite stand in world affairs," assume its responsibility and "stand ready to execute it, but execute it through the laws of an American Congress."

He "resented," he declared, that while we executed "a few German submarine men, who came to this country following the orders of their government to sabotage America," we then "turn around and let John L. Lewis sabotage ten thousand times as much war production as those men could possibly have done, and we let him walk the streets of America a free man."

"There is something wrong with our theory of justice and our theory of government when we do that," he went on, explaining, however, that he agreed it was proper to execute the Nazi saboteurs. He denounced "a weak, uncertain and vacillating policy in Washington dealing with labor and production" and praised the Smith-Connally law as "a step forward."

Lauds Saxon Article On Post-War Debt

I read the article "Can the U. S. Support a Three Hundred Billion Dollar Debt," a subject in which I am much interested. I think the article was a fine one and I agree with the conclusions. Anyone who can do simple addition should know that the expenses and expenditures proposed cannot be met and that a lot of the give-away plans are a bunch of hooey which never will materialize for the principal reason that these funds will not be available.

However, I am sufficiently optimistic to believe that with elimination of waste and a proper budget that this country can meet its obligations and I think the final outcome will be somewhat between the two.

I have a number of friends who I am sure would like very much to have copies of this report, and if you could send me a dozen or more I would be very much obliged to you. — *Charles Stewart Mott, Flint, Michigan.*

Jos. D. King Now Is With Faroll Brothers

(Special to The Financial Chronicle)

ROCKFORD, ILL. — Joseph D. King has become associated with Faroll Brothers, 208 South La Salle Street, Chicago, Ill., members of the New York and Chicago Stock Exchanges. Mr. King was formerly a partner in King and Conrads of Rockford.

The former partnership of King and Conrads has been dissolved and a new partnership consisting of Paul Edward Conrads and Mrs. Lelia King has been formed to continue the business.

We Must Make Up Our Minds

Editor, "Commercial and Financial Chronicle":

As the war—in its European phase, at least,—draws nearer its close, with victory for the Allies assured, it becomes increasingly necessary for the American people to make up their minds in regard to the economic policies they intend to follow when peace comes.

All hands are agreed that after this war there must be no return to the condition of restricted production and widespread unemployment which marked the period of the depression. While few believe we can escape a difficult period of readjustment, there is universal determination that American policy shall be oriented toward maximum production and full employment. This is the sacred duty we owe to the men who have given their all to win the war. But so far, we are sharply divided among ourselves as to how this is to be accomplished.

Under our free economy, where goods are produced primarily for sale, production is limited to the amount that can be sold at a profit sufficient to induce entrepreneurs to take the necessary risks. If we are to maintain maximum production and full employment, therefore, we must be able to find buyers for the goods we produce. Otherwise, unemployment will again set in motion the deflationary forces which precipitated the last great depression.

There are two principal schools of thought in regard to how this problem is to be met. On the one hand, there are those who believe that prosperity for the United States depends upon the development of foreign markets for our "excess" manufactured and agricultural products.

The other school of thought holds that the day has passed when the export trade could be depended upon to absorb our "excess" products; the United States being now a creditor nation, the only way in which we can maintain maximum production and full employment is by developing the **internal market,** depending upon foreign trade only to the extent necessary to pay for those products we do not produce ourselves.

As these two policies require radically different social and political attitudes and techniques, they cannot be followed simultaneously without leading to endless domestic confusion and strife, and also to a wavering and contradictory foreign policy.

We must therefore make up our minds at the earliest possible moment which is to be our policy in the near future.

Prosperity Through Foreign Trade and Foreign Investments

In considering the possibility of achieving lasting prosperity through foreign trade and foreign investments, we must take into account the fact that the United States is one of the few countries that produce an exportable surplus of both agricultural and manufactured products. Our situation is therefore quite different from that of countries which must export manufactures to pay for the food they are not able to produce for themselves, or from countries which produce largely raw materials and food to be exchanged for manufactured goods. If, for example, in the post-war period, Germany should seek to pay for imports of American wheat and lard by sending us manufactured goods in return, our manufacturers and industrial workers would undoubtedly de-

(Continued on page 701)

Railroad Securities

Southern Pacific stock has held up relatively well in recent periods of general nervousness in the speculative rail lists, and many rail men still view it as the most attractive of the so-called marginal roads both for near term speculative purposes and for longer term potentialities. One very strong feature of this road has been the consistent and rapid progress that has been made in the debt reduction program. Not only is this program gradually reducing the burden of fixed charges to a level considered supportable under a return to normal business cycles, but, also, it is gradually eliminating the spectre of the very heavy near term maturity problems. As this program progresses further, there is a general expectation that the company's stock will assume somewhat more of an investment stature.

Due to its extensive property rehabilitation and equipment programs, which incidentally have been paying very handsome dividends in recent years in increased operating efficiency, Southern Pacific did not get started on its debt retirement until 1940, and then only in a small way. The real efforts started in 1941 with retirement or acquisition of $34,441,000 of non-equipment debt and were augmented by roundly $31,000,000 last year.

In 1943 the pace of retirements has been accelerated, with indications that the reduction in debt outstanding with the public (exclusive of equipments) in the first half was about as large, if not larger, than for the full year 1942. In all, roundly $100,000,000 of debt had been retired or acquired from the beginning of the campaign through July 1, 1943, representing about 15% of the non-equipment debt outstanding at the beginning of 1940.

Despite these retirements, financial position remains notably strong. As of the end of May cash items aggregated $138,737,000 in addition to which there were more than $52,000,000 of miscellaneous accounts receivable. Most of these are due from the United States Government and may be considered the equivalent of cash. In addition, it is indicated that the company had some $20,000,000 of Government bonds not included in current assets. The aggregate of these liquid items had increased nearly $150,000,000 since May 31, 1942.

With this financial background further substantial debt retirement may be taken for granted. This is particularly so in view of the highly favorable earnings outlook. Even if the European war were to come to a relatively early end the capacities of transcontinental carriers such as Southern Pacific would be taxed to the utmost as the Pacific phase of the conflict was intensified. A high rate of operations and earnings seems assured at least through all of 1944, not even taking into account that most experts are confident of continued good general business for a number of years after the war.

The debt reduction program has been concentrated on the nearer term maturities, and this policy will likely be continued even though a larger face value of the longer maturities could be retired with a similar outlay due to their wider discounts from par. The debt due within 10 years had been reduced at least to $188,000,000 by July 2, 1943. As the records are not complete it may be even lower than that. By the end of the year it may well be down to $150,000,000 and considering the well defined traffic prospects it should amount to no more than $95,000,000 by the end of 1944.

To refund that debt the company would have available a first lien on all of the Texas & New Orleans property, virtually all of the Central Pacific property and the San Francisco terminal, as well as miscellaneous securities, including the valuable Pacific Fruit Express stock. In addition to easing the maturity problems, this anticipated debt program (considered the minimum and with the possibility of much greater progress) would reduce charges to around $22,500,000. This would compare with charges of $31,688,000 supported in the depression of the early 30s and would be considered low enough to assure a good credit standing for the system. With this prospect the stock is entitled to sell at a far more liberal ratio to current earnings. Earnings were close to $25 a share for the 12 months through June, 1943.

Attractive Situations

Blair F. Claybaugh & Co., 72 Wall Street, New York City, members of the Philadelphia Stock Exchange, have prepared interesting circulars on Ft. Dodge, Des Moines & Southern Railway (4s of 1991 and common), Utica & Mohawk Valley Railway (4½s of 1941), and Consolidated Dearborn (common), which the firm believes offer attractive possibilities at current levels. Copies of these circulars may be had upon request from Blair F. Claybaugh & Co.

Frank Ginberg Of Strauss Visiting In Chicago

Frank Ginberg, statistician of Strauss Bros., 32 Broadway, New York City, is visiting Chicago this week for the NSTA Convention and will be available for consultation with dealers at his firm's Chicago office in the Board of Trade Building.

Wood, Struthers Co. To Admit Gantz and West

Wood, Struthers & Co., 20 Pine Street, New York City, members of the New York Stock Exchange, will admit Gerald M. Gantz and Harold B. West to partnership in their firm on September 1st.

Missouri Brevities

Mercantile-Commerce Appointment

Robert N. Arthur, Assistant Trust Officer, Mississippi Valley Trust Company, St. Louis, will join the Mercantile-Commerce Bank and Trust Company in the same capacity effective Sept. 1. Mr. Arthur has a BCS degree from St. Louis University; an LLB from the Benton College of Law and holds a certificate from the Graduate School of Banking, Rutgers University. He is a past-President of the St. Louis Chapter of the AIB and at present is active in many civic and business organizations among which are the following:

Treasurer and Director of Central Institute for the Deaf;

Secretary and Director—Bethesda General Hospital;

Member of the Board—Big Brother Organization;

President—St. Louis Corporate Fiduciaries Association;

Member of the Board—St. Louis Life Insurance and Trust Council.

NSTA Annual Meeting

St. Louis and Kansas City investment dealers are expected to be well represented at the Annual Meeting of the National Security Traders Association to be held at the Palmer House, Chicago, Aug. 20 and 21. Jerome F. Tegeler of Dempsey, Tegeler & Co., St. Louis, has been nominated as second vice-president.

Henry Richter, President of the Security Traders Club of St. Louis has sent out a letter urging members to attend and participate in the discussion of the idea to have all over-the-counter securities traded on National Exchanges. This plan is being sponsored by the President of the Baltimore Stock Exchange; however, considerable opposition is expected from Missouri Investment dealers and the managements of Missouri Companies whose securities are unlisted.

National Candy Earnings Up

National Candy has continued to advance into new high territory and is easily the most discussed local industrial issue. Estimated earnings for the six months ended June 30, 1943, total $626,034, equal to $2.89 per share of Common compared with $586,078 or $2.69 per share in the first half of 1942. June quarter net was $1.49 per share versus $0.95 in the 1942 quarter. Nothing of a tangible nature has been disclosed regarding possible sale of the corn products division rumored for weeks. Stock recently sold up to a high of 38½ compared with a low this year of 14⅜.

Hussmann-Ligonier Loss

At least one prominent St. Louis company has reason to complain about the ill effects of the war and war contracts on its business. Hussmann-Ligonier Company reports a net loss of $15,758 in the six months ended June 30, 1943 compared with a profit of $103,365 or $0.52 per share of Common in first half of 1942. Peace-time activities of the Company included manufacture of commercial refrigerators and food store equipment, such as electric coffee mills, food choppers, and scales. It is understood that contract prices on sales to the Government have been too low to permit profitable operations on the basis of the volume of business. Recently civilian sales restrictions have been eased slightly. Pre-fabricated houses are built by the Ligonier, Indiana Division.

Anheuser-Busch Enters New Field

St. Louis traders were pleasantly surprised last week by the release of publicity on Anheuser-Busch's new Synthetic Meat discovery. While rumor had reached the street that this firm's research laboratories were developing some products unusual in character, no one was quite prepared for a development as unique as Synthetic Meat. More startling was the news that the product had actually been in use for some time in substantial volume by our Army and Lend-Lease. Composed primarily of molasses, ammonia, water, air and yeast, this product is a development of the Anheuser-Busch Yeast Division, and appears to offer a new field having tremendous potentialities. As "Time" magazine in its August 9th issue aptly put it: "The World's Cattle May Well Be Heading For The Last Round-Up." Obviously, this broadening of its activities lent strength to the market for the Company's stock, and within the past week Anheuser-Busch, Inc. Capital Stock has moved from 69 to 79 with a substantial buying-interest being shown by out of town sources.

Glider Tragedy

The St. Louis investment fraternity along with the entire citizenry of St. Louis were deeply shocked and grieved by the recent Glider accident at the local airport, which took the lives of a group of its most prominent citizens.

In addition to Mayor William Dee Becker, the following men well known in the investment business met their death: Thomas N. Dysart, President of the St. Louis Chamber of Commerce, had previously been connected with Wm. R. Compton & Co. and later was a partner of the firm of Knight, Dysart & Gamble up to the time of its dissolution. As one time President of the Investment Bankers Association of America, he had a host of investment banking friends throughout the country. Another victim, Charles L. Cunningham, Deputy Comptroller of the City, primarily in charge of its fiscal affairs, was widely known by Municipal Bond men and was always an able and courteous source of information regarding the City's finances.

Thompson With AMGOT

Arthur F. Thompson, Jr., Vice-President of Harvey Fisk & Sons, Inc., who is on leave of absence, has been commissioned a captain in the AMGOT.

Attractive Possibilities

Federal Water & Gas Company offers attractive possibilities at current levels, according to an interesting circular issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of this circular may be had from the firm upon request.

Railroad Earnings Have Turned Downward!

(Continued from page 686)

Net Income for 12 Months' Period Ended With Month Indicated

	—After all tax reduction—		Before deduction for —Federal income taxes—	
Month—	Amount in thousands	% of inc. over preceding total	Amount in thousands	% of inc. over preceding total
January	$997,895	4.1	$1,824,887	6.2
February	1,038,198	4.0	1,933,932	6.0
March	1,077,740	3.8	2,052,571	6.1
April	1,103,164	2.4	2,147,108	4.6
May	1,125,184	2.0	2,223,203	3.5
June	1,114,711	*.9	2,265,023	1.9

*Decrease.

The decline in railroad earning power is also evident before deducting Federal Income Tax. While the above tabulation shows that the percentage increase is flattening out, it is likely that these figures will result in decreases before the year is over.

It has generally been a truism in railroad affairs that the step-up in operating revenues would not bring with it immediately a corresponding step-up in expenses, and that the expenses would lag. Since we have observed that the operating revenue of roads is beginning to slow down its rise, and since, on a comparative basis, the net income is also beginning to decline, it may be assumed that the monthly comparisons, from here on may reflect, progressively, wider declines throughout the last six months of 1943. In the first place, gains in traffic (and revenues) will narrow as comparisons are made with the high levels of late 1942. Furthermore, increased tax accruals and larger depreciation charges will begin taking toll of the net income figures. Prospective wage changes will also heighten the unfavorable contrast.

Previous to the maximum war traffic, students of railroad affairs have pointed out that the large pick-up in traffic—and therefore in earnings — will reflect itself in a larger increase in the cash position and current assets of the roads. They have pointed out that current assets could be successfully used by railroads to retire their debt structures.

Although the amount of temporary cash investments of railroads is large—aggregating $2,324,600,000, on May 31, 1943—the amount of the accrued tax liability is also large, amounting to $1,351,600,000 on the same date. The ratio of current assets to current liabilities has changed but little since the beginning of the year.

1943 (End of Month)	Current assets (millions)	Current liabilities (millions)	Ratio
January	$3,111	$1,862	1.67
February	3,407	2,037	1.67
March	3,448	1,979	1.74
April	3,646	2,112	1.73
May	3,887	2,294	1.69

Nothwithstanding a large change in totals, the ratio of assets to liabilities at the end of May 1943 (1.69), was almost the same as at the end of May 1940 (1.70).

Current railroad stock prices have little relationship to current earning power. Therefore, the declining trend of railroad earning power may not importantly influence the prices of railroad equities. However, it is significant to point out that in 1937 the then declining earnings trend brought with it declining stock prices.

While it is difficult to maintain definite conclusions because of imponderables, including the duration of the war, the level of industrial activity in the post-war period, etc., nevertheless the declining earnings trend under present war conditions suggests a cautious policy toward rail securities. A tentative conclusion, however, can be that railroad earning power has already passed its peak, and that even though operating revenues should stabilize the increased tax accruals, higher costs and increased depreciation will make for unfavorable earnings comparisons from here on.—**H. L. Federman, Statistical Department, Ira Haupt & Co.**

Mfrs. Trust Interesting

The current situation in Manufacturers Trust Co. offers attractive possibilities according to a bulletin just issued by Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this interesting bulletin may be had upon request from Laird, Bissell & Meeds.

Situations of Interest

The current situations in The National Radiator Company and Public National Bank and Trust Co. offer attractive possibilities, according to memoranda being distributed by C. E. Unterberg & Co., 61 Broadway, New York City. Copies of these interesting memoranda may be had from the firm upon request.

Additional Comments Anent Dr. Wright's Articles On Inflation and Deflation

The "Chronicle" recently published two articles, written by Dr. Ivan Wright, Professor of Economics, Brooklyn College, in which the author suggested to management and investors a program calculated to offer the best possible protection against the effects of inflation and deflation. The first of these studies, entitled **"Managing a Business for Stockholders Through the Vicissitudes of Inflation,"** was published in our issue of July 8, and the second, bearing the caption, **"When Inflation Comes, Deflation Cannot Be Far Behind,"** appeared in our issue of July 22. As was to be expected, numerous comments have been received regarding the views and conclusions drawn by Dr. Wright in his articles. Some of these expressions were given in previous issues of the "Chronicle" and others that can be accommodated in this issue are given herewith:

DR. RAY LYMAN WILBUR
Chancellor, Stanford University

I have read with sympathetic interest the article by Dr. Ivan Wright on "When Inflation Comes, Deflation Cannot Be Far Behind." I am confident the only way we can avoid serious trouble is to increase general taxation, control production prices near their source, take the broad view and stop Government responses to selfish minorities.


Ray Lyman Wilbur

As to the practical answer, it seems to me that an adequate Sales Tax is both desirable and inevitable if we are to be in a position to deal fairly with those who are investing in Government bonds.

HON. WILLIAM B. BARRY
Representative in Congress from New York

I greatly enjoyed reading Dr. Ivan Wright's second article on inflation. I quite agree with his views.

A. B. KELLER
Vice-President and Treasurer, International Harvester Company

We are eager to have the views of individuals as competent as Dr. Ivan Wright.

You may be interested to know that we have considered these studies to be so well done that we have acquired additional copies and have distributed these to the administrative group of our Company. The subject matter is of current importance.

Hon. LYLE H. BOREN
Representative in Congress from Oklahoma

I have read carefully the article by Dr. Wright on inflation and it contains much constructive thinking.

Hon. A. WILLIS ROBERTSON
Representative in Congress from Virginia

I fully agree with Dr. Wright that we must avoid both currency and credit inflation. But if we can't in the coming months avoid serious price inflation we may ultimately be forced into currency inflation.

C. F. BURTON, President
The City Bank, Washington, D. C.

The articles of Dr. Wright are quite interesting. At least, he is realistic.

My own view as to inflation itself can be rather tersely put and for me sums up the cause and probable extent. To the extent that the yardstick is stretched, the value of each inch becomes less. As the yardstick stretches, it will take more inches to measure the cloth, which remains the same.

Money in circulation and bank credit is the yardstick. The more of this we have, the less each unit will be worth in purchasing power of what there is to sell.

Increase of government debt does the trick, especially that part going to banks.

The conclusion I reach is that prices, in terms of dollars, will tend to increase in proportion to the rise in the Federal debt. Rationing will slow it down but eventually the prices will seek and reach the level indicated.

I have yet to hear of any formula that will "beat the game." The best I can find is along the argument of Dr. Wright — keep mobile and be able quickly to move with the tide.

Riter Of NASD Urges Care In Licensing

(Continued from page 687)

are such as that if an applicant for membership is engaged in the securities business, or is to become engaged and has not not been expelled or suspended from a securities association or has not had his registration revoked by the SEC or was the cause of such revocation, and he is licensed by the appropriate State, he is admissible to membership in the Association.

"Literally it is a fact that the Association has authority over the conduct of a **member** and requires of him standards of practice designed to protect the interest of investors, but no standards of this character exist that can be applied to **applicants** for membership. This is a weakness which has been recognized and appreciated by the Board of Governors and it is hoped that a way will be found, in time, to correct the situation.

"In the meantime, however, it seems desirable if not obligatory upon us to face realities of the situation that appears to be developing. The problem facing everyone whose responsibility it is to administer laws, rules and regulations pertaining to the establishment and conduct of a securities business, is the **prevention** of abuses of investors as well as the punishing and disciplining of those who have perpetrated these abuses. An ounce of prevention in this very useful endeavor would be worth many pounds of cures.

"I am not prepared nor would I be so presumptuous as to offer specific recommendations to you or others similarly concerned. I did feel it my duty, however, to acquaint you with the fact that we have been witnessing a migration back into the securities business. In the normal course of events it would seem logical to assume that this migration will include a quota of undesirables as would be true of an infiltration of any business. Insofar as the State and Federal regulatory agencies are successful in preventing as many of these undesirables as possible from securing licenses to engage in the securities business, the task of regulating the conduct of those so engaged will be that much less and our whole effort that much more effective.

"I should be very happy to hear from you in respect to this problem."

Michigan Brevities

Offerings of several bond issues, the purchase of a new building by Detroit's second largest bank and personnel shifts made up the bulk of the financial news from Detroit in the last month.

The **Manufacturers National Bank** announced that it would move from the Penobscot Building into the building which once housed the old Peoples State Bank. The announcement was timed to coincide with the bank's tenth anniversary and gossip around Detroit is that the building was purchased from the First Liquidating Corporation for about $400,000.

A day or two later, the bank also announced that B. J. Craig, Vice President and Treasurer of the Ford Motor Company, had been added to the directorate.

* * *

Early this month a group headed by **Blyth and Company, Inc.,** and **First of Michigan Corporation,** which included **Miller, Kenower & Company; Paine, Webber, Jackson and Curtis; Walting, Lerchen & Company; McDonald, Moore and Company;** and **Juran, Moody and Company** offered a new issue of $905,000 of Oakland County, Michigan, southeastern Oakland County sewage disposal system 3% revenue bonds to yield 1.50 to 2.90%.

The disposal system will serve 46 square miles of territory and the bonds will be secured by a lien on the net revenues from all sanitary sewage disposal service furnished to 12 communities. The county has agreed to levy charges sufficient to pay principal and interest and create ample reserves, including 18 months' principal and interest requirements.

* * *

Also of interest was the announcement by **State Treasurer D. Hale Brake** that the current high bond market is helping the state liquidate its holdings of sub-par municipal bonds.

In the fourth sale of such bonds in which securities with a par value of $252,400 were offered to 22 bidders, the bonds brought $204,422 or 80.9% of par for a gain of 6% over the previous sale.

East Detroits brought the least favorable price. One offering of these bonds brought 58.13 and another $18,000 worth brought 37.56 of par. Garden City and Lincoln Park bonds brought between 85 and 92% of par.

State Treasurer Brake also sold $220,000 worth of above par bonds for $233,356. A large part of these were Detroit bonds which brought 105 to 108% of par with the balance made up of Grosse Pointe Park, River Rouge, Ypsilanti and Fordson School District and other small nearby communities.

All told, the Treasurer held nearly $1,500,000 in the below-par bonds which he decided to sell by sandwiching them in with some better issues.

* * *

There was also considerable interest in the rehiring by General Motors of W. F. Armstrong, and Frank R. Pierce by General Motors Corporation.

Both left General Motors some years ago to join Nash-Kelvinator Corporation and both resigned the latter connections, where they were vice-president in charge of production and sales respectively, at the same time.

Armstrong is now assistant to Vice President Albert Bradley and Pierce is in charge of public relations here in Detroit for G.M.

The **City of Detroit** stepped into the market and was low bidder for $700,000 in Department of Street Railway revenue notes, maturing January 15, 1944-47. The winning bid was 0.80.

Other bids were as follows: **Halsey, Stuart and Company,** 0.85; **National Bank of Detroit,** 0.87; **Paine, Webber, Jackson and Curtis,** 0.89; **Braun, Bosworth & Co.,** 0.90; **First of Michigan,** 0.97; and the **Chemical Bank and Trust Company,** 1.09.

* * *

Miller Tool and Manufacturing Company, whose stock is one of the popular unlisted issues, has purchased all of the outstanding stock of the Precision Manufacturing Company for an undisclosed cash consideration.

Precision does business largely with the aircraft industry, manufacturing special tools, jigs, and fixtures, and also handling certain types of aircraft production work. Miller's management said that the acquisition will broaden the firm's line, which heretofore has been largely automotive in peacetime.

Sales of Miller have been running around $175,000 a month and Precision about $90,000, it was stated.

Frank H. Kemp With Chas. Parcells & Co.

DETROIT, MICHIGAN—Frank Kemp, known in the past as Trading Dept. Manager of Cray, McFawn & Co., has returned to the securities business in a similar post with Charles A. Parcells & Co., Penobscot Building, members of the Detroit Stock Exchange.


Frank H. Kemp

After leaving Cray, McFawn & Co. in 1938, Kemp was associated with Field & Co. until February 1939, when he left the securities business upon Field's discontinuance. In 1940, he returned to Detroit after residence in Mexico, convinced that conditions in the United States were still better than in distant pastures. For the past few years, Mr. Kemp has been in the real estate field, as manager of State-owned income producing properties.

His "street" experience, with only comparatively few years' exception, dates back to the outside Curb Market in 1916, following four years of New York City banking experience which included the handling of credit documents covering shipments on the last trip of the ill-fated SS. "Lusitania." Following his enlistment in 1917 and discharge from U. S. N. R. F. in 1919, Mr. Kemp went to Detroit where he was active in trading both on the Detroit Stock Exchange and in over-the-counter securities until 1927 when he returned to N. Y. C. to wholesale and make markets in special situations.

In 1929 he returned to Detroit, trading. In 1932, he joined Cray, McFawn & Co. and was admitted to the firm in 1935. He was one of original group of fourteen who organized the National Security Traders Association in 1934 thereafter serving as National Committeeman or alternate through 1938. He was also active in organizing Securities Traders Association of Detroit and Michigan in 1935. He is a member of the Bond Club of Detroit.

Slate Presented To Detroit Traders Ass'n

DETROIT, MICH. — John K. Roney of Wm. C. Roney & Co., Chairman of the Nominating Committee of the Securities Traders Association of Detroit & Michigan, Inc., announces that the following members were nominated for the various offices for the 1943-1944 fiscal year beginning Oct. 1, 1943.

President: Paul I. Moreland, Allman, Moreland & Co.; Ray P. Bernardi, Cray, McFawn & Co.

Vice-President: Don W. Miller, McDonald, Moore & Co.; Jones B. Shannon, Miller, Kenower & Co.

Secretary: Ray E. Davis, E. H. Rollins & Sons, Inc.; Pierce A. Hastings.

Treasurer: Charles C. Bechtel, H. V. Sattley & Co.; Harold R. Chapel, Crouse, Bennett, Smith & Co.

Any additional nominations must be received by the Secretary on or before Aug. 27, 1943.

Connecticut Brevities

The Connecticut municipal bond market is still at a loss for offerings, the only new issue having been $100,000 City of New Britain 1% Sewer Fund bonds due serially from July 1, 1945 to 1954 inclusive. These were purchased for 101.169 or approximately a 0.81% basis, thus recording a new high.

In the utility field, an all-time high record of sales of electric power in the State of Connecticut was established during the first six months of the year. The state's four major utility companies' combined sales totalled 1,146,495,000 kilowatt hours, which represented an increase of 9% over the previous year, and 30.7% over 1941 peacetime sales.

United Illuminating showed the greatest percentage of increase in sales, being up 12.1% from a year ago, while **Connecticut Light & Power's** sales were up 9.5%, **Connecticut Power's** increased 9%, and a gain of 4.8% was recorded by **Hartford Electric Light.**

For the 12 months ended June 30, 1943, **Connecticut Light & Power** showed net earnings of $2.625 a share as compared with $2.719 a share for the corresponding period a year ago. Total operating revenues of $26,178,043 showed an increase of 8.3% over the preceding 12 months, while there was an increase in taxes of 45%. Taxes were equivalent to approximately $2.86 per share.

Southern New England Telephone showed total revenues of $14,401,691 for the first half of 1943 as compared to $12,401,649 a year ago—an increase of 15.2%. However, the net result was reduced by a sharp increase in taxes, and the final net showed $3.50 per share as against $4.11 for the corresponding period in 1942.

Derby Gas & Electric Company's operating revenues were $2,325,275 for the twelve months ended June 30, 1943 as against $2,120,850 for the period ended June 30, 1942. Consolidated net income increased to $390,611, from $322,300 a year ago. Based on 146,591 shares, earnings were $2.66 and $2.20 respectively.

Eagle Lock Company has called a special meeting of its stockholders for August 27 to consider a plan of reorganization whereby **S. F. Bowser Company** would acquire the company's property and assets. For each share of Eagle Lock, the stockholder would receive one $25 par 20-year 5% debenture and ½ share of common stock of Bowser Co. This latter company intends to spend $250,000 for the improvement of the Eagle Lock plant to step up production.

Six months' earnings for **Yale & Towne Manufacturing Company** were $1.52 a share. Earnings for the June quarter (after taxes) were 73c a share against 39c for the quarter a year ago, or a total of $356,171 against $189,500, respectively.

The Peck, Stow & Wilcox Company at its annual meeting of stockholders reported gross profits of $771,838.65 for the fiscal year ended June 30, 1943. After depreciation of $62,744.79 and taxes of $534,968.32, net income totalled $174,125.54 of which $75,000 was paid in dividends and the remainder added to surplus.

The company is engaged almost 100% in war work, and its greatest problem at present is the employment situation. Nearly 30% of the employees are women.

Out of each $100 income, approximately $96.11 went into wages, materials, taxes, overhead and miscellaneous expenses, while $1.68 was set aside to pay dividends to stockholders, and the balance, or $2.21 was added to surplus account.

United States Envelope Company reported a 16% increase in sales during the first half of this year over 1942. The volume of paper products is increasing, and the bullet core department has been enlarged to meet increased production demands.

Net profit for the six months ended July 3, 1943, after Federal income and excess profits taxes, was reported at $339,558 against $322,014 a year ago. After payment of preferred dividends, this was equal to earnings of $7.64 per share on the common as compared to $6.97 in the first six months of 1942.

As of June 30, 1943, two Bridgeport banks recording increases in indicated book value were: First National Bank equal to $12.12 a share as compared with $11.54 on December 31, 1942; and Bridgeport-City Trust Company equal to $44.35 a share, compared with $43.75 as of the year end.

Connecticut Investment Management Corporation had an indicated net asset value of $730,120 as of June 30, 1943. This compares with $485,583 a year ago, and on a per share basis is $4.34 against $2.83 in 1942. A substantial appreciation in security values increased the stock and bond portfolio from $431,459 to $658,938.

Hartford Accident & Indemnity Company, subsidiary of the **Hartford Fire Insurance Company,** is now the largest accident and casualty company in the United States from the standpoint of total assets which aggregated $110,844,846 as of June 30. Sharp appreciation in security values brought about a large gain in surplus and voluntary reserves while liquidating value per share advanced from $96.99 as of December 31, 1942 to $101.46 as of June 30, 1943.

The Hartford Steam Boiler Inspection & Insurance Company, in recently released figures, shows that for the first six months of the year the amount of net premiums written had increased $1,045,531 over the corresponding period last year. In comparison, losses were $74,945 less than a year ago. Since the year-end, assets have shown a gain of $1,652,110. As of June 30, 1943, liquidating value per share was $51.93, having advanced from $44.26 in 1942.

Fansteel Common Stock Offered Publicly

Public offering of a new issue of 53,566 shares of common stock (no par value) of Fansteel Metallurgical Corp. was made Aug. 18 by a banking group headed by Hallgarten & Co. and including Blyth & Co., Inc., Central Republic Co. (Inc.), Paul H. Davis & Co., and Paine, Webber, Jackson & Curtis. The offering price is $19 per share. Proceeds from this financing will be used to augment working capital. The outstanding common stock is listed on the New York Curb Exchange and application has been made to list the additional shares currently being offered.

The company is engaged in the production, refining and fabrication of the metals tantalum, tungsten and molybdenum. Fansteel is an important producer of tantalum, tungsten and molybdenum parts used in the manufacture of electronic tubes; tantalum parts for use in acid-proof chemical equipment; equipment parts and materials for use in electrical devices and ignition systems for use in the aviation, automotive and various other industries; and carbide and other cutting tools and dies used by the metal working trades.

A Practical Interpretation Of Inflation

(Continued from page 686)

government expenditures will undoubtedly continue high as the budget will include heavy interest charges, funds to take care of returning war veterans and to maintain a military establishment considerably larger than pre-war normal, and possibly funds for make-work projects and foreign loans, although total expenditures will naturally be considerably lower than the present emergency rate. All of these factors strongly suggest a continued expansion in the supply of cash and thus, we will still have in the post-war period this most important component of inflation.

Demand: Partially as a result of the cash factor, post-war demand for goods and services is expected to be excellent. The unprecedented supply of cash should couple with the huge pent-up demand to sustain employment at a fairly high level. This will be supplemented by a heavy demand for our products to feed and reconstruct the devastated countries. In addition, there will be the activity generated by all types of repairs, renovations, modernization and the development of new products and processes. We have herein sufficient evidence to suggest a level of demand higher than the best pre-war years. Thus, we will have the second basic component of inflation—a high level of demand, at a time when price controls may be weakened by the passing of the emergency.

Supply: Now we must turn to the supply factor. In this, we will find a vital point in the whole problem as to whether or not we shall have commodity price inflation of the wilder type. **It is fundamental that the price of any commodity or a service will not rise if supply is ample in relation to demand.** The impregnable barrier to commodity price inflation is production, production and **still more production.**

We most definitely do **not** have to have a disastrous commodity price inflation even though the cash and demand factors are propitious to such a catastrophe. Our capacity to produce is enormous. We did not know how really tremendous it was until we encountered the current threat to our civilization. The nation is fantastically wealthy in its supply of natural resources, production facilities and (in normal times) skilled labor.

One must never think of commodity price inflation in this country without giving full consideration to our ability to produce wheat, corn, cotton, oil, coal, iron, cattle, etc. Nor may we overlook our tremendous capacity for fabricating these raw materials into finished products, nor our supply of skilled labor. We must also think how a rising commodity price level would tend to stimulate our production and sooner or later correct any condition of under-supply.

French-German Fear-Type Inflation? If we are to have the proper conception of what this country faces along inflationary lines, we must completely destroy the erroneous analogy of the inflation experiences of France and Germany in the 1920s. The broad acceptance by investors and business men of that experience is doing more to confuse the issue than anything we know of. Those countries did have a rapid expansion in the supply of cash, as we have, but they did not have our natural resources. Their economies depended heavily on imports and as these products came into the countries when exchange rates were rapidly deteriorating, their internal commodity prices had to immediately reflect the phenomenon in sharp increases. These necessary price increases did not stimulate supply. We are not dependent on imports. Rising prices here stimulate production. Consequently, we think, it is completely erroneous to use these precedents as a guide for what may take place here.

Watch Restrictions on Supply: There can be no doubt that our resources and facilities for production are sufficient to satisfy even the high levels of demand which might be expected from our huge cash position. However, bureaucratic restrictions could upset the whole applecart. We have already seen how attempts to saddle the meat packing industry with arbitrary restrictions has caused hundreds of marginal slaughter houses to go out of business. Similar mishandling of any industry will likewise tend to curb that supply which is so vitally necessary to prevent a commodity price inflation. This factor, in our opinion, is one of the most important intangibles to watch in considering inflation. **Anything which discourages production, such as price fixing, taxes and restrictions which may retard the incentive to produce, will stimulate commodity price inflation.**

One of our primary reasons for bringing up this subject at the present time is our belief that at least some of the officials in Washington are beginning to see the logic of the above diagnosis of the inflation problem. We would not be surprised if some modest commodity price increases were permitted before the end of this year in spots where such action would stimulate the desire to produce. We also feel that political trends are such as to warrant a better-than-even chance that a similar philosophy will be carried into the post-war economy. At any rate, it is our belief that such a presumption should be the basis of investment and business planning for the post-war period until, and unless, we find evidence to alter the conclusion.

Practical Application: What then is likely to be the result of a huge money supply if it is not to be a fear-type price spree? Again we say, simply visualize a huge supply of cash and simply use common sense in determining how it is likely to be used. There will be an abnormally high demand for all of the necessities and luxuries, as well as a stimulation in the development of new products and processes. If this demand is accompanied by a relatively good balance of supply, the period will be entitled to the label of "prosperity," with the condition of individual companies and industries being influenced by their own competitive conditions. This does not necessarily suggest a flight from the dollar into "things," simply because we have a fear of the dollar. In this respect, our condition differs materially from the French and German type of inflation.

Rather than select a commodity stock merely because it represents an ownership in "things," pick out a company whose business will benefit by a high level of demand, whose competitive conditions suggest a satisfactory profit margin, and whose management is alive to the many changes that the war has brought in all phases of economics, finance and social relationships.

Of course, there is another phase of the problem which has a direct bearing on stocks. Consider them as a commodity; the supply is fixed and the demand tends to be enlarged by the huge supply of cash. Meanwhile, with the federal debt problems, it is difficult to see how the government can do other than continue its low interest rate policy, which in turn will influence the relative attraction of stock income return compared with bond yields for an extended period.

The Securities Salesman's Corner

SOME SUGGESTIONS FOR PLANNING YOUR FALL SALES CAMPAIGN

A sales organization without a definite plan for doing business is like the proverbial ship without a course. It is now, when the vacation season is drawing to a close, that the sales department should prepare its ammunition and set up its procedure, for the active business months which lie ahead.

Merchandising investment securities unlike many other products in other lines of business depends for its success upon the manner in which **ideas are based upon sound creative imagination and are presented to the proper market.** The firm that handles a wide list of investment and speculative general market securities and trusts to luck and the law of averages for its sales results, may do some business—but it is missing the greater opportunities which result as a natural consequence of planned systematic sales promotion.

The first step in planning an aggressive sales campaign is to make an analysis of the firm's present customers, their preferences as to type of investment; such as near term speculators, those who lean toward "special situations" having a longer term speculative appeal, straight investors for income, and combinations of the foregoing. The results of this survey should then be brought before the statistical and buying departments **as a guide** in the selection of the firm's offerings for the future.

The retail merchant plans his fall commitments upon orders placed in the Spring, and these future commitments are predicated upon what he knows about the buying habits and preferences of his established clientele. This procedure is based upon common sense fundamentals which have become almost axiomatic in practically every line of business—yet there are investment firms who completely ignore such important considerations, even to the extent that they have no specific idea of the buying habits of their established customers and **instead** decide upon the securities they wish to recommend by playing hunches, making guesses, and **"what looks good at the moment."**

The next step in planning a program that will meet with the approval of the individual salesman and help him to coordinate his efforts toward achieving a larger measure of success, is to **set up a definite idea which he can use to increase his volume from both new and old accounts.** The successful securities salesman, is in a somewhat different category than salesmen in other lines. He does more than sell a stock or a bond—he **must convince others that their investments can do things for them** The day when a salesman could take out a list of offerings and people would buy them, are over. Today, there is a creative selling job to do.

Now as to ideas—the woods are full of them. People are interested in protecting their principal against post-war depreciation. The possibilities of inflationary influences are more apparent to serious investors today than ever before. Post-war reconversion can be made into a dramatic approach to new business. The securities of companies faced with serious problems in this respect would make excellent vehicles for study and exchange into more favorably situated investments. A program designed to help customers eliminate common stocks of companies with topheavy tax burdens is another. Then we come to the new industry developments, the plastic, electronic, automotive, chemical, air-conditioning field, etc. Why not set up four of five "real comers" in such industries, familiarize your sales organization with these industries as well as the companies you've selected and bulid your entire campaign around such optimistic and interesting developments. Or, if you prefer to stick to some of the old standbys, such as a plan for increasing income, a security "watching service" which you offer to your clients, providing a report service, increasing safety of principal through portfolio analysis, an offer of special reports on widely held securities of local interest, these and many more such **ideas** can be adopted.

The next procedure, after you've decided where you are and where you wish to go—**is to adopt one vehicle and stick to it.** Don't scatter the shot. In merchandising securities you don't shoot ducks with a shotgun, it can't be done that way. You've got to use a high powered, single-barreled rifle—pick your targets, select the right ammunition, and then fire. Newspaper advertising, in conjunction with direct mail should be planned ahead, and every move should be made with the full cooperation of the sales organization and the men on the firing line. In regard to the individual salesmen, they should be consulted on any proposed plans, their cooperation should be enthusiastic, and their preparation for the job must be thorough.

In fact, a system of bonuses and extra compensation might well be included as a part of the general procedure. Net week we are going to offer a few tested methods of stimulating sales production in conjunction with this sort of a campaign.

Business Life Insurance Not Subject To Excess Profits Tax

Mutual Life Counsel Explains Recent Tax Court Decision

Contrary to the implications erroneously drawn by many business men from commercial digests of a recent U. S. Tax Court decision in the Premier Products Company case, life insurance proceeds collected by a corporation upon the death of one of its key men are still exempt in full from Federal income and excess profits taxes, John G. Kelly, Assistant General Counsel of The Mutual Life Insurance Company of New York, said early this week.

Under the law, Mr. Kelly pointed out, the excess profits tax does not apply except when death proceeds of life insurance policies are subject to income tax. That occurs, he said, only when policies were not purchased by a corporation directly from insurance companies, but by way of assignment for a valuable consideration. This was the situation that existed in the court decision in question, Mr. Kelly stated. In such cases, the so-called excess over cost to the corporation becomes subject to tax. In all other cases, Mr. Kelly said, the death proceeds are fully exempt from income and excess profits taxes, as before.

The recent court decision, he stated, deals with a technical provision for relief of the excess profits tax law, and merely holds that if life insurance proceeds, because of an assignment, are required to be included in gross income, such "abnormal income" is not attributable to prior years for excess profits tax purposes.

Says Rising Living Costs Hurt 20,000,000 In Low Income Groups

The incomes of more than 20,000,000 persons who depend on fixed low wages, pensions or allotments, or meager checks from Governmental units, are shrinking with every rise in the cost of living, the Office of War Information said on Aug. 13.

In pointing this out, the OWI announcement also stated:

"Nine million are dependents of men now serving in the armed forces of the United States.

"Nearly 2,200,000 are aged persons on State public assistance rolls.

"Another million are disabled veterans drawing pensions or disability compensation, or the widows and dependent children of veterans.

"Retired and disabled firemen, policemen, state and municipal employees totalling 158,000 are receiving pensions or retirement pay.

"Dependent children receiving aid through Federal and State welfare funds number 739,000.

"Fifty-three thousand are blind.

"About 700,000 retired workers, widows and young children receive social insurance payments under the Old Age and Survivors Insurance program of the Social Security Board.

"More than 400,000 persons are drawing annuities for which they had to put away their savings for many years.

"Not all of these people, of course, depend entirely on the Government or insurance checks coming to them monthly, but the payments they receive are fixed and do not rise with the rising costs of living. Each check will purchase fewer necessities if prices continue upward. So will the dollars of 6,000,000 others—teachers, public employees such as firemen, policemen, nurses in state and city hospitals; municipal, county, township and state employees, and workers on Federal government rolls.

"The 9,300,000 men in America's armed forces, each receiving non-elastic dollars, are among those who, when on furlough for instance, would feel the immediate pinch of every upward twist of the inflation spiral."

Inflation is a danger to every person in the country, OWI said, but its most serious effects are felt by the fixed-income and low income groups.

WLB Sets Up New Shipbuilding Panel

The National War Labor Board created on Aug. 12 a new six-man tripartite Shipbuilding Commission to handle labor disputes and voluntary wage adjustments in the shipbuilding industry.

The new Commission replaces the Shipbuilding Commission created by the Board last January and differs from its predecessor in that it will have no representatives from the Government procurement agencies. The new group includes two representatives of the public, of labor and of industry. One representative from the Maritime Commission and one from the Navy sat with the old Commission.

"Representatives of the Navy, the Secretary of War, the Chairman of the Maritime Commission and the Chairman of the War Production Board," it was announced, "may consult with the Shipbuilding Commission, but no representative of the Government procurement agency will have a vote in Commission decisions.

"The Commission's rulings and orders will have the same effect and are subject to the same provisions for stay and review by the WLB as rulings and orders of Regional War Labor Boards."

Members of the Commission are William E. Simkin of Philadelphia, Chairman; Burton E. Oppenheim, Deputy Director of the WLB, Co-Chairman; C. W. Middleton, Vice-President of the Babcock & Wilcox Co., New York; Robert G. Howlett of the New York Shipbuilding Co., James J. McEntee of the International Association of Machinists, and Lucien Koch, national representative of the International Union of Marine and Shipbuilding Workers of America (C. I. O.).

Canadian Securities

By BRUCE WILLIAMS

Champions of free enterprise in Canada got a sudden chill last week. In their excitement over the large gains of the Progressive-Conservative party at the expense of the Liberals in the Ontario election and four Dominion by-elections, they at first overlooked a more significant fact. On sober reflection it became apparent that the most important result of the elections was the sharp improvement in the strength of the socialists.

Holding out the promise of plenty-for-all provided by an all-wise, all-powerful State, Canadian socialists under the banner of CCF (Cooperative Commonwealth Federation) have suddenly emerged as the real opposition party in the Dominion. Being a self-styled party of "militant and revolutionary socialism," there is little wonder that the gains of the CCF have caused sober Canadians to stop and take note. Backed by the CIO and at least in part financed with CIO funds, the CCF has no real counterpart in this country. Its closest resemblance here is to be found in the extreme leftist New Dealers.

With the threat now clearly defined, perhaps the shock of the recent elections will benefit Canadian policies in the long run. Despite the rapid growth of the CCF it is still backed by only one-third of the Canadian voters. The political exponents of free enterprise still have time to put their house in order.

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The bond market was quiet last week. Direct Dominions were off a bit from their recent highs. Guaranteed issues, on the other hand, were slightly stronger, bringing the differential between the two groups to what observers consider a normal spread. At the close of the week Canadian Government bonds were selling on a 2½% basis as against 2¾% basis for the guaranteed issues.

Eastern Provincials continued in demand in a quiet market. Manitobas and Saskatchewans were off slightly on few trades. A large transfer of long-term British Columbia bonds to this country created an active market in issues of that province with prices steady.

Canadian corporates and equities continued to follow the moderate downtrend established at the end of the previous week. Although free Canadian exchange was down recently from last month's peak in sympathy with the easier turn in corporates and equities, the rate firmed up again at the close of the week. It seems evident that in the long run the pressure on the rate in the direction of parity with the U. S. dollar will increase.

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An interesting comparison of brokers' loans on July 31, 1943, with those outstanding in 1937 has been released by W. G. Malcolm, president of the Toronto Stock Exchange. Total loans of member brokers as of July 31, 1943, are reported at $9,100,000, which represents .19 of 1% of the quoted value of securities listed on the exchange. On the corresponding date in 1937, brokers loans amounted to $39,800,000.

Pointing to the sharp rise in security prices, Mr. Malcolm comments: "It would seem that the increase in the value of securities on the Exchange, without any large increase in loans, reflects a great amount of confidence on the part of the public in the financial structure of companies in Canada."

Weather Conditions Favor Canadian Crop Development

Weather conditions have favored crop development in the Prairie Provinces of Canada during the week of Aug. 5, although rain is needed in many districts, according to the Aug. 12 crop report of the Bank of Montreal. Where moisture conditions are satisfactory, wheat, oats and barley are filling out well, says the report, but in the dry area of Saskatchewan and Alberta, growth is stunted and yields will be light. The report also indicates that in the Province of Quebec, grains are making satisfactory progress, with prospects of average yields. Although retarded by rain, the harvesting of a large hay crop is indicated. In Ontario, heavy rains during the past week delayed harvesting operations somewhat, but were beneficial to crops generally. The Fall wheat harvest is nearing completion with yield and quality below normal. In the Maritime Provinces, rain has hampered operations and retarded growth. Warm, dry weather is required. In British Columbia, growing conditions continue satisfactory. Early apples, apricots, potatoes and semi-ripe tomatoes are being shipped.

Sharing Wealth With Rest Of World Not Required In Peace Plan, Heimann Of Credit Group Says

Peace plans based on trying to make it possible for more people to enjoy more blessings does not mean that we shall play Santa Claus to the world, says Henry H. Heimann, Executive Manager-on-leave, of the National Association of Credit Men, in his "Monthly Review of Business" released Aug. 16. He points out that sharing our wealth with the rest of the world would merely make everyone poorer. "We must seek an after-the-war program which will eliminate Fascism, Nazism and dictators and at the same time teach the people of oppressed countries how to acquire more necessities and luxuries. We may be called upon for some financial help but such assistance should be only secondary to the general program for rehabilitating the oppressed country."

"We cannot be blind to the situations that gave rise to the collapse of some of the conquered countries or that permitted the rise of Fascist dictators within their borders," the credit chief says. "Unless these causes are studied and sensibly cured, there can be no assurance that a quarter of a century from now we may not be right back in this same situation.

"When I say the situation should be cured, I don't mean a perfect state is to be insured. No one can insure a happy and comfortable way of life. The history of the world shows that the only way to build that state of life in an enduring fashion is to earn it, not fall heir to it. If these ideal conditions were not the rewards of industry, decent living, decent thinking, then there would be no solid basis upon which civilization might rest."

In discussing post-war plans, Mr. Heimann pointed to important problems which must be solved within our own nation. He mentions two of these points especially—the great increase in our plant capacity and the importance of working out a procedure for settling war contracts which will give American industry an opportunity to start shortly after Victory Day on reconversion to civil production which in turn will continue a high percentage of our present employment ratio.

"Plant capacity in our country has been tremendously increased," Mr. Heimann says. "The problem in this country at the close of the war will be one of distribution, since a production that might be called a pre-war average will be effected in the post-war period with much less labor. These delicate problems of adjustment must be met in a realistic fashion. If we attempt to meet them by artificial means such as limitation of production per hour or limitation of the utilization of machinery then we shall defeat the purpose of our victory as we will deny to many families the result of our productive capacity, and we will be handicapped in our highly competitive international trade."

"There will be a critical time between the cessation of hostilities and the resumption of normal business unless we have agreed on the proper procedure for handling terminated war contracts," says Mr. Heimann. "Expeditious adjudication or at least large immediate tentative settlements will be necessary in order that business may be able to speed the transition period from war production to the job of supplying our civil needs.

"The post-war problem can be divided into the short range and the longer range requirements. When Victory Day comes, a solution of the short range problem rests largely in the hands of the government. Every organization in the nation that has the country's welfare at heart should give thought and study now to working our a fair and equitable termination procedure and the government of the United States should recognize that this item of providing for prompt settlement with war contractors will play a major part in what our domestic conditions may be when the war has finally ended."

The credit executive pointed out that while there had been considerable uneasiness over the fate of "small business," the decline in the number of business organizations in this country since the war started has not been as heavy as it has been in England.

"All in all it can be said that the earlier alarmist point of view with respect to small business has not been borne out by the facts and it is questionable whether it will be. Much credit is due to the resourcefulness of many enterprising small business executives who despite the war conditions have found a way to survive."

Mexico To Keep Silver

The following was reported in Mexico City cable advices Aug. 11 to the New York "Times":

The press published today a Presidential degree empowering the Bank of Mexico to buy the national silver output, which is estimated to be about five million pounds yearly.

In financial circles it was explained that the decree had been made possible after the United States had agreed to rescind its agreement with Mexico whereby the latter pledged to export its surplus silver product to the former. The Bank of Mexico said the decree would enable Mexico to use all of its silver production to satisfy the people's increased demand for metal coins, which until a few months ago was light. Since the Government issued bank notes of 1 peso each earlier this year there has been steady hoarding of silver coins, which has reduced the metallic circulation considerably. To ease the situation, the bank announced that it was issuing bronze coins of 20 centavos to replace silver coins of equal value.

Post-War Exchange Stabilization Reviewed

(Continued from first page)

even larger. For if nations owning "abnormal wartime balances" are given credit in Keynes' bancor for a part or all of these balances then their right to buy from us on credit will be increased by the amount of this extra credit.

The official British paper suggests that "The Union might become the pivot of the future economic government of the world." Here is another possibility that concerns us. How much money might the Union have at its disposal and discretion for these wider purposes? If indebtedness under the plan reached 20 billion dollars, then, with debtors paying over 1% and creditors (being fewer) presumably paying nearly 2%, the Union could receive an annual income of some 600 million dollars, a substantial sum if cleverly employed. A gross debt of 20 billion dollars is not as extreme a figure for world disequilibrium as might be thought. Our unwise trade policies before the war accumulated over 20 billion dollars of largely useless gold and, if continued after the war, might easily, with demand for goods converging on us, threaten us with a similar sum in useless bancor. Should we think our interests prejudiced at any time by the operations of the plan we could withdraw from it only after a year's notice (2 years under the Morgenthau plan and 30 days in the Canadian) during which periods our interests might be further prejudiced. Hence the longer periods seem objectionable.

This is not to condemn these plans. They are intended to be helpful. But they can harm us if misused and this fact should be understood by us.

Four outstanding discussions of these plans will be here reviewed: First, that of Benjamin M. Anderson in the "Chronicles" of May 13, 20, and 27; then that of John H. Williams in "Foreign Affairs" for July will be considered, followed by a British viewpoint in the "Economists" of Apr. 10, May 1, 15 and 22, and finally that of Peter F. Drucker, with his distinctive point of view, in "Harper's" for July.

Benjamin M. Anderson

Between 1920 and his recent transfer to the faculty of the University of Southern California, Mr. Anderson earned an exceptional reputation as economist for the Chase National Bank of New York and editor of the "Chase Economic Bulletin." His criticisms of the Keynes and the Morgenthau plans are penetrating and substantial.

1. He attacks the provisions for dealing with "abnormal wartime balances." The precise nature of the British part of these balances seems in dispute. Mr. Anderson emphasizes the extent to which they arise out of shipments of gold from Scandinavia to England for sanctuary, gold which England has converted into sterling and cannot therefore now return. The "Economist" insists that, for practical purposes, they can be said to consist of sums owed by England for war materials, to Canada and India and certain neutrals. Mr. Anderson objects that giving Norway, for instance, even temporary credit in bancor for the amount owed her by England, without debiting England, would enable Norway to collect her British debt from us in goods. This seems a reasonable objection pointing to some other arrangement for these balances.

2. He also claims that these plans, in attacking currency disorders, are attacking mere symptoms and not the disease itself, and he points to the fact that we loaned Europe $6,000,000,000 between Nov., 1918, and Oct., 1920, for "stabilization" after the last war without producing economic health. Conversely, he shows that relatively small sums lent later to Germany by the Dawes Committee and to Poland by us under an arrangement whereby Polish spending of the proceeds had to be ratified by our agent, Charles S. Dewey, sent there for the purpose, were effective in compelling the necessary internal reforms in taxing and cutting down government expenses and curbing paper money issues.

But internal reforms are not wholly neglected by the Keynes plan which provides that the Governing Board may recommend "internal measures" after a member state has borrowed up to half its quota. The American plan permits its Board to place conditions on further sales as to any country which is using its quota too rapidly. And the Canadian plan permits the Union to suspend loans as to any state which is making improvident use of the loans. These provisions, however, might be strengthened and control in the matter, which, as Anderson points out, now rests in the hands of the borrowers, might well be vested in the lenders in proportion to net credits. Assurance could thus be gained of pressure on the borrowers both to budgetary righteousness and to use of funds for purposes productive of foreign exchange.

To argue that exchange fluctuations are mere symptoms would seem to rule out all stabilization fund operations even forbidding the ironing out of seasonal fluctuations in exchanges. Yet this is common practice. Nor will complete budgetary virtue be possible to many hard-pressed debtors after the war. Our own rich country may be tempted to exceed its budget. Finally, in his just emphasis on the need of imposing reforms on the borrower, Mr. Anderson forgets that the really major exchange problems after the last war were those caused by the lenders. For the lender has the final word in such matters. The borrowing nation can strip itself of foreign exchange and gold and can tax heavily and balance its budget and can force the deflation of wages and prices and employment in order to make its exports attractive and maintain its solvency, but if, after it has done all these things, the lender refuses to receive the goods, the borrower is helpless. To pay the lender the borrower must have lender's money and it cannot print that money.

3. A still more serious criticism by Mr. Anderson is that lending nations, under these plans, lose incentive to see, at their personal risk, to the solvency of the nations to whom they lend. It is theoretically possible under these plans for Great Britain, for instance, to sell vast supplies on credit to a nation with a very poor credit record—and then collect through purchases of goods from us. We, of course, in our turn, could pass on the credit by buying goods from someone else and a race could develop to escape being forced as the last creditor, to hold the bag on the accumulated bad debts of the Union.

Irresponsibility as to the quality of the credit issued under the plans could probably be partly met by a provision charging the bancor debts of any nation finally declared in default to the accounts of those nations which, on net balance, had lent it the money, in proportion to their loans. But some further right to limit quotas at the outset in the case of nations with bad credit records would appear a desirable feature of these plans.

It is to be hoped that these objections will be found remediable and not permitted to prejudice the services the plans are designed to render.

John H. Williams

John H. Williams, Vice-President of the Federal Reserve Bank of New York, gives an informative discussion of the Morgenthau and Keynes plans. He notes with approval the contrast between the effort now being made to plan for peace, with the lack of planning in the last war. His belief may be noted in passing that these two plans look "fundamentally toward a stable exchange system as against internal monetary stability." Peter F. Drucker, whose ideas appear later in this paper, disagrees on this point.

Mr. Williams touches on a number of difficult technical problems. He believes that movements of bancor or unitas will "affect bank reserves in precisely the same manner as the movement of gold under the gold standard." But the influence of movements of gold is not wholly predictable. This we saw in the late '30s when Secretary Morgenthau "sterilized" the inflationary influence of gold imports on bank reserves by the device of paying for the gold out of the proceeds of open-market sales of Treasury bills, instead of paying by issuance of gold certificates. Similarly, a loss of gold need not be deflationary if the government selling the gold takes payment in its own bonds and notes. (See Norman Crump in "The Foreign Exchange Armistice," Banking, Nov., 1936).

Wholly confident prediction as to inflationary and deflationary effects of gold movements can consequently be made only when the intentions of individual governments and central banks as to handling the gold are known in some detail. Mr. Williams, by reason of his position, should be able to speak with authority both as to unitas and as to our own handling of bancor credits and withdrawals. One supposes that bancor gain will increase bank reserves here while decrease of bancor assets will decrease our bank reserves.

As to Europe, however, the "Economist" must speak with the greater authority and one infers that borrowing by foreign debtor countries against their bancor quotas will not be permitted to diminish their reserves nor will repayment of this borrowing, presumably, operate to increase these reserves. Such deflation or inflation as arises in debtor countries under the plan, will, accordingly, be initiated rather through the effects of employment or unemployment than from the side of money.

When it comes to controlling inflation, Mr. Williams prefers gradual relaxation of internal and external exchange controls to the means provided by the plans. His position here seems to approach that of the French. But inflation, like a fever, is itself a curative process and should not be wholly balked. Furthermore any inflation under the Keynes plan in the United States or other creditor countries would tend to attract competing foreign goods and thus not only cure itself but help balance our budget through the added Custom's revenues involved. Natural law will thus take care of us if we will let it. If we do not intend to submit to natural laws we had better not, as will appear later, flirt with any of these plans except that of Mr. Dewey.

Another remedy offered by Mr. Williams is that of stabilizing currencies in what he calls the "Key" countries while permitting lesser countries to depreciate. This seems only another way of insisting on the fact—which should be more widely insisted on—that the large creditor countries do hold the "key" to exchange stabilization and can block it and force an artificially high price for their own currencies in terms of those abroad if they make their own currencies scarce by refusing to part with them for purchases of goods abroad. Automatic depreciation by "untied" currencies constitutes a powerful counter-weapon in such cases by the debtor. But, in the long run, probably, depreciation would prove as ineffectual as deflation in forcing goods upon a stubborn creditor. Nor, in the immediate postwar period, with production facilities in chaos, can even depreciation create for war-torn Europe, goods which it can ship to us to balance its accounts. So that this particular "solution," however helpful it might prove over short periods, would not be any real cure.

Another large question raised by Mr. Williams is that of exchange appreciation. Appreciation by the creditor, he thinks, "would seem feasible, if ever, under the conditions of boom such as we may well have. But whether our farm bloc, for example would ever consent to it under any circumstances is problematical."

As a means of curbing the overstimulation of gold mining resulting from excessive prices for gold a general exchange appreciation by all countries should probably be initiated when currencies are stabilized under any of these plans. If this appreciation was uniform and simultaneous no harm would be done the farm bloc or any other industry except those tied up with gold mining. (R. H. Brand, "Gold: A World Economic Problem," International Conciliation, Carnegie Endowment for International Peace, Oct., 1937, pp. 673-5. Also, for a refinement of his analysis see F. D. Graham and C. R. Whittlesey, "Golden Avalanche," Princeton University Press, 1939, pp. 158-161).

But, once world currencies had been tied to gold at new values after the war under any of these plans then any exchange appreciation by us alone would truly tend to put our agriculture at a competitive disadvantage and thus run into serious political difficulties. The political weight of any argument that unilateral appreciation of the dollar by us would form a convenient alternative to general depreciation of currencies by other countries in the world and at the same time be less likely, by stimulating a further unhealthy expansion of gold mining, to make the gold standard still more unworkable and possibly destroy it, can be left to the imagination. Such weight would closely approximate zero.

The "Economist"

An essentially British point of view and hence one valuable to us is supplied by the "Economists" of April 10, May 1, 15, and 22. Space prohibits full review. "It is better to name names," says the "Economist," when "surplus countries" are referred to. "The central difficulty of the post-war years will be to find means by which the rest of the world can meet its obligations to the United States and buy the American goods it needs." "One country which, to judge by the present indications, will have rather more than average difficulty in paying its international way is the United Kingdom." As to the White-Morgenthau plan, "In this plan it is not the total fund but the proportion of it in dollars that will count in a period when the crucial deficiency of every trading country will be a dollar shortage." These extracts show plainly the foreign opinion that, at the outset at any rate, the principal service of the plans will be to finance purchases from us.

Now as to the difference in British eyes between the American and British plans. "The American plan would seem to require from every country specific appropriations of public funds." "The British plan is deliberately and confessedly expansionist in object; it would put funds at the disposal of deficit countries without abstracting from surplus countries any funds"—at least none to speak of—"It would be wrong to say that the American plan is deliberately contractionist; but since it asks all countries to make their contributions to the fund before any of them receives anything back it might well be contractionist in effect."

As to the gold standard, "The system must not be as autocratic in its effect upon national policies as the gold standard, or as anarchic in its effect upon world conditions as exchanges fluctuating freely." "It is no longer envisaged **that the sole responsibility for restoring the balance of payments should rest, harshly and damagingly, upon the debtor countries."** Not by Lord Keynes at any rate. Under the Morgenthau plan, however, "Currencies will be sold to meet the adverse balances of particular countries. International credits and debits will not be generalized. Measures will be recommended by the governing body to secure desired changes in national balances of payments, **but the onus will rest, as in the past, upon debtors rather than creditors."** The "Economist" goes on to record that, in the debate before the House of Commons on the plans, **"The nearest to a cheer was produced** both by Sir Kingsley Wood and by Mr. Pethick Lawrence, **by a declaration against a return to any rigid form of gold standard. It is evident that, on this point, British public opinion has made up its mind."**

The sensational importance to us of these pronouncements should not be lost sight of because of the decorous British imperturbability with which they are put out. We own two-thirds of the world's monetary gold stocks. A discontinuance of monetary use of gold could make these relatively worthless. Yet here we see prominent subjects of the British Empire, the world's largest producer of gold, cheer at mention of the abandonment of the gold standard. The French also plan to end rigid ties to gold. Why this European hostility to gold?

The parts underlined suggest a strongly probable explanation. When, in 1922, our Fordney-McCumber Act raised tariffs against foreign goods and thus compelled foreign nations to pay their debts to us increasingly in gold instead of in goods, the effect, under the normal operation of the gold standard, was to deflate credit and prices and wages abroad. It should also have been to inflate them here, thus making cheaper foreign goods look relatively more attractive in our expensive markets and finally enabling foreign countries to surmount our new tariff walls and achieve the trade equilibrium the tariffs had prevented. But we, by sterilizing gold and keeping our prices stable through the 20s, refused to do our share and a much heavier burden of deflation, or as the "Economist" calls it, "the whole responsibility," fell upon our debtors. For a time the situation was tided along by loans abroad by us but when, in 1929, these loans ceased, the tragic imbalance was unmasked. Further deflation at the bottom of a depression was politically impossible. Foreign countries threw up their hands, accepted "untied" currencies as the lesser of two evils and left the gold standard in a steady procession. Until our intentions as to use of our power in the matter become clearer, foreign countries are unlikely to be eager to retie to gold. Nor, if we continue to make gold an unworkable currency base, is there any overpowering reason why the rest of the world should ever return to it. There are probably other metallic bases now available. We have practically destroyed the monetary use of silver and may destroy the use of gold.

This should make us stop and think. Not only does it throw a

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Post-War Exchange Stabilization Reviewed

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doubt upon the value of our huge gold hoard, but it deprives the world, temporarily anyway, of its normal means of determining when the quantity of money is adequate for the work money has to do. The problem of equilibrating exchanges, like the problem of bringing water to a common level among a lot of connected tanks of various sizes, can properly be viewed as secondary to that of having the right general level in the tanks when they are all equilibrated. But, however well the Keynes plan provides for equilibrating between tank and tank, it provides no satisfactory formula for fixing the general level.*

That is one serious theoretical weakness in Keynes' gospel which has, however, been lost sight of in a practical success in which "untied" currencies actually relieved Europe of the heavy political onus of repeated deflations and thus most unfortunately brought the gold standard —instead of our mismanagement of it—into wide discredit.

Peter F. Drucker

Peter F. Drucker is a member of the faculty of Bennington College and is included here because he seems to represent what may be called an American-Keynes school of thought, a school important because of its wide following in academic circles, because of the generous space accorded it in leading American magazines, and because of the vogue its free-spending philosophy has been given in Washington under the New Deal.

Mr. Drucker takes in a wide territory in his article. He speaks of the increasing spread of industrialization, in Russia, in Turkey, in India, in Japan, in South America, in South Africa and so on. Quite a problem, no doubt, and one for us to think about, although not strictly concerned with money. He speaks of the necessity of making it possible for countries of "very different structure" to collaborate peacefully. If he means in trade, then, when each of two countries has what the other wants, the fact that one country, is democratic and the other monarchic, or one communistic and the other capitalistic, would seem to have little bearing on the trade. If, on the other hand, the two are trade rivals, then the fact that the "structures" are the same would seem no certain guarantee of "peaceful collaboration."

He raises an important point where he mentions "the dilemma between the political need for full employment and the economic need for a stable international system." Mishandling by politics can destroy the greatest prosperity, and control by adventurers, spoilsmen or ignorant men must always be a danger. There is a sort of elastic limit to the political-economic system such that evolutionary return to normal finally becomes impossible and revolution gives the sole way out. One hopes with Mr. Drucker that evolutionary means will still be possible here when the war ends.

But Mr. Drucker's main concern is the danger of deflationary unemployment caused by currency difficulties. "The focal point in all international economic policy during the past twenty-five years," he insists, "has been the relationship between the 'internal currency' and the 'external currency'". "The monetary history of the past twenty-five years is one of rebellion against this automatic subordination of the domestic credit and price structure to the nation's external economic relations." "The first objection was that it created unemployment; for the only way to restore the international balance was by deflation, and that meant a contraction of production." "The most encouraging feature of the Keynes and White plans is that they agree." "Neither intends to restore the old automatic subordination of the internal to the external currency." Lord Keynes' plan, thinks Mr. Drucker, "repeatedly emphasises the point that deflation in any country is so great a danger to the entire world that the stability of currencies should be entirely subordinated to avoiding it."

What does he mean by the "subordination of the internal to the external currency"? Nothing more than what the "Economist" complains of, that when prices in any country are too high and it cannot sell its goods abroad and is faced with the choice of deflation at home or depreciation abroad, the gold standard forces deflation because gold must be shipped (in place of goods) in order to maintain the "external" value of the currency, and the loss of gold forces up interest rates and shrinks credit supplies and causes unemployment. That was why Keynes advocated leaving the gold standard and depreciating money as a politically easier means of cheapening goods in world markets than the more honest method of wage and price deflation.

His solution may very well ease matters for weak post-war governments. Furthermore, if any currency is stabilized under the plans at too high a rate this would provide a most useful escape. But in the long run we cannot expect to achieve our economic adjustments by changing the value of money or by changing its supply. There is a balance in these matters and no substitute has been developed as a means of finding it, by Lord Keynes or anyone else, for old-fashioned laws of supply and demand under a metallic standard.

In fact the Drucker-Keynes assumption that the "internal" currency is necessarily subordinated by gold to the "external currency" seems a mistaken one. British price levels, which were "subordinated," are "internal" to the British but "external" to us. So that, from the far side of the Atlantic, it would have been correct to say the "internal" were subordinated to the "external." But from this side of the Atlantic the opposite was true. It was our fear, dating back to 1921, of a price boom, that led us to sterilize gold as a means of stabilizing prices here. But this refusal on our part to let our prices rise was just what put "the sole responsibility for restoring the balance of payments" "harshly and damagingly upon the debtor countries," leading them to prefer fluctuating exchange rates to fluctuating price levels and to go off gold, thereby upsetting exchange

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*Keynes' announced formula requires enough money to produce "full employment." But what is "full employment"? Franklin D. Roosevelt might differ from Calvin Coolidge on the point. And when have we had "full employment"? We and Britain are currently spending enormous sums on the war. Have these produced "full employment," and, if so, when did it happen, when was the line crossed? No one has told us. Will political management of money give us greater monetary stability under so vague a formula than we have experienced under the gold standard? It seems most improbable.

Furthermore the formula, if put into operation in 1933, would apparently have required the employing by the Federal Government of over 13,000,000 unemployed. At union wage scales this could not have cost us less than $13,000,000,000 yearly. That such an annual increase in government debt would have "primed the pump" and revived sound enterprise without inflation will be asserted only by the very reckless. A single extra billion dollars was enough to cause inflation when paid to veterans as a bonus in the election year of 1936.

The formula was, in fact, never seriously put into execution by the New Deal and Keynes sadly described the result as "more like a gold standard on the booze than the managed money of my dreams." Attempts to fix the quantity of production in other lines by arbitrary rules have always failed. There is "no satisfactory formula" yet provided as a substitute for supply and demand in the economic world.

SUMMARY OF THE
American, British and Canadian Currency Plans

By DR. A. PERREN

Editor's Note:—For the benefit of those of our readers who have not had time to peruse the lengthy texts of the American, British and Canadian Post War Currency Plans, we are publishing herewith a summary of the three proposals by Dr. A. Perren. This comparative chart may serve as a handy reference when studying the coming Joint British-American Compromise Plan, which we are told will soon be published.

	The American Plan	The British Plan	The Canadian Plan
Authors	Henry D. White, U. S. Treasury Monetary Expert, Assistant to Secretary Morgenthau.	John Maynard Keynes, British Economist, Director of the Bank of England, Adviser to the Exchequer.	Author not revealed. Presented by Finance Minister J. L. Ilsley as a compromise plan on July 12, 1943.

SIMILARITIES

Extent and Nature of Plans	The Authors plainly state that Currency Stabilization is only one of several important international economic problems which will have to be met after the War. The establishment of an international monetary organization, they insist, should not be considered as a substitute for necessary international Relief and Reconstruction measures requiring long term loans; nor should it be expected to solve domestic problems, such as post-war inflation and general internal economic rehabilitation and readjustment. All three Governments have emphasized the highly tentative and provisional character of their expert's plans and have declared that they are not committed to the principles or details of the schemes. The purpose of the plans is to provide a basis for discussion by the technical experts of 37 allied or associated nations invited by the British and American Governments to participate in conferences.
Basic Principles	The proposals recognize that competitive changes in the relative values of national currencies are detrimental to a sound expansion of world trade and injurious to friendly international relations. Each plan attempts to reduce competition to a minimum by sponsoring policies calculated to maintain a necessary equilibrium in the Balances of Trade and of payments of member nations. The Plans are built on the principle that the benefits of membership will be such as to assure the voluntary wholehearted cooperation of the various nations. Although members would have to submit to a certain international discipline, the sovereign power of a nation would not be affected, since the stabilization agency could not intervene in internal affairs of a member country and all decisions of the Board would have to be ratified by the interested Governments.
Objectives	Stabilization of international currency values by establishing conditions under which payments between countries, arising out of trade and/or financial transactions, can be balanced, thereby helping to stave off economic chaos and collapse after the War. These conditions would include: reduction of foreign exchange controls; elimination of bilateral clearing agreements, blocked balances and multiple currency categories; creation of an international credit system for the furtherance of exports.
Initial Value Of Currencies	The three plans presuppose that agreement will be reached on the relative values of the different currencies **before** a definite plan will be put in operation. The methods of establishing these values and of fixing the rates vary, but each Plan provides procedures for subsequent changes in the rates, if and when necessary.
Field of Activity	The stabilizing agencies would confine their dealings to central banks and fiscal agents of governments and would not interfere with existing institutions and banks engaged in international trade. They would, however, cooperate closely with separate international investment institutions, which might be created in order to take care of long term loans for Relief and Reconstruction purposes.
Membership **Withdrawal** **Suspension**	All United and Associated Nations would become—if they so desire—original or charter members; other States (Neutrals) could be invited subsequently. Should ex-enemy States be asked to join, special conditions would be applied to them. The Plans provide that a member has the option of withdrawing from the agency, by giving previous notice. This would range from 30 days, for a Creditor Nation, under the Canadian Plan, to one or two years for a Debtor Nation, under the three Plans. In the same way, a member might be suspended for non-fulfillment of its obligations.

DIFFERENCES

Proposed Mechanism	An international Stabilization Fund.	An international Clearing Union.	An international Exchange Fund.
Assets **Quotas**	Capital $5 billion, consisting partly of Gold, partly of local currencies and/or government securities of member states. Participation quota, limited to a maximum of 25%, would depend on a country's holding of gold and foreign exchange, the magnitude of the fluctuations in its balance of international payments and its national income. Initial deposit 50% of quota.	No capital, no contributions by members of Gold or other Assets. Participation in terms of Bancor (see below) in form of overdrafts opened to Governments directly or through Central Banks, representing the relative value of each Member State's average foreign trade during (say) the last 3 pre-war years. Quotas could be revised annually.	Capital $8 billion. Total Assets could be increased to $12 billion by mandatory short term loans in domestic currency of members, up to 50% of their initial subscription. Quotas to be entirely paid up: 15% in Gold, balance in national currencies. Time extended to countries having less than $300 million in Gold or foreign exchange. Quotas based on international trade, national income, Gold and foreign exchange holdings.
Monetary Units (Bookkeeping Devices)	The **"Unitas"** = a unit of 137½ gr. of fine gold, equivalent to $10 present U. S. money. The value in Gold of the Unitas would be **unalterable.** The value of the internal currency of each member country would be fixed in terms of Gold or Unitas and could only be altered with the approval of 4/5 of the members. The Unitas, covered by Gold, would be freely convertible into Dollars.	The **"Bancor"** = an international clearing unit based on the combined credit of the member States, fixed, **but not unalterably,** in terms of Gold and accepted as the equivalent of Gold by all members of the Clearing Union in settlement of international balances. The Bancor would be inconvertible and the Bancor balances would have no statutory security.	The **"Unit"** = 137 1/7 gr. of fine Gold, about the same value as the Unitas. Except for a permissible 5% (maybe 10%) depreciation margin, like in the British Plan, the value of a member's currency could not be changed without the Fund's consent. Unit deposits made in Gold would be redeemable in Gold and a 100% reserve in Gold would be maintained at all times by the Fund.

	The American Plan	The British Plan	The Canadian Plan
Role of Gold	Gold would definitively be the foundation of the Unitas and the basis of all currencies of Member Nations.	Although recognizing the unrivaled value of Gold as a measuring rod and the vested interests the United States and Great Britain have in Gold, the stated purpose is to supplant Gold as a governing factor, without, however, dispensing with it.	Same important role as under American Plan.
Control	The apportionment of Control would be on the basis of Capital participation. Due to its proposed share of $2 billion, the United States would have a veto power, a four-fifths vote being required in major decisions.	Would be based on pre-war trade volume, estimated at $25 billion. Due to its large pre-war trade (about $4,500 million), Great Britain would play a preponderant role.	Based on capital participation. No veto power, but since a creditor country could withdraw from the Fund by giving only 30 days' notice, the indirect controlling power of a large creditor nation would be considerable.
Vote	Each member would have 100 votes plus one vote for each 100,000 Unitas held, but no country would be able to cast more than one-fourth of the total votes. In ordinary cases, the decision would be taken by majority vote, but in certain important cases a four-fifths vote would be required.	Each member of the Governing Board (see below) would cast votes in proportion to the quota of his State or the aggregate quotas of the States he represents, except when a vote concerns a change in a member's quota; in this case a special procedure would be followed.	Number of votes similar to American Plan. Except in case of a change in the value of Gold, when a four-fifths vote is required, all decisions would be made by majority vote. In a vote to increase quota of a member, the other members would acquire one additional vote for each 100,000 Units of their total average contribution to the Fund which has been utilized, net, in the preceding year; on the other hand, member countries would lose one vote for each 100,000 Units of their net utilization of the resources of the Fund in the preceding year.
Management	Each country would have a representative on the Board of Directors, which in turn would select a Managing Director of the Fund. The Board, which would meet annually, would appoint a permanent Executive Committee of 11 or more members.	A Governing Board of 12 to 15 members. Large States would have individual representatives, smaller States would be grouped and represented collectively. But each member State could appoint a permanent delegate to the Union.	Governing Board composed of one representative and an alternate from each member country. The Board would elect one Governor and Assistants. Same Executive Committee as in American Plan.
Operations Powers	Would include: Purchase, sale and holding of Gold, currencies, bills of exchange and Government securities of member States; clearing operations; acceptance of deposits; earmarking of Gold, issuance and sale of its own obligations to members; loans to members; foreign exchange operations in all currencies of members; any other exchange-discount-and-loan operations, with member or nonmember nations, but only through Central Banks or Government representatives. Fixation of relative value of member currencies and the rate of these currencies in terms of Gold. Advice, Counsel and Aid to member nations in the stabilization of their currencies and the settlement of their international balances.	Exclusively clearing operations in settlement of international balances, leaving all banking operations to existing international banking organizations. Fixation of the value of the Bancor in terms of Gold. Supervision of changes in the value of individual currencies in terms of Bancor. Proportionate reduction of quotas of all members if and when necessary. Advice and Counsel to members and recommendations of measures tending to correct continuous debit and credit balances. Collection of all necessary statistical information.	About the same banking and clearing operations and same powers as under the American Plan. The Fund would be authorized to buy and sell currencies of non-member countries, but could not normally hold these currencies beyond 60 days after purchase.
Debit Balances	Creditor countries would be obliged to buy from the Fund the currencies of any member, particularly those of countries against which they have a credit balance. However, preestablished limits in the size of Holdings by the Fund of any currency could be exceeded only if the debtor country agrees to adopt and carry out measures recommended by the Fund to correct chronic disequilibrium in the balance of payments. In short, the Fund could temporarily "carry along" a country having an unfavorable balance, under certain conditions and with the approval, by a four-fifths vote, of all members. Interest would be charged on debit balances.	Adverse trade balances would be settled by drawing upon the total Bancor Assets and subsequent transfer to the credit of the account of the surplus country. Should, however, a member's debit balance become equal to half or more of its quota, the Board would recommend appropriate internal measures affecting the country's domestic economy. It could, for instance, request a reduction in the value of the member's currency or the control of Capital exports or even the surrender of Gold and other reserves. The Board would make recommendations and use its influence to correct the situation. Interest would be charged on debit balances.	Without special permission, no country could be a net purchaser (above subscribed quota) of foreign exchange from the Fund except for meeting adverse balances, and not so long as its independent holdings of Gold and Foreign Exchange, private as well as official holdings, exceed its initial quota. Net sales of Foreign Exchange to a member could not exceed 50% of his quota during first year, and the cumulative net sales could not exceed 100%, 150% or 200% of the quota during the first two, three and four years. Any purchase in excess of these limits would be subject to a special vote and the Board would require similar internal corrective measures, as under the American and British Plans. Interest would be charged on debit balances.

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Who Will Be Blamed For Serious Shortage Of Crude Oil?

Let me tell you just one reason why nothing but an **over-all** price raise for crude oil will increase production and reserves materially. Take my case as an example:—I am one of the 18,000 smaller fellows in the crude oil business. Not caring to go broke, this part of my investments must carry itself. I do not intend to lose money in oil and draw on funds or equities in other lines of business.

I therefore limit **new** investments in oil to 50% of **net** profit received from producing properties. An over-all crude price on a par with other commodities would enable me (and there are thousands of others) to increase speculative development.

I am sure that a subsidy or bonus for production from **new** devolpment would not interest me as I might drill 10 or 15 wild-cats or near wild-cats and all dry holes. Then what inducement is there to continue speculation? **I.E.,** only a percentage of my net profit from oil income which is derived from **present production,** and at present crude oil prices (58% of parity) it would not be prudent to drill more wells, even on acreage that is partly proven.

As further illustration: I have an interest in 186 acres in Rice County, Kansas, on which there are two rather small producing wells (200 bbls. daily **potential).** As these wells are at one end of the 186 acres there is no assurance that new holes drilled would be wet, so further drilling will not be done until such time as income from my **present** over-all production warrants the gamble **and supplies funds for the venture.** A subsidy would not supply funds to a prudent operator who knows his business.

I was advised only last month that a former associate of mine in Wichita, Kansas, has just finished spending all his available funds by drilling **15 dry holes** consecutively—not one of them producers! A subsidy for **new** production would not have helped him and the only thing that might tempt him to gamble some more is a price for crude oil that would leave him a surplus from his producing properties, such as is my method. **Cost of leases has gone way up,** besides labor and material—when one can get it. (Wages alone have gone up over 170.4% since 1926, normal price year average.)

As I look at the situation—**"Holding the Line"** does not mean **"Submerging the Line"** by grossly deflated crude oil price, and that is what has been going on in the line of vital oil for the past two years.—**B. T. Cole, Los Angeles, Calif.**

Byrd Urges Trial For Sales Tax

Senator Byrd (Dem., Va.) proposed on Aug. 11 a two-year trial of a sales tax.

Announcing that the Committee on Reduction of Non-Essential Expenditures would begin hearings about Sept. 1 on Army and Navy outlays, Mr. Byrd told reporters that he and other members are interested in both cutting expenses and raising additional taxes.

In reporting this, Associated Press Washington accounts also said:

As a member of the Senate Finance Committee, Byrd previously has proposed a retail sales tax, a move that has been opposed by the Treasury. He said today he believes such revenue sources ought to be tapped at least on an experimental basis.

"If a sales tax is adopted, it ought to be on a two-year basis, and when the need of revenue is not as great as it is now, it could be repealed," he said. He added that a trial might convince even Treasury officials.

Mr. Byrd said the committee on non-essential expenditures could look first into personnel problems in the Federal Government in an effort to cite specific instances where a reduction can be made in the number of employes.

"We have already recommended a 300,000 cut in personnel, but we want to develop specific cases where this cut can be made," he said. He added that if an announced reduction of 105,000 in the number of War Department employes is carried out "it will be very encouraging."

Beyond that, however, he said the committee desires to have a full explanation by the War and Navy Departments of the amount of funds they have obligated by contract from a total of $203,000,000,000 he said was appropriated but unspent on last July 1.

"The time has come when there ought to be more efficiency in the departments," the Virginian said. "There was some excuse in the past for confusion because they were building so rapidly, but they should be better organized now."

A Moratorium For Non-Essential Activities In Wartime

(Continued from first page)

2. In certain cases, the disposal of subsidiary utility companies in holding company systems;

3. The disposal of other business interests which are found by the SEC not to be reasonably incidental, or economically necessary or appropriate, to the operations of the "integrated" public utility system;

4. The simplification of the corporate structures of subsidiaries of the holding company system;

5. The redistribution of voting power among security holders where the voting power is found to be unfairly or inequitably distributed;

6. The termination of the existence of companies in cases where their continued existence complicates the structure of the holding company system; and

7. The elimination of all but three tiers of corporations where more than one intermediate company exists between the top holding company and an operating company in the holding company system.

It will be apparent that a suspension, for the duration, of these activities, which require violent changes in system holdings, the disposal of properties and interests, and the readjustment of the rights of security holders, will in no way interfere with the effective regulation of utility holding companies. Yet, these are things which cannot be done under existing conditions without loss to investors, confusion and waste of time to utilities, and hampering of the war effort. They definitely need not be done now, in the midst of a national crisis.

Furthermore, the SEC already has issued many far-reaching orders, which so far have not been complied with through lack of time, and many important proceedings have been instituted, which are now pending, all under the four sub-sections of Section 11 in question. Although provision is made in the Act for an extension of an additional year, if the SEC finds it necessary or appropriate in the public interest, or for the protection of investors or consumers, the Act's primary requirement is that any order issued by the Commission in connection with integration activities "shall be complied with within one year from the date of such order." Obviously, then, if suspension of activities under the first four sub-sections of Section 11 is desirable, it would be equally as desirable to have it cover existing orders which have not been carried out, and proceedings which so far have not resulted in the issuance of formal Commission orders.

In addition to SEC activities, the Federal Power Commission, acting under the authority granted by Title II of the Act, has prescribed a Uniform System of Accounts for use of all public utilities under its jurisdiction. In effect, this System requires affected utilities:

1. To reclassify their electric plant acounts as they stood on January 1, 1937, so as to reflect the original cost of the utilities' properties; and

2. To account current transaction arising after January 1, 1937, as required by the Uniform System.

The requirement that current accounts shall be kept in accordance with the FPC's prescribed system generally has been regarded as regulatory in character, but reclassification of property accounts to reflect original cost savors more of reform than of regulation. Compliance with this requirement, moreover, necessitates the investigation, study and review of all books, vouchers and records of existing companies and their predecessors in title, going back to the earliest days when individual units of property were constructed. These studies and investigations require the expenditure of enormous sums in money, and the waste of time and effort that might better be directed in the present emergency to the war effort.

In fact, the amount of time and effort required of public utilities in complying with SEC and FPC orders and directives is staggering. Based on the experience of representative companies, developed in a study made for Edison Electric Institute, it is estimated that the electric power and light utilities, alone, subject to the jurisdiction of the SEC and FPC, have devoted, between Pearl Harbor and the close of 1942, all the time and energy of enough employees to render electric service to a city of more than a million people. Applying this experience of 12¾ months to the 20 months ended August 7, 1943, reveals that close to 5,000 employees of privately owned electric utilities have spent an estimated 9,725,000 man-hours, at the minimum, in preparing data and furnishing answers for integration proceedings, original cost studies, and similar inquiries initiated by these two Federal bureaus. In passing, it might be noted that it takes only 13,000 man-hours to build a Liberator B-24 bomber.

Integration procedings and preparation for them, instituted by the SEC under Section 11 of the Act, have consumed an estimated 1,725,400 man-hours, or at the rate of more than 86,000 a month. Original cost studies initiated by the FPC have required 7,058,800 man-hours of work, or an average of nearly 353,000 a month. And other actions instituted by one or the other of these Commissions have necessitated 941,100 man-hours of work, or at the rate of more than 47,000 a month. These figures, moreover, represent only the actual time of employees engaged in carrying out the studies, digging out the statistics, and compiling and preparing data for presentation. They reflect little, if any, time devoted to this work by executives and supervising officials, nor do they include the time of commission personnel consumed by these activities.

The hardships inflicted on electric utilities by the diversion of this huge total of man-hours to non-productive work will be apparent when the demands being made upon them are considered. During the 12 months ended June 30, 1943, all electric systems contributing to the public supply of power for distribution to consumers produced 200,858,051,000 kw-hrs of electricity, or 63.8% more than was generated in the 12 months ended with June, 1939, practically the last full 12 months of peace throughout the world. Moreover, they produced this volume of current with proportionately less generating equipment, since the installed generating capacity of these systems was only 21.2% greater at the end of June, 1943, than it was four years earlier. Then, too, the demands made upon these electric systems in the June, 1943, year by large industrial consumers, mostly engaged in essential war production, were 105% greater than in the June, 1939, year. And to make the job all the harder, these electric systems had 42,760 or 17.8% fewer employees on June 30, 1943, than they had four years earlier.

The tremendous burden imposed on these electric systems by having more than 2½% of their employees forced to devote their full time to digging up data for Federal agencies, particularly when that information in no way furthered the war efort, should be apparent. If for no other reason than conservation of manpower, Congress immediately should adopt legislation to suspend the non-essential activities of the SEC and the FPC for the duration, or until such time as conditions more nearly approach normal.

In addition to the drain on war-depleted utility manpower, there is another reason why Congress should grant privately owned electric and gas utilities the relief a moratorium on these phases of commission activity would provide. "Rapid compliance" with the "death sentence" of the Holding Company Act, for which the SEC now is pressing, will force the sale by holding companies of operating subsidiary equities not only in a disturbed security market, but during a period when earnings are threatened by vastly increased Federal taxes. The prices realized for these equities, moreover, will not be determined on the basis of actual value, but because holding companies must sell under governmental compulsion, while security underwriters and investors are under no mandate of government to buy.

According to Standard & Poor's published data, operating utility common stocks reached an index value high point of 120 in the 1925-1926 period, well before the boom market in stocks had carried their prices to fantastic levels. These same stocks, however, reached an index low of 82 in 1932, while their index value on July 28, 1943, was 88.8, or only 8.3% above the level reached at the bottom of the depression. Furthermore, the Dow-Jones index for utility common stocks showed a 1942 low which was 60% beneath that of 1932, while the average high price in 1942 of all operating utility common stocks listed on the New York Stock Exchange was but 50% of the average high price reached in 1932.

Commenting on the injury that would be inflicted upon investors by the forced sale of portfolio securities by holding companies under present conditions, Leo T. Crowley, not only Chairman of the Board of Standard Gas & Electric Company, but Alien Property Custodian, Chairman of the Federal Deposit Insurance Corporation, and recently made head of the Office of Economic Warfare, said in early May, 1942:

"Certainly it is not in the interest of any security holders to dispose of assets of the company at sacrificial prices prevailing under extremely abnormal conditions. The 'death sentence' clause is being enforced by the SEC at a time when the utility earnings are being depressed by declining selling prices, rising costs, and high war taxes. Certainly the harm to the owners of utility securities overwhelmingly offsets any possible harm to the public interest due to deferring the 'death sentence' clause."

The Federal Government already has shown a willingness to protect foreign investors, faced with similar market conditions. Two years ago, when the British Government was confronted with the problem of paying for war materials and supplies bought in this country before passage of the lend-lease act, it was proposed that British-held securities of American corporations be sold in this country to provide the necessary funds. Market values, however, had been depressed by the war and any forced sale of these holdings offered the prospect of substantial loss. The solution to this problem was described in the "New York Times" of July 14, 1941:

"Negotiations are in progress, according to recent Washington reports, whereby the Reconstruction Finance Corporation would create a huge pool of capital to make loans against British holdings, thereby keeping such investments from forced liquidation, preserving market values and providing an opportunity for the British either to reclaim the assets behind the loans after the war or market them at what Jesse Jones, Federal Loan Administrator, has termed 'fair value' prices."

A moratorium for SEC "death sentence" activities, obviously, would solve not only this problem of forced sale of operating utility stocks at below their "fair

Summary of the American, British and Canadian Currency Plans

(Continued from page 697)

	The American Plan	The British Plan	The Canadian Plan
Credit Balances	Should the Fund's holdings of any currency drop below 15% of that country's quota, a report will be established, showing the causes of the depletion and making suitable recommendations (sale to the Fund of excess foreign exchange and gold, reduction of foreign balances by its nationals, etc.). Should the drain of a currency persist and the Fund's holdings be threatened with exhaustion, the Fund would apportion its remaining supplies among members by some equitable method of distribution. No interest would be charged on credit balances.	Should a member's balance exceed half its quota, over one year, the Board would suggest one or all of the following corrective measures: Measures for the expansion of domestic credit and demand; appreciation of its local currency in terms of Bancor or, alternatively, an increase in money rates or earnings; reduction of tariffs and suppression of export premiums; international development loans. A member can obtain a credit balance by depositing Gold with the Clearing Union, but cannot demand Gold from the Union. The Board is empowered, however, to distribute Gold to a member possessing a credit balance in excess of a specified proportion of its quota. Creditor countries would have to pay interest on their Bancor balances.	Upon request, a member would have to sell to the Fund against its local currency or for foreign exchange all free Gold or Foreign Exchange it acquired in excess of the amount held when joining the Fund. Periodic reports would have to be submitted. Should the Fund's operations result in net sales of a particular currency, up to 75% of the quota, a program of capital investment in cooperation with such international investment agency as may exist would be worked out to increase the supply of that currency. Should the level reach 85%, a report similar to the one foreseen in the American plan would be rendered and the Fund would proceed to ration the scarce currency and reconsider the exchange rate structure. No interest would be charged on credit balances.
Blocked War Balances	The Fund would have power to buy from member countries abnormal war balances held in other countries, provided the seller agrees to purchase 40% of these balances at the rate of 2% per year, within 23 years. The country in which the abnormal balances are held would agree to transfer them to the Fund and to repurchase from the Fund 40% of them at the rate of 2% a year, within 23 years. The Fund could dispose of part or all such war balances after the 23-year period, or sooner, under certain conditions.	No definite proposal, but it is suggested that some provision will have to be made during a certain transitional period for converting blocked war balances into Bancor, without undue hardship to the debtor country.	During first two years of operation, the Fund would have the right to buy (up to a limit of 5% of the quotas of all member countries) war balances held by members in other member countries, for the national currency of the selling country or for foreign exchange needed to meet current account deficits in such country's balance of international payments. After two years the Governing Board would submit a plan for gradual further liquidation of war balances and other financial indebtedness of similar character.
Exchange Restrictions **Capital Movements**	Restrictions on capital movements would be retained, but restrictions on foreign exchange dealings concerning current trade requirements would be progressively removed.	Maintenance, or removal of exchange restrictions are optional. The maintenance of a limited control over capital movements is suggested.	Members with net debit balances up to 25% of their quota would be required to exert control over outward capital movements. Removal of exchange restrictions urged, whenever conditions permit.

value" prices, but, in addition, partially would cure the evil of wasted utility manpower.

Still another reason why Congress should suspend enforcement of the "death sentence" for the duration is that the high Federal taxes imposed on privately owned utilities, but from which publicly owned utilities are exempted, are forcing electric utilities into the ownership of their served municipalities. Total taxes paid by privately owned electric utilities, alone, in 1942 were equivalent to 24% of their operating revenues, with Federal taxes accounting for 64% of all governmental exactions. Municipally owned electric utilities, however, paid no Federal taxes, few if any State taxes and often but token local taxes.

One instance will serve to show the advantage to municipally owned electric utilities arising from Federal tax emption. During 1942 the Federal taxes paid by The Montana Power Company were 117.8% higher than those paid in 1941, while operating revenues increased only 19.3%. As a result, its 1942 net income, available for dividends on preferred and common stocks, was 6.2% below that of the preceding year. In comparison, the operating revenues of Seattle's municipally owned electric system in 1942 were 18.4% above those of 1941, but mainly because it paid no Federal taxes, its 1942 net income was more than 167% higher than in 1941. Because municipally owned utilities can "save" the amount privately owned utilities contribute to support of the Federal Government, communities and districts now constitute practically the only buyers for electric utilities forced on the market by the "death sentence." And for this reason, enforcement of the "death sentence" in the present emergency is, in effect, driving privately owned utilities into public ownership.

Certainly, precedents are not lacking for congressional relief of segments of the population threatened with loss during an emergency. During early depression years, many of our farmers, who had mortgaged their lands, were faced with wholesale foreclosure and loss of their properties, because "fair value" prices no longer existed. So, through adoption of the Farm Moratorium Act in 1935, Congress came to their rescue. In a similar manner, through passage of the Home Owners Loan Corporation Act in the same year, it afforded relief to the owners of mortgaged homes. And, through the Reconstruction Finance Corporation Act of 1935, business in general was given relief.

Already many of our state public service commissions voluntarily have instituted what, in effect, are moratoria for the duration on matters affecting rates and other regulatory activities. One of them even has asked the Federal Power Commission to discontinue one of its proceedings until after the close of the war emergency. In addition, a member of the Interstate Commerce Commission, by implication, and the Attorney General of the United States, directly, have indicated that "regulation as usual" of common carriers is "out" for the duration. These will be discussed in chronological order.

On June 4, 1940, the New Jersey Board of Public Utility Commissioners said, in part, in suspending final action and decision in a proceeding to determine the justness and reasonableness of rates charged by the Jersey Central Power & Light Company:

"The Board has taken the indicated course, because it is apparent that any conclusion reached now by the Board as to value of property, operating expenses and rate of return can have no assured stability for any reasonable period in the future. World conditions already have affected the financial markets and price levels; the continuation of war and preparedness activities of the Federal Government, if past experience counts, will further affect such markets and price levels; the immediate future of its effect upon factors entering into rate-money by order is highly uncertain."

In early January 1942, the Massachusetts Public Utilities Commission, in dismissing a petition for investigation of telephone rates charged by New England Telephone & Telegraph Company, said, in part:

"In our nation's present crisis, the company is commendably and capably serving in a capacity in the common endeavor. * * * It would not be in the public interest to intervene at this time."

In a report by the American Bar Association's Special Committee on the Effect of National Defense Laws and Regulations on Public Utilities, which was signed by Clyde B. Aitchison of the Interstate Commerce Commission, among others, and was presented to the Annual Convention in August, 1942, appears the following:

"It is axiomatic that the systems of regulation of common carriers which have been devised by Congress and the States have been primarily conceived for normal times of peace and to apply under conditions of normal competition between carriers and between shippers. Many features of regulation which are entirely sound in times of peace become obstructive to efforts to the national defense if enforced too rigidly in times of war. * * * Regulatory machinery, in time of war, has to be geared to the tempo of the war effort."

A news report in the "New York Times" of November 13, 1942, credits Attorney General Francis Biddle as saying that the Department of Justice has no intention of instituting any proceedings against common carriers, "which will impede or obstruct the war effort." And he continued:

"In order to dispel whatever misconception may exist, I should like to state simply that no investigation into or disturbance of the existing normal and established activities of carrier rate bureaus and conferences is contemplated by the department. I feel that any such program at this time would unduly diffuse the activities and energy of the carriers and hence unnecessarily burden them."

In a Statement of Policy on its attitude toward utility earnings during the emergency, adopted June 7, 1943, the Pennsylvania Public Utility Commission said:

"* * * the Commission deems it inadvisable to institute formal investigations into the reasonableness of existing rates which appear to the producing increased earnings as the result of an artificial economic situation created by war conditions."

And, finally, approximately a month ago, the South Carolina Public Service Commission asked the Federal Power Commission to discontinue, for the duration, a proceeding instituted by it designed to give the FPC jurisdiction over the Portman Shoals development of the Duke Power Company. Stating that the South Carolina commission desired to be made a party to the proceeding, and noting that depletion of its engineering staff and other personnel, as well as those of the utility, would make it difficult to proceed with the case at that time, Chairman James W. Wolfe of the State Commission, said in a letter to the FPC:

"We can see no relationship between such proceedings and the national war effort. . . . Our opinion is that to carry this matter to its ultimate conclusion during our national emergency will be an irretrievable waste of manpower, transportation and other essentials that should be devoted to the war effort. The Portman Shoals plant has been operating for almost half a century, and even if it were licensed immediately, without contest, we can see no change in conditions that would follow except the few dollars license fees that would be paid."

It is hoped that our Senators and Representatives will recognize that studies, investigations and proceedings instituted by the Securities and Exchange Commission and the Federal Power Commission, which consume nearly half a million man-hours of work a month by the war-depleted staffs of privately owned utilities without making any real contribution to the war effort, should be sidetracked until more serious business is settled. As President Roosevelt said in his radio address of July 29, "The all-important thing, the all-important thing now, is to get on with the war—and to win it."

"The Chronicle" invites comments on the views expressed above by Mr. Abrams, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce Street, New York.

"Our Reporter On Governments"

By S. F. PORTER

Not much going on these days. . . . A dull, uninteresting market which is waiting for the September deal or some other major news to move out of its rut. . . . Reaction is just about over, temporarily, at least. . . . Important rally hasn't gotten under way and may not until the next financing is completed and we have denial or confirmation of disturbing rumors about possible slow selling. . . . The commercial banks generally are on the sidelines. . . . Insurance companies have just about finished their liquidation of tax-exempts and between now and September 9, the rest of their selling should be tied up in a bundle and put away on the shelf. . . . Which will be a welcome relief to all who own exempts and a last warning signal to jump aboard to all who are waiting to buy more. . . . But that's in the future and deserves a story by itself. . . . As of this week, the prime news is "market quiet, best policy for you is to follow suit." . . .

Incidentally, it is a fact that the big insurance companies have been selling exempts and thus have contributed to the sloppy market in the favored long-term tax-exempts recently. . . . Story is a few large companies were fairly active on the liquidation side throughout the decline in the long-term exempt issues and especially, throughout the drop in the 2¾s of 1965-60 from 112.30 to 112. . . . But this type of selling has been going on for almost two years. . . . It must be near its end by now and according to reliable reports, it is definitely being finished. . . . Chances are the insurance firms most involved in this activity will complete their operations by the time the new "basket" of issues is ready for offering in September. . . .

And that will mean one tremendous weight will be off the exempt market—particularly off the last four issues—for good. . . .

You don't need any elaborate explanations to come to the obvious conclusion. . . .

THE 3¼s

Morgenthau has now announced that holders of the 3¼s of 1945/43, called for redemption October 15, are to be given an exchange offer. . . . Confirming the market's hint during recent weeks that these would get this exchange privilege, for the bonds have been way up in the last few months. . . . And regular cash payment just simply wouldn't have justified a premium of 100.19-100.21 directly before a redemption. . . . Also Morgenthau has disclosed the bonds will remain outstanding until next month, for they're to be exchanged shortly after the close of the third war loan drive. . . . A good coupon for a few weeks, incidentally. . . .

It's a pity Morgethau waited until this last minute to exchange these. . . . Actually, he missed his market. . . . The deal should have been handled in July or during the first week of August. . . . He's making it unnecessarily difficult by delaying action. . . .

One interesting angle about the exchange offer is that commercial banks owning the 3¼s are to get a par-for-par exchange into the new 2s of 1953/51, coming out in September. . . . If allotments of these to banks are on a percentage basis, the par-for-par exchange may be of more-than-ordinary value. . . . Holders other than commercial banks may exchange the 3¼s into 2s or 2½s—but they could get as many of these as they want anyway. . . .

But there's another angle to this story about the 3¼s, which is of more interest to more people. . . . And that is, the effect this elimination of a popular tax-exempt issue will have on the long-term exempts. . . .

To begin with, here's the data on distribution of this bond among investors:

There are $1,401,000,000 3¼s outstanding. . . .

Of this total, $619,000,000 represents holdings by commercial banks. . . .

$46,000,000 rests in the portfolios of savings banks. . . .

$56,000,000 belongs to insurance companies in the life insurance end of the business and $34,000,000 to fire and other concerns. . . .

$179,000,000 of the issue is in the Federal Reserve System's investment portfolio. . . .

$466,000,000 is in the portfolios of "all others." . . .

To put it briefly, then, at least $1,000,000,000 of the 3¼s may be traced to the portfolios of those investors interested in tax-exemption—the $619,000,000 plus the $466,000,000 classifications. . . .

And to go on from that point, it is logical to expect that at least 20% of this money will find its way back to tax-exempt bonds shortly after the 3¼s are paid off. . . .

And to finish the argument, that means at least $260,000,000 may be seeking long-term tax-exempt bonds later this fall. . . .

Just another point to bring out this writer's belief that the long-term tax-exempt issues will be selling above today's levels by the year-end. . . .

Maybe you'd better watch those 2¾s at their current price of slightly above 112. . . . And while staying close to the sidelines is the wisest policy at the moment, there may be a day soon when purchase of these bonds is indicated. . . .

THE SEPTEMBER DEAL

Said one dealer:

"There'll be plenty of 2½s and 2s around come the third war loan. You'll be able to pick up all you want."

Said another:

"While the $15,000,000,000 goal may be reached, it'll be hard pulling and the Treasury's men will have to go out and work hard on this one."

Said a third:

"Morgenthau may have been regretting his decision when he remarked a few weeks ago that if the third war loan didn't go well, there'd be a fourth loan in December. That, to me, was a tip-off on the Treasury's apprehensions."

Said a fourth:

"He may get the cash he wants but I'll wager he doesn't get it from the people he wants it from. In short, I expect the insurance companies, corporations, etc., again will have to step in and hold up the subscription totals."

The quotations tell the story. . . . There's a lot of talk around about the coming September financing and a considerable portion of it is discouraging. . . . Not the goal but the high goal plus the barrier raised against bank subscriptions may be blamed. . . . In addition, experts are bothered about the coincidence of the September 15 income tax filing date and payment with the drive. . . . Are disturbed about the effect the opening of tax conversations in Congress on September 8 will have on the success of the campaign. . . . Are looking forward with some fear to the possible let-down in enthusiasm among individuals because of the psychology of "the war will end soon." . . .

Whatever the specific factor, the reports are about. . . . This is a confirmation of the first story on this development two weeks ago, printed here. . . . And while you may take for granted that the goal will be achieved—by artificial pressure if by no other force—the "hard pull" is likely to have an adverse effect on the price level for a while. . . .

To put it another way, it may be wise for you to hold off on doing anything until you see how the September deal is going. . . . Then you can step in and buy your tax exempts or some new 2s or 2½s. . . .

As for the bank offering, to follow the public war loan drive, that's the one to watch for quick profit. . . . Assuming the banks are offered 2s due 1953-51, and assuming the public already has bought these on a large scale, we may anticipate a premium of ¼ point or so shortly after the bank books close. . . .

Watch your 2s of 1955-51, now selling at 100.15, for a clue to market trend on this pending issue. . . .

Post-War Exchange Stabilization Reviewed

(Continued from page 696)

rates and our "external" currency. Thus whether "internal" dominates "external," or vice versa, depends upon the point of view, and Mr. Drucker, in speaking from an essentially British point of view, is likely to confuse American readers.

The situation, when carefully examined, is, in fact, not one of habitual "subordination" of one side to the other at all but just another case of economic balance where a change on either side can initiate and cause the other side to tip and "subordination" can, in consequence, run in either direction.

There is a final possibility that what the "Economist" calls the "onus of securing desired changes in international payments" may have been shifted by the Keynes plan from the debtor nations which, in a way, he represents, to the creditor nations who can better afford the burden. This might be all right as a temporary matter until the gold standard is reestablished but should not be overlooked by the creditors as a possibility in their appraisal of the plan.

American Interests

Two major American interests in these plans are:—1. How much ought we be willing to contribute, through this and other programs, toward giving hope and aid to war-torn Europe and Asia? 2. How far should we be willing, in the post war world, when it comes our turn to deflate through accepting foreign imports, to let competitive foreign goods come in, instead of, as in the past, raising tariffs, depreciating the dollar, and so on.

On the first question, if we are willing, as we seem to be, to go into debt two or three or four hundred billion dollars to win the war, we would seem foolish to balk at spending another twenty billions if we have to to finish the job and secure a sound peace. If we are wise we will not lose this added money because, if we decide to refuse to accept repayment under any of the other plans we can still get something substantial under that of Mr. Dewey.

On the second question, how far should we be willing, under any plan but Mr. Dewey's, to reverse our traditional Republican high tariff policy, and, when it comes our turn, accept deflation and unemployment and competing foreign imports? For that is the test, and, unless we do reverse this policy any exports under any of the other plans will be given away by us as similar exports were given away after the last war. The size of these gifts, under the Keynes plan, could be punitive in amount, with no limit except the combined extent of other nations' quotas. An intelligent choice, therefore, between the first four plans, on the one hand, and that of Representative Dewey on the other, logically involves a prior decision as to our attitude toward the admission of these competing foreign goods.

Broadly speaking economists would defend the following generalizations:—1. Tariffs between foreign countries, Canada, for instance, and the United States, are no more sensible from the economic standpoint, than tariffs between Pennsylvania and Colorado or between California and Florida. 2. Our tariff policy, for the past 25 years, and in spite of Cordell Hull, presents a tragic example of the political triumph of local pressure groups over the national interest. 3. Our tariff policy, in the past 25 years, while benefiting us but little, has done untold mischief abroad, to employment, to credit, to the gold standard, to political stability. 4. An objective observer, an economist from Mars, let us say, would be stunned at the spectacle of a great creditor nation deliberately shutting out, as we did in the 20's, foreign goods offered us for nothing, or, to be quite accurate, offered us for dollar payments which the sellers were most eager to return at once as interest upon their debts to us.

Have we learned our lesson as to tariffs? If not, and there is no convincing evidence that we have, the Dewey plan will be our best way out, giving limited help abroad while getting something tangible and non-competitive for ourselves.

If we have learned our lesson even the Keynes plan, if properly modified, should do us no harm. It reads, "It is not contemplated that either the debit or the credit balance of an individual country ought to exceed a certain maximum—let us say its quota." That would mean that our net sales on credit were never expected to exceed 4.5 billion dollars. That expectation, if only we refuse to sterilize gold and raise tariffs and so on, is a reasonable one, and, in time, our credit balance should work down to zero. The plan can certainly be improved, by incorporation of the best features of the Morgenthau and the Canadian plans. Purchases of war materials, such as suggested by Mr. Dewey, would be a useful adjunct, cushioning deflation when it came. But the Keynes plan is ample to win us friends abroad during the war. It would provide a useful barometer of disequilibria in world trade and a strong incentive toward curing them when they arise. If we decide on tariff sanity we need not rule it out. And no intelligent decision can be made on these plans until we do decide about our tariff policy. That is an essential sane preliminary.

Melchior Palyi

In the past week a sixth plan has been published in the "Chronicle" by Dr. Melchior Palyi of Chicago. He proposes an international lending agency called International Reserve Bank. Its unit of accounting is a dollar containing 1/35 of an ounce of gold of standard fineness. Memberships in the Bank are purchasable by each country at a cost of 5 million dollars of which 2.5 millions are to be in gold and the remainder in local currencies or banking credits. Votes are to be in ratio of one vote for each 5 million dollars contributed and contributions may be larger. Of the net earnings 75% are to be paid to members in proportion to their contributions and 25% to capital. There is some compulsion to join, because members, while forbidden to practice exchange manipulation, capital import and export prohibition, etc., upon other members, may do so on outsiders. In event of voluntary withdrawal, members agree to forfeit deposits and they also agree, except upon a two-thirds vote, to maintain the gold values of their own currencies.

The IRB may borrow (scarce currencies, presumably) in amounts equal to the sum of its capital funds plus "permanent deposits." Permitted methods of borrowing are: (1) Accepting time deposits of three months or less (presumably this means obtaining three months banking credits). (2) Issuance of short-term (3-12 mos.) paper. (3) Issuance of 5-15 year medium-term bonds guaranteed by member countries. (4) Through guaranteeing medium-term obligations of members. In case of liquidation these liabilities shall be a prior lien on all assets except those segregated in the Clearing Fund. A gold reserve of 10% or more must be kept against all obligations maturing within a year, and other obligations shall be serviced by an amortization fund in gold sufficient to take care of at least 50% of the obligation on maturity, the amount of yearly gold being proportioned to maturity. On a 15-year bond the amortization fund would apparently accumulate at the rate of about 3% of the face value each year. Lending to any country cannot be "in excess of 20% of IRB's capital plus 'permanent deposits.'" There appears no other restrictions on amounts that may be lent.

Lending is confined to members and must be authorized by a two-thirds vote, the borrower being excluded from voting. The borrower may not re-lend at less than a 1% advance in interest rate. Short-term lending is limited to rediscounting, with collateral required when the loan exceeds in amount the member's "permanent deposit." Foreign assets are "preferable" as collateral. After two years, renewals are to be discouraged. "Intermediate credits" are to be sharply scrutinized as to purpose, collateral, budgetary and currency practices, and the borrower may "be asked to regulate his economy" in such respects. The results of the scrutiny are to be made public for discussion a month in advance. Intermediate credits may be used, (1) To liquidate debts owing other members (including debts on abnormal balance account). (2) To finance special purchases. (3) To stabilize exchange. In the latter case the funds made available shall be kept in the hands of the IRB and used in its discretion. The borrower agrees to limit use of any funds to the specific purpose indicated; to forego increases of currency or bank credit (presumably during the life of the loan); also either to eliminate budgetary deficits altogether or else to finance them through long-term, non-banking sale of bonds to private buyers. The interest rate on IRB intermediate loans must be 1% more than the average paid on the borrower's own bonds in the preceding ten years.

International clearings are managed by the Board with separate clearing balances for each country, withdrawable on 60 days notice, of $500,000 in gold as a minimum. 50% of the minima and 80% of balances in excess of minimum are to be kept in gold, the rest in internationally marketable, two-name (one a bank), short-term paper drawn in any gold standard currency. In Mr. Palyi's comment it appears that debtors owing "abnormal balances" can borrow to the extent of these balances, or, if preferred, the creditor can list the balances as part of its own "permanent deposit" with repayment due in 20 year installments.

A necessarily brief study suggests the following comments on the Palyi plan.

"The monetary unit of the IRB," although called a "Gold Dollar" and given a gold content of 1/35 of an ounce of standard fineness, is not, apparently, made legal tender in the U. S. A. or any other country. Its acceptance is not made compulsory upon any country or bank. And its redemption in gold is not arranged for. No other effective means of maintaining its value is provided. It is true that member countries must keep their own currencies stable with reference to gold—although at what ratio or how that ratio is fixed is not made clear—but they are not obliged to keep them stable with reference to the IRB dollar. The value of that dollar, in the international exchange market, would, therefore, be highly problematical so that, while borrowers might be expected to be eager to borrow under the plan, there seeems no sufficient inducement on lending countries to lend, or to accept payment for their exports, in irredeemable IRB deposit accounts. The IRB, therefore, would apparently become a "lending" agency ony to the extent of the internationally salable dollars, gold, etc., it could deliver and its usefulness would be limited very closely to what we, and a few other countries with goods to sell, put into it. As it stands it is weaker than the other plans in helping European reconstruction.

In order to make the potential usefulness of the bank clearer, however, let us give it the benefit of all doubts and suppose that the IRB dollar, at its fixed price in gold, is made acceptable by member countries just as member countries are required to accept bancor, at the gold price fixed, under the Keynes plan. Then, when an American exporter drew on his foreign customer and the customer handed the draft to his foreign bank and the foreign bank borrowed the (negotiable) IRB dollars, with the draft as collateral, from the IRB and sent the American exporter his check, payable in IRB funds, some agency here, presumably the U. S. Treasury, would be bound to accept this check at its face value and deliver U. S. legal tender dollars to the exporter. But where would the Treasury procure the dollars? Presumably, unless gold certificates could be issued against IRB deposits, through sale of government bonds or notes to the public or to the banks. There are other possibilities and any attempt at comprehensive discussion leads off into a maze of alternatives.

This, however, can be said, that, once acceptance of IRB dollars is made compulsory on member countries, then the lending capacity of the IRB is limited only by the 10% requirement as to short term paper and by the sinking fund requirement as to longer-term loans. A revolving fund of medium-term loans, each requiring a 50% sinking fund in gold at maturity, would normally require an average sinking fund on hand of 25% so that the ultimate lending capacity of the IRB would work out to somewhere between four times (if all the loans were medium-term) and 10 times (if they were all short-term) its gold holdings. It could be expected, consequently, to become an inflationary force in world affairs to the extent of only something like seven times its gold holdings. If 40 nations joined and made minimum contributions in gold, then the gold holdings of the Bank would be only $100,000,000 and the credit it could issue would be only $700,000,000, an amount which seems inadequate to the purposes to which these plans direct themselves.

Mr. Palyi, however, expects the U. S. A. to contribute something like 2 billions in gold as its generous share. In that case the lending power of the fund, on the theories suggested, would be over $14,000,000,000. That could mean that we would sell goods to something like that amount on IRB credit and the weakness of that solution, as has already been indicated, is that, unless we change our tariff attitude, we will get nothing for our goods except these irredeemable "dollars." Pressure on the debtor nations, such as has existed for the last 25 years, is provided by Mr. Palyi's plan and debtors must tax and deflate and try to ship goods but nothing is done to force creditors to make a market for these goods.

There can be no "stabilization" of a one-way movement of money, nor any "clearing" of a one-way movement of goods. Money exists largely as a medium of exchange, and no manipulation of money, however ingenious, can in the long run compensate for lack of actual exchange. That exchange the debtor, alone, cannot force.

The CHRONICLE invites comments on the views expressed in this article by Mr. Cist, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce Street, New York (8), N. Y.

Charts Progress Of Private Industry In New York City

The importance of private industry to the welfare and progress of New York City is indicated in a survey of workers, covered under the Unemployment Insurance laws, compiled by the Commerce and Industry Association of New York.

A graphic chart, prepared by the Association's Industrial Bureau, shows the average monthly employment of covered workers in 1942, in all industries, totaled 2,399,523. This, says the Association, is over 18% of the total combined populations of the next ten largest cities in the country. The advices made available on Aug. 14 by Roy C. Elmendorf, Manager of the Publicity Bureau of the Association, further said:

"981,339 were employed in manufacturing industries, and 1,418,184 in non-manufacturing. In the non-manufacturing group, wholesale and retail trade combined showed an average of monthly covered employment of 577,818, or 24% of the total.

"Among the outstanding groups are those employed in the apparel and related manufacturing trades with 314,594 employees, or 13% of the total; and full time and limited function wholesalers, with 126,373 workers."

Cotton Report as of Aug. 1

A United States cotton crop for 1943 of 12,558,000 bales of 500 pounds gross weight is forecast by the Crop Reporting Board of the United States Department of Agriculture, based upon information as of August 1. Such a production would be less than the 1942 crop by 266,000 bales or 2.1%, but 84,000 bales above average production during the 10-year (1932-41) period.

An all-time record United States average yield of 279.4 pounds is now indicated. Such a yield would be 7 pounds above the previous record yield of 272.5 pounds produced in 1942, and compares with an average yield of 217.0 pounds.

In the southern part of the Cotton Belt, estimated yields are generally better than last year, but in the more northern areas it appears that the unusually high yields of 1942 will not be reached. Yields well above average, however, are indicated for all States excepting California and Arizona.

Weather conditions thus far have been generally good for growth and development of the cotton crop. Stands are unusually good and the season has been warm, with most areas free from excessive moisture.

Excessive rainfall in the Eastern Seaboard States during the first half of July increased the threat from weevils in that area, but dry hot weather during the last part of the month has helped to check the damages from this source. Infestation of weevils in all States, as reported by correspondents on August 1, is below that for 1942 when loss from weevil was about average.

The crop is generally earlier than usual, being from one week to two weeks early in most areas. As the result of floods in May and early June, the crop in Missouri and in parts of Oklahoma and Arkansas is somewhat later than usual.

Harvesting is progressing rapidly with the census report showing ginnings to August 1 at 108,653 running bales from the crop of 1943, compared with 48,626 for 1942 and 1,969 for 1941.

We Must Make Up Our Minds

(Continued from page 689)

mand tariff protection on the ground that German manufactures competed with our own products. Or if Argentina should seek to pay for American automobiles by sending us corn and beef, our farmers would demand tariff protection for their own American-grown corn and beef. In either case, the difficulty of securing foreign exchange to settle international balances would tend to bar our products from other markets.

(It is significant, in this respect, that Argentina is the one South American country which has steadfastly refused to break off relations with the Axis. German manufactures and Argentine food products complement each other and form a natural basis for trade, whereas we raise our tariff barriers against Argentina's exports because they compete with our own. No amount of "Good Neighbor" sentiment is likely to upset this elementary economic situation, once normal peace time trade relations are resumed.)

Unless, therefore, we find a way to permit other countries to balance their trade with us by the exchange of products, there would seem to be a distinct limit to the possibilities of foreign trade as a means of maintaining our industrial activity.

In the period between the two World Wars, the United States ran the whole gamut of experience with foreign trade. The rehabilitation of war-ravaged countries plus the filling of the civilian needs dammed up during the first World War gave us a few years of illusory prosperity—illusory because much of it was based upon our own money loaned to other countries which subsequently defaulted on their debts. We maintained for a brief period a semblance of business activity by sending abroad goods we might have used at home, and for which eventually we were not even paid.

Subsequently, such trade as we did was settled for in gold, with the consequence that we now have some 80% of the world's gold supply, which we don't know what to do with.

The policy of "autarchy," or national self-sufficiency, so widely adopted in recent years, was the direct outgrowth of this situation. With its collateral policies of "blocked" currencies and exchange control, it put foreign trade, especially in the Fascist countries, under the complete domination of the state, where it became a potent weapon of economic warfare.

At the end of this war there will be the same problem of rehabilitating the war torn countries and a tremendous reservoir of deferred demand, at home and abroad. This may give us a brief interval of relative "prosperity," in which to make preparations for the inevitable time when foreign nations will run completely out of valuta, and must either cease to buy from us or pay for our products by sending us their own. If then we refuse to accept their products, as we did after the last war, our foreign trade will decline and our industrial activity along with it.

Investment of American capital abroad might postpone this outcome, but only temporarily. Interest on American money loaned abroad could be paid only as we accepted their goods in our markets, while every factory built by American capital in a foreign country would become a competitor with our own industry, especially when built in countries having a much lower standard of living.

Furthermore, in order to compete in the international markets we should have to keep our own costs down. This would mean a policy of low wages and low prices, which in turn would restrict the internal market and sharpen all the latent antagonisms in our national life—between capital and labor, debtor and creditor, agriculture and industry, East and West.

Clearly, then, it is questionable whether foreign trade and foreign investments can be depended upon to maintain maximum production and full employment in the post-war world.

Prosperity Through Developing Our Internal Market

In the "Chronicle" of Aug. 5, Mr. E. S. Pillsbury, of Century Electric Co., of St. Louis, in an interesting letter discussing this question, used the following quotation, which he attributed to W. A. Manford, an economist. We give it in full because it states succinctly the point of view of those who believe that the solution of the problem of maximum production and full employment lies in developing the home market:

"There is no need for any nation with an intelligent economic system to export more than enough to pay for its needed imports. Whenever goods are produced, the total costs of producing them, including interest and profits, reaches some one's hands as purchasing power, and thus automatically enable the nation to purchase its total product. The market for all goods, other than those we must export to pay for our needed imports, is right in our own country, raising the standard of living of our own people."

Stated thus simply, it is difficult to refute Mr. Manford's argument, although there are economists who deny that "the total costs of producing them, including interest and profits," equals the final price of goods. There is no doubt that if we maintained maximum production and distributed "buying power" widely enough to carry our products off the market, there could be a considerable increase in the living standards of our people. Our "national income," measured in dollars, has fluctuated from $40 billions in 1932 to around $120 billions in 1942, and this year is expected to go higher. The difference, of course, is due to the demands created by the war. But if enough "buying power" were distributed, there is no **theoretical** reason why an equal production should not be attained in peace time.

But the problem is not as simple as Mr. Pillsbury seems to think, and the writer wants to go on record as admitting it. It is not enough that sufficient "buying power" should be distributed—**it must be spent**, and spent in particular, predetermined ways, with a proper balance between producers' goods and consumers' goods. Unused "buying power" would "gum up the works," and this raises a host of questions of the utmost gravity.

It is difficult to see how we could "expand the internal market" sufficiently to attain maximum production without an elaborate system of "planning." Labor and capital must be shifted from many fields where we now produce an exportable surplus to others. The whole machinery of foreign trade must be revamped and brought under governmental control. The distribution of the national income as between different groups would produce tremendous problems and stresses, and probably necessitate attempts to fix wages, profits and prices by governmental decree.

In short, the attempt to "expand the internal market" conceivably might take us a long way down the road toward that very totalitarian dictatorship we are supposed to be fighting to destroy.

A Condition and Not a Theory

But we are, or soon will be, faced with a condition and not a theory. In a matter of months we may have to decide what to do with millions of demobilized soldiers and war workers. We dare not turn them adrift without jobs, lest they fall under the sway of demagogues who might pull down the whole edifice of our national life. And equally, we dare not allow our industrial activity to sink to the levels that prevailed during the depression, lest we destroy the tax base necessary to service the colossal debt with which we shall end the war.

In spite of the admitted risks and dangers attendant upon the attempt, we shall have no alternative but to maintain at all costs the ability of the internal market to absorb the full product of our industry. We must balance our economy on a high level of productivity by making it possible for our own people to consume the full product of their labor.

The reward for this effort will be such an increase in the living standards of the American people as will lift us to heights of prosperity never before achieved by any people. But to accomplish this, we shall need, deliberately and purposefully, to follow certain social and economic policies. Industry will have to operate on the narrowest feasible margin of profit, passing on to the public in the form of low prices the benefits of technological progress and full employment of facilities. Wages and salaries (representing the largest single block of buying power) will have to be regulated, not downward, by competition for jobs, but at the highest levels compatible with continued industrial activity.

Where necessary, a floor must be placed under wages in order to lift the depressed classes to a higher standard of living, for only as buying power is **widely** distributed will it be possible to maintain full production. Social security legislation must be liberalized, and slum clearance and housing undertaken on a vast scale. There must be no more mass poverty while production facilities and labor lie idle.

The war has taught us that when faced with an emergency, our system of free enterprise is capable of performing miracles of production. Why, then, should be slump back into depression and unemployment when the war is over? What the war did was to furnish a market for all we could produce. The demand called forth the supply. The capital, labor and resources were here all the time. Our system of free enterprise will be judged, by history and by our demobilized soldiers, on its ability to produce for peace as efficiently as it has produced for war.

WM. G. LIGHTBOWNE,
New York City, Aug. 18, 1943.

Near At Hand—Fourth Anniversary Of The World War Outbreak

It gives one somewhat of a shock to realize that a few weeks hence we will be marking the fourth year of World War No. 2.

These have been four long and hard years, blue and discouraging at times but now, fortunately, the outlook seems overwhelmingly our way.

It may well be that the war at this time is whirling along into its final stages. How far away will be the end, or the pattern of those final stages, of course defies prediction. But on all fronts the tide seems to be running strongly and inexorably in favor of the Democracies.

In the Pacific it is the Japanese now who are on the defensive and we have the initiative, a reversal of the pattern of the six or eight months following Pearl Harbor.

Mussolini has gone and the Italians find themselves in an impossible dilemma; the populace sick and tired of the war and howling for peace, a peace that Italy cannot effect as long as the Nazis dominate the country.

Germany's vaunted air power, based on recent months, appears to be a thing of the past and the Allies have little difficulty in obtaining mastery of the air wherever and whenever they choose.

On the eastern front, where perhaps the "Sunday punch" is going to be delivered, the German summer offensive was abortive and the Soviet lines are sweeping westward at a prodigious rate.

Other decisive factors of course are seen in the amazing American arms production, the blasting of German cities and manufacturing centers from the air and the possibility that some of Germany's Balkan Allies may not hold on much longer.

Now all of this is not to be interpreted as any prediction that an early peace is inevitably at hand. On the contrary, we agree fully with the recent statements of Secretary Knox and Secretary Hull that the only course for the nation to pursue is one which assumes a long and violent struggle ahead.

But those charged with the supervision of investments these days cannot proceed altogether on any such categorical basis. One must have some sort of a point of view as to the war's duration and by the same token attempt to see with a fair degree of clarity something of the post-war economic and political pattern. And this is extremely difficult; for it seems quite evident that we are in a dynamic period when one must await the unexpected and prepare in advance for the most surprising happenings.

Consequently we can only repeat what we have said so frequently in our recent letters; viz. that investors may in the long run find it highly profitable to reduce disproportionate equity commitments and to reduce them down to a level where they will be reasonably "ex-worry."

Cash, government bonds, high-grade corporate bonds and preferreds we regard as necessary "shock absorbers" these days if investors are to negotiate smoothly the bumps that may be on the road ahead.—Ralph E. Samuel & Co.

Public Utility Securities

Utilities As "Peace Stocks"

Utilities owe a substantial part of their popularity in the past year to the fact that they are ideal "peace" stocks. There will be no transition problem from war to peace. While new peaks in power output are being established almost weekly, and current output is running about 70% over the pre-war level, the increased net earnings have been taken by the Federal Government, as indicated by the following figures (millions of dollars):

	1926	1933	1939	1942	Increase 1926-1942
Revenues	1,415	1,640	2,148	2,611	85%
Depreciation	121	166	249	294	143%
Expenses	609	600	798	1,011	66%
Federal taxes	133	212	140	402	371%
Other taxes			212	226	
Fixed charges	250	358	317	293	18%
Net income	400	404	539	499	25%

Had Federal taxes increased only in the proportion of state and local taxes during the war period, net income in 1942 would have been larger by $252,000,000. The balance for common stockholders would have gained 68% over 1939. Instead of this, net income dropped 7% and profits for common stockholders 11%.

Thus the utilities actually lost money in 1942 on their war-time business, (though they are doing a little better currently) and the expectation of a substantial cut in taxes after the war is an important bullish factor. On the other hand, if we are in for a post-war period of inflation, it is unlikely that taxes will be substantially reduced. In that event, the high tax rates will supply a strong cushion against higher wages and materials, since most utilities would be able to offset 80% of increased costs by tax savings.

Present huge sales of power to war factories are on a low-profit basis. Rates for residential service average nearly four times as high as for large industrial customers. In the past three years sales to residential customers increased 28% while factory sales gained 73%. After the war, there will be a huge pent-up demand for new radio-television sets, washing machines and all sorts of electric "household" gadgets. Increased revenues from residential sales will partly offset the loss of "war" revenues, and will yield better profit margins.

According to a recent writer in the Saturday Evening Post, General Electric has been studying the post-war outlook intensively. Their experts think we should have a national income of $140 billions, and to avoid depressions should spend $26 billions a year for "permanent things." On this basis G. E. sales are expected to run nearly double the pre-war level. They are planning intensively for an "electrical home" for everyone, rich and poor—electric garbage disposal units, electric dish-washers, better electric refrigerators and toasters, television, improved electric steam irons. Most important of all is a startling system of heating and cooling houses by electric air-conditioning using **one machine.** This makes use of a newly developed "reverse-refrigeration cycle," already in practical use, by which the same machine does both jobs.

These new developments, planned behind locked doors despite the pressure of war work, should create a huge increase in residential demand for electricity. This will mean lower rates, which will please Washington (some companies in the south and west with low residential rates sell far more "juice" to domestic consumers than other companies). The cost of furnishing the increased current will be comparatively small, hence the utilities should make larger profits even with lower rates.

The recent popularity of the "electronics" stocks recognizes a great new industry for the exploitation of innumerable uses of radio tubes. Electronics devices will be used throughout factories, shops, theatres and homes for all sorts of control jobs. This means increased consumption of electric current and more work for the utilities.

Another post-war factor favoring utilities is the current mass production of power turbines for the Navy and for Victory ships (we are turning them out six times as fast as ever before). The experience and lower costs thus gained can be readily devoted after the war to improving the efficiency of our utility plants, thus sharply reducing operating costs.

Fear of Government competition against the utilities has largely waned. Congress will no longer vote huge sums for new hydro-plants are admittedly more efficient. To be sure, we still have severe Federal regulations by the SEC and FPC, but Congress is being urged to defer the death sentence against holding companies "for the duration"—which would give us a breathing spell to consider much-needed revisions of the Utility Act.

Obviously, the utility stocks have been restored to market favor and while there may have been some speculative excesses in the more mercurial holding company issues, there is room for further improvement in many of the sound operating company stocks.

Willkie Says Republicans Can Win In 1944—Urges Liberal Foreign And Domestic Policy

Wendell L. Willkie expressed the belief on Aug. 12 that the Republican Party "should and can win" the next Presidential and Congressional election.

In a statement at his home in Rushville, Ind., Mr. Willkie asserted that the Republicans "must take the affirmative, eschew the negative" by adopting a liberal program for both foreign and domestic policies.

The 1940 Presidential nominee disagreed with contentions that the Roosevelt Administration would be returned to power in 1944 if the war was not concluded by that time.

Mr. Willkie said that in order to win the Republicans "must present to the people a constructive, liberal domestic program of expanding economy" and "must have the imagination to present a realistic foreign policy."

Mr. Willkie's statement was read to a group of Republican leaders of the Eighth Indiana Congressional District.

The text of his statement follows, according to the Associated Press:

"It has been suggested much of late that the present Administration will inevitably be returned to power in 1944 if the war has not been concluded by that time. With this opinion, I disagree. As a matter of fact, for the successful conclusion of the war, the necessary rehabilitation of the country after the war is over, and the enlightened conduct of our foreign policy, the Republican party should and can win the next Presidential and Congressional elections.

"But in order to win, we Republicans must present to the people a constructive, liberal domestic program of expanding economy, developed primarily through the forces of private initiative with an equitable distribution of the profits and social benefits among labor, agriculture and industry. We must pledge that the necessary administrative and regulatory processess of Government will be conducted with competence and economy.

"We must have the imagination to present a realistic foreign policy, based on exelusive recognition of the democratic forces in enemy and occupied countries; recognizing the wisdom of America's effective and active cooperation in world councils and treaties with other nations for the preservation of the peace; and for the establishment of stable mediums of international exchange and the elimination of unnecessary trade barriers to the end that there may be an enlargement of commerce among the peoples of the world.

"America must also give encouragement to the advancing forces of liberty throughout the world.

"But in addition to these purposes, we must also see to it that our country after the war is over retains adequate military, aeronautical and naval strength to implement and, if necessary, protect and enforce, its foreign policy.

"It will be through such foreign and domestic policies of enlightened self-interest that we will best secure a prosperous economy at home and peace throughout the world. For these are the necessary prerequisites to creating jobs and opportunities for our returning soldiers and sailors, legitimate prices for the products of our farms, adequate wages and social protection for our industrial workers and legitimate return to enterprise capital.

"Ours must be a program based not upon glittering and indefinite promises, or the division of our people into warring and embittered groups. Our policy must be founded upon unifying our people for the practical functioning of our economy under competent private management, with the encouragement of competently administered government.

"We must put an end to the period when failure in private endeavor has been a passport to government service; when crass political machines have dictated the appointment of foreign Ambassadors and high judicial officers; when our minority groups have been by turn exploited and then protected for political purposes; when extravagance in public expenditures has been accepted as proof of love of common man and evidence of a liberal mind.

"In addition to the adoption of a liberal program the Republican party must completely forsake the tempting notion that it can win by the amalgamation of the dissident groups in America—the narrow nationalists; the economically selfish, who think that government exists merely for their own self-interest; the people who are afraid to fight or are unwilling to sacrifice unnecessary luxuries and who refuse to endure in wartime without complaint the restrictions necessary for the common good. Above all, it must repudiate completely the religious and racial bigots.

"In other words we Republicans must take the affirmative, eschew the negative.

"For America has been led too much in the negative in the last few years. At home we have been disunited and divided, spending our substance in wasteful extravagances. In the world, our failure to assume obligations in part at least caused the frightful toll in life and property of the present war.

"The Republican party must point the way to an affirmative America—America as she can be under enlightened and liberal leadership—at home, united, prosperous and socially advancing—abroad, respected as a practical worker for world peace and economic development and the leader of the gathering forces of enlightenment and independence.

"No party was ever presented with such an exciting challenge as is offered to the Republican party today nor with such an opportunity. All we Republicans need to do to win is to convince the American people of our sincerity and faith in such purposes, and to have the courage to face an opposition entrenched and truculent with power. As one devoted to the Republican party, I ask to join you in this the most stirring cause of our time."

Situations of Interest

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

DIVIDEND NOTICES

Fuller Urges Business Find Solution Of Post-War Unemployment

Walter D. Fuller, President of the Curtis Publishing Co., told a recent meeting of the Philadelphia Committee for Economic Development that businessmen must plan and find the solution for post-war unemployment or else the Government will try to do it and lead to regimentation.

Mr. Fuller, a former President of the National Association of Manufacturers and Regional Chairman of the Philadelphia CED area, declared that "surely we are having sufficient experience with the penalties of regimentation at the present time so that none of us wishes to see that condition carried further in post-war years. Yet the only solution to the dangers of such regimentation is for businessmen to do this biggest job of their lives."

Urging that American business find the way within two years after the close of the war to increase gross volume from 25 to 50% over 1940 levels, Mr. Fuller stated that "we must do that, not by taking business from someone else but by creating something new, either a product or a market." He expressed confidence that this can be done "if we will use typical American ingeniousness and plain every day American guts."

Canada Extends Call-Up Of Men For Military

Canadian Labor Minister Humphrey Mitchell announced at Ottawa on Aug. 14 the call to military training of married men aged 27 to 30 and of all men who reach the age of 18 this year. Associated Press accounts from Ottawa Aug. 17, reporting this added:

"Mr. Mitchell said that the Order-in-Council extending the call-up covered all men not heretofore designated or already under arms, and whatever their marital status, who were born in any of the years 1913 to 1916 inclusive. Similarly, the call applies to men born in 1925, save that none of these will be served with 'orders-medical' until he reaches the age of 18 years and six months."

Broker-Dealer 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.—**Arthur P. Ambrose** has joined the investment department of **Hayden, Stone & Co.,** 25 Broad Street.

BOSTON, MASS. — **John M. Nichols** is now cashier for **Arthur Perry & Co.,** 31 Milk Street.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**John P. Egan** has become associated with **Daniel F. Rice & Company,** 141 West Jackson Boulevard. Mr. Egan was previously with Hemphill, Noyes & Co. and in the past was with E. A. Pierce & Co. for a number of years.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Oliver S. Stanley** has become associated with **Stokes, Woolf & Co., Inc.,** 105 South La Salle Street.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Jules Bluth** has joined the staff of **Straus Securities Co.,** 135 South La Salle Street.

(Special to The Financial Chronicle)

CLEVELAND, OHIO — **George A. Taylor** has become associated with **Goodbody & Co.,** National City Bank Building. Mr. Taylor was previously connected with J. E. Neubauer & Co.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Richard E. Sloan,** formerly with Hornblower & Weeks, is now with **Paine, Webber, Jackson & Curtis,** General Motors Building.

(Special to The Financial Chronicle)

KENSINGTON, N. H.—**Charles W. Sabine, 3rd,** has become connected with **Kidder, Peabody & Co.,** 115 Devonshire Street.

(Special to The Financial Chronicle)

LONG BEACH, CALIF.—**Mason E. Kight** has become associated with **Pacific Company of California,** Security Building. Mr. Kight was previously local manager for H. R. Baker & Co. and Franklin Wulff & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Walter M. Wells** has been added to the staff of **Bateman, Eichler & Co.,** 453 South Spring Street. Mr. Wells was previously with H. R. Baker & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Leo F. Flower** is with **G. Brashears & Company,** 510 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Mrs. Ruth M. Glendon** has joined the staff of **Conrad, Bruce & Co.,** 530 West Sixth Street. Mrs. Glendon was formerly with William A. Lower & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Virginia H. Bailey** has become connected with **Merrill Lynch, Pierce, Fenner & Beane,** 523 West Sixth Street. Miss Bailey was previously with Schwabacher & Co. and Edgerton, Bourne & Co. in San Francisco.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**William M. Cahoone** has become associated with **Wyeth & Co.,** 647 South Spring Street. Mr. Cahoone was formerly with District Bond Company and in the past was with Dean Witter & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Geo. E. Mellon** is now with **Nelson Douglass & Co.,** 510 South Spring Street. Mr. Mellon was formerly with Hill, Richards & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Payson D. Marshall** has joined the staff of the **Pacific Company of California,** 623 South Hope Street.

(Special to The Financial Chronicle)

PASADENA, CALIF. — **LaMar M. Shearer** has rejoined **Quincy Cass Associates,** First Trust Building.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF—**V. B. Cima, James V. Cirimele,** and **Sydney S. Clark** have joined the staff of **H. R. Baker & Co.,** Russ Building. Mr. Clark was previously with Bankamerica Company.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**Charles W. Derryberry** and **Frederick S. Weaver** have become connected with **Bankamerica Company,** 300 Montgomery Street.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**William F. Osgood** is now affiliated with **Dean Witter & Co.,** 45 Montgomery Street.

(Special to The Financial Chronicle)

SAN MARINO, CALIF.—**Rea L. Eaton** has become associated with **Dean Witter & Co.,** 45 Montgomery Street, San Francisco. Mr. Eaton was formely local manager for J. A. Hogle & Co. and prior thereto was with Davies & Co. and Cook, Miller & Co.

Peace Not Bearish

The excitement incident to Mussolini's downfall has spent itself, and general predictions of impending peace in Europe have become more tempered.

The opinion is widely held that peace will be bearish from the standpoint of security prices. It will be remembered that before the war in 1939, it was believed that the market would collapse in the event of general European hostilities. What both beliefs indicate is that investors and speculators always fear change.

The termination of the war will result in many serious dislocations. It will, however, bring an end to the process of working almost solely for the destruction of life and property of the enemy. It will promote a rapid reduction in government expenditures with a lessening of the tax burden. The end of the war will find this country considerably depleted in consumer goods and many types of capital goods. A vacuum is being created which will take several years of intense production to fill. At the end of the war the country will have a greatly expanded credit structure and large quantities of capital seeking profitable employment. In spite of technical fluctuations largely induced by nerves the underlying trend would seem to be well fortified by actualities.—**E. L. Elliott, Van Alstyne, Noel & Co.**

Interesting Situations

Irving Trust Company of New York and The American Insurance Company of Newark offer attractive situations at current levels according to circulars being distributed by Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, Calif. Copies of these interesting circulars may be had from Butler-Huff & Co. upon request.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

We propose this week to discuss briefly a diversity of matters that pertain to the fire and casualty insurance business, and which have significant bearing, in varying degrees, on the fortunes and prospects of the capital stock companies and their stockholders, and should therefore be of interest to dealers in insurance stocks.

Federal Anti-Trust Suit: On Aug. 6, 1943, Federal Judge E. Marvin Underwood dismissed the Government's anti-trust action against the Southeastern Underwriters' Association, twenty-seven of its officers and 198 capital stock fire insurance companies. It will be recollected that, on November 20, 1942, the Federal Grand Jury at Atlanta, in a surprise move, indicted the above parties on two counts: combination in restraint of trade and monopolistic practices conducive to boycott. Among other things, the defendents were charged with violation of the Sherman Anti-Trust Act by "conspiracy to fix and maintain arbitrary and non-competitive rates on fire insurance."

In the dismissal of the suit Judge Underwood declared that the Supreme Court had, for a period of seventy-five years "held unequivocally and unambiguously that the business of insurance is not commerce." The defendents, during the course of the proceedings, had pointed out that insurance always had been regulated by the various State Governments and never by the Federal Government. Whether the Anti-trust Division of the Department of Justice will try some other maneuver or will accept the decision of the Federal Court in Atlanta as final, remains to be seen.

It is of interest to observe that the market did not take the suit very seriously, to judge from the action of Standard and Poor's Weekly Index of fire insurance stocks. On Nov. 18, 1942, two days before the announcement of the surprise indictment, the index was 104.1; by Nov. 25 it had dropped to 103.1, but by the end of the year, Dec. 30, 1942, it had fully recovered and moved up to 105.4. Since then it has steadily risen, reaching 118.7 by Aug. 4, 1943, which was three days before dismissal of the suit, and on Aug. 11, 1943, four days after dismissal, it was 116.8.

Fire Insurance Rates: The trend of fire insurance rates in the United States continues downward, and reached a new low in 1942. As reported by the Underwriter Printer and Publishing Company in "Fire Insurance By States," the average annual premium rate per $100 of risk has declined as follows:

Period—	Average. Prem Rate	Burn'g Ratio	Loss Ratio %
1900-1909	$1.15	.65	56.1
1910-1919	1.07	.53	49.7
1920-1929	.96	.49	50.9
1930	.86	.49	56.8
1931	.81	.48	59.2
1932	.78	.48	61.5
1933	.74	.34	45.6
1934	.72	.31	42.8
1935	.71	.24	33.5
1936	.71	.27	38.5
1937	.69	.25	35.8
1938	.69	.27	38.5
1939	.67	.28	42.3
1940	.67	.28	42.6
1941	.66	.26	39.5
1942	.61	.23	37.4

The reason for the lowering of the rates is found in the declining "burning ratio" and "loss ratio," brought about by improved building construction and better fire prevention and fire fighting. "Burning ratio" is the ratio of total losses paid to the total value of risks written while "loss ratio" is the percentage of total losses paid to total premiums written.

Fire Losses: In connection with fire insurance rates, and the burning and loss ratios, it is pertinent to review the country's annual fire losses over a period of years, as reported by the National Board Of Fire Underwriters.

1925	$373,501,000
1926	393,021,000
1927	320,596,000
1928	301,268,000
1929	422,215,000
1930	*463,613,000
1931	452,017,000
1932	442,143,000
1933	316,897,000

(Continued on page 706)

Real Estate Securities

Advice Of Real Estate Security Specialists Important

Last week an article concerning the sale of a piece of property in the Garment Section of New York was published in the newspapers.

This article should be read by every investor and security firm interested in real estate securities, as we feel it is a sort of "handwriting on the wall, as to the future of real estate properties.

Briefly, the article stated that a syndicate had purchased a large parcel of land comprising the majority of the square block bounded by Broadway, Seventh Avenue, 38th and 39th Streets, New York City. The buyers stated that after the war they intend to improve the property with two structures that will have a rentable area of about 1,000,000 square feet of space. The article further stated (and this is the portion that we believe is so important) that the new building will be completely air-conditioned and will contain a private car parking space in the basement and also that the tenants will have an interior loading platform for their trucks.

One of the sore spots in the Garment Center today is the traffic congestion and the police rules on extended parking, so it can readily be seen what an advantage an interior loading platform would be to attract tenants. And, of course, an air-conditioned building would also be the means of drawing tenants away from other buildings.

The significance of the article, it seems to us, is that in considering the purchase of realty securities, great care must now be taken to consider the obsolescence of the property involved, not only from the standpoint of the expense of repairs which are necessarily higher an an old building, but also the problem of the cost of modernizing the property to avoid the risk of ultra-modern new buildings taking tenants away.

Most important, however, is the fact that cognizance must be taken of the problem that buildings do get older and the past practice of considering depreciation just a "bookkeeping item" must be changed.

A safeguard against this situation would be the selection of securities that have adequate sinking funds to retire the funded debt in proportion with the ageing of the property. Another safeguard would be to choose the more modern buildings. Very often you will find that marketwise securities of the newer buildings can be purchased at approximately the same prices as their older neighbors. As an example, let us compare the Harriman Building at 39 Broadway with the property at 61 Broadway.

61 Broadway was constructed in 1913, 14 years prior to the erection of the Harriman Building, which was completed in 1927.

61 Broadway is a 33-story building built on a plot of 22,180 square feet while the Harriman Building is a 36-story building built on a plot of 17,150 square feet.

61 Broadway has a rentable area of 451,000 square feet, while the Harriman Building has 330,000 square feet.

Both properties have approximately the same percentage of earnings. We are told that 61 Broadway is currently earning about 3.5% on its bond issue and the Harriman Building 3.6%.

Both bond issues are selling at about the same price, approximately 23%.

The bond issue on 61 Broadway is $7,922,000 against $4,595,000 on the Harriman Building.

Both bond issues are currently being reorganized. The plan suggested for 61 Broadway is to give the bondholders, for each $1,000 bond now held, a $500 first mortgage, 6%, income bond with stock representing an equal share in approximately 95% of the ownership of the property, while the plan for Harriman Building already approved, gives the bondholders for each $1,000 bond now held a new $1,000 first mortgage 4½%, income bond (3% cumulative, 1½% non-cumulative) and stock representing an equal share in 100% of the ownership of the property.

After reorganization of both properties, in accordance with the above plans, the outstanding first mortgage bonds on 61 Broadway will be $3,961,000, against $4,595,000 on the Harriman Building. But your cost of the new 61 Broadway bonds will be 46% because of your bond being cut in half, compared to 23% on the Harriman Building where the par of your bond remains the same.

These prices place a value of $1,822,060 on the entire mortgage of 61 Broadway and a value of $1,056,850 on the Harriman Building.

(Continued on page 705)

Tomorrow's Markets Walter Whyte Says—

Market pendulum now in dead center with dullness the result. Entry of new short sellers in past few days points to more strength than weakness.

By WALTER WHYTE

About the only thing that can be said of last week's market action is that each day the market opened at ten and closed at three. It is obvious that the market having completed its pendulum swing is now back in dead center. What buying there is doesn't distinguish itself by either its quality or quantity but neither does the selling. It is also apparent that the market is waiting for something to happen. What this is likely to be is anybody's guess. Mine is international developments as applicable to the post war world.

* * *

I'm not naive enough to think that such plans will be published in their entirety or even in a fragmentary form. But there are indications as to what they will be in so called "dope" stories written by newspaper correspondents who are fairly close to their sources of information.

From what I have seen in the past month or so I don't think market-minded people need worry too much about the business as usual theme. For if plans now in the discussion stage bear any fruit it will be business better than usual. Of course such plans will not make Page One across the country. They are too complicated for not only the average reader to understand but for the average newspaper reporter to write about.

* * *

This does not mean that from now on the market will have a one-way street with green lights all the way. These things are never so simple. But it does mean that the theory of a bear market which was espoused so widely a few weeks ago will not pay off so well. Naturally incidents can occur; in a war where political upheavals are the rule, such incidents are the accepted thing. What form these incidents will take is unknown to the great majority of people, in and out of the market. Yet anybody with half an eye can see that the maneuverings of our State Department tend to have the incidents fall in favor of the intensification of the status quo.

* * *

When I wrote last week's column the market had just completed a major reaction. The consensus of opinion was that the reaction would go further before any worthwhile recovery would be seen. From the action of the majority of stocks it did look as if lower prices would be seen in the immediate future. Yet there were certain small signs which pointed if not to higher prices then to a cessation of the decline.

* * *

Being well aware of the majority opinion on the future of the market plus the then current action, I felt that any further setback instead of being a signal for more decline would be a place to buy certain stocks. With that in mind I recommended a list of stocks which in my opinion acted better than the market and indicated that their reactions were over. But I didn't reckon on the increase in short selling. True, this selling did not come in on the decline, for under SEC rules, short selling can only be accomplished in advancing markets. But on the small advance from last week's lows, the odd lotters who seldom if ever go short began nibbling on the short side.

* * *

It seems paradoxical to say that because sellers came in the market went up. But the market is a mass of contradictions and stocks which normally would be expected to go down with short selling don't do that at all. On the contrary any specialist will tell you that stocks tend to move in the direction of heavy offerings and not away from them. Your old time market operator was well aware of this characteristic. When he was interested in getting a stock to move up he first put out short lines. I realize that market operators under SEC are a thing of the past, well, almost a thing of the past; I'm not so simple to believe that all market operations have disappeared. Let us say instead that they have been limited.

* * *

In any case with a new short interest now in the market, a short interest which knows as much about market technique as I know about military strategy, I think you can expect one of two things to occur. The market will either rally about 2 to 5 points or will just fall asleep. There is a small possibility that a minor reaction may take place before the former takes effect. But on such a reaction stocks are a buy, not a sale.

* * *

Last week I recommended a number of stocks. So far only Borg-Warner, to be bought at 32 or better with a stop at 31, came into the list. During the week Borg-Warner sold off to 31¾. It is now about 34. The stop at 31, remains the same. The rest of the stocks managed to get within fractions of the buy areas but none got into them. I suggest you keep your buy orders though raising them about a point or so wouldn't be a bad idea.

* * *

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.]

Ill.-Wis. Savings And Loan Associations Up War Bond Sales

With 16 more savings, building and loan associations on the current national honor roll for war bond sales than it had this time last year, the Illinois-Wisconsin district of those institutions is preparing to intensify efforts to sell war bonds in the Third War Loan drive beyond any previous achievement. This is reported by the Federal Home Loan Bank of Chicago which serves that District.

A. R. Gardner, President of the Bank, says that the 96 associations in those two states cited in the July Federal Loan Bank Review published in Washington have sold in 1943 war bonds equal to 5% or more of their own assets.

Municipal News & Notes

Frank M. Davis, Comptroller of the City of Buffalo, N. Y., states in his current "News Letter" that there are no developments concerning the much-talked-about plan of blanket refunding by the city and then passes the following query:

"If you were Comptroller of the City of Buffalo and could issue $3,000,000 of Refunding Bonds now or wait until next Spring when the money will be required, what would you do? This is the question now before our City. It would be valuable to have the opinion of a dozen or so of the experienced readers of Buffalo News Letter and the question is put in all seriousness."

Ohio Bond Prices Resume Upward Trend

The Ohio municipal market during the past week again resumed in a very slight degree, its rising tendency experienced for several months until some three weeks ago, J. A. White & Co., Cincinnati, reported Aug. 18.

The firm's index of prices for 20 Ohio bonds moved slightly higher, and during the week the yield on these 20 bonds declined from 1.45% to 1.44%. The index of 10 high grade bonds declined from 1.26% to 1.25%, and the index of 10 lower grade bonds from 1.64% to 1.63%.

Although during the past few weeks several accounts throughout the country have announced their intention to sell a material amount of municipal bonds in anticipation of subscribing to U. S. Government bonds in the Third War Loan Drive next month, it is quite interesting to note, the bond house reports, that in all of these municipals that have been announced for sale so far, there have been practically no Ohio bonds. In fact, the scarcity of new names in the Ohio market is as acute now as it has been for some time. Under such circumstances, business in such names has naturally been limited during the past week.

Local Government Seen Threatened By Federal Land Acquisitions

The fight for survival of local self-government as the foundation of our American liberties is tough enough in the industrial sections of the country, where municipal and county governments learned in the depression years to depend too much on Washington for the solution of their problems. But the weakening of the local government structure has assumed alarming proportions in the northwestern states as a result of federal purchase of large areas of land for conservation, military and recreational purposes.

Congressman Homer D. Angell of Oregon reports that the Federal Government now owns 70.9% of the land in Idaho, 61.5% of the land in Montana, 59% of the land in Oregon and 45.9% of the land in Washington. In some counties of Oregon, he says the amount of land privately owned has been cut to 17%.

What this means, of course, is that millions of acres of real estate, much of it formerly lucrative, have been removed from the local tax duplicates, leaving the county governments without the incomes needed to keep them operating successfully. In such a situation, they turn more and more to the Federal Government for financial assistance and this in turn impairs their ability to make their own decisions in many fields of public policy.

It is true, of course, that many of the projects involved in the Federal land purchases, such as power, irrigation and reclamation, create new forms of wealth for the near-by communities, so that the loss of revenue is not quite as great as the land ownership percentages appear to make them.

However, as Congressman Angell says, it may be that the Federal Government will have to adopt a policy of becoming a taxpayer in those areas where it has taken over vast areas of land in order to keep local government solvent. Such taxes, of course, would have to be paid with no such strings as are generally attached to Federal grants to state and local agencies.

Several bills to that end are now pending in Congress. They ought not to be considered from a sectional viewpoint, for the survival of local government is a national problem. The loss of freedom in any section would eventually mean its destruction in all sections.

Foregoing appeared in editorial columns in a recent issue of the Cleveland, Ohio "Plain Dealer."

Chicago School Bond Issue Held Invalid

The Chicago Board of Education's legal department has announced that it will take an appeal from the ruling by County Judge Edmund K. Jarecki holding illegal a bond issue floated in 1935. The Board of Education made it clear that it regards the issue as "legal and valid," and that it is determined to pay semi-annual interest payments due Aug. 1 and Sept. 1, respectively according to report.

On Aug. 1, $21,375 in interest became due and payable on the Board of Education's refunding bonds, second series. On Sept. 1, interest amounting to $130,625 became due and payable on the refunding bonds, first series, the board's legal department pointed out.

According to Judge Jarecki, the bond issue's proceeds were used to pay off tax anticipation warrants of 1928 and 1929, and these warrants could be redeemed only from the proceeds of taxes in those years. The ruling affected $500,000 of bonds in a total of $5,-500,000 of 4¾s due in 1955 and $900,000 due in 1954 it was said.

Myth Of An Early Peace

(Continued from page 687)

deadliest of planes. The object, apparently, is to achieve a maximum of result with a minimum of effort and casualties. Our field generals are NOT squandering human lives.

* * *

Italy, to our way of thinking, is definitely doomed. The greater part of that peninsular can no more be defended — whether by Germans or by Italians—than the peninsular of Malaya could be defended. But, when the valley of the Po is reached, we may have a different story. We may have a "second front" comparable with the western battle line of the First World War.

* * *

Consider the months of preparation that must precede such an undertaking. A single modern division, they tell us, consumes from 600 to 800 tons of supplies and ammunition a day. Multiply that a hundred fold for day-to-day consumption by an adequately sized army in northern Italy, and by 10,000-fold to assure a moderate three-month accumulation — a not too impressive stock pile that certainly must never fall below that minimum level. When you have done that, add the tremendous requirements of a vast air force (a small squadron of which can use upwards of 10,000 gallons of gasoline in a single flight), the problems of continuous shifting of supplies as battle lines change, and, finally, the necessity of feeding from thirty to forty million civilians in conquered territories. All of these things sum up to a herculean task that cannot possibly be solved in six months, perhaps not in two years.

* * *

It is unwise reasoning to maintain that, on the one hand, a series of signal Russian victories will result in cataclysmic German defeat, or that Germany will collapse of internal exhaustion. It is true that important Russian successes can and will hasten the day of Allied victory, but it is debatable if the Russia of today is in the position to exploit her victories to the utmost. Her logistics problems are as complex as ours. Nor can we be supremely confident that Germany will surrender at the first sign of defeat. What form is such an omen to take? **Excluding Italy,** Germany today holds perhaps 1,500,000 square miles of conquered or satellite territory, much of it highly industrialized, peopled by over 200,-000,000 persons—this in addition to her homeland. She holds the tremendous natural resources of those lands. We will not trouble you with tiresome statistics but we do recommend a moment's reference to The Statesman's Year Book **for an illuminating catalogue of these resources.** Beyond that, history has proved time and time again that a nation can survive long beyond the theoretical breaking point. Moreover, and let us not put this casually aside, there is a sinister day of reckoning for German war criminals at the hands of long tortured peoples. Surely such persons, knowing they can find no refuge anywhere on earth, are not to be swerved from their purpose by the rumbling of cannon almost a thousand miles away.

* * *

It is folly to indulge in wishful thinking. Yes, we confidently believe the Russians will drive to the gates of Kiev this winter; we believe that Allied guns will boom in the Po valley; we believe that the successful invasion of Norway is a strong probability, and we look for a diversion in the Balkans. These will be steps in the right direction, but we still think the road wil be long and rough. Any other reasoning seems dangerous. Already a widespread and growing conviction that hostilities are nearing their end has caused a serious slowing up in war production. Anything further along those lines could jeopardize the gains we have already won. WE HAVE JUST BEGUN TO FIGHT! We have a desperate task ahead of us in Europe, and when that is ended we must turn our attention to the Far East. The Navy tells us it will take six years to do THAT job. Let's try to do it in three!—**Louis James Burns, J. F. Reilly & Co.**

Real Estate Securities

(Continued from page 704)

While we are convinced that both issues are intrinsically worth more than the current market would indicate, it would seem that the more modern Harriman Building appears the more desirable. This article is not intended as a suggestion of a switch out of one security into the other, but merely as an example of the importance of thorough investigation of all phases of the properties securing real estate securities. Such investigations can readily be made, providing firms who specialize in real estate securities are contacted. These specialists maintain files containing pertinent facts of this type of security not generally available to most dealers.

Investment Trusts

Sales Literature And Related Items

The dog days are causing hardly a ripple in the output of investment company sales literature. Not only has there been no appreciable let-down in volume, but appearance and content are tops for visual appeal and forcefulness.

Most unusual piece to come in this week is a handsome four-page folder, "To Help You Estimate Your 1943 Income Taxes," published by Distributors Group, Inc. Designed to carry the dealer's imprint, the folder makes no mention of the sponsor or his wares. It is strictly a goodwill builder and as such should prove highly effective.

In the first place, it succeeds in reducing the most complicated tax law in history to four understandable pages, worksheet included. A similar attempt by Prentice-Hall resulted in a 48-page booklet. Secondly, it places a valuable service-rendering business-getting tool in the dealer's hand without obligating him to sell any specific securities. (We can almost hear some of the early trust sponsors turning over in their graves at this.)

Incidently, initial distribution of the folder was limited to active dealers in Group Securities, Inc., although copies are available simply by writing the sponsor, Distributors Group, Inc., 63 Wall St., New York.

* * *

Some of the finest looking sales literature we've seen has been coming from the Lord, Abbett organization recently. One piece, "A Memorandum to a Busy Man," is an ingenious brochure which folds into a handy pocket-size shape. It is aimed at the busy executive or professional man and has the personal touch of an informal memorandum. A place for the dealer's imprint is provided.

Equally attractive are the new fold-out pieces presenting Union Bond Fund "C"—Union Common Stock Fund "A"—and Union Common Stock Fund "B." Each folder lists the portfolio of the respective Fund and emphasizes the reasons "Why investing through Union Trusteed Funds, Inc. is increasingly popular."

A more elaborate folder on Union Bond Fund "C" carries the intriguing title, "Buying Bonds @ 60c on the $1." Also listing the portfolio it stresses by text and illustration "four tested rules for better results." They are (1) Diversification, (2) Concentration, (3) Value-Selection and (4) Weighting by Worth. Further presentation of UBC is made by use of the question-and-answer method.

* * *

Not to be outdone in the matter of attractive presentation, Hugh W. Long & Co. has published a new folder on the Automobile Series of New York Stocks that is positively guaranteed to make your mouth water. The "car of the future" pictured on the front cover embodies the promise of an overwhelming demand for the peace-time products of this industry. (The only improvement we could think of for this job would be a Vargas girl at the wheel.)

* * *

For a little sales folder with a lot of punch, we recommend the A. W. Smith & Co. piece, "To Those Who Are Concerned." One might define it as an illustrated discussion leading to a conclusion. Here are samples of the plain talk it contains. ". . . After all, higher prices for goods and services are part of the normal course of events as the world moves on. . . . Fifty years ago common labor was paid $1.00 a day for 10 hours of hard work. . . . The dollar prices of most goods and services have advanced in about this same proportion in the past half-century. . . ."

". . . To say that progress and depreciated purchasing power of money may go hand-in-hand is not to condone uncontrolled price advances. . . . The one way to provide for increased cost of living is to build up capital, which is the basis for income. . . . It makes no practical difference to us whether the yard-stick by which the post-war dollar will be measured is to be gold, silver, a commodity formula, international horse-trading, or a plain, old-fashioned three-foot rule. One plain, simple fact remains—it is going to take more dollars of income to support a given standard of living."

* * *

The two latest industry studies to be published in the series, "Post-War Backlogs and Busi-

(Continued on page 706)

Taxes Impede Accumulation Of Reserves Against Post-War Needs Executives Report

Th present Federal tax system by impeding the accumulation of reserves from earnings threatens the ability of many corporations to survive post-war readjustments, according to a substantial number of representative business executives consulted by the National Industrial Conference Board in the course of a comprehensive study of the effect of taxes upon business policy as regards expansion of production.

Upon the ability of corporations to survive post-war readjustments depends their capacity to provide their share of employment in the period following the war, the Board points out in making public the results of its study based upon the actual experience of industrial managers.

Most corporations depend, as a matter of long established policy, the Board adds, upon undistributed profits for funds with which to expand facilities and set up contingency reserves.

If private business is not allowed to build reserves during the war period with which to meet reconversion expenses "many small businesses will fail and many larger businesses will find it exceedingly difficult to hold their labor organizations together during the critical period succeeding the cessation of hostilities," the Board quotes one executive as saying.

"The security of the corporation as an economic unit," the Board finds, appears frequently to be a motive of management more compelling than profits for distribution to stockholders. Fear of a post-war depression and preparation for it, appear to dominate the policies and attitudes of business management. Accordingly, profits are sought mainly as means to security. One respondent, for example, states that 'Present taxes take so much of income that we will have to be very careful if we are to have enough to get through the next slump.' And another says: 'Our job from here out is to get in the strongest possible financial shape. It will be a struggle with present and possible future taxes. No more expansion with our money.'

"A specific example of post-war dangers is that of liquidating inventories-in-process and accounts receivable at the termination of hostilities. Borrowing to provide additional working capital is a normal procedure for many corporations when liquidation of inventories and accounts receivable is expected to provide the funds with which to repay loans. The present danger arises from the strong possibility that post-war liquidation of labor-and-materials-in-process and accounts receivable cannot be consummated without grave losses.

"Since taxes are not due until about a year after the profits upon which they are levied were earned, reserves are set up by corporations to meet the payments when they become due. Many corporations are making current use of the funds represented by these reserves and are depending upon future earnings or liquidation of assets for cash with which to pay taxes. Some corporations feel that this is such a hazardous practice that they refuse to do it; rather, they restrict current operations if necessary, to permit the setting aside of cash to meet these payments.

"Those who feel forced to use their tax reserves currently because of the urgency of war production are quite apprehensive as to the dangerous post-war situation they are creating for themselves."

Ins. Stock Looks Good

The current situation in Home Insurance Company offers attractive possibilities according to an interesting memorandum and analysis prepared by Huff, Geyer & Hecht, Inc., 67 Wall Street, New York City. Copies of this memorandum may be had upon request from Huff, Geyer & Hecht, Inc.

Investment Trusts

(Continued from Page 705)

ness," currently appearing in the **Investment Timing** service of National Securities & Research Corp., are on Agricultural Machinery and Household Appliances. These are comprehensive studies and both lead to favorable conclusions regarding the post-war outlook for securities of representative companies in these two groups.

A new folder outlining the functions of the trustee under the trust agreements covering National Securities Series and First Mutual Trust Fund lists 23 different responsibilities of the trustee in safeguarding the property of the trust fund. National Securities & Research Corp. has also issued an attractive little leaflet on its Low-Priced Bonds Series. Income is estimated at approximately 6.8% of the current offering price.

* * *

The Keystone Corp. has revised and re-issued its popular little booklet, "The Keystone Plan," which contains a brief history and current data on the 10 Keystone Custodian Funds. Latest figure in the booklet shows combined asset values of the 10 funds at $61,291,000. A more recent report as of August 1, just a month later, shows asset values in excess of $63,000,000. But that's the way it's been with Keystone — they really should adopt the method of the new tax law and estimate what they'll have at the end of the year. At least, it would help keep their literature up-to-date.

* * *

It's purely academic — like which came first, the chicken or the egg—but the fact remains that Keystone and National Securities have almost identical sales literature on "A Check Each Month (or Every Month) Throughout (or Of) The Year." Looks like a natural for smart salesmen—use both funds and have "Two Checks Each Month Throughout The Year!" (Or does that sound too much like the New Deal?)

* * *

Some time back in April (as we remember) Distributors Group came out flat-footedly for the Steel Shares as its latest choice of an undervalued stock group. Since then may voices have chimed in. Latest is a 16-page study by Standard & Poor's covering the industry in general and U. S. Steel in particular. Copies of this survey have been mailed by D. G. to affiliated dealers.

* * *

"Let's Look At The Record" says Hare's, Ltd. in a new folder on fire insurance stocks. And an excellent record it is, indeed. In four examples comparing insurance stocks with industrial stocks and also with high grade bonds during various significant periods from 1917 up to the present, the performance of the insurance stocks was superior in every case. Expressed in percentage figures, the superiority ranged from 14.8% to 172.6%.

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced that the proposed transfer of the Exchange membership of William H. Frank to Harry Frank, Jr., will be considered on August 26th. Both are partners in Smith, Frank & Co., New York City.

Bank & Insurance Stocks

(Continued from Page 703)

1934	275,652,000
1935	†259,160,000
1936	293,357,000
1937	284,720,000
1938	302,050,000
1939	313,499,000
1940	306,470,000
1941	322,357,000
1942	314,849,000

*Highest. †Lowest.

Fire losses in 1943 so far are running approximately 12% above last year. The "burning ratio," however, still remains favorably low.

Federal Taxes: Corporation taxes are not affected by the 1943 "Pay-As-You-Go" Tax Bill, and remain as prescribed in the 1942 Federal Tax Law. The normal corporation tax is 24%, and the surtax 16%, so the combined normal and surtax for most companies is 40%. The excess profits tax is 90% with a post-war refund of 10%. However, the law places a ceiling of 80% on earnings, for the combined normal, surtax and excess profits tax.

Most insurance companies are well capitalized, and their invested capital base for excess profits tax purposes includes also 50% of the mean of unearned premium reserves as borrowed invested capital. The tax base period of 1936-1939 was profitable on a statutory underwriting basis for the great majority of fire and casualty writing companies. The companies have large investment portfolios, income from which constitutes on average approximately 70% of total net operating profits, in the case of most fire insurance companies. Many Government and municipal bonds held in these portfolios are tax exempt, and 85% of the income representing dividends on stocks is tax free. Other points of significance are: capital gains or losses are treated as in the case of other corporations; an affiliated group of companies may elect to file on a consolidated basis; a net operating loss may be carried back to the two preceding taxable years, which is of benefit to those companies that sustained heavy marine losses last year. While tax rates in the 1942 bill are high, the insurance business is not hit by it as hard as are most other industries.

New Business: One of the most intriguing of questions is: How much aviation insurance will be written in the post-war years? Nobody knows. Best's "Insurance News" recently published a tabulation showing the growth of such business from 1937 to 1941, and from which the following figures have been taken:

NET PREMIUMS WRITTEN

	Scheduled Airlines	All Other Types	Combined
Hull Risks			
1937	$506,625	$972,246	$1,478,871
1941	1,413,523	4,027,469	5,440,992
Liability Risks			
1937	840,959	327,180	1,168,139
1941	752,565	622,692	1,375,257

Certainly these figures are very modest, and the increase over the five year period is moderate. In view, however, of the tremendous expansion in commercial and civil aviation that inevitably must come after the cessation of hostilities, we feel that aviation holds in store great possibilities of new business for alertly managed stock fire and casualty insurance companies.

Every Possible Investor Must Be Reached In Third War Loan Drive, Says Sproul

Details of the Treasury's war loan drive for $15,000,000,000 which is to be brought under way on Sept. 9 were announced at Washington by Secretary Morgenthau on Aug. 15, and Allan Sproul, President of the Federal Reserve Bank of New York has directed attention to the fact that to achieve the goal and purpose of the drive, "every possible investor must be reached."

In his advices Aug. 16 to directors and executive officers of all banking institutions in the New York Reserve District, Mr. Sproul points out that Secretary Morgenthau "has announced a goal of $15,000,000,000 to be raised through the sale of Government securities to individuals, corporations, insurance companies, savings banks and other investors (excepting banks receiving demand deposits) in the Third War Loan Drive." Mr. Sproul notes the goal is $7,000,000,000 more than the goal for non-bank investors in the Second War Loan Drive last April and $2,500,000,000 more than was actually subscribed by non-bank investors in that drive. Mr. Sproul also states:

"The banking institutions in this district contributed in large measure to the success of previous War Loan Drives. Their aid will be of equal or greater importance to the success of the forthcoming drive. Bankers know their customers and have their confidence. They have first-hand knowledge of individuals who are in a position to purchase securities. They are familiar with businesses which are accumulating idle funds. By reason of their influence in and intimate knowledge of community affairs, they are in a position to give effective support to the State War Finance Committees which are in charge of the drive. I know that the leaders of the drive in the States of this district will receive the full cooperation and assistance of the banks.

"This is a matter of direct interest to the banking business, as well as of public interest. The successful waging of the war requires the effective mobilization of unprecedentedly large financial resources. During the present fiscal year, which began July 1, 1943, the United States Treasury must provide at least $100,000,000,000 for the prosecution of the war, plus an additional $6,000,000,000 to cover interest on the public debt and other expenses of the Government. Only about $38,000,000,000 is presently expected from taxes. In the absence of additional tax revenue, the remainder —$68,000,000,000 — must be borrowed and $64,000,000,000 must be borrowed publicly. The methods used to borrow this huge sum are of the utmost importance. They will affect the volume of spending power available for the purchase of consumer goods, supplies of which are diminishing. They will have an important bearing upon the effectiveness of price and rationing controls and hence upon the cost of living. They well may affect the morale of the people and so affect the conduct of the war.

"The first essential is to borrow as much as possible from current income and as little as possible through the expansion of bank credit. In recognition of this first essential, and in order to bring home to the people of the country their responsibilities for war financing methods which will aid in the maintenance of orderly conditions on the home front, the Third War Loan will be devoted exclusively to the raising of funds from non-banking sources. You can help greatly to assure the success of the drive by urging your customers to subscribe to the full extent of their ability, and by assisting them in the selection of securities most appropriate to their individual situations."

Secretary Morgenthau in indicating on July 21 that the drive "will represent the largest financing program in the history of the world" stated that the job of raising the $15,000,000,000 will be handled by the War Finance Committees of each State. It was also announced at that time that the securities to be sold under the direction of the War Finance Committees will consist of:

1. Series E Savings Bonds.
2. Series F and G Savings Bonds.
3. Series C Savings Notes.
4. 2½% Bonds of 1934-69.
5. 2% Bonds of 1951-53.
6. ⅞% Certificates of Indebtedness.

The entire $15,000,000,000 will be sold to individual investors, corporations, insurance companies and other non-banking sources.

In his announcement of Aug. 15, Secretary Morgenthau stated that holders of the 3¼% Treasury bonds of 1943-45, which have been called for redemption October 15, will be given an opportunity to exchange their called bonds for other securities shortly after the close of the $15,000,000,000 Third War Loan Drive.

Mr. Morgenthau made this known in detailing terms and conditions of the 2½% and 2% bonds, and the ⅞% certificates of indebtedness which will be sold during the drive. As to the further details we quote the following from Associated Press accounts from Washington Aug. 15 as given in the Washington "Post":

"Holders of the 3¼% bonds, other than the commercial banks, will be given the option of exchanging for either the 2% or 2½% bonds. Commercial banks will be permitted to exchange their holdings for the new 2% bonds. In all cases exchanges will be made par for par with interest adjustments to Oct. 15.

"The 2½% and 2% bonds, and the certificates of indebtedness, as well as series F and G U. S. War Bonds and series C Treasury Notes, will be available during the third drive for subscription by individuals, insurance companies, savings banks, savings and loan associations, and all other classes of subscribers except commercial banks.

"Mr. Morgenthau earlier had announced that the loan would be sold entirely to nonbanking investors. In keeping with this objective, the circulars governing the 2% bonds and the certificates of indebtedness contain a request to commercial banks not to purchase and that subscribers not trade in these securities until 10 days after the close of the drive, or until after the books are closed on an offering of the same or similar securities for the exclusive subscription of commercial banks.

"The 2½% bonds may not be held by commercial banks before Sept. 15, 1953.

"Life insurance companies may subscribe during the drive to the 2½% and 2% bonds and defer payments until Nov. 1. Other subscriptions will be on a cash basis.

"The 2½% and 2% bonds and the certificates of indebtedness will be dated Sept. 15, 1943. The 2½% bonds will mature Dec. 15, 1969, but are callable Dec. 15, 1964; the 2% bonds will mature Sept. 15, 1953, but are callable Sept. 15, 1951; the certificates, known as series E of 1944, will mature Sept. 1, 1944."

An earlier reference to the War Loan Drive appeared in our issue of July 29, page 430.

Eugene Osborn With Straus Securities Co.

(Special to The Financial Chronicle)

PEORIA, ILL.—Eugene Osborn has become affiliated with Straus Securities Co., 135 South La Salle St., Chicago, Ill. Mr. Osborn was formerly Treasurer of Hildebrand-Osborn & Co. and in the past was head of the Eugene Osborn Co. in Peoria.

Calendar of New Security Flotations

OFFERINGS

DWIGHT MANUFACTURING CO.

Dwight Manufacturing Co. has filed a registration statement for 83,514 shares of capital stock, par value $12.50 per share. All of the shares registered are now issued and outstanding.

Address—89 Franklin Street, Boston.

Business—Manufactures cotton goods.

Underwriting—Hemphill, Noyes & Co. heads the group of underwriters. Other names will be supplied by amendment.

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

Proceeds—Of the shares registered 73,514 are to be sold to the underwriters by J. P. Morgan & Co., Inc., Henry Sturgis Morgan and Junius Spencer Morgan, as executors under the will of John Pierpont Morgan, while 10,000 are to be sold individually by Henry Sturgis Morgan to Hemphill, Noyes & Co., one of the underwriters. Proceeds will go to the selling stockholders.

Registration Statement No. 2-5187. Form S-2. (7-27-43).

Offered Aug. 17 at $16.75 per share by Hemphill, Noyes & Co. and associates.

FANSTEEL METALLURGICAL CORP.

Fansteel Metallurgical Corp. has filed a registration statement for 53,566 shares of common stock, without par value.

Address—North Chicago, Ill.

Business—Business of the company and its subsidiaries consists of the development and refinement of rare metals and the production and fabrication of rare metal compounds, alloys and commercial products.

Underwriting — Hallgarten & Co. is named principal underwriter. Others will be supplied by amendment.

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

Proceeds—Net proceeds from sale of common stock will be added to the working capital of the company and will be used for general corporate purposes. Five dollars per share of the net proceeds will be allocated to capital and the balance will be allocated to capital surplus.

Registration Statement No. 2-5179. Form S-1. (7-10-43).

Offered Aug. 18, 1943 at $19 per share by Hallgarten & Co., Blyth & Co., Inc., Central Republic Co. (Inc.), Paul H. Davis & Co. and Paine, Webber, Jackson & Curtis.

WALTER E. HELLER & CO.

Walter E. Heller & Co. has filed a registration statement for $3,000,000 serial notes, due serially $600,000 on Aug. 1 in each year from 1949 to 1953 inclusive. Interest rates on maturities are given as follows: 1949, 2½%; 1950, 2⅝%; 1951, 2¾%; 1952, 2⅞%, and 1953, 3%.

Address—105 West Adams Street, Chicago.

Business—Engaged principally in financing the sales and other current operations of manufacturers, distributors, dealers, merchants and others, by purchasing or making advances on their accounts, notes, acceptances or other documents, also in making direct loans or advances against inventory, machinery, equipment, real estate or other assets, and in otherwise lending funds and giving financial aid to business concerns.

Underwriting — Underwriters with amounts to be purchased are given as follows: Harris, Hall & Co., Inc., Chicago, $1,500,000; First Boston Corp., N. Y., $1,000,000, and Goldman, Sachs & Co., N. Y., $500,000.

Offering—Price to public to be supplied by amendment.

Proceeds—To be applied in part to retire $2,400,000 term loans from banks and balance to be used for general working funds.

Registration Statement No. 2-5184. Form A-2. (7-22-43).

Registration statement effective 5:30 p.m. EWT on Aug. 11, 1943.

Offered Aug. 13, 1943 by Harris, Hall & Co. (Inc.), The First Boston Corp. and Goldman, Sachs & Co. Price: 99½ and int. to 100 and int. according to maturity.

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 (unless accelerated at the discretion of the SEC), 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.

THURSDAY, AUG. 19

NETHERLANDS HOTEL

Helen Harrington has filed a registration statement for $564,000 10-year first mortgage income bonds of the Netherlands Hotel.

Address—Netherlands Hotel property is located at 3831-39 Main Street, Kansas City, Mo.

Business—Hotel and apartments.

Offering—First mortgage bonds were originally issued on Nov. 1, 1927, by McCanles Building Company in the amount of $600,000. $36,000 of the aggregate principal amount has been paid, leaving $564,000 face amount of bonds unpaid and in default. It is proposed that the new bonds aggregating $564,000 face amount will be exchanged for the present bonds now outstanding together with interest coupons attached or appertaining to the same. In effecting the exchange each bondholder will make the exchange on the same basis as every other bondholder. None will be sold for cash or other property and exchange will be made only with bondholders.

Underwriting—There are no underwriters of any of the bonds.

Purpose—To effect exchange of bonds.

Registration Statement No. 2-5191. Form S-1. (7-31-43).

TRANS-OCEANIC AIR LINES, INC.

Trans-Oceanic Air Lines, Inc., has registered 300,000 shares of Class "A" voting stock without par value.

Address—Du Pont Building, Wilmington, Del.

Business—Organized under laws of State of Delaware on Feb. 9, 1943, under leadership of Captain Thomas G. Smith, by a group of Air Force Ferry Command pilots, now engaged in trans-Atlantic operations of a strictly military nature. The contemplated activities of the corporation are essentially of a peacetime nature, and will include the transportation by air or partly by land and water and partly by air of passengers, mails and freight and express of every kind through maintenance of commercial air lines and services in all parts of the world.

Underwriting—No underwriters.

Offering—To accomplish that objective subscriptions to the stock initially offered will be limited to the active operating personnel of the corporation consisting of flight crews, officials and department heads of the corporation. Initial offering will be limited to 250,000 shares, at a price of $1 if paid in United States currency and $1.10 a share if paid in Canadian currency.

Proceeds — For organization expenses, working capital and investments.

Registration Statement No. 2-5192. Form S-2. (7-31-43).

SATURDAY, AUG. 21

FIDUCIARY COUNSEL, S. A., INC.

Fiduciary Counsel, S. A., Inc., has registered 20,000 shares of 4% non-cumulative preferred stock, par $100 per share; 20,000 shares of no par Class A common and 20,000 shares of no par Class B common.

Address — 1025 Connecticut Avenue, Washington, D. C.

Business — Was incorporated on June 26, 1943, under the laws of the State of Delaware. It is proposed to engage in one or more of following activities: Assist North American enterprises to expand their activities in South American countries; act as advisors to North American and South American companies in helping solve their Central and South American financial, engineering, production and marketing problems; handle for North and South American manufacturers the distribution of their goods in South America; manufacture and sell products in South America and Central America as agent of North American manufacturers of such products; invest in real estate, commodities and business enterprises in North, Central and South America or perhaps elsewhere.

Underwriting—The offering will not be made through underwriters or dealers but will be made directly by the company.

Offering—The preferred stock is to be sold at its par value of $100 per share and the shares of Class A and Class B common are to be sold at $1 per share respectively. Shares of Class A and B can only be purchased as part of and together with the purchase of an equal number of shares of preferred stock.

Proceeds—For working capital.

Registration Statement No. 2-5193. Form S-1. (8-2-43).

SUNDAY, AUG. 22

DOYLE MACHINE & TOOL CORP.

Doyle Machine & Tool Corp. has registered 36,000 shares of common stock, $1 par value.

Address — 320-6 West Taylor Street, Syracuse, N. Y.

Business—Engaged in the manufacture of machinery, tools and parts.

Underwriting—None stated.

Offering—In connection with public offering of 113,004 shares of common stock in October, 1940, common stock purchase warrants for an aggregate of 36,000 shares of such common stock were delivered to the underwriters of the 113,004 shares in proportion to their subscriptions. Each warrant gives the holder the right to purchase the number of shares named therein at $4 per share. The warrants are exercisable on or before Aug. 31, 1943. In anticipation of the presentation of warrants for exercise company is registering 36,000 shares of common reserved for issue upon such exercise.

Proceeds—Will be added to the present cash balances of the company and used for general corporate purposes.

Registration Statement No. 2-5194. Form S-2. (8-3-43).

TUESDAY, AUG. 24

PENNSYLVANIA ELECTRIC CO.

Pennsylvania Electric Co. has filed a registration statement for $4,000,000 first mortgage bonds series due Sept. 1, 1973 and 35,000 shares cumulative preferred stock Series B $100 par value. Interest rate on the bonds and dividend rate on the preferred stock will be supplied by amendment.

Address—222 Levergood Street, Johnstown, Pa.

Business—Principal business is the production, transmission, distribution and sale of electricity.

Underwriters—To be supplied by amendment.

Offering—As soon as practicable after registration statement becomes effective company will ask for bids under competitive rule of the Securities and Exchange Commission for the sale of the bonds and preferred stock. Prior to the issuance of the securities registered company will acquire common stock, assets and franchises of Erie County Electric Co. Company also proposes to acquire assets and franchises of Keystone Public Service Co. and Bradford Electric Co., affiliated companies. Applications for all such acquisitions are now pending before the Commission.

Proceeds—Net proceeds from the sale of bonds and stock will be applied to the extent necessary to redeem indebtedness and preferred stock of the merged companies as follows: To redemption on Oct. 1, 1943, of all of the outstanding first mortgage gold bonds, 5% series due 1978, of Keystone Public Service Co., including estimated interest, $4,175,000, and to the redemption on or about Sept. 1, 1943, of all of the then outstanding 5% non-voting preferred stock, $100 par, of Erie County Electric Co. $3,500,000, total $7,675,000. Balance of proceeds, if any, will be added to general funds of the company.

Registration Statement No. 2-5195. Form S-1. (8-5-43).

WEDNESDAY, AUG. 25

COLORADO MILLING & ELEVATOR CO.

Colorado Milling & Elevator Co. has filed a registration statement for 70,000 shares of cumulative convertible preferred stock, without par value, and common stock, par $1, the latter representing shares reserved for issuance upon conversion of the cumulative convertible preferred stock. The dividend rate on preferred stock will be filed by amendment.

Address — Equitable Building, Denver, Col.

Business—Engaged directly and through subsidiaries in the business of manufacturing and selling flour, meal, feed and related products and of buying and selling wheat, other grains, beans, coal and miscellaneous merchandise. Also engaged in business of storing, grinding, sacking and cleaning beans, grains and other commodities for farmers and others.

Underwriting — Principal underwriters are Union Securities Co., N. Y.; Boettcher & Co., Denver; Bosworth, Chanute, Loughridge & Co., Denver; Paul H. Davis & Co., Chicago, and Hornblower & Weeks, N. Y.

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

Proceeds—Proceeds from the sale of the stock, together with the net proceeds to be received from the sale of $3,000,000 of 15-year 4% sinking fund debentures, proposed to be sold privately, are to be used to redeem on or before Oct. 15, 1943, the presently outstanding $6,500,000 5% convertible debentures due June 1, 1968.

Registration Statement No. 2-5196. Form A-2. (8-6-43).

MONDAY, AUG. 30

REPUBLIC DRILL & TOOL CO.

Republic Drill & Tool Co. has registered $1,250,000 5% convertible debentures, due Aug. 1, 1953, and 296,875 shares of common stock, par $1, to be issued upon conversion of debentures.

Address—322 South Green Street, Chicago.

Business—Engaged in the manufacture and sale of high speed and carbon twist drills.

Underwriting—Wyeth & Co., New York and Los Angeles.

Offering—Price to public 100 and accrued interest from Aug. 1, 1943, to date of delivery.

Proceeds—Of the net proceeds, the company will apply $100,000 to retire its outstanding bank loan, $125,000 toward the retirement of outstanding convertible preferred stock, and the balance to working capital.

Registration Statement No. 2-5197. Form A-1. (8-11-43).

TUESDAY, AUG. 31

BRANIFF AIRWAYS, INC.

Braniff Airways, Inc., has filed a registration statement for 400,000 shares of common stock, par value $2.50.

Address—Love Field, Dallas, Texas.

Business—Company is fifth largest commercial airline in the country in passenger miles flown. It has applications pending for extensions of its domestic routes.

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

Underwriting—F. Eberstadt, New York, heads the group of underwriters. Others will be named by amendment.

Proceeds—Company intends to add the net proceeds from the sale of the stock to its general funds as additional working capital. Proceeds subject to foregoing may be applied to replacement of flight equipment requisitioned by the government; to purchase of additional equipment necessary to meet passenger and cargo traffic requirements on present and proposed domestic routes; to purchase of planes incident to operation of proposed trade-area feeder system and purchase of planes and other equipment for initiation of operations of proposed foreign routes.

Registration Statement No. 2-5198. Form S-1. (8-12-43).

(This list is incomplete this week.)

Currency Stabilization Plans Of U. S., Britain And Canada To Be Discussed In Chicago

A conference to consider the post-war plans proposed by the United States, Great Britain and Canada for currency stabilization will be held in Chicago on Aug. 26 by representatives of the three Governments. According to an announcement on Aug. 13 by Simeon E. Leland, Chairman of the Federal Reserve Bank of Chicago, 130 reservations have already been made for the meeting, including directors and executive officers of Federal Reserve banks in Chicago, St. Louis, Minneapolis, Cleveland, Kansas City, San Francisco, Boston, Dallas and Atlanta. From Chicago advices Aug. 13 to the New York "Herald Tribune" we also quote:

"British plans for monetary stabilization after the war developed by John M. Keynes, noted English economist, will be presented at the meeting by representatives of the British Government yet to be named, Mr. Leland said. Mr. Keynes will be unable to attend.

"Dr. Harry D. White, director of the division of monetary research of the Treasury Department, will explain the post-war monetary plan for the United States drafted under his leadership. He will be assisted by E. A. Goldenweiser, economist for the Federal Research Board.

"Canada's suggested solution to international currency stabilization will be outlined by G. F. Towers, Governor of the Bank of Canada, whose ideas formed the backbone for the Dominion program.

"John K. Langum, economist for the Federal Reserve Bank of Chicago, and Arthur Upgreen, economist for the Federal Reserve Bank of Minneapolis, will analyze the three plans critically, attempt to find their common grounds and suggest possible improvements.

"There is little general knowledge regarding the United States plan, and less is known about the British and Canadian plans," Dr. Leland said in explaining the reasons for calling this conference. "We want to bring them all out in the open at this meeting."

Dr. Leland said that the conference would be closed to both the public and the press, but that participants would be given an opportunity to "sum up their cases" to newspaper men.

Dr. Jacob Viner, former economic advisor to the Treasury Department, will discuss the monetary programs of the three nations at a dinner following the meeting.

Lend-Lease For Ethiopia

A lend-lease agreement between the United States and Ethiopia was signed in Washington on Aug. 9 by Secretary of State Hull and Ethiopia's Vice Minister of Finance, Yilma Deressa.

The agreement was negotiated under the terms of the Lend-Lease Pact of 1941, which authorizes the President to extend aid to any country whose defense is deemed vital to the defense of the United States.

President Roosevelt ordered last December that Ethiopia be included in the list of countries eligible to receive lend-lease assistance; this was noted in our issue of Dec. 31, page 2327.

Ethiopia, the first nation to regain its territory after temporary occupation by an Axis aggressor, recently indicated its adherance to the Declaration by United Nations.

Ray Maple With Bacon Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF. — Ray C. Maple has become associated with Bacon & Co., 256 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchanges. Mr. Maple was formerly associated with Nelson Douglass & Co. and in the past was an officer of Leo G. MacLaughlin Co. of Pasadena.

The Business Man's Bookshelf

Financing of Large Corporations, 1920-39—Albert R. Koch—National Bureau of Economic Research, 1819 Broadway, New York City—Cloth—$1.50.

French North Africa, A Brief Outline of General Information—New York Agency of Societe Generale to Further the Development of Commerce and Industry in France—Paper.

Paying for the War—Chester D. Babcock, Eber Jeffery and Archie W. Troelstrup—National Council for the Social Studies, Washington, D. C.—Paper—30¢.

New Europe, The — Bernard Newman — The Macmillan Co., 60 Fifth Avenue, New York 11, New York—Cloth—$3.75.

Regulations Regarding Payments Between Switzerland and Foreign Countries — Monetary and Economic Department of the Bank for International Settlements, Basle, Switzerland — Paper — 15 Swiss francs.

Gold, Silver and Paper Money—Francis W. Hirst—Cobden Club, Dunford House, Midhurst, Sussex, England—Paper—6 d.

Survey of Corporate Securities (1943 Edition)—Issued by "The Financial Post" of Toronto—Published by The MacLean Publishing Co., Limited, Montreal and Toronto—Cloth—$2.00.

RFC Collects $74 Million On Loan To British

Secretary of Commerce Jesse Jones announced on Aug. 4 that the Reconstruction Finance Corporation has received payments aggregating $74,405,476 during the two years ended July 31 to apply on interest and principal of the $425,000,000 loan made to Great Britain.

The loan was authorized in July, 1941, and $390,000,000 has been disbursed. The security for the loan consists of listed and unlisted securities of United States corporations, the capital stock of 41 British-owned United States insurance companies and assignment of the earnings of the United States branches of 41 British insurance companies. Payments are applied first to current interest and the balance to reducing the principal of the loan.

The proceeds of the loan were used by Great Britain to pay for war supplies in this country contracted for prior to the enactment of the lend-lease program.

Matye Again Trading For Edward D. Jones & Co.

ST. LOUIS, MO. — Edward D. Jones & Co., 705 Olive St., members of the New York and St. Louis Stock Exchanges and other leading Exchanges, announce that John Matye has returned from war work and is now local trader on the St. Louis Stock Exchange for their firm. Mr. Matye had represented Edward D. Jones & Co. on the St. Louis Stock Exchange for the past ten years.

Capt. Rickenbacker After Tour Of Fighting Fronts Believes Germany Will Hold Out Another Year

Expects Russia To Come Out Of War As Greatest Democracy

Following the completion of a 55,000 mile tour of inspection of the battle fronts of the war, Capt. Edward V. Rickenbacker advanced the opinion that "Germany will not even crack before the Fall of 1944, at the best, at our present rate of progress toward total victory" and that it may take another year or more to destroy "another savage and treacherous enemy in the Pacific." Declaring that "only a miracle can bring victory sooner," he added:

"I have confidence in the possibility of that miracle and the accomplishment of that miracle lies in the hearts, heads and hands of every American man, woman and child, and your faith in God."

Capt. Rickenbacker, whose tour, embracing 97 days, was made at the instance of Secretary of War Henry L. Stimson, expressed his views "as a private citizen" in a statement to newspaper men at the Hotel Roosevelt in New York on Aug. 17. Stating that "I think we will have to break Germany from the inside out. We can't afford to break her from the outside in," he reported the Germans as having tremendous man power left, and declared them to be "a courageous daring and intelligent enemy." The New York "Sun" of Aug. 17 in quoting this, further indicated in part what he had to say as follows: "They also have a deep-eyed 'fanaticism' about this war, which spurs them on.

"But the Germans are finding out they have nothing which is not bombable," he added. He viewed the pictures of the bombing of Hamburg while he was in England and that German city took "a terrific beating," he reported.

"No people on earth can stand that kind of punishment—not even ourselves," he said.

Of Russia Capt. Rickenbacker said:

"If Mr. Stalin had not seen fit or considered it advisable to participate in the conferences with our President and Mr. Churchill, we must bear in mind that he is head of a great nation, fighting a total war and has little time for anything but immediate results."

His statement reported that he had visited American military establishments in South America, North Africa, Algiers, Libya, Egypt, India, China, Russia, Persia, Tunis, England, Iceland, Greenland, Labrador and at home.

Especially glowing was Capt. Rickenbacker's report on Russia. He found the Russians anxious to know the Americans and British better. He found them convinced of victory and a world peace. He found their material of the best, particularly the aerial defenses of Moscow, which he found "fantastic in their proportions."

"All employed in all plants in Russia are on the incentive plan," reported Capt. Rickenbacker, "with a minimum base wage for all. For quality and quantity they are paid in additional wage: first, and for outstanding effort on the part of employees, additional quantity and quality of food is added to the increased wages. There is no absenteeism problem," he added, explaining that tardy workmen are first reprimanded, then suffer reduced wages and food allowances and finally, in flagrant cases, are discharged.

In the New York "Times" Capt. Rickenbacker was reported as follows:

Captain Rickenbacker remarked that whereas for the last several years Russia has been moving to the right, the United States, at the same time, has been "tending to the left."

"If they keep going on as they are you'll find Russia coming out of this war the greatest democracy in the world, while if we keep going on the way we are we'll be where they were 25 years ago," he declared.

"Do you mean to suggest that Russia is moving toward capitalism while we are moving toward bolshevism?" Captain Rickenbacker was asked.

"Yes, in a sense," he replied.

Asked whether he attributed the tendency in this country to the Administration, Captain Rockenbacker replied that he referred to the "Administration" as well as to other factors.

York Corp. Attractive

Common stock of the York Corporation offers an interesting situation, according to a memorandum issued by Peltason, Tenenbaum, Inc., Landreth Building, St. Louis, Mo. Copies of this memorandum may be had upon request from Peltason, Tenenbaum, Inc.

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Scientific Advances In Oil Industry Will Solve Many Post-War Problems, Says Col. Barton

In discussing the post-war prospects of the oil industry, Col. T. H. Barton, President of Lion Oil Refining Company, said that great scientific strides have been made in the development and production of oil and gas in the past few years. "And these advances are bound to make themselves felt in solving many of the problems which will comfort us in the post-war era," he said.

"Many thinking people believe that petroleum is destined to play a greater part in the chemical world than ever before, and some even feel that it should, and will, become the leader in this industry. With this view I concur, and I believe that the normal functions of the industry of supplying lubricants and fuels, combined with the vast opportunities in the realm of chemistry will provide a field of usefulness and prosperity for the oil industry not dreamed of a decade ago.

"For some time the petroleum industry has been producing a long list of refinery products in addition to fuel oil, gasoline and kerosene from crude. This list proceeds up and down the scale from high octane aviation gasoline to roofing asphalts and asphalt plastic cements. And chemical research is enlarging the list daily.

"In addition to butadiene, a very important contribution which now seems to be well initiated, and will probably develop without any additional encouragement, the petroleum industry after the war will be able to produce easily and in great volume—

1. Numerous solvents for the paint, lacquer, varnish and enamel industry;
2. Alcohols of various kinds;
3. Aldehydes which are used in large quantities in the resin and plastics industries;
4. Nitric acid for use in making smokeless powder and other explosives and in the lacquer industry;
5. Ammonia and ammonium compounds for use in the manufacture of fertilizers;
6. Benzol and toluol which lend themselves to oxidation to yield materials useful in the production of surface coating and resins for the rapidly expanding plastics industry.

"As in other industries many of the discoveries and developments in the oil industry must await the cessation of hostilities to make themselves felt economically. But when the great day comes, we will be geared and prepared to produce many things which will be a boon to men in the new world that is bound to come. The new field of usefulness and service will redound immeasuarably to the benefit and prosperity of the oil industry."

Morgenthau To Disclose Compromise Currency Plan; Will Figure In Discussions In Chicago

An international currency stabilization plan said to represent a compromise between American and British proposals and embodying suggestions made at informal conferences in Washington by financial experts from other of the United Nations is to be disclosed this week by Secretary of the Treasury Morgenthau, according to Washington advices Aug. 17 to the New York "Times."

It will be sent to the Senate Finance and House Ways and Means Committees for their opinion and will be the subject of conference in Chicago Aug. 26 to be held at the instance of Chairman Simeon E. Leland of the Chicago Federal Reserve Bank, called with a view to consider the currency stabilization plans of the United States, Great Britain and Canada. Regarding the Treasury's compromise proposal, the "Times" account from Washington Aug. 17 said:

"It is understood that in important respects it resembles the plan submitted recently by Canada, a plan which met with much approval here, perhaps because it seemed to lean toward American views in regard to such vital matters as the status of gold as a factor in exchange stabilization and the basis on which member nations would participate.

"Like the American and unlike the British plan, the Canadian plan provided for an international exchange fund created chiefly through capital subscriptions by member countries. It suggested that the new stabilization fund have assured resources of at least $12,000,000,000, as compared with the $5,000,000,000 proposed in the American plan and the lack of any definite figure in the British plan.

"On the question of voting power, the Canadian plan differed substantially from the American plan. It provided that, with one exception, all decisions be taken by majority vote. In the American plan many decisions would require a four-fifth vote."

Newburger-Hano Admit

Peter Morgenstern will be admitted to partnership in Newburger & Hano, members of the New York and Philadelphia Stock Exchanges, as of today. Mr. Morgenstern will act as alternate on the floor of the New York Stock Exchange for Harry Grabosky, and will make his headquarters at the firm's New York office at 39 Broadway.

So. Pacific Interesting

Southern Pacific (Oregon Line) 4½s of 1977 offer an interesting situation according to a circular prepared by Raymond & Co., 148 State Street, Boston, Mass. Copies of this circular may be obtained from Raymond & Co. upon request.