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Strong Railroads Seen As Post-War National Bulwark

If the railroads are soundly positioned financially after the war, they should continue to be a bulwark to the prosperity of the country in the opinion of A. T. Mercier, President of the Southern Pacific Company.

A. T. Mercier

Financially strong railroads could serve the nation, he says, not only by providing efficient and economical mass transportation, which is a first essential of business and industry, but also by turning purchasing power into channels of trade through vast sums paid in wages to railroad employes and, additionally, through very heavy purchases of materials and supplies.

This view of railroading in the post-war period is included in an article written by Mr. Mercier for the September issue of "Pacific (Continued on page 918)

Pennsylvania Corporates-Municipals

Special section devoted exclusively to Pennsylvania corporate and municipal securities starts on page 906.

For index see page 924

Gold At The Peace Table

By DR. JOHN THOM HOLDSWORTH

As the tempo of the United Nations offensive on all fronts increases and the day of complete "unconditional surrender" by the Axis draws nearer many post-war plans for world reconstruction are being discussed. No plan looking to the restoration of economic order in the world can disregard the role to be played by gold, the one time-tested and universally acceptable medium for the settlement of international balances.

In the present titanic struggle all our industrial metals — iron, lead, copper, nickel, aluminum, magnesium, etc. — are making a splendid contribution to the cause of freedom. But though this nation has accumulated enormous "stock piles" of both gold and silver—roughly, 20,000 tons of gold and 113,000 tons of silver — these so-called "precious metals" have not played a like heroic role. Are they too sacred, too "precious," to defend their own liberties?

John T. Holdsworth

In the case of gold there is justification for its apparent passivity. Gold is not now in the fighting forces, not because of reluctance, of neutrality, or conscientious objection, but because of unfitness, physical incapacity to serve the needs of war. Gold is too soft to be used in the making of war materials. Quite apart from its high price ($35 per ounce) it cannot be used in place of, or to supplement, the industrial-war metals such as copper, silver, and nickel. But though incapable of serving in the visible fighting forces, it does play a most essential role in supporting the nation's enormous and ever-increasing debt, its currency, its credit, and its heavy obligations to our allies. For the war's duration its function and service is that of a war chest, a reserve supporting the whole credit structure. Its big role will appear at (Continued on page 910)

A Moratorium On F.P.C. Original Cost Proceedings

By WILLIAM L. GROSSMAN, New York University

A joint resolution, introduced in Congress by Representative Boren of Oklahoma and now pending before the House Committee on Interstate and Foreign Commerce, contains a provision for a moratorium, until one year after termination of the war emergency, on Federal Power Commission proceedings and requirements relating to the reclassification of electric utility accounts. The provision is doubtless aimed primarily at proceedings and requirements with respect to original cost. Compliance with FPC original cost requirements has already necessitated the expenditure of about 7,000,000 man-hours since Pearl Harbor, and considerable work remains to be done. Although any estimate of the number of man-hours that will have to be expended in the future for compliance with those requirements would necessarily be hazardous, clearly enough work would thus be siphoned from the war effort to warrant serious consideration of the proposed moratorium.

William L. Grossman

At the outset, it would be well to indicate exactly what the FPC means by original cost. It defines that term as the cost of electric plant "to the person first devoting it to the public service." That person may be the present owner or, more likely, a prior owner. Thus in many cases the FPC requirement that the balance sheet of the present owner of an electric plant reflect original cost, (Continued on page 914)

The Coming Peace— A Security Reappraisal

The report given below was prepared for Eastman, Dillon & Co., Members of the New York Stock Exchange, by Kerr & Company, Engineers, Central Building, Los Angeles.

Field Investigation Conclusions

It is now generally recognized by most investors, that World War II is nearing an end. Mussolini is out and today's news suggests that Hitler too, has been dropped. While the Government does not countenance any thought that war is about over, the facts are becoming more and more evident, and our observations in the field during the last month, tend to support this viewpoint. **The imminence of early peace must be faced at this time, despite the probability of another year or so of war with Japan.**

However, if war ends in Europe this Fall, which is a definite possibility, the conflict in the Pacific may not be of much longer duration. The "writing is on the wall" for Japan, even if we are still "mopping up" five years from now. **For all practical purposes, PEACE IS HERE, just as we insisted the Nation was AT WAR in one of our surveys issued a year before Pearl Harbor.**

With early peace in sight, will stocks break wide open due to fears over post war readjustments? From our contacts in the field, we think just the opposite will occur. No matter what controls over commodities and prices may be existing here, the United States cannot regulate other nations. In the last war commodity prices did not advance sharply until after the armistice. Termination of the present conflict in Europe will, in all probability, start an upward rush in world commodity prices.

The commodity inflation, which (Continued on page 912)

Peace Or Politics?

Senator Robert A. Taft in an address on August 26th before the American Bar Association at Chicago, discussed the important steps which must be taken to insure peace by protecting our people against attack or threat of attack and presented a seven-point plan which he said will work and won't do more harm than good. Senator Taft's address in full is as follows:

Robert A. Taft

The declared purpose of the Fulbright Resolution, and of many other similar resolutions proposed in Congress, is to commit Congress to cooperate in creating some permanent international organization to prevent the recurrence of the tragedy of world war. I don't suppose there is anyone in the United States who is not prepared to do anything and everything possible to assure peace for ourselves and for our children and for our grandchildren. The question is whether that purpose is forwarded by having Congress pass resolutions relating to proposals which are not yet before it in any concrete form. One Congress cannot bind any Congress hereafter elected. The debate on the resolution may lead to a public and official discussion of the relations between ourselves and our Allies which will tend to separate rather than unite us. In fact both Mr. Roosevelt and Mr. Churchill have expressed concern that no such debate shall occur.

Any resolution must at this time be of the most general and indefinite nature. The Fulbright resolution, for instance, may mean nothing or it may mean everything. It is broad enough to cover, one, an international world state; two, a league of sovereign nations; three, a British-Russian-American Alliance as proposed by Walter Lippman. About the only policy which it definitely excludes is one which reserves freedom of action to the United States in the future. The policies falling with-

(Continued on page 920)

Why No Joint Stabilization Plan?

Editor, Commercial & Financial Chronicle:

The revised American Stabilization Plan, more dignified in its presentation, much clearer and more precise in its technical phraseology than the first draft, shows the conciliatory and cooperative spirit of the U. S. Treasury experts who have given serious consideration to suggestions made by the monetary experts of some 30 nations with whom they have conferred during the last three months. Inspired to some extent by the Canadian Plan, the new tentative proposal contains a number of welcome concessions to smaller nations, one of which is the relinquishment by the U. S. A. of her originally proposed and much discussed veto power.

From the American viewpoint, however, main satisfaction flows from the reaffirmation by the United States Treasury of its policy toward the important role gold must play in any Post-War Currency Plan. Despite the strong anti-gold implications of the Keynes Plan, the U. S. Treasury, feeling that Congress and public opinion in this country is firmly and unanimously behind its policy of maintaining gold as a monetary base, not only has upheld its first announced policy, but has emphasized it by doubling the initial gold contribution to be made by each country to the Stabilization Fund, and by providing for a 85% vote when a change in the gold value of the "Unitas" is proposed.

The fact that the United States Treasury apparently does not intend to yield to the British in the matter of gold will do much to carry public favor in America and, at the same time, alleviate the fears of some 28 nations, including three British Dominions and some neutrals, who either produce gold or have large gold stocks and dollar balances in this country and whose currencies will share to a large extent the fate of the post-war dollar.

But what of the British Treasury's attitude toward the future role of gold? Neither Secretary Morgenthau's inspiring foreword

(Continued on page 921)

Major J. W. Clarke Completes AMG Course

Major John W. Clarke, formerly President of John W. Clarke, Inc., Field Bldg., Chicago, Illinois, who entered the Army last spring, has successfully completed the course in the Army's celebrated School for Military Government at Charlottesville, Virginia.

Major J. W. Clarke

As an investment banker of twenty-five years experience, with particular knowledge of municipal government affairs, Major Clarke specialized in the management of the finances of the conquered countries in his studies in the Army's school.

It is expected that within a very short time Major Clarke will be assigned to foreign duty and will take his place in the fiscal management of some of the foreign countries which will come under the aegis of the allied military government (AMG).

The investment banking firm of John W. Clarke, Inc. will remain inactive for the duration.

"Railroad Securities In Post-War Era"

We are advised by Patrick B. McGinnis, of Pflugfelder, Bampton & Rust of New York City, that several errors were made in the transcript of his address, bearing the above caption, which was published in the "Chronicle" of Aug. 26. The author has requested us to call attention to the following corrections: On page 798, column 2, the sentence reading "The low in the Dow Jones averages on rails in 1932 was 36," should read as follows: **"The low of the depression was Aug. 31, 1932, and the Dow Jones averages on rails was 36."** Also in the same column, the sentences reading "In 1929 the high in the Dow Jones rail averages was 109. In that year they (the railroads) did $8,000,000,000 gross business," should be superseded by **"In 1929 the high in the Dow Jones rail averages was 189. In that year they did a $6,000,000,000 gross business."**

Wood With Reynolds In Bank Department

Reynolds & Co., 120 Broadway, New York City, members New York Stock Exchange, and other leading Exchanges, announce that W. Donald Wood, formerly a partner of Wood, White & Co., has become associated with them in their bank division.

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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.

Commends Cist Review Of Exchange Plans

David Fulmer Keely, Treasurer of the Presbyterian Home for Aged Couples and Aged Men, writes the Editor of the "Chronicle" under date of August 20, as follows:

"The review by Mr. Frank Cist of "Post-War Exchange Stabilization" in your issue of Aug. 19, appears to be clear, precise and constructive.

"Substantial unanimity regarding a sound U. S. Tariff Policy and Procedures is manifestly the paramount issue, and then, the education of the Citizen in re.

"Make haste! Tempus fugit."

E. F. Grimm With Kidder, Peabody Co.

CHICAGO, ILL.—Kidder, Peabody & Co., 135 South La Salle Street, announce that Edgar F. Grimm has become associated with them and will make his headquarters in their Chicago office. Mr. Grimm was formerly representative in the State of Iowa for Paine, Webber, Jackson & Curtis. In the past he was manager of the municipal department of Pelk-Peterson Corporation, Des Moines.

Russell Clevenger At Albert Frank Agency

Russell Clevenger has resigned as a member of the Public Relations Department of N. W. Ayer & Son, Inc., to accept a position as Vice-President in charge of the Public Relations Department of Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City, with whom he was previously associated. Since the outbreak of the war Mr. Clevenger, formerly on the editorial staff of The New York "Times," has served the U. S. Treasury as adviser on tax education and the Federal Communications Commission as director of information. In 1940 and 1941 he directed the public relations campaign carried on by the broadcasting industry in its controversy with the American Society of Composers and Publishers (ASCAP). He is a native of Ohio and was graduated from the Columbia School of Journalism in New York in 1923. His new work began September 1st.

The Publicity Department of the agency will continue as heretofore under the direction of Russell S. Sims, who is a Vice-President and Director of the Company.

Simon Shlenker Joins Staff Of J. S. Bache

WASHINGTON, D. C.—Simon J. Shlenker, formerly Associate Chief of the Miscellaneous Commodity Section of the Foreign Commodity Division, Commodity Credit Corporation, Dept. of Agriculture, has joined the staff of J. S. Bache & Co., Washington Hotel Building. Mr. Shlenker is well known in commodity circles, in the past having been a member of a number of the important commodity exchanges, and from 1928 to 1936 a governor of the New York Cotton Exchange. He was a partner in the firm of A. A. Hausman & Co., which later became E. A. Pierce & Co. and then Merrill Lynch, E. A. Pierce & Cassatt.

Attractive Utility Stocks

J. Arthur Warner & Co., 120 Broadway, New York City have prepared an interesting circular containing information on eight utility stocks which they believe offer particularly attractive possibilities at the present time. Copies of this circular may be obtained upon request from J. Arthur Warner & Co.

Sept. Railroad Hearings

An interesting list of September Railroad Hearings has been compiled by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Copies of this list may be secured from Vilas & Hickey upon request.

The Future Of Interest Rates

With Special Reference To The Treasury's Borrowing Policy

In his article which appeared in the "Chronicle" of Aug. 26, captioned as above, Benjamin M. Anderson, Ph.D., Professor of Economics at the University of California and former economist of the Chase National Bank of the City of New York, presented an extremely profound analysis of the probable future trend of interest rates. The author, who is recognized as a leading international authority on fiscal and monetary matters, discussed this important subject objectively and in light of the fundamental factors which inevitably must govern the movement of interest rates.

Since publication of the article, a number of comments have already been received regarding the views and conclusions drawn by this eminent authority on the subject. Due to space limitations, we can only make room below for some of these; others will appear in subsequent issues.

E. S. PILLSBURY
President, Century Electric Co., St. Louis, Mo.


E. S. Pillsbury

The very illuminating article by Dr. Benjamin Anderson, in your Aug. 26 issue, entitled "The Future of Interest Rates," is deserving of careful study by any student of economics, especially by those satisfied with existing bank and monetary practices.

I want to thank Dr. Anderson and the "Chronicle" for having set down a sufficiently clear and comprehensive picture of current banking practices to enable one to go ahead with a discussion of the

(Continued on page 908)

Abolish The Securities and Exchange Commission

By RAYMOND WILLIAMS

During the past ten years the growth of bureaucracy in these United States has been insistent, cumulative and malignant. Only in a world where values have become completely distorted would it be possible for bureaucracy to masquerade as liberalism, and the popular mind to become so confused as to allow our established form of government, itself, to be undermined while we are fighting a war to preserve it against foreign destruction.

From the ancient past to the present day, the history of bureaucracy has always been the same. Eventually, decay and dry-rot have swallowed every government and civilization that follower this pathway toward dissolution and oblivion. Our founding fathers gave us everything free men would ever need in order to maintain our individual freedom when they gave us our Constitutional, representative, form of government. But they could not guarantee to preserve us from the human frailties which some day might cause us to relinquish those freedoms in a blind quest for a phantom "security."

The basic reason for the abolition of such bureaus as the SEC is therefore fundamental. Either the Congress should make the law, and the courts should interpret it, as the Constitution decreed—or bureaus, commissions and men will continue to be appointed to non-elective offices and what they say will be the law. If we choose the latter course, then we will continue to accept the SEC (as well as all the other bureaus that now clutter up our government and regiment our lives). If we desire to maintain the rights and priviliges conferred upon us as free men who would protect themselves from the tyrannies of government—then the entrenched bureaucracy we see around us today must be pulled out by its roots.

In 1933 Congress passed the Securities Exchange Acts, which conferred certain discretionary powers upon a group of officials

(Continued on page 909)

Hawkes & Co. To Be Formed; NYSE Firm

Hawkes & Co., members of the New York Stock Exchange, with offices at 14 Wall St., New York City, will be formed on Sept. 10. Partners will be Frank L. Hawkes, Exchange member, James F. Schwartz, general partners, Martin Curry and Marjorie G. Rheinstrom, limited partners. Messrs. Hawkes, Schwartz and Curry were previously partners in Marble & Co. which is being dissolved.

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.

Predicts Sales Tax Will Be Studied By Congress This Fall

A prediction that a Federal sales tax is certain to receive serious Congressional study this Fall was made at Minneapolis on Aug. 31 by Harold Knutson, (Rep.) of Minnesota, a member of the House Ways and Means Committee, who stated that the usual peace-time arguments against it are overshadowed by the law of necessity. In a radio address, according to the United Press, he said the levy is the only substantial revenue source still untapped and that in war time the nation must avail itself of every possible resource. From the same advices we quote:

Mr. Knutson estimated that a 10% tax would produce about $5,000,000,000 if there were no exemptions and $3,000,000,000 if food were exempted.

Acknowledging that President Roosevelt and the Treasury have bitterly opposed a sales levy, he noted the chief arguments against it are that it falls with especial impact on people with the least means and is deflationary because it discourages consumption.

"The latter objection, though valid in peace time, is actually an argument for the tax in the present war period," he said, "when the over-all purchasing power . . . far exceeds the available supply of consumer goods."

Robt. L. Creek Now With Ranson-Davidson

(Special to The Financial Chronicle)

CHICAGO, ILL.—Robert L. Creek has become associated with The Ranson-Davidson Company, whose main office is located in the Beacon Building, Witcita, Kans. Mr. Creek was formerly a partner in C. W. McNear & Company with which he was associated for a number of years.

W. R. Jones & Co. Is Formed In New York

W. R. Jones & Co., announce the opening of offices at 120 Broadway, New York City, to deal in obligations of the United States Government and its instrumentalities. W. R. Jones, head of the newly organized firm, was associated for ten years with the Chemical Bank & Trust Co., and for a number of years was in the bank's government bond department.

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.

Real Estate Securities

An Open Letter To Charles F. Noyes, Head Of The Most Outstanding Real Estate Firm In New York City

Dear Mr. Noyes:—

The other day in the New York "Times," your firm, Charles F. Noyes Co., Inc., ran a large advertisement in which you stated that you had a special client seeking free and clear properties valued at $200,000 to $2,000,000.

You further stated that you will lease back property to seller or to any AA1 tenant at 6% to 7% depending on price; or at 3% net if price is unusually attractive.

Your customers must indeed have faith in New York City real estate to be willing to make such a large investment for such a modest return.

We know that you also have a great deal of faith in New York real estate because we know that every so often you buy another real estate parcel. However, we are aware too, that you have made investments in many real estate bonds representing an interest in the mortgages and equities of New York real estate properties.

It seems to us that the ownership of these securities is even more desirable than the physical ownership of the properties. At least the liquidity of your investment is more pronounced in the bonds.

True, you would not be the sole owner of the property or have the sole control of it, but neither have you that control when you rent out your property on a net lease for 99 years. In that case you merely collect your ground rent while as a bondholder you collect your interest and amortization.

As a matter of fact there have been quite a few cases where concentrated efforts on individual issues have resulted in either the entire ownership of the property, or in at least the management and control of the operations of the property.

In one part of your advertisement you state that if the price is unusually attractive you would be willing to give back a lease with terms to give your customer a yield of only 3%.

We all know that after World War I real estate values in the City of New York rose very sharply because of the curtailment of construction during the War and the subsequent lack of living and commercial space. Assuming there is a recurrence of this situation after this War, what good will the enhancement of the value of the property you purchase be, saddled with a 3% lease? On the other hand, the rise in values of properties securing real estate bond issues might very well act in favor of these securities. Loans that are now selling at large discounts might conceivably be refinanced at such a price as to make the securities worth more than double their present value.

Another advantage in real estate securities is the amortization requirements of the mortgage securing the bonds. Operation of sinking funds and the continual reduction of the mortgage is bound to make the remaining bonds more valuable. As an example, only last week in this column we pointed out that in the single year ending Aug., 1943 the sinking fund of the Hotel Lexington was equal to almost 10% of the funded debt. The interest rate on these bonds is still 4% but because of these large sinking fund operations the bid on these bonds today is 72%, compared with 37% a year ago. Last week we stated that since June 1942, the funded debt of this hotel was reduced from $3,900,000 to $3,445,800 and that there was $62,000 of funds still unexpended in the sinking fund. Since the brief time that article was written, the management purchased quite a few additional bonds at 66%. (They buy the bonds ex-stock and the stock has a value of $5 per share. This would mean the bondholder actually receives a price of 73¼ for for his combined securities.) We can, therefore, conclude that the outstanding issue has been further materially reduced. Continuation of these large sinking funds must of a certainty make this security more and more valuable. A current yield of over 5½% is obtainable. You own an equal share in 67% of the equity with each bond you buy and have a pretty good chance for enhancement of value of your purchase with a reasonable certainty of the interest payments on your bonds continuing and the possibility of a dividend on the stock.

(Note: Securities on this property are now traded as a unit of an $800 mortgage bond, a $200 income debenture note and 15 shares of stock. When the mortgage bonds are reduced to $2,400,000—originally $3,120,000 and now reduced to $2,758,160 — the amount applicable to sinking fund is limited to $48,000 per annum. If the past year's sinking fund of $330,261 continues, the possibility of dividends on the stock is apparent.)

All in all, it seems to us that New York Real Estate Mortgage bonds are more desirable to purchase than the actual properties. We do, however, Mr. Noyes, appreciate your faith in New York real estate and are inclined to agree with you.

There Must Be No Bottlenecks Preventing Post-War Flow Of Capital, Declares J. N. Whipple

There must be no bottlenecks preventing capital from flowing to every legitimate purpose after the war, Jay N. Whipple of Chicago, President of the Investment Bankers Association of America, said yesterday (Sept. 1) in speaking at the annual convention in Cincinnati of the National Association of Securities Commissioners. "There can be no progress without venture capital," Mr. Whipple said, adding that "the jobs which we must have ready for returning servicemen depend on industry getting the capital it needs for its post-war readjustment."

Jay N. Whipple

The investment bankers' war service has been to devote its professional experience to the Treasury's War Bond drives, which the IBA President said was the most direct way during the war for the business to contribute to a sound economy after the war. "An army of new investors has arisen through this financing to back the armies in the field," Mr. Whipple said. "This, together with the broad diffusion of income and wealth has created a great number of potential capitalists."

These individual investors, he said, will be the most important source of capital for industry to use in converting its facilities, building new plants and rehabilitating equipment after the war. This is because the heavy tax burdens on corporations prevent them from plowing back earnings which has been the normal source of a great deal of their capital in the past. High taxes, he said, had also restricted the ability of wealthy individuals to furnish capital in the large amounts that will be needed after the war.

Mr. Whipple added: "All the elements of prosperity and national well-being will be present when peace comes. Their proper integration and control is a challenge to the ingenuity and intelligence of all the people. The answer to this challenge will determine whether or not capitalism and freedom of enterprise, which have built this country, can be preserved, or whether we will turn to communism, socialism, or some other 'isms.'"

J. A. Ritchie Adds MacKinnon, McIntyre

J. A. Ritchie Co., Inc., 70 Pine St., New York City, announce that Donald Allan MacKinnon and Kieran A. McIntyre have become associated with the firm. Messrs. MacKinnon and McIntyre have for a number of years been associated with Bondex, Inc., the former as Vice-President and the latter as Ohio representative.

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.

Railroad Securities

Minneapolis, St. Paul & Sault Ste. Marie

Despite a last minute appeal which admittedly threatens a possible delay in the Soo reorganization, there is reason to expect a dismissal of such an appeal by September 7th, which represents 40 days subsequent to the original appeal date as required by law. Should the Court dismiss the appeal as anticipated, this should pave the way for the delivery of the new securities by the year end.

Reorganization of the Soo has been most drastic, fixed charges being reduced from $6.6 million to only $53,400 (interest on equipment trust certificates) with interest on both new mortgages placed on a contingent basis. The plan calls for $8.1 million of new 1st mortgage Income 4½s, 1971 and $20.1 million of general mortgage Income 4s, 1991. Total charges including interest and Sinking Fund, will total $1.3 million annually.

No analysis of the Soo would be complete were we to omit from consideration two relatively recent developments, namely, 1, rather sharp tariff reductions as between Canada and the United States arising from delivery of lend lease material to be transported to the fighting fronts and 2, probable changes in Department of Agriculture policies whereby, to feed the starving populations of Europe and Asia, some 30 to 40 million acres may well be returned to cultivation for a period of at least five years.

In the light of these two developments, coinciding with the war period, any study of depression earnings of this road is meaningless, although it should be noted that average earnings available for charges for the period 1933-1939 were $702,000 annually; (included in this period is a deficit for the year 1938, $214 thousand). Obviously in the light of such limited average annual earning power, the only new security justly entitled to investment consideration would be the new 1st mortgage Income 4½s. However with a fundamental change having already taken place and likely to continue for a period of five years or thereabouts, (lower Canadian tariffs plus the return of sizeable areas to cultivation) the outlook has been completely altered and the junior securities now possess considerable speculative appeal.

In fact, earnings available for fixed charges have risen sharply since 1939, reaching $1.9 million in 1940, $2.1 million in 1941 and $3.7 million in 1942, after deducting in each instance $250,000 for the Capital Fund. For the first six months of 1943 the Soo reported an increase of 135% in net operating income ($1.6 million as compared with $692,000 for the corresponding period a year ago.) For the entire year 1943 it is more than likely that earnings will exceed those of 1942 by at least 25% despite rescission of the 1942 rate rise for 7½ months, and despite anticipated higher wage costs for both operating and non-operating personnel.

First Mortgage Income 4½s, 1971. This particular issue selling currently at 75 would appear definitely undervalued on the basis of average earnings as previously indicated, let alone on recent high earnings. In fact they are definitely cheap even on the basis of post-war earnings of $2.2 million as estimated. The Income 4½s are a first mortgage on the company's property with the usual safeguards set up to protect the issue against future dilution. Additionally the bond is attractive on two counts; 1, Nine points of accumulated interest since January 1, 1941, date of the plan, will be paid upon consummation of the reorganization, expected by the end of 1943, and 2, the company's cash position has greatly improved as a consequence of the increase in war traffic. Some of the Soo's war swollen cash may well be applied to retire some of these bonds, with resultant market stimulus. These bonds are fully cumulative. When the company disburses the nine points interest prior to the year end as expected, it will be a return of principal, a marked advantage to investors in the current period of high tax rates. Excluding the nine points, a current return of 6% is afforded through purchase of this particular issue.

General Mortgage Income 4s, 1991. Ot levels of 42, at which price—ignoring 8 points accumulated interest—a yield of over 10% is afforded, these junior bonds afford unusual speculative opportunities. The fact that the bonds are non-cumulative weakens their fundamental status somewhat. This factor however would appear to be offset by the overall coverage on the bonds in recent years, 1.57 times in 1940, 1.79 times in 1941, 3.04 times in 1942 and in a normal post-war year, without making any adjustments whatever for possible retirements of either any first mortgage Income 4½s or general Income 4s, such coverage should be in excess of 1.75 times. As in the case of the 1st mortgage

(Continued on page 918)

Pennsylvania Brevities

Pennsylvania Electric Company

Considerable national as well as local interest centered in Monday's sale of $7,500,000 Pennsylvania Electric Co. securities. The $4,000,000 first mortgage bonds were awarded to Salomon Bros. & Hutzler syndicate and the $3,500,000 series "B" preferred stock was taken by a group headed by Smith, Barney & Co.

Issuance of the new securities arises from the effectuation of a horse-trade between Pennsylvania Electric and United Gas Improvement in pursuance of an integration program developed by the respective companies with and by the approval of the SEC.

The principal transfers involved are the acquistion by Pennsylvania Electric of all the common stock of Erie County Electric, a UGI subsidiary, and the acquisition by UGI of the common stock of Eastern Shore Public Service Co. In its findings, the SEC stated:

"Basically, the transactions here proposed are an exchange of properties between two holding companies, each owning a property which, from an integration standpoint, more logically belongs to the other."

Included in the proceedings is the acquisition by Pennsylvania Electric of the assets and franchises of Keystone Public Service Co. Proceeds of the sale of new securities, together with other funds, wil be used for payments to UGI for Erie County Electric common, redemption on Oct. 1 of Keystone Public Service 5s, 1978, and for the redemption of all outstanding 5% preferred stock of Erie County Electric.

Giving effect to the proposed financing, Pennsylvania Electric's capitalization will consist of $38,020,000 funded debt and $6,900,000 of preferred stock. Net plant account is reported at $70,288,000 with working capital amounting to $2,380,000.

For the 12 months ended June 30, 1943, net available earnings were approximately four times interest charges, 3.15 times interest and preferred requirements and 11 times preferred charges alone.

The Company's principal business is the production, transmission, distribution and sale of electricity, such revenues amounting to 97.68% of the total. Territory served is located in Western Pennsylvania and extends from the Maryland line northward to Lake Erie. Area served is approximately 9,000 square miles and the population about 850,000.

Pennsylvania Electric issues are tax-free in Pennsylvania.

* * *

Ralph T. Senter, President of **Philadelphia Transportation Company,** was all over the lot at the Company's two-day outing held last week at Willow Grove Park. Tribute was paid to 1,002 employes serving in the armed forces. An improvement of 18% in the Company's safety record was reported by Senter, which, he said, was attained in the face of heavy war-time travel on all lines. Women operators are now snaking the big streamlines over many of the congested downtown routes.

* * *

Pennsylvania dealers are not optimistic about any great increase in investment inquiries until after the smoke of Uncle Sam's double-barreled September offensive has cleared away. Many an individual, already scribbling away on the Revenue Department's work-sheet, is wondering where he is going to get the 'poke' to pass along to the Tax Collector on September 15. Coincidentally with this worrisome circumstance, the all-out "Back the Attack" Bond Drive opens September 9. The State quota has been set at $1,071,000,000. Local goals have been announced as follows: **Philadelphia,** $490,000,000; **Montgomery County,** $23,139,000; **Delaware County,** $20,968,000; **Chester County,** $8,562,000.

The best and most logical course of procedure, dealers agree, is to get behind the Bond Drive, push it over the top and get back to business.

* * *

"Little Syndicate," a roving group of golfers whose membership is composed principally of Philadelphia brokers and dealers, held its fifth meeting of its thirteenth season last Friday at Gulf Mills. A four-day safari to an undisclosed destination over Columbus Day holiday will complete the year's activities. **Earl B. Putnam, Jr., Philadelphia representative of Otis & Co.,** manages and directs the group's affairs in a tolerantly accepted OGPU fashion.

* * *

The August doldrums were somewhat relieverd in the latter part of the month by showers of trading tickets as approximately

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Pennsylvania Municipals

By WALTER A. SCHMIDT

The feeling of confidence which existed at the beginning of 1943 has already proven to be a reality rather than mere wishful thinking. The successful completion of the African and Sicily Campaigns, the terrific day and night bombing in all parts of the Axis countries, the failure of the 1943 German offensive in Russia which has instead turned into a victorious Russian offensive, the decay of Mussolini and Italy as major military opponents, the placing of Japan on the defense in all points of the Pacific, are all accomplishments of the teamwork and unification of the Allied armed forces. These favorable developments against tough enemies are forerunners of an ever increasing series of defeats which the Axis populations are bound to suffer until they reach the final stage of no choice except unconditional surrender.

All of these examples of progress can only be directly in proportion with the role which industry and the financial interests have played in producing and financing our overwhelming superiority in quality and quantity of all varieties of fighting equipment. This historic performance is all the more remarkable when it is realized that it has been accomplished in the face of regulations of the American people in their mode of living; the favoring of labor despite adverse performances of labor leaders; the bugaboo of renegotiation of contracts and large corporate taxes; the desire for reduction of individual initiative and other bruised spots of the home front.

The principal duty of banks and investment bankers and brokers will be its continuance of assistance to the Treasury Department in successfully providing the colossal amount of money to pay the cost of the war, in each of the series of bond selling drives. These generously contributed services of experience and time will be forthcoming for the duration of the War, and should place our corps of workers in the category of an essential industry.

Despite these efforts, and with reduced numbers of salesmen and total personnel, investment bankers and brokers are surprising themselves by having probably the best year in net profit since 1936. While not great, the industry is at least experiencing a period of relief from red figures and can visualize with more certainty having sufficient capital intact to carry on into post-war period ahead.

Thus far 1943 has seen sporadic markets in the various kinds of securities, particularly municipal and railroad bonds and the stock market itself. The municipal market, for example, early in January started to become inactive and continued in that state in anticipation of the huge war loan drive scheduled for early April. There was liquidation by large and small financial institutions of blocks of low-yielding premium municipal bonds to provide them with funds to buy the 2% and 2½% U. S. Government issues. These were slowly absorbed with Dow Jones municipal averages rising from a 2.27% basis on January 1 to a 2.18% basis on April 1. It seemed almost simultaneously with the opening of the April drive that municipal prices and activity advanced, until on July 1 the averages reached 1.92% basis. The activity again dried up and inactivity still exists with a renewal of institutional liquidation prior to the September war loan campaign. The averages are now at a 1.88% basis. These high levels are probably explained by the fact that municipals provide the best net return of quality securities, compared with the corporate equivalent of taxable securities. After the war loan drive opens up on September 9, close attention will again be given to the municipal market to observe if activity and prices repeat their strong performances of April.

Pennsylvania and Philadelphia bonds have followed the upward price movements of the general market municipal issues. Comparatively few offerings of the better known cities have appeared and when bids are desired the bonds sell at full prices. This is also relatively true of the bonds of communities in the anthracite district. The Delaware River Bridge (Philadelphia-Camden) Refunding Issue 2.70% due 1973/46 offered July 14, at 102 to yield 2.61% were heavily purchased locally by trust and private investors. After continuously selling above the original offering price the market has settled down again to 102¼, which should result in increased buying again by permanent investors. Total offerings of Pennsylvania issues at the present time total about $5,500,000, of which total about $1,800,000 are Philadelphia bonds.

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Pennsylvania Municipals

(Continued from page 906)

The Refunding Plan by exchange of the City of Philadelphia for the various optional issues which has been going on since October 1942 has stirred up the market considerably. Of a total of $160,000,000 outstanding which were exchangeable, to date about $63,800,000 have been deposited for exchange. Long-term Philadelphia bonds are selling at reasonably high levels, but could go higher in relationship to the market prices of the other largest cities in the country except New York City. The 1% City Wage Tax has greatly improved the City's credit position, combined with the good fiscal management which present city officials and the Sinking Fund Committee are providing.

Municipal houses studied carefully their bidding ideas on the $5,800,000 Philadelphia School District 1½% bonds due 1944 to 1963, inclusive, which sold on Aug. 25. The public offering was made at prices from .40% to 1.50% basis which was of unusual interest to the houses who had carefully watched the sale.

The recent elimination of the 4 mills State Tax on personal property, reduces from a total of 8 mills to the remaining 4 mills County Tax on out-of-state securities. This means that out-of-state securities taxable for personal property are 50% more attractive taxwise to Pennsylvania buyers than previously. For example, out-of-state issues yielding 2.40% become a 2.00% return or a 5.40% yield becomes a 5.00% return, instead of a net yield of 1.60% and 4.60% respectively before the state 4 Mills Tax was discontinued.

Indications of the character of business which securities houses will probably experience in the post-war period are beginning to appear on the horizon. With an estimated fifty million holders of U. S. Government securities compared with about two million after World War I, obviously there will be a large potential market. Even though many investors believe they themselves know more about securities than during the 1929 era, there are still those today who think they are purchasing into the aircraft industry when they buy Seaboard Air Line securities. This clearly spotlights the responsibility which the securities industry has in guiding the investing public throughout the War and into the post-war period. As high-grade securities as possible should be sold to investors at all times on the proper basis of diversification. Probably no business has been as hard hit as the investment bankers and brokers during the past 12 years. Those who remain today are still in business because of their proven ability, integrity, and diligence. They are deserving of the confidence of the investing public to attempt to guide them into the unpredictable future.

It seems obvious that industry will have a major problem of financing itself from their tremendous war effort back to their normal peace type of production. Excess profit taxes and renegotiation of contracts will probably eliminate cash reserves which would otherwise be available partially for these purposes. Probably underwriting and distributing organizations will be put to a severe test in helping industry raise the necessary money for this huge job. The present manpower shortage will be greatly repaired by the return from the armed forces of the majority of their pre-war staffs. About the only major internal problem not ironed out is the question of compulsory competitive bidding for types of new issues. There has been ample opportunity to observe the merits of competitive bidding and as far as we can judge it helps no one. We see small permanent benefits to the issuing company, none to the investing public, and neither to the large underwriting houses nor the small distributors.

Let's all pull together and thereby win the War as soon as possible. We can then look toward a reasonably normal peace without power politics, bureaucracies, and regulations of the lives of people.

'Post-War Currency Problems': A Swedish View

An analysis of the American and English official currency stabilization plans appeared in the Swedish publication "Ekonomisk Tidskrift" for June, 1943. Prepared by Klas Book, one of the leading economists of Sweden, the main features of the proposals put forward by Dr. Harry D. White, Director of the Division of Monetary Research, of the United States Treasury Department, and by Lord Keynes, a noted British economist director of the Bank of England, and adviser to the British Treasury, were described. Mr. Book arrived at the following conclusion as to the desirability of currency stabilization in general:

It appears from a general evaluation of the plans, according to Mr. Book, that both the American and English originators have given preference to the establishment of external exchange stability as against the necessity of an internal stability in the first place. "One cannot but receive the impression that the originators of the plans have made stability of exchange rates an end in itself," he writes. "By making currency stabilization the chief purpose, a factor which has not been sufficiently stressed which ought to be considered most important in the development of international trade, i.e., the establishment of a reasonable relationship between the values of the various currencies. Nations which are to participate in the international currency organization have furthermore been given such limited possibilities to conduct an independent and effective internal economic policy that it would seem only natural if a certain hesitancy to join the international clearing union, or stabilization fund, would result."

Otis & Co. Objects To IBA Bidding Stand

Otis & Co., Terminal Tower, Cleveland, O., investment banking firm, has sent a letter to all members of the Investment Bankers Association of America opposing the Association's stand against competitive bidding for railroad securities.

In part the letter read:

"As members of the Investment Bankers Association since its organization 31 years ago, we have today informed the executive committee we believe it has recklessly compromised the Association in deciding that a brief against competitive bidding for railroad securities should be filed with the ICC in the Association's name.

"* * * when those who claim to represent the leadership of the investment banking industry are willing to put themselves on record against competition—the cornerstone of the American business system—it is no wonder that the Association's membership is declining steadily and that the securities business remains at low ebb even though the country is bulging with idle investment funds."

Pennsylvania Brevities

(Continued from page 906)

100,000 stockholders of **United Gas Improvement Co.** common sought to even up their fractional distributions of **Philadelphia Electric and Public Service Corp. of New Jersey.** The generally accepted market for the fractions is one point away from the last recorded sale of round amounts. In self-defense and in order to lessen the leg-work, many dealers make their own primary markets, trusting that buying and selling orders will approximately balance. Net result is turning out to be a lot of service for a fishcake.

* * *

Definite shares of Puget Sound Power & Light Co. new common stock will probably be issued this month. Dealer interest is widening in this operating company equity. Pro forma earnings for the 12 months ended June 30, 1943, are reported at $2.11 per share. Selling at approximately six times earnings, with net property equivalent to $15 per share, the stock would seem to hold possibilities of appreciation.

Personals

Summer bachelors along Walnut Street have banded together in a small informal group known as the **WOWS.** (Worn-out Wolves.)

* * *

Charles ("WOW") Wallingford, E. H. Rollins & Sons, whose family is in Ocean City, has been trying unsuccessfully since June to get home to cut the grass. Fortunately, the drought has obligingly singed off his lawn.

* * *

Bob McCook, in **Buckley Brothers'** New York "look-out" office, is reportedly lonesome.

* * *

Vice-President E. J. Davis, Rambo, Keen, Close & Kerner, a shore commuter, admits the 55-degree temperature of the ocean holds no appeal for him. He has done his bathing on the beach—and looks it.

* * *

Benjamin A. Brooks, W. H. Bell & Co., usually arrives at the office Saturday mornings accompanied by two or three of his little group. It is suspected that Mrs. B. sends the little Brooklets along as hostages against Ben's safe and orderly return.

"Bondistics"

Security Adjustment Corporation, 16 Court Street, Brooklyn, N. Y. have prepared an attractive booklet on "Bondistics," which they define as the branch of financial science dealing with the bonded indebtedness of corporations with regard to such bond values as they apply to the individual investor's problems as to safety of principal and income and profit. Contained in the booklet are interesting analyses of several situations.

Copies of this booklet may be obtained from Security Adjustment Corporation.

William K. Hartzell, Kidder, Peabody & Co., and L. Wister Randolph, Stroud & Co., are among the twenty Philadelphians owning stock in the Philadelphia National League Ball Club.

Phila. Traders Ass'n Nominees For Office

PHILADELPHIA, PA.—The annual meeting and election of Officers and Governors of the Investment Traders Association of

George J. Muller Russell M. Dotts

Philadelphia will be held on Friday, Oct. 1, 1943 at a time and place to be announced later by the Committee on Arrangements.

The Nominating Committee, composed of Harold Nash, H. N. Nash & Co., Chairman; Floyd Justice, Kidder, Peabody & Co.; Frank McKee, C. C. Collings & Co.; William Ward, Sheridan, Bogan & Co.; and Wallace Runyan, Janney & Co., have selected the following slate for officers and governors for the 1943-44 term. There are to be six governors elected for a term of three years and one governor for a term of one year.

President: George J. Muller, Janney & Co.

First Vice President: Russell M. Dotts, Bioren & Co.

Second Vice President: Edmund J. Davis, Rambo, Keen, Close & Kerner.

Treasurer: John M. Hudson, Thayer, Baker & Co.

Secretary: Frederick S. Fischer, Hendricks & Eastwood.

Board of Governors: James T. McAtee, Butcher & Sherrerd; James J. Morrissey, Hecker & Co.; E. Coit Williamson, Schmidt, Poole & Co.; Joseph McNamee, Hornblower & Weeks; Carl Lachman, Eastman, Dillon & Co.; Floyd E. Justice, Kidder, Peabody & Co.; Albert Tryder, H. T. Greenwood & Co.; Carl Necker, Moncure Biddle & Co.; M. W. Goodman, Harper & Turner; Paul W. Bodine, Drexel & Co.; Richard W. Heward, Boenning & Co.; S. K. Phillips, Jr., S. K. Phillips & Co.; Frank McKee, C. C. Collings & Co.; Ethan G. Zuber, Suplee, Yeatman & Co.

Any five members of the Association may in writing nominate additional candidate or candidates for office. Notice of such nominations must be in the hands of the Secretary at least three weeks before the annual meeting.

The Future Of Interest Rates

(Continued from page 903)

salient points involved without having to build from the ground up.

Dr. Anderson finds five sources of capital. From his description, it is evident that the first four are savings: the subdividing being done on the basis of the sources of the savings only, so that for the purpose of our analysis there are just two sources of capital, "A" Savings, and "B" New Bank Money.

Dr. Anderson says ". . . Capital created by expanding bank credit means a dollar-for-dollar increase in debt with the growth of capital. From this viewpoint, if from no other, it is obviously the source of capital to be used most cautiously."

Dr. Anderson concludes that the "A" type of capital is safe in every respect; in short, he finds it fool-proof, so far as inflation is concerned. On the other hand, he finds that "B" type of capital needs watching against over-expansion of credit, or inflation. Nevertheless, he says, "It must be recognized that, held within limits, this is a real source of additional capital, and that properly handled, it is a safe source of capital."

Of course capital that reflects a dollar-for-dollar increase of debt is borrowed capital, whatever you call it. However, it will take care of your payroll just as well as if it were your own money, and if such borrowed capital represents savings deposited with a bank, or otherwise made available at a fair rental, such capital may be just as constructive and serve the purpose of enabling you to build up your business jus as well as if it were your own.

But now suppose this borrowed capital is created by a bank authorized to issue I. O. U.'s signed by Uncle Sam. Is such capital better or worse, or the equivalent of capital originating in private savings?

The answer to that is that the injection of such money is disastrous primarily because it jettisons supply and demand interest rates forthwith. When you thus disrupt supply and demand rentals for money, you likewise jettison supply and demand rentals for property that money buys. Likewise, when that is done, the sale value of such property is also interfered with, for rental and sale values are closely linked.

We could continue this analysis and show that what Dr. Anderson calls "New Bank Money," and elsewhere "Bank Credit Capital," has disrupted supply and demand control of industry in U. S. A. and muddled prices generally to where the perpetuation of the private enterprise system itself is endangered. We could also show that in Britain, where fiduciary currency is held within actual needs for circulation, wage rates are much more consistent; while real estate, which is down flat here, in Britain has doubled and in some cases quadrupled in value during this period of war inflation; which, even at that, is far less perilous over there than here.

In conclusion, it is evident that our current $80,000,000,000 of bank deposits and the $18,000,000,000 in circulation, totaling $68,000,000,000 of non-interest bearing government liabilities, multiplied about tenfold since our adoption of limitless currency, is little less of a menace to our general prosperity than has been the billions of bushels of corn, wheat, and bales of cotton, accumulated by government to the growers of these several crops. The farmers seem to be getting ready to ditch this handicap. Is it not time for business people to awaken to the dangers they face?

The "Chronicle's" June 24 issue contains an article with charts, by the writer, which brings out some such facts as the above more clearly than is possible within the space available here. Reprints of this article, entitled "Redundant Currency vs. Gold Measurements as Builders of Workable Wages," are available and will be sent upon request while they last.

(Editor's Note—Requests for reprints referred to above should be directed to Mr. E. S. Pillsbury, 1806 Pine St., St. Louis 3, Mo.)

FRANK CIST, Brewster, Mass.

In the "Chronicle" of Aug. 26, Benjamin M. Anderson discusses the important subject of interest rates. With the record of many generations before us we should have little doubt that there is a "normal" level about which such rates fluctuate and to which they tend to return. In fact, if we do not insist upon too great accuracy in the matter, competition among investors for the best income from their money must tend, in the very long run, to make net yields on all types of investment, including real estate and stocks as well as bonds and commercial paper, run about the same. The level of this yield must be governed by demand for and supply of funds; although certain types of investment may experience some especial demand or supply independent of other types. Thus the yield on short term paper tends to be lower than on longer term paper, to vary inversely with the yield on equities and so on. Rediscountable paper, bonds "legal" for trustees or savings banks, have their special markets.

Frank Cist

In abnormal times abnormal rates prevail. The present is abnormal. Government policies have induced an abnormal supply of loanable funds on the one hand plus the abnormally low commercial demand for loans on the other. Both factors tend to reduce rates. Mr. Anderson performs an important service in pointing out that these abnormally low rates cannot continue and he makes timely suggestions as to what we can do about it. After all, economic laws are not passed by legislative bodies at the behest of unscrupulous and greedy capitalists. They are natural laws and they are mostly discovered only after long and painful experience. These laws cannot be evaded. But painful experiences in the future can be avoided or mitigated as we study and profit by wisdom gained from the past. And that is where the economist comes in.

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.

To Form LaGrange & Co.

M. Ronald Brukenfeld, member of the New York Stock Exchange, David Igelheimer, and Frank C. LaGrange, will form the Stock Exchange firm of LaGrange & Co., with offices at 60 Beaver St., N. Y. City, as of Sept. 20.

Tomorrow's Markets Walter Whyte Says—

Second stage of market cycle now approaching. Look for sharp reaction followed by substantial advance.

By WALTER WHYTE

Lots of things happened in August but the market didn't give any of them more than a passing nod. When August began it found the market wallowing in a trough into which it fell during the last week of July. As the month ends it finds it in the same trough, if not wallowing, then certainly snoring.

* * *

In the last week of July the market, as measured by the Dow industrial averages, was about 144. The following week, news reports and peace interpretations, drove it down some 10 points to about 134. During August the market fluctuated roughly between 134 and 139 with volume becoming smaller as the days passed by.

* * *

As this is being written the market is about 136 with volume beginning to show a slight inclination to increase as prices move fractionally upwards. But the sum total of August is one of frustration.

* * *

Sentiment at present is very fluid. Yesterday's optimists are today's pessimists and vice versa. Disregarding sentiment and looking at the the market cold-bloodedly certain things become apparent. The market has already completed one pattern in advancing from about 92 (mid-1942) to about 148 in July 1943. In this phase one did not need to have special knowledge to pick his stocks. All one needed was to know the trend of the market and then buy stocks; almost any stock bought during that period would have brought nice profits.

* * *

During the latter phase of the cycle that old "debbil" inflation came to the fore. Wheat, for example, advanced from 60c to $1.40; lard from 5c to 15c. Other commodities tied up with the cost of living also kept in step. The result was a rush out of money into goods and stocks. The end of such a cycle was obvious. For even if the commodity markets did not break wide open the more volatile stock market, which always has a larger public following, did.

* * *

After a break of approximately 15 points it is normal for the market to go into a period of dullness accompanied by funereal wails of about how much lower "it is sure to go." This phase once completed is followed by the second cycle. This one usually sees the market fail to follow through on bullish indications but lest that be comforting to the bulls, it also fails to follow through on bearish indications. Volume dries up and interest dries up with it. Out of such conditions comes the makings of the beginning of the second phase.

* * *

Once this period of dullness is over the market usually goes into a period of false moves. As this is being written, prices are beginning to advance fractionally and volume, the indicator of popular following, is also showing a tendency to step up. I have little doubt but that, if that continues for say another day or so, the pessimists will retire muttering in their beards and the optimists will come out of hiding with resounding "I told you so's."

* * *

It is at this point that the greatest danger to speculative accounts appears. For instead of going straight up such markets have a vicious habit of suddenly cracking wide open sucking in not only the new crop of optimists but doing it so rapidly that even the pessimists have little opportunity of taking advantage of the decline. This condition usually forces longs to sell stocks hurriedly, so what starts out to be a minor setback frequently ends up in a real crack. The new crop of disappointed bulls turns to the short side—at least it has every intention of doing so once a rally comes. And the stage is set for the real action of the second phase.

* * *

The market instead of just rallying goes up and up and under certain conditions may even better the highs of the previous bull market, being fed as it is by shorts running to cover. Inflation again comes to the fore. But unlike the first phase of the advance all stocks don't share equally. In this second stage roughly about 50% of the stocks advance.

* * *

From present market indications the beginning of the second phase is right around the corner. If these prove correct then a small rally followed by a reaction of anywhere from 4 to 6 points will occur. I therefor suggest that all buying advice given in last week's column be cancelled until the reaction now indicated runs its course.

* * *

The averages are now roughly at 136. A reaction to about 130 would not be surprising. When either this level is reached, or the market changes its signals, advice to buy will again appear in this space. Where stocks recommended have already been bought my advice is to use present minor strength to get out. So hold your cash until advice to convert into stocks appears here.

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.]

NASD Appeals SEC Rule On Unlisted Bonds

The National Association of Securities Dealers, Inc., has appealed the ruling of the Securities and Exchange Commission admitting to unlisted trading privileges on the New York Curb Exchange certain bonds of Central Power & Light and Kentucky Utilities. Extension of trading privileges were granted by the SEC on application of the New York Curb Exchange.

The NASD petition was based on what was declared an "erroneous definition of the vicinity of the New York Curb," which was listed as the states of Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania and Ohio. The Association contended that "vicinity" meant one hour's commuting distance from New York City; the area of the city itself, or an area whose boundaries are equidistant between New York and the next nearest cities in which are located securities exchanges.

Phila. Transportation Situation Interesting

The consolidated 3-6s due 2039 of Philadelphia Transportation Company offer an interesting situation at the present time according to a descriptive circular prepared by Stroud & Co., Incorporated, 123 South Broad Street, Philadelphia, Pa. Copies of this circular discussing the situation may be had from the firm upon request.

Post-War Developments Of Greatest Importance In Industry Seen By Guaranty Trust

The way is being paved, as it was during the last war, for peacetime industrial developments of the greatest importance and value, states the Guaranty Trust Co. of New York in the current issue of "The Guaranty Survey," its monthly review of business and financial conditions in this country and abroad, published on Aug. 31.

"At the same time, the emergency is delaying the utilization of many earlier inventions and discoveries that will become available after the war," the "Survey" says, continuing:

"Even a brief review of some of the more outstanding and widely known lines of progress shows that war, the great destroyer, has also its constructive side. Under the spur of wartime necessity, industrial developments that might otherwise require years or decades are compressed into months. But before this technical advance can be translated into terms of human well-being, war must give way to peace—a peace that preserves the freedom of enterprise that has been found indispensable to the exercise of ingenuity, the taking of risk and the putting forth of effort. For war will leave behind it also a wake of destruction, disorganization and impoverishment, together with a legacy of centralized control that can stifle individual initiative and that will tend to be perpetuated by the troublesome problems of readjustment that peace will bring to the world. The ingenuity of the scientist and the engineer must be matched by the wisdom of the businessman and the statesman if the beneficial by-products of war are to be turned to full account.

"If the world's standards of living fail to achieve new heights during the post-war era, it will not be for want of the technical foundations on which those standards rest. It will be because of failure to solve the complex economic, social and political problems that are being raised by the war and to perform the difficult readjustments that will become necessary with the return of peace. Unless these obstacles are surmounted, the world will be in grave danger of finding itself saddled with bureaucratic forms of government that the depression and the war have brought upon it and that will prove incompatible with the free institutions under which science and enterprise, working hand-in-hand, have achieved the unexampled material progress of the last century.

"One of the broadest fields of industrial development suggested by the technical progress of wartime is found in the wide variety of devices and methods known collectively as electronics. Already this relatively new science has been put to practical use in a long list of wartime industrial operations. About 750 types of electronic tubes are already in use, and the total value of the American industry's product this year is expected to surpass that of the entire automobile industry before the war.

"One of the most spectacular and widely publicized of these inventions is 'radar'—the radio detection and ranging mechanism that reveals the direction and distance of ships and aircraft with such accuracy that artillery can be used effectively without sight of the enemy. The potential value of this device as a factor of safety in peacetime marine, aerial and even land transportation is obvious. The basic principle underlying radar—the use of ultra-short radio waves—has a wide range of possible applications in radio, television and other means of communication. Technicians believe that this radiation can be utilized in such widely separated fields as cooking and the treatment of disease. An apparently more remote possibility is the use of short waves for the transmission of electric power."

The bank's survey also cites developments in the fields of chemistry, plastics and metals and transportation as having been advanced greatly due to the demands of war.

From the survey we quote:

"The enormous influence of the war on the outlook for the further growth of air transportation seems to be beyond question. This influence will operate in several ways. The belligerent nations will have huge numbers of combat and transport planes that will no longer be needed for military uses. They will have built production facilities and trained personnel incomparably in excess of pre-war volumes; in the United States, the value of the aviation industry's output this year is expected to equal almost one-seventh of the estimated national income. * * *

"Some authorities estimate that half a million private planes may be in service in the United States alone within ten years after the war ends; and some go so far as to predict a further tenfold increase during the following decade. If the expansion of civil aviation proceeds at any such pace, there will be little need for post-war contraction of the industry. Even though such high estimates may not be realized, it seems likely that the period following the war will bring a volume of production and operation of aircraft that will dwarf anything witnessed in the past."

Topping, Reily Liaison Officers In War Loan

During the Third War Loan Drive, which starts September 9, James J. Topping and John M. Reily will serve as liaison officers between municipal dealers, their teams and the New York State War Finance Committee. Their appointment was announced Aug. 20 by Eugene Black, Director of the Banking and Investment Division. Mr. Topping is Vice-President of Braun, Bosworth & Co., and Mr. Reily is resident manager of Weeden & Co.

The Banking and Investment Division has organized 15 bank-dealer teams, each headed by a New York City bank, to solicit subscriptions from their customers, depositors and employees. The municipal bond houses in New York are represented on these teams, and are now organizing their sales staff for an extensive selling campaign. The Banking and Investment Division is in the process of recruiting a sales force of 7500 to obtain bond subscriptions during the coming drive.

Lend-Lease Drugs Limited

Only those drugs and medical supply requirements deemed essential to the defense of the United States and the furtherance of the war effort are being provided under lend-lease, the Lend-Lease Administration and the War Department announced on Aug. 20 in a joint policy statement. The two agencies explained that it is not their policy under lend-lease to supply the total requirements of the drug and medical supply of any country and that those not acceptable for procurement under lend-lease should be obtained through normal commercial channels.

Abolish The Securities & Exchange Commission

(Continued from first page)

who hold their offices through executive appointment.

After ten years of experience with the Securities Acts, there is still an insufficiency of definite rules upon which anyone can be guided in their relations with the Commission. One day, we hear about new proxy solicitation rules which would upset the established methods and procedures of industrial management right at the time when they have everything they can do to maintain peak wartime production. Next, some other mental wizard gets the impulse to impose his own pet ideas of what should be the amount of profit allowed over-the-counter securities dealers—and we hear about that.

The list of inconsistencies, unwarranted assumptions of power, and the over-all persecution to which the securities industry has been subjected is clearly shown by what has happened to the private capital markets at the very time when they should have been foremost in bolstering the nation's war effort. A recent survey of the Investment Bankers Association of America shows that flotations by industrial corporations for new capital and refunding purposes declined from one billion ninety-four million dollars in 1940 to five hundred sixteen millions in 1942, and for the first four months of this year to only ninety-nine million dollars.

But in June, 1940, a former head of the Securities and Exchange Commission, Mr. Jerome Frank, wrote in a letter published in the press: "This Commission is very much alive to the necessity of doing everything possible to facilitate the raising of private capital, which must be obtained in connection with, or as a result of, the program for national defense." Three years have now passed and the Commission has stalled, vacillated, and pigeonholed the many efforts to amend the Securities Acts. Reams of testimony have been taken, pages upon pages of transcripts of the experience records of individual firms and associations have been shoved backward and forward before the House Committee on Interstate and Foreign Commerce—and all we have to show for it is absolutely zero, notwithstanding Mr. Frank to the contrary.

All the Congress need do now is rewrite the Securities and Exchange Acts in the light of the combined experience of the past ten years. The law should be explicit. Delegated discretionary power should be eliminated. What can't be put into reasonable, interpretive, law should be excluded from the act. There is no place in our form of government for laws based upon guessing games, the personal whims of bureaucratic overseers, or self-appointed Messiahs.

The Commission should be abolished. The enforcement provisions of the revised Securities Acts should be placed in a regular department of the established government—possibly the Department of Justice. The registration of new security issues, if still deemed advisable, could be handled by the Bureau of Copyrights just as is now done with material filed to be copyrighted.

The issue is clear, either the government remains the servant of the people of this land, or it will become our master. We can choose a government of law, established and enforced as provided for us in the Constitution, or we can have a government of men, who "make the law, who dispense their own ideas of justice, and who enforce the law." Which do we want in America? This is the next question the people of this country must decide.

Canadian Securities

By BRUCE WILLIAMS

Global currency schemes are still claiming so much attention that there has been less discussion of late concerning the relationship of the U. S. and Canadian dollars. In view of the fact that Canada is now our best cash customer in an increasing ratio, it might be well to settle this outstanding problem before embarking upon more ambitious plans embracing the entire universe.

To practical minds a common North American dollar would be a sound step forward, followed perhaps by admittance of the South American countries to the dollar standard. Thus would be realized the original object envisioned in certain quarters of the establishment of a "hemisphere dollar." With the attainment of parity between the U. S. and Canadian dollars, the question of the relationship between sterling and the dollar would then have to be decided.

Britain's vital interest in this question has no doubt contributed to the delay in its settlement. If the Canadian dollar were established at a 10% higher level, the existing large British indebtedness to Canada would be correspondingly increased, in addition to raising the cost of imports from Canada. This situation could be adjusted by similarly raising the level of the pound in relation to the U. S. dollar.

Contrary to popular belief, owing to generally lower costs and in a world where presumably tariffs will be lower, the pound could be fixed at a higher exchange rate and still remain on a competitive basis. This statement, of course, is based on the assumption that war debts will be dealt with in a realistic and statesmanlike fashion and that they will not be permitted to encumber the post-war world economic progress.

Meanwhile, the inevitable pressure on the exchange continues, and Canadian internal securities still find a ready market in this country. Restrictions could be placed on such exports, but the Canadian authorities are no doubt reluctant to add to the number of war-time controls, and, furthermore, it is unquestionably realized that artificial barriers are useless against a natural economic movement.

Apart from the exchange angle, Dominion of Canada internal securities can be considered as decidedly attractive investments. Compared with similar Dominion external obligations, the internal 3s of 1958-53, for example, yield approximately 3% as against the 2⅝% return of the external 3s of 1958. This presupposes only ultimate exchange conversion on the basis of the official 10% discount. The external bonds at the current market can only yield 2⅝% at a cost of 104⅝. On the other hand, the internals return about 3% at an initial cost of 91 with the added possibility of the exchange going to par or even a premium during the life of the bond.

With regard to the external bonds, the market on the whole was unspectacular during the past week. A large block of long-term Canadian National Railway bonds was offered from Canada and was placed with little effect on the market, although prices were eventually a little below the highest levels recently touched. Direct Dominions were quiet with small recessions in some issues, although the 2½s of 1948 reached an all-time high of 103¾. Ontario and Quebec issues up to 1960 continued in steady demand at their highest levels. Nova Scotias and New Brunswicks also found ready buyers when bonds were available.

The market for the Western provinces continued in the doldrums. Even British Columbias, the strongest situation in this section, did little more than maintain a steady tone. Manitobas were still in some supply and the 4½s of 1956 were still available at 106½. A similar situation existed in Saskatchewans but in this case there was a larger volume of offerings. The 4½s of 1960 were in supply at 91½. On the other hand, there was a slight improvement in the tone of the Alberta issues. There were a few bids for the 4½s at 76 and 5s at 77. Canadian Pacifics in spite of a constantly improving situation have not shared to any degree in the recent sharp advance in the general market. The 5s of 1954 and the 4½s of 1960 still have the interesting return of approximately 4½%.

Judging by a general survey of the higher grade market, it would appear that we have reached at last a leveling out stage, after an almost uninterrupted rise since the middle of 1940, although, as previously pointed out, scarcity value in certain issues will have its effect. On the other hand, there are still possibilities for trading profits in some of the more speculative sections of the market if purchases are well-timed.

United Corp. Attractive

The $3 preference stock of United Corporation offers an attractive speculation in the public utility field, according to a memorandum issued by Ira Haupt & Co., 111 Broadway, N. Y. City, members of the New York Stock Exchange and other leading exchanges. Copies of this memorandum, discussing the situation may be obtained from the firm upon request.

Gold At The Peace Table

(Continued from first page)

the peace table where plans for international stabilization will be made.

For the other "precious" metal, silver, no such alibi or explanation can be offered. To date it stands charged before the bar of public opinion with being a slacker in the war effort. Unlike gold, silver can be used advantageously and promptly in various war industries as an alloy or a substitute for other metals to conserve or supplement war materials. More and more the war calls for silver, —silver alloys to take the place of brass and nickel; silver wire to replace copper in electrical appliances and small motors; silver can be used in combination with lead for tin-lead solders thus saving large quantities of scarce tin; millions of ounces more of the white metal are needed for airplanes, tanks, bombs, guns, shells, and a wide variety of equipment such as brazing alloys, films, surgical and pharmaceutical products, and the like.

Some silver bullion has been released for these and other purposes, but only a niggardly portion of our huge hoard has been made available. Most of it is in the form of warehoused bullion and so requires no long period of mining and processing as other war metals do — and it has all been paid for.

Thus far the jealous guardianship of the silver bloc has prevented the all-out service that silver should be rendering the cause of freedom. Why? Bluntly, because they fear that if silver is put to work in war-industry service it may lose something of its recently-acquired position as an integral part of our monetary system, and also lose the bonus-supported price of 71 cents for their product. While the "baser" metals throw everything they have at the enemy silver clings tenaciously to its depression-born bonus and monetary status. But the tide of public opinion is rising against the untenable, unpatriotic attitude of the silver bloc. If that tide continues Congress will be stirred to corrective legislation by repealing the unwise, uneconomic silver-purchase acts of the thirties. Then the billions of stored silver will be indeed "free" to make its overdue contribution to victory and peace.

Our five-fold gold expansion from $4 billion to $23 billion in a decade was "planned that way" as part of the Administration's program designed to lift agriculture, labor, and industry out of the morass of depression into which the whole economic structure had become bogged in the thirties. Something heroic, many things, had to be done and quickly. And in the view of the Administration only the Government with its vast resources and authority could do it. In broad terms the solution was the New Deal recovery-reform program.

Once again the old monetary inflation folly was dug up. What was most needed was to increase the money and credit supply of the country, thus giving farmers and other debtor classes more buying power and putting ten million idle men to work. Some of the President's advisers came forward with an inflationary plan, bearing a new and more palatable label, "reflation," which was promptly adopted by the Administration as a part of its evolving social-economic program. There were too few dollars in peoples' pockets. Moreover, gold, our monetary standard and the basis of our currency, was largely held by the Federal Reerve System and was not sufficiently active. The thing to do was to take over, "nationalize," all the gold, whether in private or institutional hands, and then at the discretion of the President to devalue the gold dollar by some 40 to 50%, which suposedly represented the fall in the price level. By this devaluation billions of additional dollars would be created and as they got into the stream of business and wages through Government expenditures prices would be carried up to the desired level.

The limits of this article do not permit discussion of the results of the Administration's gold policy or other parts of its monetary program—abandonment of the gold standard, seizure of all the gold, abrogation of all contracts in bonds, mortgages, etc., to pay in "gold of the present weight and fineness,"—nor of the unsound silver-purchase policy under which the Treasury was required to buy silver at home and abroad until its price should rise to $1.29 an ounce or until silver should constitute one-third the amount of gold, that is, until the metallic base of our currency should be one-fourth silver and three-fourths gold. As to this fantastic silver policy it need only be said that neither of its objectives has been reached or, probably, ever will be, nor have the international stabilization advantages prospectively claimed for it been attained.

Now, what do we have to show for these gold-and-silver-buying adventures? Well, first, we have about 113,000 tons of silver, most of it unloaded on us by silver-surplus countries, generally not to their permanent advantage and assuredly not to ours. All but about a billion dollars worth (monetary value) of this silver, which does currency duty in the form of silver certificates, but which could be advantageously replaced by gold-based Federal Reserve notes, and subsidiary coins (halves, quarters, and dimes) is an inert, unused mass of metal. It cannot be used in the settlement of international balances, as gold is used in normal times; no other country wants any considerable quantity of it. We seem to be stuck with it forever and a day.

Then we have some 20,000 tons of gold, valued at about $23 billion, all owned by the Government, and most of it buried in special vaults at Fort Knox. How did we come to acquire this immense store of gold — at its peak 70% of all the monetary gold in the world? Well, we first revalued our 1933 stock of about $4 billion, giving it a new monetary value of some $7 billion, of which $2 billion was put into an Equalization Exchange Fund, the balance being a bookkeeping "profit." Then we upped the century-old world price from $20.67 an ounce to $35, offered the world that price for its gold—and got it. The profitable price of $35 and other economic forces started a stream of gold, which soon became a flood, from every producing mine in the world. New mines were prospected and abandoned mines reopened. Hoarded gold came out of hiding and millions of "refugee" gold sought a safe hidilng place in the United States. The main stream of this swelling flood, however, consisted of capital transfers from abroad and of gold sent here in settlement of international trade balances, the persistent "favorable" balance of trade, the excess of our exports over our imports. The flood of gold toward this country continued, despite efforts to halt it, until 1942 when the war brought it to an almost dead stop.

Here, however, our chief interest is in the $23 billion worth we already have and how it can be put to work again when war's disruptions end and post-war reorganization ensues. Is our huge accumulation of gold to remain in peace as now in war inert, passive, a miser hoard? Or shall it be regarded as a "blood bank," stored up economic plasma, from which after the bombing and blood-spilling has ceased shall be drawn the healing restorative that will bind up the wounds of the nations? And how will such a transfusion affect the United States, which for the most part is the only prompt and abundant source of supply, and the rest of the gold-anemic world?

Despite its limitations and defects as a standard of value gold has long been and remains the most widely desired and acceptable medium of international exchange the world over. Thus far nothing better has been devised; there is no satisfactory substitute for it, otherwise it would long since have been adopted. Moreover, there is ample gold for this and every other necessary purpose. The world's present supply is estimated at about $33 billion and even with war-time limitations upon mining activities some $1½ billion worth was mined in 1942. If mints and treasuries continue to pay $35 an ounce for it the world need never again fear a gold shortage.

But, what about the ownership, distribution and utilization of this $33 billion worth of gold? Where is it, and how is it held? Ah, there's the rub. The Government of the United States owns outright about two-thirds of all the monetary gold in the world. Authentic figures for recent years are not available for other countries. Most of South Africa's output goes to Great Britain, which now holds, possibly, $3 billion. Before being overrun France had about the same amount. Since the war began some of the neutral nations, notably Switzerland and Sweden, have heavily increased their gold holdings. It is probable that no small part of these accumulations are "refugee" gold and will be returned to their owners when peace comes. No information is available as to the gold holdings of the Axis powers. It is well-known, however, that in the years Hitler was making military and economic preparations for the overrunning of Europe his policy included the accumulation and storing of gold by forcing a onesided barter system upon countries wishing to trade with Germany. Early in its war upon helpless China Japan looted the Chinese seaboard cities of their gold, some of which was used to procure from the United States and European countries scrap iron, machinery, and other war materials needed to prepare for her projected conquest of Asia and in due time her long-planned attack upon the United States.

The single gold standard of such leading commercial countries as the United States, Britain, and France, though far from perfect, had by long experience proved superior to any other system. Some countries with less advanced economies have adapted and employed successfully modifications of the gold standard, or other diluted or managed systems. Thus, for example, the Philippines under a "gold exchange" system retained their cheaper silver-paper currencies for domestic transactions, but to meet international trade obligations kept gold balances in New York or London. And, on the whole this system worked fairly well. It may again serve the economy of some of the commercially weaker countries when peace comes. But by the opening of the century the gold standard, though often challenged by monetary theorists because of its obvious imperfections, and by envious advocates of bimetallism, had seemingly reached a position of stability and permanence the world over.

Then came World War I and the monetary, fiscal, and economic disturbances which accompany and follow all such wars. One of the first precautions taken by a government threatened with war is to suspend for the duration all obligations normally payable or redeemable in gold, in order to conserve its treasury supply, the basis of its whole credit structure. "Going off gold" in this way does not connote "abandoning" gold, but only the temporary and expedient suspension of its normal functions. In the first World War Britain and other belligerents promptly suspended gold payments, but as soon as normal conditions were restored she returned to gold in 1925, only to be compelled by the events of the world-wide depression that followed to go off gold again in 1931, struggling for years thereafter with a "sterling bloc" managed currency system. France, with a large gold reserve, and other countries went through somewhat similar experiences, as they strove desperately to maintain the shrinking value of their currency in competition with foreign exchanges.

These countries that went off the gold standard did so reluctantly fearing that they could not maintain payment of their obligations in gold. Not so the United States. The events of the war had made us a "creditor" nation. We had more than enough gold for every need within our own internal economy; we had a uniformly "favorable balance of trade," that is, an excess of exports over imports; European and other countries were in our debt on war account in a total of some $10 billion; our credit and our gold position was unchallengable —yet we deliberately, though dazed by the events of the long depression, "walked off" gold and adopted a new, experimental, and economically dubious monetary policy.

This is not to imply that a managed currency, a term with various connotations, cannot be operated successfully within a given country or a bloc of participating countries. After Britain went off gold she adopted a form of managed currency and because of her financial and trade leadership brought several other countries into close cooperation with her "sterling bloc" arrangements. The machinery creaked ominously at times but it worked. International and fiscal operations went on. Several years before the war, too, our Treasury, after all the gold had been nationalized and the gold dollar devalued, set up a Stabilization Fund of $2 billion to stabilize the exchange value of the dollar relative to the pound, the franc, and other currencies. After the signing of the Tripartite Agreement between the United States, Britain and France in 1936, these and other countries though steadily losing gold to the United States were able to "manage" their currencies and exchanges with a considerable measure of success and maintain a semblance of stability in international transactions.

Other agreements and devices adopted in recent years have contributed to international stability. Last year the Treasury Department extended its policy of aiding friendly foreign governments to stabilize their currencies through the Stabilization Fund to Mexico Ecuador and China. This type of aid and mutually helpful cooperation suggests greatly expanded post-war possibilities in international currency stabilization. Our Stabilization Fund now holds $1.8 billion of which no more than $200 million has been used. The allocation of a much larger proportion of the Fund, with regular reports by the Treasury to Congress as to such allocations, for joint cooperative use in stabilizing international currencies and exchange would not embarrass our own fiscal operations or weaken the stability and security of our currency and public credit.

Isolationist objectors may ask: Might it not turn out that after acquiring two-thirds of the world's monetary gold, and the bulk of its silver, we may be called upon to surrender and ultimately lose these precious metals for the benefit of the weaker nations? Needless fear. Our store of gold, and measurably our silver, can be utilized without the actual disturbance or surrender of an uonce of gold. Even if such physical transfer should be advantageous we would not suffer by the temporary expatriation of a small part of our surplus billions.

Certainly we shall not be expected to donate the billions of gold we have acquired from other countries in recent years as an outright gift to them. We have paid for it directly, or in goods, services, credits, and other considerations. ("Earmarked gold," amounting to some two or three billions, will, of course, be available to its owners.) Some countries, like Britain and her Dominions, which together ordinarily produce a half of the world's annual output of new gold, will probably have enough to resume normal monetary and international functions at home and abroad. It would be feasible, therefore, for the United States and Great Britain to lead the approach to resumption of international trade by establishing an **international gold pool,** which in time other nations might join, administered by the central bank authorities of the cooperating countries, or by a revamped Bank for International Settlements, or otherwise. Countries with scant supplies of gold could **lease** gold (or silver) from us on a rental basis and adopt a gold exchange (or silver exchange) system. Little or no gold would necessarily have to be transferred from present depositories, though it should be free to move in response to the trends of trade.

International gold certificates could be issued against this pooled gold after the fashion of our gold (and silver) certificates, but should be freely redeemable in gold to insure wide acceptability. These international certificates though intended primarily for use in international transactions might be made available also for internal use. When our Government nationalized gold it paid the Federal Reserve Banks, which held the bulk of it, in gold certificates against which they have since issued Federal Reserve notes. (There are now some $6 billion of them in circulation.) Reserve notes, gold certificates, and gold coin should be freely interchangeable Not that we shall ever return to any considerable use of gold coins; experience has taught us that gold certificates are more convenient and economical. But wide-spread understanding that gold is available to anyone who wants money in that form, and that all other forms of money are redeemable in gold, would restore confidence in our whole monetary system, which has been so unconscionably mauled about in recent years.

This suggestion of a gold pool and an international gold certificate based upon it will, of course, meet with technical objections and practical difficulties, but none that cannot be overcome. The alternative to international cooperation and stabilization is a post-war renewal of the "battle of the exchanges" and competitive currency depreciation—the most paralyzing form of international competition.

Assuming, then, that the leading commercial countries will be receptive to the resumption of international settlements on a gold basis, there arises the practical question of the techniques and mechanisms to be adopted or adapted to make it work satisfactorily. Past experience with such organizations as the League of Nations, the World Court, the Bank for International Settlements, the Inter-American Bank, the Equalization Funds, and other agencies is being reexamined and appraised. Various public bureaus and private groups have been making researches and new studies looking to the formulation of plans for international reconstruction and stabilization.

Evidence that much of the spade work has been going on appears in the recent announcement from Great Britain of the Keynes Plan, followed promptly by our own Treasury or Morgenthau Plan, and more recently a French Plan and a Canadian plan. These plans, scarcely more than blue prints, and others in the making, seem far apart on some major particulars and of course differ widely in minor details, but they have the same objective,—international stability. They are not mutually exclusive or irreconcilable; they present intriguing prospects for compromise and agreement. But no time should be lost; the plan in its main outlines must be ready well in advance of peace negotiations.

At the bottom of the late depression this country sent delegates to the London Economic Conference to join with some three score other nations in formulating a program of trade and currency resuscitation. We were not prepared for the agenda of that conference, and just as it seemed that a workable plan could be adopted President Roosevelt practically broke up its deliberations by announcing that the United States intended to carry out a recovery program of its own irrespective of anything other countries wanted or proposed. The fateful consequences of that decision are history—the history of the weird and in the main unfortunate monetary program of the New Deal, and, internationally, of economic chaos.

The approaching conferences where plans for the restoration of international sanity and stability will be made must not find us again vacillating or unprepared. Now is the time for this country and Great Britain, the two nations that must assume leadership in post-war reconstruction, to press persistently toward agreement upon a concrete workable plan for submission to the approaching International Economic Conference.

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*Dr. John Thom Holdsworth, the writer of the article, "Gold at the Peace Table," is a recognized authority in the field of finance and international economics. He is the author of the widely used text book, "Money and Banking," now in its sixth edition; a "History of Banking in Pennsylvania"; and many other publications, and is a frequent contributor to economic, financial, and business periodicals. He has taught at several universities—Pennsylvania, Pittsburgh, where he was Dean of the School of Business Administration for ten years, Princeton, University of Southern California, and the University of Miami, where he has been Dean (now Emeritus) for fifteen years. He is a member of various economic and business organizations, and of the Economists' National Committee on Monetary Policy.

Dr. Holdsworth's teaching, writing, lecturing, and research are backed by practical experience. For five years he was Vice-President of The Bank of Pittsburgh, N. A., where he organized and operated the foreign relations (foreign trade and foreign exchange) department; and was President of the Pennsylvania Joint Stock Land Bank.

The CHRONICLE invites comments on the views expressed by Dr. Holdsworth in this article, 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.

US Life Companies Up Investments In Govts.

American life insurance companies increased their holdings of United States Government bonds in the first six months of the year by $1,590,000,000, it was announced Aug. 19 by the Institute of Life Insurance. The increase in holding of these bonds since Dec. 31, 1941, according to the Institute's tabulation, has been $4,310,000,000, and has been at an accelerating rate throughout this period. Advices from the Institute also state:

"Purchases of United States Government bonds during the half year brought aggregate holdings to $10,980,000,000, about 30% of the companies' total assets.

"While the flow of policyholder funds during the half year was primarily into United States Government bonds, the life insurance companies fully maintained the financial aid which they have extended to industries. Holdings of business securities at June 30, amounted to $10,230,000,000 as compared with $10,200,000,000 at the start of the year and with $10,130,000,000 at the end of 1941.

"Holdings of Canadian Government and State and municipal bonds, reported at $2,650,000,000, showed a decrease of $40,000,000 in the half year but were $20,000,000 above the Dec. 31, 1941 figure.

"Continued progress was recorded in the sale of real estate previously acquired through foreclosure. The ownership of farm properties was reduced to $400,000,000 compared with $480,000,000 at the start of 1943 and with $560,000,000 a year earlier. City real estate which includes home and branch office buildings, urban housing development and foreclosed city properties, amounted to $1,090,000,000. This represented a decrease of $60,000,000 in the half year and a decrease of $230,000,000 in the last 18 months, resulting from the sale of foreclosed city real estate.

"Mortgage investments on June 30, totalling $6,640,000,000, consisted of $870,000,000 farm mortgages and $5,770,000,000 urban mortgages. Both showed a slight decrease during the first half of 1943."

To Hold Institute On Federal Taxation

The second annual Institute on Federal Taxation will be held Sept. 20 to Sept. 29 at New York University, 100 Washington Square East, New York City. There will be nine days of lectures and discussions of topics and problems in Federal taxation, for tax specialists, accountants, attorneys, bank and trust officers, and executives. Morning and afternoon lectures will be followed by dinner-discussion sessions.

Also on Sept. 16, 17 and 18 there will be a three-day institute on problems arising from war contracts renegotiation and termination.

For detailed topics write for Bulletin WC to New York University.

The Coming Peace—A Security Reappraisal

(Continued from first page)

many executives are expecting, will make prices advances to date seem mild. The consensus of opinion appears to be that this sharp initial inflationary move will be due to the shortages resulting from present food and commodity policies of the Administration. **In a year or two, executives look for a readjustment from this inflationary upward spiral as excessive prices are corrected by the shortages being filled.**

This may cause a reaction and depression of short duration. It will be then that the permanent inflation, based on the high cost of doing business, due to the heavy National debt, and the high National income required to service it, will occur. **In any event, the outlook for stocks and commodities over the next two years or more, appears very favorable.** Equities which, in our opinion, appear to offer outstanding promise for the coming period of peace in Europe and for the accelerated war activity in the Pacific, are listed below:

- Standard Oil of California
- Union Oil of California
- Continental Oil
- Tide Water Associated
- Firestone Tire & Rubber
- Walgreen
- International Tel. & Tel.
- U. S. Smelting (Gold)
- Republic Steel
- National Lead
- Kennecott
- United Fruit
- American Locomotive
- Allis Chalmers
- Atchison
- Southern Pacific
- Union Pacific
- New York Central

War in Europe Nearing End

The war news of recent weeks is very favorable and few will deny that a collapse in Germany is now more imminent than was generally expected earlier in the year. We do not pretend to be armchair strategists, nor do we usually comment on military matters. However, we have at times attempted to use common sense in appraising the outlook, in order that our viewpoint would not be affected by purely emotional considerations. In this connection we discussed the talk of peace in early 1941, when Wall Street was rife with such rumors, and presented our opinion that the war had only started.

We have also questioned some of the extravagant claims with regard to the strength of the German Air Force because such claims did not appear reasonable. During the last year we have contacted many oil experts, familiar with Rumanian oil production and Germany's probable requirements. At this time, it may be interesting to point out that the German military disasters of the past year have been due, in part, to lack of lubricating oil. There are of course other factors, which are known to everyone, that are now exerting an influence on the present European war fronts. **We expect the war in Europe to end this year, although this viewpoint is not intended as an original idea.**

Where Do We Go From Here?

Assuming peace in Europe eventuates in the near future, it should be remembered that several years may elapse before our soldiers return, and an even longer period before the Far Eastern situation is clarified. As war production tapers off there will be greater percentages of consumers goods planned and produced. To be explicit, bomber lines may not be expanded, but as huge losses are still in prospect, we may continue producing at a heavy rate for some time. Tank orders have already been cancelled and increased production of locomotives is underway. **We should be well on the road to peacetime production in industry long before our men are home from overseas.**

If war with Italy and Germany were to end tomorrow, it would necessitate at least two more years to re-establish normal industrial activities on the Continent. Shipments of building materials, foods, medicines and other supplies would continue in heavy volume indefinitely. Two years peak railroad traffic would still be witnessed, due to reconstruction demands at home and abroad. **We feel that the current reaction in the market, a first step in the correction of the year's upswing, is due to an inability on the part of investors to appraise the situation clearly at the moment.**

Clarification of the outlook is certain in the next few weeks, and based on observations of important industrial executives we have contacted, this might bring about a resumption of the upswing. Peace may not be a "fait accompli" in the immediate future, but, for all practical purposes, the fact must be recognized that the war is a "dead issue" as an investment factor. **Once this is apparent to everyone, the obvious but costly procedure, would be that of buying consumers goods equities at fancy prices and "dumping" so called war stocks irrespective of price.**

While a constructive position toward the security markets appears fully warranted, a great deal may happen to common stock earnings during any transitional period which may occur, and there are definite risks which should be considered at all times. When stocks are overvalued on the basis of reported net income, there is surely no sound reason for holding them into an unknown period when earnings results may be more unfavorable. **In view of uncertainties which lie ahead, we feel it is prudent for investors to buy only those securities where there is not too great a premium paid for an earnings record.**

Thus, it will be seen that we are not bullish on securities without qualification. Visions of early peace are disturbing to many investors and in the recent downturn in the market, "blue chips" were, on the whole, just as weak as issues like Lockheed and Glenn Martin which held up relatively well. We believe the public recognizes that many stocks have not participated, to any great extent, in the advance of the last year and that the so called heavy industry and "war stocks" at present prices may, in the long run turn out to be the most interesting equities for the coming peace.

We are completely mindful of the post war uncertainties and the fact that no one can now predict the future political, social or economic status of the United States. When the present war is over, some people are fearful that our problems are only beginning; others believe we will embrace Soviet Doctrines as we have long been combating "pinkish" tendencies, and these difficulties will always have to be faced. **We question the validity of the foregoing as a reason for liquidation of securities.**

Stocks are not as cheap as they were, but at the same time, fundamentals are not as depressing as they were. Last year, there were many who believed that Germany had already won the war and, until the November elections the political outlook in the United States was viewed by most investors as being definitely unfavorable. **Today, all is changed and the current psychology of the public is reflecting confidence in victory, confidence in the American form of Government and confidence in our capitalistic economy.**

Industries Without Conversion Problems

In preparing for war many industrial corporations found it necessary to adapt themselves quickly to the production of war materials. In many cases the conversion to war required a complete change in normal operations, and the employment of new techniques. We are of the opinion that reconversion to civilian products can be accomplished with equal speed at the end of the war, **but such reconversion will cost some corporations a great deal more money than others.**

It should be obvious that certain companies or industries will hold an advantage in the coming peace period, in cases where war operations are the same as peace operations. Profits are bound to be relatively more favorable for those industries which can function exactly the same in the future as they are today. For example there is no reconversion problems in the petroleum industry and operations for the war effort are about the same as those winessed during periods of peace. The following industries appear to be in the strongest position with respect to the foregoing:

- Non-Ferrous Metal Mining
- Aviation Equipment
- Iron Ore Mining
- Public Utilities
- Petroleum
- Railroads
- Steel
- Rubber
- Aircraft
- Railroad Equipment
- Precious Metal Mining
- Retail Trade

It of course does not follow that the industries not listed above have a poor outlook nor that all securities of the above groups are attractive. Also, there is a partial conversion problem affecting operations in many of these industries which must be considered. Steel companies with shipbuilding facilities might have reconversion expenses. Toluene equipment at oil refineries might have to be altered for other types of output.

Tank facilities at railroad equipment companies, now being converted, may require certain conversion costs. However, for the most part, the above industries appear to be in a strong position. In this connection, we find that the neglected stocks in the market are very strangely the same issues which have the best outlook for immediate operations in the coming peacetime era without reconversion problems to be solved. In general we like the idea of giving consideration to the low cost of conversion back-to-peace in the above groups.

While the conversion problem of the mining industries is nil, it is obvious that present huge production rates cannot continue indefinitely. Some reaction and recession is inevitable. However, we cannot be perturbed about the outlook for the shares of mining companies at low prevailing quotations, which in many respects already discount the coming peace. Moreover, the inflationary values in the mining group offset any adverse features due to the possibility of near term shutdowns.

Inflationary Observations

It is very difficult for anyone to make any definite statements on the probable extent of inflationary forces in the coming post-war period. It is rather generally admitted that a high national income is imperative if we are to avoid the greater dangers of radical inflation via the printing press route. This expanded national income will no doubt bring about a permanent increase in the cost of doing business and the purchasing power of the dollar will most likely decline, as price inflation cannot be avoided.

Dislocations brought on by the war will create other problems of an inflationary nature and it seems probable that world commodity prices will soar as soon as the war ends. There will be active buying throughout the world of all commodities. Shortages already exist and there is a possibility of a radical commodity inflation which may be more extreme than the permanent price inflation which seems likely to follow at a later date.

Our Government recognizes these dangers and plans for international control, over prices and supplies of essential commodities and raw materials, which move in world trade, have been made by the Treasury Department. The plan may be considered, for all practical purposes, as the Wallace ever-normal granary idea expanded to global measurements. In our opinion the plans are unworkable and we do not see how, for example, the United States Government can regulate the price Bolivia receives for tin from a purchaser in Europe.

Other examples might be cited, but we seriously question, if the American people or the Congress, would authorize any such global schemes or vote the funds to carry them out. On the other hand, some kind of international cooperation is essential after the war, and it is hoped that measures can be taken which will at least safeguard the interests of all Nations and hasten economic stability. **Irrespective of planned controls, we anticipate a temporary but sharp price inflation, in early post-war years.**

Peacetime List of Attractively Priced Stocks

In presenting our thoughts on the current outlook for securities no attempt has been made to develop each idea in a comprehensive manner. As stated, we recognize that there are many uncertainties which render any kind of an appraisal difficult. However, we believe that in covering the highlights of the approaching post-war era, based on our interpretations and viewpoints, we may be of some assistance to others who are now formulating a new investment policy.

In the coming peace, we expect the shares which have suffered most from war, i.e. rails, steels and aircraft manufacturing to make the best comeback. This is supported by the fact that even the most bullish financial writers recognize that temporarily, shares of many "blue chips" are adequately priced. While the superior peace prospects of General Motors and Chrysler must be admitted, **we consider their conversion problem somewhat more severe than for industry as a whole.** Still, these shares will no doubt hold up well in the market since reconversion for the automotive industry will be very rapid and the costs will not prove too burdensome for these companies.

Over the next six months the outlook for railroad bonds, in our opinion, remains favorable. There will be other opportunities for making money similar to those which were present six months ago in Gulf Mobile & Ohio 4s 1975. It is our belief that many high grade stocks have reached a temporary top and for this reason we would prefer an investment in some of the favorably situated railroad bonds over the near term. In the beginning of this report, we have listed eighteen of the stocks which appear attractive at this time for holding into the post-war period. A more complete list of both high grade and speculative equities, which may be suitable for reinvestment, (including the eighteen outstanding issues previously mentioned) are given below:

Standard Oil of California
Standard Oil of Indiana
Continental Oil
Union Oil of California
Ohio Oil
Chesapeake & Ohio
Norfolk & Western
Union Pacific
Pennsylvania
Santa Fe
Southern California Edison
Pacific Gas & Electric
Commonwealth Edison
Detroit Edison
International Tel. & Tel.
Colorado Fuel & Iron
Republic Steel
Bethlehem Steel
U. S. Steel
Allegheny Ludlum
United Aircraft
Consolidated-Vultee
North American Aviation
Douglas Aircraft
Lockheed
Southern Pacific
Illinois Central
New York Central
Northern Pacific
Southern Railway
Homestake Mining
U. S. Smelting
Hudson Bay
Noranda
McIntyre Porcupine
International Nickel
Kennecott
St. Joseph Lead
Anaconda
Phelps Dodge
Westinghouse Airbrake
American Locomotive
Lima Locomotive
General Railway Signal
Pullman
Firestone Tire
U. S. Rubber
Montgomery Ward
Goodyear
Goodrich
Allis Chalmers
Walgreen
United Fruit
National Lead

Swedish Income And Purchasing Power During The War Years

A study of the development of income and excess purchasing power in Sweden since the outbreak of the war was recently released by the Swedish Business Cycle Institute. A summary of the more important findings follows:

Salaries and wages rose by 32%, or from 4,300,000,000 kronor in 1935 to 5,700,000,000 kronor in 1942. (A krona has a present value of 23.85 cents, United States currency.) Of this expansion 6% took place in 1940. In 1941 the 1940 figure was increased by 9%, while during 1942 the 1941 figure increased by 14%. The study states that the accelerated rate of increase in 1942 could be traced directly to expanding production and employment, as well as to an upward adjustment of industrial wages.

Net income to farmers increased slightly more, or by about 35% during the period 1938-39 through 1942-43. During the same period income from the sale of lumber more than doubled, or from 140,000,000 kronor to 350,000,000 kronor.

Estimates as to the national income for the four war years indidicate a corresponding increase of 32%, or the same as that of salaries and wages. The two increases, however, while reaching the same level of 32% did not follow parallel lines. Whereas national income rose rapidly during the first two years, the rate of increase slowed down during 1941 and 1942. Wages and salaries rose more slowly at first, the largest increase coming in the 1941-42 period.

In 1939 the national income was 10,900,000,000 kronor. It rose to 14,400,000,000 kronor in 1942. The rate of increase was 14% in 1940 compared with an increase of only 6% for salaries and wages in that same year. Then, in the period 1941-42, when salaries and wages increased by 14% over the preceding period, the national income rose only 7%. An explanation of the rapid rise in the national income during the first years of the war is that it was due chiefly to the increased, partly fictitious, earnings of business enterprises in connection with revaluations of inventories. As the war continued a readjustment took place, and evidently a larger part of the purchasing power was then left with the consumers.

Large Government Expenditures Aided Income Rise

Extraordinary expenditures by the Swedish Government during the period 1939-1941 are believed to have been responsible for an increase of 1,800,000,000 kronor in income payments to individuals during that time. Private capital outlays during the same period were reduced by some 300,000,000 kronor. It is estimated that state and local governments accounted for 18% of the gross national expenditures in 1942, as against 8% in 1939. However, while the Government expenditures accounted for 97% of the total increase in gross national expenditures of the sum of 1,600,000,000 kronor for goods and services during 1939 and 1940, only 250,000,000 kronor out of a total of 1,150,000,000 kronor increase in 1941-42, represented Government expenditures. Private consumption accounted for 550,000,000 kronor of the 1942 increase, and business investments for some 300,000,000 kronor of the balance.

Depletions of inventories have, of course, taken place during the war years. Thus, the value of available supplies of food items and farm products, when calculated at 1939 prices, is now estimated to be some 200,000,000 kronor less than normal, while stocks of certain industrial raw materials and products have decreased by some 100,000,000 kronor. On the other hand, reserve cordage of wood for fuel has been added to considerably because of the present and anticipated coal shortage.

The increase in income payments to individuals has not been matched by a similar rise in private consumption. Thus, during 1942, the outlays for foods decreased to a level 17% below that for 1939, showing a deterioration in the general standard of living in Sweden. And yet the cost of the lowered consumption in 1942 is placed at some 20% above the cost for the greater and more diversified consumption in 1939. Although this increase in costs thus took away the largest part of the increase in total income (30%), a considerable excess purchasing power was created which was not absorbed by other higher prices, or by higher taxes. Consequently individual savings rose from 1,200,000 kronor in 1939, to 2,500,000,000 kronor in 1942.

The following figures (in millions of kronor), showing the value of private consumption, indicate the price increases:

	1939	1941	1942
Food item	3,345	4,066	4,271
Clothing	1,184	1,363	1,399
Furniture, appliances	851	957	1,129
Rent	975	1,003	1,029
Fuel	440	650	719
Miscellaneous	890	797	922
Total	7,685	8,836	9,469

Industrial re-investment in in plants and facilities is, on the whole, believed to have been maintained. The extraordinary demand for machinery and tools by industries working on defense orders had to be met, but requirements of other industries have also been reasonably well taken care of, and consequently no actual decrease in plant investment has occurred. From 1939 up to and including 1942, the Swedish merchant marine suffered a loss of tonnage which, at 1939 prices, amounted to about 100,000,000 kronor. Cattle stocks have also been reduced in value by some 180,000,000 kronor because of forced slaughter during the poor crop years of 1940 and 1941. On the other hand new investments of some 400,000,000 kronor have been made in hydro-electric plants, and of some 700,000,000 kronor in new housing.

Understanding Between Govt., Private Interests Must Precede Post-War Building: Mullenix

A healthy post-war increase in new residential building must be preceded by a firm understanding between the Government and private interests involving at least three points necessary to insure a stable real estate market, a fair policy of taxing Federal housing units and avoidance of the Government becoming an unnatural competitor in the rental housing field, according to a statement on Aug. 22 by Charles A. Mullenix, President of the Mortgage Bankers Association of America. The three-point program cited included the stipulation that demountable wartime housing must be considered as purely emergency construction.

Mr. Mullenix's statement was in connection with a special conference on post-war city planning which the Association will sponsor at its 30th annual business meeting and Conference of Post-War Planning in Chicago Sept. 23, 24 and 25. Two other special conferences are scheduled, one on post-war mortgage planning and a third on post-war construction. At the post-war city planning conference, Earle S. Draper, Deputy FHA Commissioner, and a widely recognized authority on the subject, and Charles T. Stewart, Director, Urban Land Institute, will be principal speakers.

The second point concerned temporary housing which, Mr. Mullenix said, the Government must not later re-define as permanent housing. Such a policy, he added, would have a disasterous effect on the real estate market, create miserable housing conditions in many cities and do much to disorganize municipal conditions. A fact often ignored, he pointed out, is that practically all of the temporary wartime housing has been built with little or no regard for local building requirements and zoning limitations. Much of it has been poorly built and is likely to deteriorate rapidly.

The third point concerned finding a solution to a fairer method of taxing federal housing units. Unless some realistic approach is made to this problem the country will find that real estate owners, already burdened with an excessive tax load, will be further strained by bearing a substantial part of the taxes which Federal housing units should be paying. The present method of partial or token payments should be abandoned, Mr. Mullenix said.

Curb Rule Amended On Speculative Accounts

At a regular meeting of the Board of Governors of the New York Curb Exchange held Aug. 18, paragraph (c) of Rule 416, which reads as follows: "(c) No member shall take or carry a speculative account or make a speculative transaction in securities or in commodities in which account or transaction any employee of such member or any employee of another member, member firm or partner thereof is directly or indirectly interested," was amended to read as follows:

"(c) No member shall take or carry a speculative account or make a speculative transaction in securities or in commodities in which account or transaction any employee of such member or any any employee of another member, member firm or partner thereof is directly or indirectly interested, unless the prior written consents of the employer and of the Committee on Member Firms have been obtained."

The amendment is effective immediately.

A Moratorium On F.P.C. Original Cost Proceedings

(Continued from first page)

necessitates (1) determination of a cost incurred by someone else, i. e., by a utility enterprise that owned the property at an earlier time, and (2) the reclassification of accounts so that the cost to a prior owner instead of the cost to the present owner will be stated in the present owner's books. It is easy to understand why the electric utility industry, on the whole, has deprecated the innovation. Indeed, original cost accounting is sufficiently bizarre to invite an inquiry into the events that led to its espousal by regulatory agencies.

Both historically and in prospect, original cost accounting is closely related to utility rate determination, and therefore is of special interest to the utility investor. The trouble began back in 1898, when the United States Supreme Court held, in effect, that government regulation of a company's rates must not deprive the company of an opportunity to earn a fair return based upon the present value of its property. In the same decision, the Court also stated that the original cost of construction and the present cost of reproduction of the property are among the factors that should be considered in determining its value. In the 1920s, after State public service commissions had grown in number and in power, the Supreme Court tended to require that, in applying the 1898 rule, great weight be given to present cost of reproduction in contradistinction to original cost of construction. It was also in the 1920s, that the late Justice Brandeis led a crusade for a reversal of the 1898 rule that required rates to be based on present value. He maintained that rates ought to be based instead upon prudent investment. Some regulatory officials and other persons interested in utility regulation sided with Brandeis—partly, no doubt, because prudent investment was generally lower than present value, for values had been rising during most of the twentieth century, and the use of prudent investment in place of present value in rate determination would therefore have resulted in lower rates. It is doubtful, however, whether its advocates have always been unanimous as to the meaning of prudent investment. The apparent meaning is investment prudently made in the corporate enterprise that is being regulated, rather than in the company that constructed the property. The present writer is firmly convinced that Brandeis, in propounding the theory, was thinking of investment in the regulated company rather than investment in a prior enterprise.

At all events, the present value rule enunciated in 1898 was still law, and the regulatory bodies were prevented by court decisions from use of prudent investment as a base on which to determine fair return for rate-making purposes. And so—not by a neat, express pronouncement of intention but by the tendency of day-to-day decisions—they achieved a somewhat similar result by indirection: they gave more and more weight to original cost as evidence of value. Thus they remained within the letter of the 1898 rule. The change occurred in the 1930's. In the 1920's, the courts had insisted on the giving of great weight to reproduction costs as evidence of value; but subsequently, especially after inception of the New Deal, the courts, although they still insisted upon the present value rule, became increasingly liberal in the weight that they permitted to be given to original cost in the determination of present value. It should be remembered that original cost, under the 1898 Supreme Court pronouncement, meant cost of construction, i. e., in many cases cost to a prior company. It was very different from prudent investment in the present company.

Thus the commissions were prevented by the 1898 rule from using investment or prudent investment as a rate base and were thrown back, in their efforts to reduce rates more rapidly, upon a circuitous device, i. e., upon the use of original cost as primary evidence (and perhaps almost the equivalent) of value for rate-making purposes. Under the circumstances, they apparently felt it would be desirable, as soon as original cost was determined, to enshrine it in the accounts of the regulated company. Then it would appear that a commission, in requiring that a company's rates be sharply reduced, was basing its determination upon the company's own book figures! The ultimate result would be even better than any possible effect of the use of Brandeis' relatively conservative prudent investment theory; for original cost to the first utility owner of the property was generally lower than the subsequent cost, at higher value levels, to the present, regulated company, and its use would therefore result in lower rates than could be achieved by use of prudent investment. Accordingly, the commissions began to require original cost accounting. The Wisconsin Commission led the way in 1931, and the New York Commission followed with original cost requirements effective in 1934. At present, most of the public service commissions, both State and Federal, have imposed original cost accounting requirements.

Under those requirements, the original cost of plant must of course be set forth in a plant account. It cannot be too strongly asserted, for it has generally been overlooked, that this is **not** an adjustment to the prudent investment theory but is instead a far more radical step. It would certainly be consistent with the concepts of orthodox accounting to require investment, even only prudent investment, in a present company to be set forth in that company's accounts. But to require original cost, as defined, to be carried on a company's books instead of the company's investment, is to imply that the company's management, and public service commissions in so far as they control that management, are responsible only for the protection of original cost, of an investment that no longer exists as such and that has been replaced by **a present investment for which no one is responsible.**

As book value prior to original cost reclassification was generally higher than original cost, the excess has to be stated, at least temporarily, in one or more separate plant accounts. Disposition of the amounts in those separate plant accounts presents a delicate and vitally important problem; for, if they are eliminated by charges against surplus or income, the adverse effects on the common stock equity may be staggering. Accordingly, when the Federal Communications Commission ordered telephone companies to segregate in a separate account the difference between original cost and cost (generally higher) to the accounting company, forty-four telephone companies brought suit to set aside the order. Especially in view of certain language in the prescribed system of accounts, the telephone companies feared that the amount in the separate account would have to be completely written off out of surplus. The Supreme Court stated that such a requirement of complete elimination would give force to "the contention that the effect of the order is to distort in an arbitrary fashion the value of the assets." However, the Assistant Attorney General informed the Court that the FCC construed its order relative to the separate account as meaning that amounts deemed "to represent an investment which the accounting company has made in assets of continuing value will be retained in that account until such assets cease to exist or are retired." The Supreme Court regarded that statement as binding upon the FCC, and therefore (in 1936) it held the FCC order valid. In spite of the adverse decision, utility companies were somewhat relieved by the assurance that the Court had given them that no part of their actual investments in plant would be written off.

But more recent developments in FPC proceedings have been disquieting. By a prescribed system of accounts, effective since 1937, the FPC has required that excess of cost to the accounting company over original cost be placed in a separate account; and that write-ups that have brought book value above cost to the accounting company be placed in another separate account. In its decisions to date, the FPC appears to have required elimination of amounts in both accounts. The method of elimination varies with the circumstances of the particular case, but for the most part it has to be achieved by charges to earned surplus, or to a capital surplus created for the purpose, or to future income. Thus, the equity suffers, either directly by diminution or indirectly by charges to future earnings. There can be little objection, of course, to elimination of real write-ups, i. e., amounts properly in the second of the two separate accounts above referred to. But a utility company may perhaps justly demur to forced elimination of what it considers to be actual investment made by its own investors, even if that investment happens to be higher than the investment (original cost) made by other people in a predecessor company.

Looking at the matter broadly, then, one may distinguish two separate, basic requirements in the FPC orders relative to original cost: (1) original cost must be determined, and (2) plant must be carried at (substantially) original cost in the company's accounts. Somewhat different considerations are involved in the need for a moratorium on activities related to each of those basic requirements.

In peace time, there may be a reasonable difference of opinion as to the desirability of original cost studies. Original cost, once determined, may be useful (together with other data) as evidence of the value of plant for rate-making purposes. On the other hand, the FPC has shown some tendency to use original cost not as evidence of value but in place of value, and to fix rates at a level that will produce a fair return based on original cost. As the FPC is of course aided in this tendency by the availability of original cost figures, the utility investor may well regard original cost studies as themselves sinister—especially in view of the changed attitude of the courts. The Supreme Court has greatly weakened the old 1898 rule that required fair return to be based upon present value, and a 1942 decision may have been the death blow. However, one cannot yet tell exactly how far the Court will permit the FPC and other commissions to go in evolving their own rules of rate-making. The decision to be rendered in the Hope Natural Gas case, now pending before the Supreme Court, may soon shed some light on the question whether a commission can bring about rate reductions by basing fair return directly upon original cost. (No opinion is here expressed or implied as to the proper or probable decision to be reached in that case.)

Great concern has been caused also by the tendency of the FPC to exclude from original cost the cost of intangibles as well as amounts which, although genuine items of cost, were originally accounted for as expenses and were therefore not capitalized. Hence, it appears that the original cost of property as determined under FPC standards is lower than the true investment made by the first utility owner of the property. It may well be argued that rates fixed to provide a return on an original cost so determined would have been unfairly low even for the investors in that prior company, which incurred the original cost.

Among the significant arguments against use of original cost as a basis for determination of fair return, and therefore against the need for original cost studies, is the probable removal of an incentive for the creation of integrated electric utility systems. The integration of electric properties constitutes one of the purposes of the SEC-administered Public Utility Holding Company Act of 1935. However, acquisition of properties for the purpose of integration can generally be achieved only by payment of a purchase price higher than the original cost of the properties. But if the integrating utility enterprise knows that, even after integration, it cannot earn more than a return based on original cost, it will of course be loath to pay more than original cost, and the integration will therefore probably not take place.

Further, the expense incurred by utility companies in making original cost studies must ultimately be borne, at least in large part, by consumers of utility service. And it is doubtful whether that expense and the consequent public burden are fully counterbalanced by the supposed advantage to be gained in the effectiveness of regulation by the availability of original cost figures. For two or three decades, the public service commissions have brought about almost continual electric rate reductions, so that electric rates are now only about half as high as they were at the time of World War I; and the commissions have been able to bring about those reductions without the aid of FPC-required original cost studies. Surely, then, there is no **urgency** involved in those studies. Whether or not they are desirable, there is at least no great need that they be completed and approved in 1943 rather than, say, in 1946. Accordingly, as the man-hours used in connection with those studies are now needed for the war effort, it is obvious that original cost determination ought to be temporarily deferred.

The second basic requirement is that plant accounts be reclassified and restated to reflect original cost and (after elimination of substantially the entire amounts in the two separate accounts to which I have referred) nothing but original cost. This requirement of course presupposes compliance with the requirement that original cost be ascertained. It is, however, subject to additional and perhaps even more forceful objections. For one thing, a balance sheet that sets forth the original cost of plant instead of cost to the accounting company will not give prospective investors the sort of information that they expect to receive from a balance sheet. It will therefore be, in a sense, deceptive.

Far more serious is the effect on the value of equities. To the extent that the amounts to be eliminated from the plant accounts of a company can be and are written off through charges to a capital surplus created for the purpose, the book value of the equity will be reduced. This need not, in itself, adversely affect the equity investor, but it will adversely affect him if (1) the FPC or a State commission succeeds in requiring rate reductions to reflect the changed book values, or if (2) the creation of the capital surplus so greatly reduces the stated value of the common stock that declaration of a substantial dividend on the stock would embarrass the management because of the high ratio of the dividend to the stated value of the stock, or if (3) the SEC determines that, in view of the small equity, common stockholders ought to have less voting power. In the last of these three contingencies, bondholders or preferred stockholders may be required to take common stock in place of at least part of their present securities.

So far as the amounts to be eliminated are charged against earned surplus or are amortized by charges to future income, future dividends will almost surely be eliminated or reduced. Of course, the minimization of book assets and book equities—whether by charges to capital surplus, earned surplus, or future income—will also make future rate reductions appear less harsh, and will therefore tend to support the demand for lower rates. Thus the equity investor is hit twice and, where the equity is slim to begin with, senior security holders may also feel the pinch. At the same time, it is hard to see any real counterbalancing advantage, much less any real urgency, in the reclassification of accounts. The supposed advantage to consumers of electric service, resulting from the support that the new accounts will give to demands for rate reductions, hardly merits serious consideration; for rate reductions, so far as they are justified, can be achieved without that support. Rate regulation is supposed to bring rates in line with economic realities, not with book figures. It is particularly important for the commissions to remember this at a time when, because of general inflation, increased, not decreased, returns to utility investors may be necessary if utilities are to compete successfully in the market for capital; and, if the commissions forget, the legislatures, which have created the commissions and from which the commissions derive all their powers, may be obliged to act.

In short, the reasonable difference of opinion that exists as to the desirability, in peace time, of original cost studies has no counterpart with respect to the accounting changes which, according to the FPC, must follow those studies. (In truth, one ought not refer to the latter as merely **accounting** changes. They are, to some extent, changes in financial status, effected under the guise of accounting regulation.) The valid arguments on the question of the desirability of the changes are almost wholly adverse. Even in peacetime, therefore, the discontinuance of original cost accounting requirements would be clearly desirable. In war time, it is bad enough to have man-hours of work diverted to non-essential activities; but to have work expended upon activities that are not merely non-essential but also positively destructive, is doubly vicious.

Analysis of the FPC original cost requirements, as administered, leads, then, to the following major conclusions:

1. In peace time, it would be doubtful whether the FPC ought to require original cost studies.

2. At all events, original cost studies are not urgently needed.

3. A moratorium on original cost studies for the duration is therefore desirable.

4. The FPC original cost accounting requirements serve no constructive purpose.

5. Those requirements result in unorthodox accounting and will probably destroy substantial equities.

6. Even in peace time, Congress would therefore be justified in establishing a discontinuance of those requirements.

7. In war time, a moratorium of the FPC original cost accounting requirements is imperative.

NY Curb Amends Rules On Special Offerings

The New York Curb Exchange announced on Aug. 19 that the rules of its Board of Governors covering special offerings have been amended in the following respects:

(1) To permit over allotments up to 10%.

(2) To prohibit a member or member firm from receiving any part of the special commission in connection with any purchase, not only as at present for his or its own account but also for the account of any other member, member firm, or partner of a member firm.

(3) To simplify the language of Rule 564 covering the printing of special offering transactions on the tape.

(4) To delete the present requirement to reconfirm essential details of special offering transactions on statements of account.

(5) To make more specific the disclosure to customers called for by Rule 566 (b) and (c).

The present rule calls for disclosure of the "terms and conditions." The amendment describes what those terms and conditions are.

(6) In connection with information called for in considering an application for a special offering, to require weekly instead of daily price range and volume of the security for a period of six months prior to the date of the proposed offering.

(7) To provide for a minimum effective period of 15 minutes and to remove the present requirement to keep an uncompleted offering open at least three hours, but instead to require that the uncompleted offering may not be terminated without Exchange approval.

(8) To permit the inclusion in the special offering of stock acquired in stabilizing during the life of the special offering.

Similar changes in the New York Stock Exchange's rules covering special offerings were noted in these columns of July 22, page 320.

HOLC Making Progress In Liquidation—Total Loans And Properties Reduced 53%

Aided in speeding its program of liquidation by the favorable economic conditions of the past year, the Home Owners' Loan Corporation—created by Congress in 1933 to block the landslide of depression foreclosures—has now reduced its aggregate of loans and properties by 53%, it was reported on Aug. 28. It has liquidated its mortgages, and other investments required in the emergency financing of a million homes, from a total of $3,484,000,000 to approximately $1,632,000,000, according to a statement by John H. Fahey, Commissioner of the Federal Home Loan Bank Administration. Information regarding the corporation's liquidation progress, based on figures of June 30, is also presented as follows by the Loan Bank Administration:

"Over the past fiscal year, HOLC reduced its balance of loans and acquired properties by 16%, the Corporation's most rapid progress in liquidation for any year.

"More than 110,000 of HOLC's borrowers are voluntarily making monthly payments above the amounts due, thus bringing them nearer to debt-free ownership. Such advance payments for the past year equalled $134,800,000, as compared with $90,000,000 for the previous twelve months.

"More than 243,000 original borrowers and purchasers of HOLC houses have paid off their accounts in full, 82,000 of them during the past year alone.

"Of the 195,600 properties which HOLC has been forced to take over, 171,000 or 87% have been sold.

"Payments of principal received by HOLC reached the record peak of $276,000,000, which was $42,600,000 above the total for the year before.

"Personnel employed by HOLC declined 30% in the past year, and administrative expenses have been reduced accordingly. There are now about 3,500 employes, as compared with a peak of over 21,000."

Mr. Fahey also reports:

"HOLC was created to combat a social as well as an economic disaster—to supply relief as well as credit. During the years 1933 to 1936, it took over the defaulted mortgages of more than a million families in the amount of $3,000,000,000. Later the Corporation was obliged to advance additional funds to many of its borrowers for insurance and taxes, and to repair properties it had acquired through foreclosure and to assume legal costs and delinquent interest in foreclosure cases. Thus, gross investments of HOLC in its debtor and property accounts from the beginning of operations up to June 30 amounted to $3,484,000,000. This total has been reduced to a balance of $1,632,000,000 or 53.1%, by an orderly process of monthly collections and sale of properties.

"In its sales of properties, HOLC has taken a loss of $254,000,000 on their capitalized values, including selling commissions. However, in the capitalized figure are included loan balances and unpaid interest, tax accumulations and costs of foreclosure and reconditioning. The book losses, therefore, include the cost of assistance to those borrowers who eventually had to be foreclosed.

"These cumulative losses were offset in part by more than $189,000,000 on net income, remaining after HOLC had paid its operating expenses and the interest on its bonds. Accordingly, the net deficit of the Corporation on June 30 was approximately $65,000,000—less than 2% of its total investment in loans.

"The majority of the present 741,000 HOLC borrowers and purchasers of acquired properties are now meeting their monthly payments of principal and interest promptly. But a substantial number of HOLC borrowers, who have made slow progress in reducing their debt, still require continuous contact and attention to encourage them to keep their payments current and reduce their mortgages to a point which will enable them to escape loss of their homes during any period of unemployment."

To help prevent its borrowers from lapsing into tax delinquencies, the Corporation has arranged to accept payments for their real estates taxes and insurance on a monthly basis. As of June 30, a total of 421,000 such accounts were in effect. HOLC refinancing loans, it is pointed out, originally called for payments to be spaced over a period of 15 years. It is further stated that:

"Beginning in 1939, about one-fourth of the total of a million loans were extended up to a maximum of 25 years, pursuant to an act of Congress, in order to give those borrowers a further opportunity to overcome their arrearages. Although the condition of these loans had improved steadily, the reduction of the monthly payments necessary in making the extensions has somewhat retarded HOLC's rate of liquidation."

Treasury Drops Plan For Individual Excess-Profits Tax

The Treasury is not considering an excess-profits tax on individuals as a means of raising new revenue, Secretary Morgenthau revealed after a recent meeting between Treasury officials and the heads of other Government agencies seeking to formulate a tax program. In July, the House Ways and Means Committee requested the Treasury and its own tax staff to study the feasibility of an individual excess profits tax.

A special memorandum listing five reasons why "such a tax does not appear to be desirable" has been prepared by Treasury tax experts.

The reasons, reported in an International News Service Washington dispatch of Aug. 17 follows:

"1. It would reduce incentive necessary for maximum war production.

"2. It would discriminate against several groups of income recipients.

"3. It would be difficult to administer with adequate completeness to prevent substantial evasion.

"4. It would contribute little to the control of inflation.

"5. All factors considered, the same amount of revenue could be raised more readily by other measures."

"Our Reporter On Governments"

By S. F. PORTER

The remarkable thing in the Government bond market today is how those 2% issues are holding up.... They're actually rising in price! ... Just prior to the largest financing in the history of the United States, just a few days before the opening of the most high-pressure drive of all time to sell exactly that type of bond! ... Look at the list and you'll see it for yourself.... As of this writing, the 2s of September, 1952-50 are bid at 100.19.... The 2s of 1955-51 are bid at 100.16.... The entire market for intermediates is steady to strong.... And in another few days, we'll be getting an offering of 2s of 1953-51, an issue placed right in that price range....

Of course, the natural move for these outstanding 2s would have been downward.... Not much, admittedly.... But still, slight weakness would have been logical and would have been shrugged off by observers as to be expected....

But no.... The 2s are holding above the ½ point premium mark.... And without official support, according to all authoritative reports.... The buyers?.... All sorts, institutions and traders.... The usual selection, as the experts see it....

The whole market, in fact, is acting beautifully.... Indicating that earlier fears about a sloppy September drive were exaggerated.... As this columnist insisted was the case.... And indicating that there will be premiums on the new bonds—on the 2s, especially—despite the unquestionably tremendous size of the loans....

HOW MUCH?

Guessing at the possible subscription total to the September drive is a bit on the impertinent and foolish side at this moment, but it may be taken for granted now that the $15,000,000,000 goal will be reached.... The market is telling us that.... The undercover preparations for "pressure" on every individual and institution in the nation suggests only that outcome.... How much? ... Well, that's a hard one, but figure between $16,000,000,000 and $17,000,000,000 and you may be around it.... Possibly the higher total too....

And that just from non-commercial bankers.... At the beginning of October—maybe the 3rd, maybe the 6th or 7th or 8th, but certainly after the public drive is closed—the commercial banks will be given a chance to subscribe to certificates of indebtedness and to 2% bonds.... How much the offering to them will amount to will depend upon the extent of the public oversubscription....

But adding it altogether, it appears that the minimum of cash that will be raised between September 9 and October 9 will be $18,000,000,000 to $20,000,000,000....

And if you want a more specific—and more significant estimate—it appears that the total of the new 2% loan will surpass the $10,000,000,000 mark.... Imagine it! ...

Yet, the premium on the 2s is looked for with confidence by virtually all experts.... Maybe ⅜s, the way the market is acting now.... With the outstanding 2s holding that ½ premium level, a ⅜% premium within a fortnight after trading is permitted seems entirely within reason....

This is going to be the most active period in Government finance in all American history.... Get set for it now.... Don't wait....

For example:

If you've any selling under consideration to be in shape for new subscriptions, don't wait for the beginning of the drive to complete your transactions.... There's a good chance that any large-scale liquidation will be frowned upon and even investigated during the period of the campaign.... So, get it out of the way now.... Be completely in position to move into your new securities when the date for buying rolls around....

And if you've any switching operations in outstanding bonds to handle, do them now.... Don't wait for another 32nd or so to act.... You may get caught in unusual market spreads and trends if you do.... And when the books on the various issues open, you want to be ready to concentrate on the business at hand, not on deals that could have been managed prior to that day....

A POSSIBLE SWITCH

Historically, the 2¾s of 1965-60 have sold ½ point above the 2¾s of 1963-58 and the 2¾s of 1959-56, the other two long-term tax-exempts....

At the moment, the spread between the 65-60s and the other two maturities is only ¼ point....

Indicating that the 65-60s are lagging behind.... Which represents the liquidation that has been going on in this issue in recent weeks.... Also the "shake-down" in the price of that bond from 112.30 to close to the 112 level.... The 2¾s of 1965-60 now are around 112⅛....

Which suggests a turn may be made in sale of the shorter-term 2¾s and in purchase of the 65-60s.... In fact, a permanent switch if you're interested in tax-exempt bonds for the long pull.... Which may be taken for granted if you're in this section of the market in the first place....

Also.... The 2⅞s of 1960-55 and the 2¾s of 1965-60 are now selling at identical prices.... Both bid at 112.4 at this writing....

While it's tradition to expect a shorter-term bond to sell higher than the longest-term issue of its type outstanding, the tradition no longer holds in this instance.... Because the longer the tax-exempt bond these days, the more attractive it is....

So another even switch may be from the 2⅞s into the 2¾s.... Freezing your profit in the 2⅞s, taking a slight cut in coupon but obtaining an increase in yield from 1.71% to 1.91%....

INSIDE THE MARKET

Bids are picking up in the tax-exempt lists with the key issue—the 65-60s—acting extremely well.... Report is sellers are not willing to accept shaved offers any longer.... They want a 32nd or so more each time they offer a block of the exempts....

Insurance company selling in the exempts is just about over.... Story is companies not only have completed their liquidation prior to this drive but also have finished their long-term program of moving out of the exempts and into the long-term taxables....

New York Stock Exchange members and member firms sold $500,000,000 of bonds during April war loan drive.... Feeling is they may be able to increase this total close to the billion-dollar mark this time....

Little fellows are going to be hit on every side with pleas to buy war bonds starting September 9.... Preparations for pressure selling of bonds to individuals beat anything ever seen in history....

Another indication of premium possibilities of the new 2s may be seen in price quoted on the maturing 3¼s, to be paid off October 15.... Price is 100.14, 100.16 even today, indicating a minus yield of 1/64....

In former drives, subscription total always surpassed expectations.... Maybe we're being over-optimistic, but if this drive gets real momentum, the total may reach unguessed heights this time too....

Non-banking sources have been leaving the bill market recently.... Bids of only $1,200,000,000 for $1,000,000,000 bill issue last week reflects that.... They're getting ready for the drive, keeping their cash in reserve....

Odd angle of quotas for drive is that totals assigned to Ohio and New Jersey are lower than actual sales in those States during second war loan.... A technicality, but intriguing.... Ohio quota is $698,000,000.... New Jersey quota is $585,000,000.... Compare those with New York's quota of $4,709,000,000....

The Securities Salesman's Corner

Perseverance Is An Essential Quality Of Successful Salesmanship

There is a natural tendency for most of us to follow the lines of least resistence. We like to ease up on our efforts during periods when the going begins to run smoothly. The freedom of action and the independence that most investment salesmen enjoy during the hours of their daily work can lead to a progression of deteriorating work habits which may handicap even the best salesmen unless such tendencies are carefully held in check.

If there is any business where persistent effort brings its own reward, it is the securities business. Time and again, investment firms have done some intermittent advertising—an ad here and another there—on one subject, then another—finally, the whole thing was charged off as a loss. Of course, such advertising couldn't result in anything else but failure. On the other hand, we know of one firm that started a campaign of advertising in its local papers about five months ago. It used the same type of layout and the same size ads, week in and week out. It kept plugging away with advertisements designed to build up confidence and to encourage investors into making inquiries. The ads were short and they were interesting. They talked to people about securities in a language they could understand. At first, the results were slow in getting started, then they gradually increased. Today, after five months of plugging away, and right through the slow Summer months at that, this firm is cashing in on its advertising campaign and is thoroughly satisfied.

This lesson can be applied to every phase of the securities business. The individual salesman who keeps on plugging away, day in and day out, planning his work, and working his plan, will eventually build up his business to a point where success is automatically insured.

There is another psychological factor which favors the persistent worker. **Conscientious work habits are cumulative.** The more we overcome habits of procrastination and laziness, the stronger our work habits become. After a while discouragments and obstacles become less imprtant, and work itself turns into a pleasure and a satisfaction instead of a chore. When a salesman gets into this frame of mind, he's on the way to success. He's too busy to worry over obstacles, his mind is filled with creative ideas, he doesn't think of loafing because he's deriving more real pleasure out of work than out of anything else he could do.

If you are going to use direct mail, **have a plan and stick to it,** don't try to sell one hundred different securities all at one time, but pick out a few issues and keep hammering away until you get results. If you use the newspapers, tie your campaign together. Have a policy and tell people about it. Make the ads talk to people in the sort of language they can understand. Use the same position in the paper every time you advertise. Stick to the same days of the week. Use the same size ad and similar types of layout. Keep plugging away at the same ideas until you create a definite response. In regard to personal solicitation, know your securities, select your prospects carefully, analyze their wants and preferences as well as their individually idiosyncrasies, and **make those calls regularly, consistently, day in and day out.**

There may be other ways to promote business, but in the long run, we know of no surer road to success than that which comes from planned, systematic, persistent effort.

Sen. George Hopes for Post-War Tax Cuts

Senator George (Dem., Ga.), Chairman of the Senate Finance Committee, predicted on Aug. 25 a reduction of high war taxes in the post-war period and at the same time expressed the hope that taxpaying will be greatly simplified.

When the tax cut will come, Senator George told a press conference, depends upon the general economic picture confronting the nation after the war.

In United Press Washington advices, the following additional was reported:

Meanwhile, he said, the already heavy burden of federal taxes is sure to be increased and Congressional tax committees are exploring ways and means of simplifying tax payments by both individuals and corporations.

"There no doubt will be reductions and eliminations of purely war taxes when the tremendous burden of war expenditures is no longer necessary," Senator George said. "But we can't say how soon.

"We will first have to face the post-war period and see clearly the situation that then confronts us. Until then, it is impossible to anticipate how much the federal taxes can be adjusted."

The present Victory Tax, included now in the withholding tax, automatically is scheduled to be eliminated after the war. Senator George also anticipated adjustments in the corporate excess profits taxes to get early post-war consideration, adding that this levy may be adjusted before the war ends to provide greater post-war credits as a financial hedge against depression.

Higher taxes will come before simplification, but the form they will take still is problematical. Sen. George recently said he would agree to slight increases in individual and corporate taxes tied to an "induced savings" program under which individuals would be given income tax credits up to 15% of their net taxable income as a reward for piling up personal post-war reserves.

Senator George reiterated that he felt it would be useless for Congress to discuss a general sales tax unless the Treasury withdraws its objections to such a levy.

He said latest estimates indicate that a 10% general sales tax with no exemptions would net the Treasury $5,500,000,000 a year.

There are two ways a sales tax could result with Treasury sponsorship but both are unlikely, Senator George said. Those are:

1. Setting of an arbitrary figure in new revenue to be raised so high it would necessitate a sales levy in addition to other tax adjustments.

2. Considerable modification of present tax schedules. The Senator said he hoped the next tax bill would be out of the way by the end of November so that it would be fully operative by Jan. 1, 1944.

N. Y. Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of Luke H. Rose, Jr., to Warren E. Fisher will be considered on Sept. 9. It is understood that Mr. Fisher will act as an individual floor broker.

The proposal that Herbert Buschman act as alternate on the floor of the Exchange for Frank J. C. Weinberg will be considered by the Exchange on Sept. 2.

Warren L. Jones retired from partnership in Filor, Bullard & Smyth, N. Y. City, on Aug. 31.

Marble & Co., N. Y. City, will be dissolved as of Sept. 9.

Newsprint Price Increased Again

For the second time this year the price of newsprint was increased on Sept. 1, making the basic current cost $58 a ton or more than 16% above the prewar price.

The latest increase, $4 a ton, was on top of a previous $4 rise last March 1. Both were granted by the OPA and the Canadian Wartime Prices and Trade Board.

A joint U. S.-Canadian announcement said the increase was to compensate for increased costs of pulpwood, from which paper is made. Major Canadian producers had asked for $6 more a ton, while in March the plea had been for an increase of $8 a ton.

The $58-a-ton price is the "port price" for standard newsprint. "Super standard" newsprint will rise to $61.50.

Post-War Foreign Policy Plan, Embodying "Zones Of Safety" Offered By Kelland

A post-war foreign policy plan was presented to the Republican Party in New York City on Aug. 25 by Clarence Budington Kelland, author and now publicity director of the Republican National Committee. Mr. Kelland offered his program in a speech under the title of "The Zones of Safety Plan" before the law committee of the New York County Republican Committee at the National Republican Club. It will also be brought before the Sept. 6-7 meeting of the Republican Post-War Advisory Council at Mackinac Island, Mich. His plan is based on Anglo-American alliance and Pan-American solidarity but with an extension of outposts of defense and maintenance of an armed force which make this continent impregnable, said the New York "Sun" of Aug. 25, which indicated as follows his program:

"Mr. Kelland sketched his program in five points which he termed the five zones. The first called for a trusteeship in which England, Russia, China and France, when she is able to function as a great Power, will join with the United States in administering "the territories and people and economy of our enemies, the bankrupt nations of the earth and of other nations who shall find themselves in similar plight by reason of the war.

"The second zone consists of an agreement among victor nations 'for offensive and defensive joint action directed against any nation threatening to breach the peace,' and the third calls for 'a permanent defensive alliance between the United States and Great Britain' whereby 'the two great democracies, the two great English-speaking nations, shall act as one in case of attack upon either by any nation or combination of nations . . . permanent and openly declared to the world.'

"For the fourth zone, Mr. Kelland described 'a concord, an entente among the nations of North America and the nations of South America—between Canada, the United States on the north and our sister republics of the Southern Continent . . . both military and economic. . . . A policy of American solidarity against any non-American nation threatening the territorial rights of any American nation, large or small.'

"Rounding out the program with his fifth zone, the author declared: 'We must possess, by friendly negotiation if we may, by occupation if we must, those points, those islands, those bases which will perfect the fortification of the United States. . . What we acquire we must fortify. We must create naval bases, flying fields, fortresses of imposing strength, not to be held as threats against the peace of any nation, but as guaranty of the peace of our own nation.'

"Elaborating on this, Mr. Kelland said he felt that not even the most rapid global thinker could find any improper nationalism or isolationism in wanting to consider the real safety and security of this country. He held that the building of what he calls a mighty series of Gibraltars on islands on the Pacific, air bases at Casablanca and Dakar in Africa, in Greenland, Iceland and the West Indies, was no evidence of desire for territorial aggrandizement.

"He concluded: 'But in it all I make one essential reservation. In what we do, in what we offer, in our collaboration with other nations for a better world, there must be no surrender of sovereignty of the United States; no abatement in her status as an independent, individual nation. We will collaborate but we will not amalgamate. We will become a part of no Utopian superstate, no partner in Union Now, no tail-wagging at the end of any dog; but a nation, proud, just and generous.'"

Halsey, Stuart & Co. Offers B & O Certificates

Offering was made Sept. 1 by a group headed by Halsey, Stuart & Co., Inc. of $4,000,000 Baltimore & Ohio RR. 3% equipment trust certificates, Series M, maturing semi-annually from Nov. 1, 1943 through May 1, 1953, at prices to yield 0.70% to 3%, according to maturity. The certificates, offered subject to Interstate Commerce Commission approval, were awarded to the bankers Aug. 31 on their bid of 100.057.

The $4,000,000 of certificates are part of a proposed aggregate principal amount of not more than $10,760,000, of which $3,500,000 have already been issued and are outstanding. The railroad proposes to sell from time to time, before April 1, 1944, additional certificates to finance all the cost of the following standard gauge equipment, estimated to cost not less than $10,760,000: three 5,400-horsepower diesel freight locomotives, 15 1,000-horsepower diesel switching locomotives; 20 2-8-8-4 mallet freight locomotives, and 965 50-ton composite hopper cars.

The certificates are being issued under the Philadelphia plan.

Associated with Halsey, Stuart & Co. Inc. in the offering are: Otis & Co., A. C. Allyn and Co. Inc; Hornblower & Weeks; E. H. Rollins & Sons Inc.; Dempsey-Detmer & Co.; First of Michigan Corp.; The Milwaukee Co.; Schwabacher & Co.; Hirsch, Lilienthal & Co.; Stifel, Nicolaus & Co., Inc.; The First Cleveland Corp.; Kebbon, McCormick & Co.; Alfred O'Gara & Co., Singer, Deane & Scribner; Stix & Co.; Walter Stokes & Co.; and F. S. Yantis & Co., Inc.

Customers Brokers Get Nominees For Office

The Association of Customers' Brokers of New York has received the following slate of officers for the annual election to be held Sept. 8 at 3:45 p.m. at the New York Institute of Finance, 20 Broad Street, New York City.

President: Robert J. Davidson, Fahnestock & Co.

Vice-President: Richard G. Horn, Peter P. McDermott & Co.

Treasurer: Donald C. Blanke, Eastman, Dillon & Co.

Secretary: Archie F. Harris, Merrill Lynch, Pierce, Fenner & Beane.

Executive Committee

Four Year Term: Armand E. Fontaine, Merrill Lynch, Pierce, Fenner & Beane; William McK. Barber, Stillman, Maynard & Co.; Maurice Glinert, Hirsch, Lilienthal & Co.; Andrew W. Shuman, Delafield & Delafield.

Three Year Term: John Ralph Watson, Dobbs & Co.; Ralph A. Rotnem, Harris, Upham & Co.

Two Year Term: Allen B. Kendrick, Burton, Cluett & Dana.

Spencer Phillips, Tucker, Anthony & Co., is chairman of the Nominating Committee.

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.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

From time to time many dealers and investors in fire insurance stocks appear to become somewhat perturbed over the thought that perhaps the mutual companies are slowly but surely absorbing the business of the stock companies and that the latter, therefore, are doomed to a slow decline. They hear of instances in which certain large insurers have taken their business away from a stock company and given it to a mutual. That many such instances have occurred and are still occurring, cannot be gainsaid, but the idea that the mutuals are making great inroads in the business of the stock companies can be shown to be erroneous.

The following tabulation shows the total annual amount of net premiums written by the 372 reporting stock companies compared with that written by the 172 reporting mutual companies, for the 16-year period 1927 to 1942, inclusive. These figures have been compiled from the annual Fire and Marine Volumes of "The Spectator." (Insurance Authority since 1868.) The tabulation also shows the relative percentage of the total business written each year by the stock companies and by the mutual companies.

	—Net Premiums Written ($000)—			Percent of Total	
	Stock Companies	Mutual Companies	Total	Stock	Mutual
1927	980,105	128,330	1,108,435	88.4	11.6
1928	990,605	141,351	1,131,956	87.5	12.5
1929	1,027,028	152,604	1,179,632	87.1	12.9
1930	918,039	153,495	1,071,534	85.7	14.3
1931	787,019	142,233	929,252	84.7	15.3
1932	680,521	97,391	777,912	87.5	12.5
1933	622,777	112,190	734,467	84.7	15.3
1934	672,437	130,433	802,870	83.8	16.2
1935	702,620	134,415	837,035	83.9	16.1
1936	759,429	131,426	890,855	85.2	14.8
1937	831,622	140,506	972,128	85.5	14.5
1938	782,204	139,469	921,673	84.9	15.1
1939	814,514	142,128	956,642	85.1	14.9
1940	932,074	156,298	1,088,372	85.6	14.4
1941	1,075,617	183,206	1,258,823	85.4	14.6
1942	1,144,461	199,826	1,344,287	85.1	14.9

It will be observed that in 1927 the mutuals wrote 11.6% of the total business, and that their proportion increased each year to 15.3% by 1931; it then dropped to 12.5% in 1932, and again increased to the top figures of 16.2% in 1934 and 16.1 in 1935. Since then their proportion appears to have stabilized between 14.5% and 15%. The average for the seven-year period, 1936-1942, is 14.74%.

There certainly is nothing in these figures to indicate that the stock companies are not holding their own, in fact, their position appears to have improved moderately since 1935. In this connection it is also of interest to point out that since the low year of 1933, the stock companies have shown somewhat better relative growth than have the mutuals, as follows:

	Total Premiums ($000)	Stock ($000)	Mutual ($000)
1933 (Low Year)	734,467	622,277	112,190
1943	1,344,287	1,144,461	199,826
Growth	$609,820	$522,184	$87,636
	83%	84%	78%

It is of course true that the mutuals' net rates to most policyholders are lower than those of the stock companies; nevertheless it is doubtful whether they can ever seriously impair the position of the well capitalized, firmly established old-line stock companies, whose nationwide agency plants represent an investment of many millions of dollars. The mutuals cover relatively small areas, and make little attempt to reach as large a section of the insuring public as do the stock companies. To compete adequately in this wider-spread field would probably involve their building up the equivalent of the stock companies' agency plant, and then their costs would rise. It is reported that some prominent mutuals have recently been reducing dividends to policyholders, due to rising expenses and taxes, lower income from investments and increasing fire losses. As a result, the spread between the net average premium rates of mutuals and stock companies has narrowed somewhat.

The tendency of the mutuals is to confine their writings to the better risks. The result of this policy is to restrict volume but to give them better loss ratios than

(Continued on page 919)

Municipal News & Notes

Operation of the Nashville, Tenn., Electric Service with an income five times its annual interest charges on long term bonds for the year ending June 30, 1943, was disclosed in the annual audit of N. E. S. books by the nationally-known accounting firm of Peat, Marwick, Mitchell and Company, St. Louis, Mo.

W. C. Baird, chairman of the Nashville Power Board, who made the audit report public, said that the board is "highly pleased with the splendid showing revealed in the report."

The local publicly-owned system for the distribution of power manufactured by the Tennessee Valley Authority showed a gross income for the year of $1,174,881, according to the auditors' report. Net income was $741,419.

The report showed a surplus of $2,772,520 appropriated for four principal items as follows: Retirement of bonds, $575,852; electric system bond reserve, 694,522; construction $1,400,-194, and contingencies, $101,952. There was an additional unappropriated surplus item of $551,363 available for working capital, giving a total surplus of $3,323,884.

Mayor Thomas L. Cummings said last night that he was gratified at the "wonderful showing made by the Nashville power system, which vindicates public ownership without political interference."

The power system set aside $631,666 during the year for the amortization of bonded indebtedness, and $327,843 to meet interest charges.

It set aside an additional $363,-670 during the year as a charge for depreciation, and paid tax equivalents to the city of Nashville, Davidson County and the state totalling $373,036. The power board allocated from 3 to 3¼% of revenues to depreciation.

Gross revenues from the sale of power during the year were $1,562,732.

The system has outstanding against it $13,150,000 in bonds out of the $15,000,000 worth issued at the time of acquisition more than four years ago. Of this amount of $13,150,000 in outstanding bonds, $650,000 have been reacquired by the power board and are held in the bond fund.

The audit report said that the system has set aside $550,000 for use in construction and replacements after the war, and that construction costs for last year were low because of the difficulty in securing materials.

Oklahoma May Use Surplus For Debt Retirement

In a decision vital to the financial program of Governor Kerr, the State Supreme Court has upheld 8 to 0 a 1943 law applying the $7,605,000 surplus of the last fiscal year to retirement of the State debt.

The opinion which was rendered Aug. 24, overruled a six-point attack on the law which would permit advance payments to reduce outstanding obligations of $28,416,681 now costing nearly $3,000,000 annually.

It was forecast unofficially that the successful court test would be followed by a proposal of similar legislation with reference to the next surplus which was expected to accrue this financial year.

The court's ruling came on a suit which was required by the law itself. The legislature authorized the state funding board committee to purchase bonds to the limit of the 1942-43 surplus only after the supreme court had approved the law.

The decision by Justice Earl Welch held that passage of the act diverting the surplus to debt retirement was not use of a tax levy for purposes other than that for which it was imposed because the surplus was not attained deliberately but only incidentally.

A debt-free State by the end of the Kerr administration had become a possibility through a prediction by State financial experts that present financial trends would accumulate enough cash by January, 1947, to balance all debt payments nine years ahead of time.

Mecklenburg County, N. C., Railroad Term Issue Provided For

The county has a sum of $239,-760 current investment in government bonds in anticipation of a maturity of $300,000 6% railroad bonds due in 1950, according to local press advices. Interest on the investments, coupled with other sinking funds, is expected to greatly exceed the amount required to retire the debt at maturity. The county also met from sinking funds a maturity on Sept. 1 of $110,000 term bonds of 1913. Creation of a sinking fund to take care of these debts was a companion feature of the long-term financial program adopted by the county several years ago.

Treasury Attaches Funds Of Delaware River Joint Commission

At the instance of the Treasury Department, the Collector of Internal Revenue has attached funds of the Delaware River Joint Commission, New Jersey, which are on deposit in the Camden Trust Company, for the purpose of pressing the Treasury's claim for collection of $10,412.97 alleged to be due in documentary stamp taxes, penalties and interest on the approximately $8,000,000 bonds issued by the Commission in 1933 to finance construction of the rail transit line across the Delaware River Bridge. Commenting on the move, Joseph K. Costello, General Manager of the Commission, said:

"We believe that this tax is assessed without warrant of law and we shall proceed on that assumption. At the meeting of the Commission this afternoon (Aug. 27) the general manager and counsel were authorized to take all necessary steps to protect the Commission against the collection of this tax." He also stated that inasmuch as the action will affect other public agencies, such as the Port of New York Authority, the general manager and legal counsel will meet in New York in the present week with the Commission's special bond counsel, Wood, Hoffman, King & Dawson, and officials of the Port Authority.

Memphis War Bond Investments Close to $5,000,000

The City of Memphis, Tenn., had invested through July 31 last a total of $4,594,342 in government securities, according to Mayor Chandler, who also predicted that additional substantial investments would be made in the September war bond drive. The Mayor disclosed the figures in releasing the July financial report, which showed that all departments are operating within their budget appropriations except the Department of Public Works which has taken a $67,-368 "dip" into surplus funds of the city.

Largest purchase of war bond securities was made with General Fund money. From this fund, $1,299,849 had been used to purchase short term securities. Other Government securities purchased and placed in sinking funds of other departments include: Fire and Police Station sinking fund, $57,615; Improvement Bond sinking fund, $1,244,630; Levee fund, $882,696; Park sinking fund, $29,049; School sinking fund, $533,372; construction fund, $447,223, and current sinking fund $99,905.

The city's unallocated surplus now held in a Reserve for Emergency Revolving Fund stands at $600,000. With $390,368 left from the city's 1942 surplus of $468,-521, a total of $990,368 now is included in "unallocated surplus."

Surplus Available

This surplus, city officials point out, is held in an open account and is available for appropriation for any needs the City Commission may decide to meet between now and Dec. 31.

Meanwhile, collections of revenue in all city departments showed a decided increase on July 31 as compared to July 31, 1942. Total collections for the year are estimated at $5,536,613. Of this amount, $4,638,225 (or 83.77%) had been collected through July 31.

Total Revenue Up

The 1942 total revenue estimate was somewhat higher than this year. By July 31 of last year, a total of $4,547,744 had been collected, representing 74.93% of the 1942 anticipated revenue collection.

Only $898,357 needs to be collected before Dec. 31 to meet the 1943 anticipated revenue.

Mayor Chandler said reasons for the city being ahead in its collections of anticipated revenue are that budget estimates were reduced this year, taxpayers have been making advance payments of city taxes, and many have been paying delinquent taxes.

Of $3,747,487 current taxes anticipated this year, $3,082,505 had been paid by July 31. A total of $190,714 had been paid in delinquent taxes.

Strong Railroads Seen As Post-War National Bulwark

(Continued from first page)

Purchaser." He points out that a large amount of maintenance work not absolutely necessary to safe operation of the railroads at this time has had to be postponed during the war period. Consequently, he adds, after the war there will be need for rehabilitation on a large scale, and this is important to the country.

"This is the first period in which railroad earnings have approached a reasonable return in more than a decade," Mercier says. "The level of rates under which traffic is moving is the lowest in history by unit of work performed. For the first five months of 1943, taxes absorbed more than half of the railroads' real net earnings."

The western railways are handling by far the greatest traffic load in all their history, and this load is expected to increase, he continues. Southern Pacific's Pacific Lines traffic for the first half of 1943 compared with the first half of 1939, it is pointed out, shows an increase of 168% in ton miles and 335% in passenger miles.

With reference to the handling of Southern Pacific's tremendous war load, Mercier pays tribute to the "earnest effort and excellent spirit of railroad men and women in all branches of the company's service" and to the "practical and well-sustained cooperation received from shippers, both military and commercial."

Predicts Interest Rates Will Remain Low

"The hold which the Government has over the **interest rate will be maintained throughout the war and probably for some time thereafter,"** says Charles F. Speare of Consolidated News Features. "This means," he continues, "that most forms of high-grade securities will preserve a considerable portion of their premiums in so far as these are not affected by approaching maturities. The present yields on government, municipal and corporation bonds are at approximately the lowest levels since 1940. This includes the 1.83% return on tax-exempt governments and 1.96% on municipals, with a little more than 2.50% quoted for high-grade corporation bonds. Between the AAA and BAA corporation yields there is a spread of 1.11%—from 2.69% up to 3.80%. In this group industrial bonds sell at the lowest average return and public utilities next. There is a spread of ½ of 1% between utilities and rails of equal quality."

Braniff Airways, Inc., Common Stock Offered

F. Eberstadt & Co. and a nation-wide group of associated underwriters on Aug. 30 made a public offering of and the company concurrently offered to its stockholders 400,000 shares of Braniff Airways, Inc., common stock, priced at $12.75 a share.

The new financing will increase the number of common shares outstanding to 1,000,000 out of an authorized issue of 1,500,000 shares. The company has no preferred stock, funded debt or bank loans. Application has been made for the listing of the company's shares on the New York Stock Exchange.

The company has pending before the Civil Aeronautics Board applications for extensions of its service from San Antonio to El Paso, Oklahoma City to Atlanta, Amarillo to San Antonio and Armarillo to Houston, as well as from Chicago to Detroit.

The company's plans include also a program for the development of a comprehensive system of feeder lines within the trade areas of the principal distributing centers served and the initiation applications for extensions of its services to the Canal Zone, the Caribbean Islands, South America and Europe is also contemplated.

Associated with F. Eberstadt in the offering are Merrill Lynch, Pierce, Fenner & Beane; Courts & Co.; Eastman, Dillon & Co.; Otis & Co.; Paine, Webber, Jackson & Curtis; Sutro & Co.; Boettcher & Co.; E. H. Rollins & Sons, Inc.; Shields & So.; Hawley, Shepard & Co.; A. C. Allyn & Co., Inc.; Ames Emerich & Co., Inc.; Butcher & Sherrerd; Kidder, Peabody & Co.; Mitchum, Tully & Co.; O'Melveny-Wagenseller & Durst, Inc.; Equitable Securities Corp.; Loewi & Co.; Bankamerica Co.; Dewar, Robertson & Pancoast; Johnston, Lemon & Co.; A. M. Kidder & Co.; Riter & Co.; Spencer Trask & Co.; Stein Bros. & Boyce; Auchincloss, Parker & Redpath; Alfred L. Baker & Co.; E. W. Clarke & Co.; Hill, Richards & Co.; Van Alstyne, Noel & Co.

Also, Grubbs, Scott & Co.; The Wisconsin Co.; Pacific Co. of California; J. C. Bradford & Co.; Cohu & Torrey; Barrett Herrick & Co., Inc.; Hill Bros.; Nashville Securities Co.; Bond & Goodwin, Inc.; Bosworth Chanute, Loughridge & Co.; Cruttenden & Co.; Doolittle, Schoelkopf & Co.; A. G. Edwards & Sons; Estabrook & Co.; Robert Garrett & Sons; Graham, Parsons & Co.; Peters, Writer & Christensen, Inc.; Putnam & Co.; Stix & Co.; Watling, Lerchen & Co.; Bateman, Eichler & Co.; Ferris, Exnicios & Co., Inc.; Granbery, Marache & Lord; Kay Richard & Co.; Lester & Co.; A. E. Masten & Co.; Nelson Douglas & Co.; Reinholdt & Gardner; Schwabacher & Co.; Searl-Merrick Co.; Wyeth & Co.; The Bankers Bond Co., Inc.; Burns Potter & Co., Inc.; Francis I. du Pont & Co.; Wyatt, Neal & Waggoner; Bingham, Walter & Hurr; George D. B. Bonbright & Co.; Singer, Deane & Scribner; Murphey, Favre & Co.; A. E. Weltner & Co., Inc.; Westheimer & Co., and Herbert B. White.

Railroad Securities

(Continued from page 905)

Income 4½s, there has accumulated two years' interest on this issue, or eight points, also a return of capital when distributed at the time of the issuance of the new securities, expected prior to Christmas of this year. As measured by Income bonds of roads either already emerged from reorganization, or in the process of being reorganized, these General Mortgage Income 4s would appear to be markedly undervalued.

Common Stock. There will be 719,319 shares of this stock outstanding, one-third of which is to be optioned to Canadian Pacific until 1950 at $2 per share. Through distribution of additional common arising from ownership of sizable amounts of the old Soo securities, CPR will own well over 50% of the stock of the new company, i.e. of course when its option is finally exercised. There is a rumor that CPR will exercise its option either immediately prior to, or immediately following, the distribution of the new securities. Some credence should be given this rumor since CPR could exercise its option without cost to itself were a dividend of $1 per share distributed for two successive years.

This distribution is well within the financial abilities of the new company, finances being more than adequate, and average earnings for the past three years testify to the conservatism of such a distribution ($0.83 in 1940; $1.21 in 1941; $3.21 in 1942 and over $4 per share estimated in 1943). In a normal post-war year, however, earnings are not likely to exceed $1 per share unless sizeable portions of debt are retired with war swollen cash resources.

Admittedly the new common is speculative. Yet at current levels of 7 the stock is selling at less than twice average earnings for 1942 and 1943 (est.) combined, and should a $1 dividend be disbursed —as called for by the very logic of the interrelation of the CPR with the Soo—the yield afforded would be in excess of 14% and on the basis probable post-war dividend of $0.50 per share, the yield would be over 7% without taking into consideration the building up of the equity through funds made available from the Capital Fund and Sinking Fund. Additionally, any issue, whether rail, utility or industrial, possesses some measure of residual value, if operating losses can be avoided and if there is no debt senior to the equity, thus making the issue reorganization proof. The new Soo common is in that enviable position and accordingly there would appear to be a floor beneath the issue, thus limiting the potential loss if post-war prospects do not measure up to our present estimates. Therefore, for reasons advanced herein, the stock seems uncommonly attractive at this writing.

Post-War Rail Prospects

McLaughlin, Baird & Reuss, 1 Wall Street, New York City, members of the New York Stock Exchange, have just issued an interesting circular entitled "Railroads—Some Thoughts on Post-War Prospects." Copies of this circular may be had from the firm upon request.

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.—**George H. Baker** is with **White, Weld & Co.**, 40 Wall Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Robert P. Loker** is with **Kidder, Peabody & Company**, 115 Devonshire Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**J. Dallas Corbiere** and **Melvin H. Parker** have joined the staff of **Trust Funds, Inc.**, 89 Broad Street.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Matthias E. Hoseley** has become associated with **Leason & Co., Inc.**, 39 South La Salle Street. Mr. Hosely was formerly with Joseph F. Dixon & Co. and Banning & Co. In the past he was with H. M. Byllesby & Co. and Paine, Webber & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Martha E. Brett** has been added to the staff of **Cruttenden & Co.**, 209 South La Salle Street. Miss Bredt was previously with Chicago Ordnance District.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**A. Carlow Brown** has become associated with **Paine, Webber, Jackson & Curtis**, 209 South La Salle Street. Mr. Brown was previously with Clement, Curtis & Co., Sutro Bros. & Co., and Fuller, Rodney & Redmond.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Herbert Peek** has joined the staff of **H. R. Baker & Co.**, Bank of America Building.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Edward E. Moore** has become affiliated with **Nelson Douglass & Co.**, 510 South Spring St. Mr. Moore was previously with Crowell, Weeden & Co. and Fox, Castera and Co. In the past he was an officer of C. L. Wood & Co.

(Special to The Financial Chronicle)

PORTLAND, OREG.—**Fred L. Nielsen** is now with **Conrad, Bruce & Co.**, 316 South West Sixth Avenue.

(Special to The Financial Chronicle)

PROVIDENCE, R. I.—**Harry A. Hall** is now connected with **Elmer H. Bright & Co.**, 85 Westminster Street.

(Special to The Financial Chronicle)

SACRAMENTO, CALIF. — **Ross L. Griffith** has been added to the staff of **Bankamerica Company**, Bank of America Building.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF. — **Douglas B. Lewis** is affiliated with **E. F. Hutton & Company**, 160 Montgomery Street.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Roy Charles Surkamp** has become connected with **Edward D. Jones & Company**, 705 Olive Street. Mr. Surkamp was previously with Curtiss Wright.

(Special to The Financial Chronicle)

ST. PAUL, MINN.—**Gerald M. Clark**, formerly with Allison-Williams Co. for a number of years, is now with **Kalman & Company**, Endicott Building.

(Special to The Financial Chronicle)

TOLEDO, OHIO.—**W. Kenneth Sur** and **Arthur Tresch** are with **Braun, Bosworth & Co.**, Toledo Trust Building.

(Special to The Financial Chronicle)

TOLEDO, OHIO — **Francis J. Eagan** has become connected with **C. J. Devine & Co.**, Union Commerce Building, Cleveland, Ohio. In the past Mr. Eagan was with Jackson & Curtis, Paine, Webber & Co., and Salomon Bros. & Hutzler.

Churchill Says Roosevelt And He Will Seek Meeting With Stalin—Cautions On 2d Front

Prime Minister Churchill of Great Britain said on Aug. 31, that "nothing is nearer to the wishes of President Roosevelt and myself than to have a three-fold meeting with Marshal Stalin"; but he declared that an Allied second front would be opened on the Continent only when there was every chance of military success, unswayed by political considerations.

The Prime Minister said in a broadcast address from Quebec, according to the Associated Press, that he did not blame Russia for any criticism it had leveled at the Allies for not having launched a new offensive in western Europe. He made it clear, however, that the positive factor of military success was paramount.

Mr. Churchill said that the recent conference at Quebec was concerned principally with "inflaming" the war against Japan, with whom Russia is at peace, and that therefore it would have been an embarrassment to the Soviet Union to have been represented.

In further reporting his remarks, the Associated Press dispach said:

"The President and I will persevere in our efforts to meet Marshal Stalin," he continued, "and in the meantime it seems most necessary and urgent that a conference of the British, United States and Russian Foreign Ministers or their responsible representatives should be held at some convenient place in order not merely to explore the various important questions connected with the future arrangements for world security, but to carry their discussions to a point where the heads of States and governments may be able to intervene."

The Prime Minister, refreshed from his labors at the Quebec war council by a week of fishing in the Laurentian Mountains, turned again to the question of a second front in Europe, declaring:

"We once had a fine front in France, but it was torn to pieces by the concentrated might of Hitler, and it is easier to have a front pulled down than it is to build it up again."

However, he went on: "I look forward to the day when British and American liberating armies will cross the channel in full force and come to close quarters with the German invaders of France.

"You would certainly not wish me to tell you when that is likely to happen or whether it be near or far, but whenever the great blow is struck you may be sure that it will be because we are satisfied that there is a good prospect of continuing success and that our soldiers are expended in accordance with sound military plans and not squandered for political considerations of any kind."

Bank & Insurance Stocks

(Continued from page 917)
the stock companies enjoy. The following figures are based on the premium totals given in the above tabulation.

Ratio of Losses Paid to Premiums Written

	Stock %	Mutuals %
1927	51.2	33.2
1928	48.9	33.2
1929	47.6	54.4
1930	56.8	40.2
1931	59.7	41.5
1932	58.9	37.1
1933	46.3	36.0
1934	42.9	33.1
1935	36.6	28.8
1936	42.8	35.3
1937	42.8	34.6
1938	48.3	37.7
1939	45.0	38.1
1940	43.5	37.6
1941	43.8	38.4
1942	55.0	36.4
Average	48.2	37.3

The investment practice of mutual fire insurance companies differs materially from that of stock fire companies. Figures published by Alfred M. Best Co. for the year 1942 as to the classification of their admitted assets are revealing.

	*Stock %	†Mutual %
Cash	11.9	12.7
Bonds	38.3	61.0
Stocks	39.9	12.1
Real Estate	3.7	8.0
Agents Balance	5.0	4.7
Other Assets	1.2	1.5

*135 companies. †50 companies.

Mutual companies, it will be observed, invest much more heavily in bonds than do the stock companies, and only moderately in stocks. Investment income is not as important a factor with them as it is with the stock companies, where net investment income is approximately double their net underwriting profits over a series of years. In 1941, when the mutuals wrote 14.6% of the total premium business of both stocks and mutuals, their proportion of total net investment income was only 9%.

There is plenty of room in America, and plenty of growth ahead, to enable both mutual and stock carriers to live happily and prosperously side by side. Meanwhile, the competition thus afforded is not entirely to the disadvantage of the public. It is also of interest to note that in Germany, under conditions of hyper-inflation, the mutual companies are reported to have fared worse than the stock companies. Assessments against policyholders became extremely burdensome and forced at least one large mutual to become a stock company.

Maine Dealers Ass'n Re-elects C. Pierce

PORTLAND, ME.—The Maine Investment Dealers Association at its annual meeting re-elected Carrell K. Pierce, H. M. Payson & Co., President for the forthcoming year. Nathan C. Fay, Nathan C. Fay & Co., was also re-elected to the office of Secretary-Treasurer, Maurice A. Bowers, Bowers & Co.; Walter T. Burns, Burns, Barron & Co.; Harld D. Jones, Jones, Holman & Co.; Charles W. Leonard, C. W. Leonard & Co.; Stanley H. Patten, Timberlake & Co.; A. Clinton Edgecomb, Portland, and James E. Connor, Columbia Investment Co., Bangor, were chosen Directors.

Edward E. Chase, Maine Securities Company, co-Chairman of the Main War Finance Committee, was speaker at the annual dinner of the Association. Other guests were Hal G. Hoyt, securities examiner of the Maine State Banking Department; Theron A. Woodsum, Savings Banks Association of Maine; and Thomas A. West, Boston, Chairman of District Committee No. 14 of the National Association of Securities Dealers, Inc.

Public Utility Securities

Post-War Outlook For Utility Earnings

The post-war outlook for the electric light and power industry has been analyzed recently by Ralph Sterling in the "Utility Letters" issued by the Bond Department of Merrill Lynch, Pierce, Fenner & Beane.

The trend of revenues will continue upward following temporary irregularity resulting from the immediate post-war readjustment, the firm concludes. This would be particularly true of residential revenues constituting 35% of the total. Over the past five years customers have increased 19%, and the use of electricity per customer 27%, while the average unit revenue declined 17%—the net result being a 30% gain in revenues.

The post-war trend assumes a considerable volume of residential construction, particularly single-family homes. But these new homes may not contribute their full revenue quota, since many of them may be equipped for the new fluorescent lighting which is much more efficient. There may be an increased standard of lighting, but on the whole residential ligthing (about one-third of the residential load) is not expected to increase very rapidly.

Greater results are anticipated from the increased use of appliances, manufacture and sale of which has been retarded by the war. Refrigerators account for about 20% of residential consumption, but our homes are already well supplied, the old-fashioned ice box having largely disappeared. There might be some gains due to new homes, substitution of bigger models, and greater use of fast-freezing units, but on the other hand the new models use less current. Greater growth possibilities exist in electric ranges and water heaters, which also account for about one-fifth of present household consumption. But due to competition from other fuels, gains in this department may not prove spectacular unless the utilities put on a strong selling campaign.

Comparatively little current is used by radios and phonographs, but if television becomes popular this may substantially increase present consumption, if and when present sets are replaced. Greater use of washing machines is a promising item and some increase in vacuum cleaners and flat-irons may help, though allowance must always be made for greater efficiency of new models. Possibly the best prospect for increasing the use of electricity is in the use of air-conditioning units, which may be popular in newly constructed houses.

Based on the above analysis, Merrill Lynch estimate that by the end of 1947 the number of residential customers will have increased 12%, and the average use 20%, while rates may be down 10%, the resulting gain in revenues being 22%.

Commercial customers such as stores and theatres provide about 27% of revenues and this class is very profitable to the utility company because of the large use of current. The recent trend of consumption has been downward, due to forced closing of stores, gas stations, etc., but after the war there should be a quick recovery. Moreover, commercial air-conditioning, greater use of community cold-storage lockers, etc., should be helpful. However, due to possible rate reductions for this class of consumers, Merrill Lynch don't expect more than a 5 to 10% gain as compared with 1942. As to industrial use of electricity (29% of the total), this is expected to follow the trend of the Federal Reserve Production Index, estimates for which range all the way from 125 to 190.

Regarding the post-war trend of costs, there will doubtless be an increase in number of employees and hourly rates of pay. Fuel costs are difficult to gauge, being dependent on a wide variety of factors. Cost of maintenance will depend on the price of fabricated copper and aluminum. Miscellaneous expenses are expected to increase about 20%, based largely on greater volume of business.

Depreciation charges rose 36% in the five years ended 1942, but this rate of increase is expected to slow down since many companies have already attained the standards required by commissions, etc. Regarding the all-important question of Federal taxes (which now absorb about one-quarter of revenues) Merrill Lynch think that the excess profits tax will probably be dropped in the post-war period, because it has a restrictive effect on our industrial economy; on the other hand, the normal and surtax rate may be at the 45-50% level, and the amount of tax-free earnings (due to carry-over and other non-recurring tax credits) may be materially reduced. Thus the firm looks for comparatively little relief in total Federal taxes.

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Peace or Politics?

(Continued from page 902)

in the resolution are as inconsistent with each other as each is with freedom of action. Furthermore the emphasis on international machinery with power, suggests that whatever this machinery is, it is to be a panacea for peace in our time. Nothing is said about all the other steps which must be taken, and for the most part taken first, if the international machinery with power is to have the slightest chance of success.

A Peace Program More Important Than Resolutions

I propose to discuss today the important steps which must be taken to insure peace by protecting our people against attack or threat of attack. We pursued a policy leading to war because our people were convinced that the German-Japanese aggression would sooner or later lead to an attack on the United States itself. We are not engaged in any crusade for democracy, or for the four freedoms, or the preservation of the British Empire. We seek a world in which the American people can work out the destiny of the Republic, and solve the problems of human liberty and happiness, without physical attack on the distortion of our multiple freedoms by war.

The insurance of peace and safety in the future is not an easy task. It can't be obtained by passing Congressional resolutions. Since the dawn of history men have been trying to solve the problem. Every peace treaty has stated as its objective perpetual peace between the contracting parties. We had the Pax Romana, the Great Design of Henry of Navarre, the Holy Alliance, the Concert of Europe, the Hague Conventions, the League of Nations of 1919, to mention only a few. It isn't the desire to establish machinery which is lacking. It is a practical plan, which will work, and won't do more harm than good. Whether Congress should yet debate the problem is open to question, but the private citizens of this country should certainly engage continuously in a thoughtful analysis and discussion of the plans that are proposed. How can we in the future insure peace for the United States and its people?

First, we must pursue the war to a complete and overwhelming victory with punishment and disarmament of the Axis nations. That alone should insure peace for many years to come, and it is two-thirds of the problem. There will be no aggressors for years to come who will dare to threaten the world after they see the punishment for aggression which modern war will inflict on Germany, Italy and Japan. The first task of the F.B.I. was to kill or capture the gangsters who defied society. The question how crime and criminals may be prevented is still engaging the attention of the sociologists.

Second, we must provide an army, navy and air force for our defense sufficiently strong to remove from the mind of any nation the idea that it can successfully attack us. Of course such a force could not prevent air raids or other attacks, but there is nothing to suggest that modern technology has removed the ability of North America to defend itself against any nation or combination of nations. Look at the successful defense of Great Britain in a much more vulnerable position. It is said that democracies will not keep up their armed forces. But it is no argument against a course of action that one has not the sense or courage to pursue it. International machinery is not going to run itself either, and democracies will find it harder to continue the necessary ungrudging and unqualified support for it, than they will to maintain their own forces.

Third, after the initial period of relief and reconstruction we must keep out of the internal affairs of other nations, and we must learn to treat with tolerance conditions and ideologies which we may not understand or sympathize with. I seem to see a tendency, especially among our New Deal friends, to make plans for the world as they made plans for us poor Americans. We can't crusade throughout the world for the four freedoms, or force milk on people who don't like milk without making ourselves thoroughly hated. We can't force on the Russians freedom of speech and freedom of religion if Mr. Stalin doesn't approve of them, as he doesn't. We can't force independence on India except as the British see fit to arrange it. We can be helpful throughout the world. But we can't be a meddlesome Matty, or try to boss the boots off the world if we expect to avoid war in the future. No nation should insist on interfering with the internal affairs of other nations unless it is prepared to submit to the same interference itself.

Fourth. The three programs I have outlined are steps of purely national policy. But I do not intend to suggest that they are sufficient. We have sometimes followed them and they have not kept us out of war. Because any war today is likely to spread over the world. I believe we should attempt again to prevent the occurrence of any war in the world by international action. Before coming, however, to the question of an elaborate international organization with power to outlaw war in the future there are other direct steps to be taken. In the period after the cessation of hostilities we have a unique opportunity to remove some of the most fertile causes of war. For several years the world will necessarily be dominated by the military forces of Great Britain, Russia and America. The Axis Nations and the occupied nations will have to accept in the first instance the basic world-pattern decreed by the Allies. The Versailles treaty failed largely because it wholly neglected economic conditions, and created countries with no visible means of support. The Allies must try to draw boundaries so that no country is forced to remain poverty-stricken. They can insist that customs-unions shall be established in the beginning, even if it is unwise to interfere later with internal tariff arrangements. They can assure a supply of necessary raw materials, and they can make some arrangements to handle the exports which may be necessary to pay for those raw materials. The Atlantic Charter says that the peace should "afford assurance that all the men in all the lands may live out their lives in freedom from . . . want." This seems to me a hopeless and therefore unfortunate aspiration for any peace, if applied to individuals. But freedom from want as an ideal for nations seems possible to assure, and it would reduce one of the most dangerous causes of war. The cause cannot be entirely removed because no matter what arrangements are made for a nation, failure to conduct its own affairs with efficiency or to restrain the growth of population, may cause poverty, hardships, and discontent. How can we possibly provide freedom of want to China's four hundred million, or India's three hundred million, or Japan's seventy million, when there are twice as many people as the country can support on a decent standard of living. We have not even solved the similar problem of little Puerto Rico's two million, with five times the density of population of Cuba, though we have poured out hundreds of millions of American dollars. But in Europe, where wars usually start, a greatly improved economic basis for peace should be possible of accomplishment.

Fifth. The desire for national freedom is one of the deepest of human emotions, and its suppression has been the source of many wars. When not carried to excess, nationalism is the basis of individual freedom and patriotism and other qualities which make life worth living. Therefore in making the peace settlement we must provide for the self-determination of nations, and we must do it with more skill and less theory than was used at Versailles. That is not an easy job under any circumstances, but it can be made particularly difficult in Eastern Europe unless the Russians join sincerely in the effort to avoid future nationalist uprisings in that area. Involved also is some revision of the colonial system to promise more self-government in the future, and to establish some form of autonomous dependent status for countries and islands to small to stand on their own feet. The Atlantic Charter states clearly that no territorial changes shall be made that do not accord with the freely expressed wishes of the peoples concerned, and that sovereign rights and self-government shall be restored to those who have been forcibly deprived of them. In other words it requires that national freedom must be the basis for any enduring peace.

Sixth. It is generally conceded that democratic governments are less likely to be aggressive than autocracies. In the reconstitution of governments, therefore, in enemy and occupied countries, the Allies should in the first instance insist upon constitutions providing for elections by majority. But there are dictatorships with which we cannot interfere, as in Russia, China, Brazil; and the Atlantic Charter correctly recognizes "the right of all peoples to choose the form of government under which they will live," so that the finest type of democratic constitution may later degenerate into a fascist or a communist dictatorship. Yet the victory of the democracies should make democracies more popular, and in the immediate post-war period a boost can be given them. Any effort to impose democracy on the entire world, however, would be impossible and far more likely to cause war than prevent it.

Seventh. The Allies should provide for the revision of the world code of international law, extending it to provide the rules and ideals which shall govern the relations of sovereign nations in times of crisis and with relation to vital national interests. We are proposing to abolish the German doctrine that "might makes right," and there should be an affirmative statement of the principles on which the nations of the world may live together in peace. It may be extremely difficult, as I shall indicate later, to work out the machinery by which this law or any treaty shall be enforced, but if the law of peace is clear and definite it is much easier to enlist in its support the moral forces of the world. I believe there should be a World Court to interpret the law as recommended by your Bar Association Committee and to decide all cases based upon such law which may be submitted to it. There may be many ideals in this world which can never be attained or even promoted by force. We ought to distinguish more clearly than we do those ends which can only be obtained by voluntary appeal and the education of public opinion, and those which are within the proper scope of official power. For instance, the New Deal bureaucrats would have accomplished far more in the United States in food and price control if they had used the voluntary appeal and education methods of the World War period than they have by regulating everything and threatening crackdowns and prison sentences. And the same thing is going to be true in the continued maintenance of peace. Force may be necessary in the background, but it won't succeed unless there exists in the greater part of the world a public opinion educated to peace and to the principles of law on which it is founded.

I have reviewed at some length the steps which must be taken before we even come to consider the question of the use of power to enforce peace. I have done so to show that too much emphasis is being placed on this question of power and the passage of resolutions which treat our participation in the use of force as the panacea on which all depends. The peace of the American people will depend much more on the skill and good faith by which these seven policies are pursued in the period immediately after the war. Only if these foundations are firm can we go on to erect on them the international machinery with power for which Mr. Fulbright asks, and I doubt if by the 1944 election or perhaps for several years after the armistice, any definite plan will be presented for an International Organization to Enforce Peace.

Alternative Plans to Insure Peace

Nevertheless, it is a good time to discuss and distinguish the various plans between which the United States must ultimately choose as a matter of its foreign policy. Mr. Fulbright's plan is apparently intended to rule out isolationism without stating just what he would substitute for it. If by isolationism he means the position of those who believe we should retire to America after the war and take no interest in any association of nations or the actions or trouble of other nations, I don't know anybody who favors it. But there is a respectable body of opinion, perhaps a majority, which believes in all the steps I have suggested, but does not think the United States should commit itself in advance to take any action outside of its territory. They would have us remain free to interfere or not interfere according as we consider the occasion of sufficiently vital interest to this country. This position, and not isolationism, has been the traditional policy of the United States for a hundred and fifty years. While I would myself favor a change in this policy under certain conditions, I doubt if it should be formally excluded from consideration at this time, or until we agree on some other practical policy.

There are three other principal policies which might be adopted under the Fulbright formula of "international machinery with power." They are completely distinct and contradictory. First, we have the Federal Union plan proposed by Henry Streit and former Governor Stassen, calling for the incorporation of this country into an international state. That seems to me the implication of the Ball Resolution proposing an international police force greater than any national force. Second, we have the policy proposed by Walter Lippmann in his book, "U. S. Foreign Policy," based primarily on a defensive and perhaps offensive, alliance with the British Empire and if possible with Russia. The former interventionist forces in the East appear to be swinging to this Lippmann Alliance Policy. Third, an association of sovereign nations to include the United Nations and ultimately all others, covenanting together to use their forces to prevent aggression. This seems to me the plan to which Mr. Churchill and Mr. Roosevelt have leaned, in the Atlantic Charter and in their public utterances. The differences between these three policies is greater than the difference between either of them, and the traditional American policy of maintaining a free hand.

Federal Union

The theory of an international state bearing the same relation to nations and their citizens as our Federal Government bears to the States and their citizens appears to me to be fantastic, dangerous and impractical. It is proposed that it have a supreme legislature, executive and court. It would maintain an all-powerful military force able to dominate all nations. It would control all trade, all seaports and all airports within the various nations. Such a state, in my opinion, would fall to pieces in ten years. The whole idea is based on the Union of the thirteen colonies in 1787. But those colonies were made up of men of similar origin, similar methods of thought, similar ideals, with similar forms of government. They lived approximately the same kind of life, with similar standards of living. Even in that case one single difference resulted in a violent civil war seventy-five years later which almost destroyed the Union. Here we would be attempting to unite peoples who do not understand even how their new fellow citizens begin to think; we would join democracies with dictatorships, Moslem states with Christian states, the Brahmin with the Rotarian, men who talk only Japanese with men who talk only English. We would attempt to unite the most highly civilized with the aborigines, the workman who earns $20 a day with the coolie who earns 20c a day. The difficulties of holding together such a Tower of Babel under one direct government would be insuperable.

Furthermore, if it could remain in existence at all, it would not remain democratic—if a state including dictatorships like Russia, China, Brazil and Greece could ever have been democratic. True democracy depends on local self-government, effective access of the people to their central government; and the protection of unalienable individual rights. Sometimes I question whether the United States has not reached the limit of size under which the people of a nation can have a real voice in its government. Certainly a world government at Geneva or Panama would listen more closely to the voice of cranks and pressure groups than to the voice of rural Illinois, for instance. It is significant that the British Empire because of its size has moved toward decentralization of government, and has today no overall legislative body, no overall executive, and no overall police force. If Canada and Australia and New Zealand and South Africa and Eire are regarded as too diverse to be consolidated into one government, what about China, Japan, Russia and Ethiopia?

Third, I don't believe our Allies, England and Russia, would agree for a moment to submit themselves to an international state and have their seaports and airports run by an international bureaucrat. Remember that this would involve scrapping all armament for an international police force controlled by some international executive selected by a body the control of which would rest in a combination of member nations impossible to predict. If you can see Winston Churchill liquidating the British fleet, or Joe Stalin dismissing the Russian Army, or either of them turning over their forces to

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DIVIDEND NOTICES

Allied Chemical & Dye Corporation
61 Broadway, New York

August 31, 1943

Allied Chemical & Dye Corporation has declared quarterly dividend No. 90 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable September 20, 1943, to common stockholders of record at the close of business September 10, 1943.

W. C. KING, *Secretary*

THE ATLANTIC REFINING CO.

PREFERRED DIVIDEND NUMBER 30

At a meeting of the Board of Directors held August 30, 1943, a dividend of one dollar ($1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable November 1, 1943, to stockholders of record at the close of business October 5, 1943. Checks will be mailed.

W. M. O'CONNOR *Secretary*

August 30, 1943.

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY

Dividend No. 45

A dividend of twenty cents ($0.20) per share will be paid on September 16, 1943, to holders of the outstanding Capital Stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business September 4, 1943. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

A. D. NICHOLAS, *Secretary.*

Boston, August 26, 1943.

J. I. Case Company
Incorporated

Racine, Wis., August 27, 1943.

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable October 1, 1943, to holders of record at the close of business September 11, 1943.

THEO. JOHNSON, Secretary.

COMMERCIAL INVESTMENT TRUST CORPORATION

Common Stock, Dividend

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

JOHN I. SNYDER, *Treasurer.*

August 26, 1943.

CONSOL

The Board of Directors of the **CONSOLIDATION COAL COMPANY** *(Incorporated in Delaware)* has this day declared the regular quarterly dividend of 62½ cents per share on the $2.50 Cumulative Preferred Stock, payable on October 1, 1943, to stockholders of record at the close of business on September 16, 1943. Checks will be mailed.

C. E. BEACHLEY,
Secretary-Treasurer

August 24, 1943

JERSEY CENTRAL POWER & LIGHT CO.
PREFERRED STOCK DIVIDENDS

The Board of Directors has declared the following regular quarterly dividends: The 74th qtly. div. of $1.75 on the 7% Preferred Stock; the 65th qtly. div. of $1.50 on the 6% Preferred Stock; and the 49th qtly. div. of $1.37½ on the 5½% Preferred Stock. Payable on October 1, 1943, to stockholders of record at the close of business September 10th.

R. R. BOLLINGER, *Treasurer.*

THE TEXAS COMPANY

TEXACO

164th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Company has been declared this day, payable on October 1, 1943, to stockholders of record as shown by the books of the company at the close of business on September 3, 1943. The stock transfer books will remain open.

L. H. LINDEMAN
August 18, 1943 *Treasurer*

DIVIDEND NOTICES

THE CHESAPEAKE AND OHIO RY. CO.

A dividend for the third quarter of 1943 of seventy-five cents per share on $25 par common stock will be paid October 1, 1943, to stockholders of record at close of business September 8, 1943. Transfer books will not close.

H. F. LOHMEYER, Secretary.

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

WILMINGTON, DELAWARE: *August 16, 1943*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable October 25, 1943, to stockholders of record at the close of business on October 8, 1943; also $1.00 a share, as the third "interim" dividend for 1943, on the outstanding Common Stock, payable September 14, 1943, to stockholders of record at the close of business on August 23, 1943.

W. F. RASKOB, *Secretary*

GUARANTY TRUST COMPANY OF NEW YORK

New York, September 1, 1943.

The Board of Directors has declared a quarterly dividend of Three Per Cent. on the Capital Stock of this Company for the quarter ending September 30, 1943, payable on October 1, 1943, to stockholders of record September 8, 1943.

MATTHEW T. MURRAY, Jr., Secretary.

Why No Joint Stabilization Plan?

(Continued from page 902)

to the new American Plan nor other official comments make mention of a possible change of British viewpoint toward gold. It is known, of course, that the British have also held consultations with Allied Government representatives, and it seems entirely plausible that we shall shortly be presented with a revised Keynes Plan.

New discussions, unpleasant comments and criticisms, such as followed the premature publication last April of the Keynes and White Plans, may again fill the columns of periodicals and financial papers and convey to the world-at-large the spectacle of economic disunity among two great Allies. Monetary stabilization being only one of several important post-war problems which will confront us at the termination of the war, the world of finance and the public in general cannot help but fear that it is easier to be united in the making of war than to agree on post-war economic policies.

This is the more regrettable, since the stated principles and objectives of the two governments in regard to post-war monetary policies are the same; therefore, a joint British American Plan would undoubtedly have carried more weight and greater authority in the coming international discussions and would have been a mighty and promising start on the road of post-war economic collaboration.

Dr. A. PERREN
Stamford, Conn., Aug. 30, 1943.

Capt. H. N. Bernard Receives Air Medal

Captain H. N. Bernard, Jr. has been awarded the "Air Medal" for "courage, skill and devotion to duty while flying over enemy territory in the face of heavy enemy fire."

Captain Bernard was formerly in the securities business in Boston and is a member of the Boston Securities Traders Association. His present address is A. P. O. 681, 45th T. C. Squadron, c/o Postmaster, New York, N. Y.

Ins. Stock Has Possibilities

At current levels New Amsterdam Casualty Company offers an attractive situation with possibilities for a substantial increase in the rate of dividend payments, according to a circular prepared by Huff, Geyer & Hecht, Inc., 67 Wall St., N. Y. City. Copies of this interesting circular may be had upon request from Huff, Geyer & Hecht.

Idaho Power Common Offered By Blyth & Co.

Public offering was made Sept. 1 of 450,000 shares of common stock of the Idaho Power Co. at $24⅝ a share by a nationwide group of investment dealers headed by Blyth & Co., Inc., and Lazard Freres & Co.

The sale of this stock, which constitutes the entire authorized and outstanding common of Idaho Power Co., does not represent new financing. The stock comes from the treasury of Electric Power and Light Corp., the sale being a step in its program to divest itself of all interest in Idaho Power Co., and all proceeds go to Electric Power & Light Corp.

Electric Power's sale of its Idaho Power stock to the underwriters was made as a step consistent with its plan filed with the Securities and Exchange Commission under Section 11 (e) of the Public Utility Holding Company Act of 1935, for compliance with Section 11 (b) of the act. With the sale of this stock by Electric, Idaho Power ceased to be a subsidiary or an affiliate of Electric or of Electric Bond and Share Co., the parent company.

Associated with Blyth & Co., Inc., and Lazard Freres & Co., are: A. G. Becker & Co., Inc.; Boettcher & Co.; Bosworth, Chanute, Loughridge & Co.; Brush, Slocumb & Co.; Central Republic Co., Inc.; Cruttenden & Co.; J. M. Dain & Co.; Davis, Skaggs & Co.; Dewar, Robertson & Pancoast; Elworthy & Co.; Ferris & Hardgrove; Graham, Parsons & Co.; Hallgarten & Co.; Wm. P. Harper & Son & Co., Inc.; Hill Richards & Co.; J. J. B. Hilliard & Son; W. E. Hutton & Co.; Kebbon, McCormick & Co.; Kidder, Peabody & Co.; McDonald-Coolidge & Co.; Mitchum, Tully & Co.; Murphey, Favre & Co.; Pacific Company of California; Paine-Rice & Co.; Rauscher, Pierce & Co., Inc.; Schwabacher & Co.; Chas. W. Scranton & Co.; Shields & Co.; Shuman, Agnew & Co.; Smith, Moore & Co.; William R. Staats Co.; Sutro & Co.; Wegener & Daly, Inc.; Whiting, Weeks & Stubbs Incorporated; the Wisconsin Company; Harold E. Wood and Co.; Woodward-Elwood & Co.; Wyeth & Co., and Morgan Stanley & Co.

Public Utility Securities

(Continued from page 919)

It is obvious that there is a wide range of possible forecasts of both gross and net, which are tabulated as optimistic, moderate and pessimistic. We summarize the results as follows (millions of dollars):

	1941	1942	Post-War (1947) Opt.	Mod.	Pes.
Gross revs. & mis. inc.	2,595	2,742	3,127	2,963	2,748
Costs—					
Wages & sal.	364	385*	437	453	474
Fuel	250	280*	300	295	280
Other exps.	333*	346*	409	411	413
Deprec.	279	294	323	338	353
Taxes, Fed.	226	330	364	326	247
Taxes, oth.	294	298	328	343	358
Fxd. chges.	312	310	294	298	301
Net income	537	499	672	499	322

*Estimated.

The range of over 100% between net income under "pessimistic" and "optimistic" is due to the fact that each column represents the worst or the best forecast for eight different factors. It seems very unlikely that each of these factors would follow the same trend, and the result is more likely to be a mixture of favorable and unfavorable factors. The firm's estimates on taxes seem rather on the high side, particularly for miscellaneous taxes, which in the past have remained fairly stable. The trend of Federal taxes appears likely to remain the principal influence affecting net income, and hence an important factor in security prices.

Investment Trusts

Investment Company Briefs

A good example of the fact that **size** and **performance** are not necessarily related in the mutual fund field is to be found in **Commonwealth Investment Company**, sponsored by North American Securities Co. of San Francisco.

This little fund—net assets as of June 30, 1943, amounted to $1,655,910—has led the entire field of so-called common stock funds and combination funds in performance over the past three and one-half years. And when you consider the fact that more than 75% of all such funds outperformed the Dow-Jones Composite Average during that extended period, the record of Commonwealth is all the more outstanding.

Breathing hard on Commonwealth's neck, and actually bettering its performance moderately during the past year and one-half, are Incorporated Investors, Fundamental Investors and Fully Administered Shares of Group Securities, Inc.

* * *

Last report to day on National Securities & Research Corp.'s vacation cash bonus contest (ended Aug. 31) was dated Aug. 13, 1943, and read in part as follows:

"We are pleased at the handsome checks already mailed to many salesmen and the further credits being piled up. From the standpoint of paying out money, this is the most successful contest we have had in our thirteen years' experience."

Railroad Equipment and **Housing** are the subjects of the eighth and ninth articles in National's current series being published weekly in its **Investment Timing** service. Similar conclusions are reached regarding the position of both industries. While both appear to afford good post-war investment prospects, it is felt that better purchase opportunities may develop.

An attractive new folder on National's Low-Priced Common Stock Series made its appearance last week. Up 106% from the 1942 lows to the 1943 highs; another 130% to go to equal the 1937 highs (average of portfolio issues) are among the potent sales points listed for this series.

* * *

"A Solution to Fiduciary Investment Problems" is the title of the latest **Keynotes**. Convincing arguments for the use of mutual funds by trustees are concluded with the following statistics: "More than 940 Certificates of Participation in the Keystone Funds, representing a current asset value of $3,511,500 are now held in fiduciary or institutional accounts—and the number of such accounts is increasing at the rate of about one new account every business day."

The August issue of the **Keystone Investor** contains a performance table covering the first seven months of 1943 which should go a long way toward giving holders of Keystone Certificates of Participation that satisfied feeling. The four Keystone Bond Funds, with a single exception, outperformed various bond averages. Both Preferred Stock Funds did better than Standard's Preferred Stock Index. Two of the four Common Stock Funds beat the various stock averages and a third outperformed all but one of them.

* * *

Lord, Abbett's **Union Dealer** has a commonsense discussion on discount bonds. Under the title, "Discount Bonds Are Becoming Better Bonds," the bulletin points

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Peace or Politics?

(Continued from page 920)

President Whoozis of Worlditania, you are more clairvoyant than I.

Finally anyone who suggests such a plan is proposing to tear up the American Constitution, which has made this nation the greatest power in the world and set an example of successful popular rule to the entire world. We are asked to scrap a tried plan which up to this time has successfully maintained our liberty and afforded to this country the protection against invasion and interference which is the alleged purpose of all these international plans. It doesn't seem to me consistent with American patriotism, and most of our people are still patriots. If Congress is going to pass any resolution a tall, it certainly should exclude the possibility of an international supergovernment. I may say that the resolution of Senators Vandenberg and White does exactly that by emphasizing the fact that any proposed international arrangement shall be made between sovereign nations.

British-Russian-American Super-Alliance

A plan completely antagonistic to the Stassen plan is proposed by Walter Lippman in his recent book "U. S. Foreign Policy, Shield of the Republic." He urges that we form an alliance with England, Russia, and perhaps China. Presumably this will bind the parties to go to the defense of each other if either is attacked and perhaps to join in certain offensive action. The alliance is to be so strong that we cannot be successfully attacked It is an expression of the proposition advanced by me earlier that we should have an adequate army, navy, and air force for our own defense, as one of the means of discouraging and preventing an attack, but it is maintained that *no such force can be adequate for that purpose without an alliance* at least with England. This position seems to overlook the fact that alliances have their own weaknesses, and are as likely to fall apart at crucial moments as any defensive plans based on a nation's own armed forces. The whole theory is based on the assumption that there will be powerful enemy forces seeking to attack us, and that there will be no general international machinery with power to prevent the growth of armament and renewed military aggression. Since by hypothesis this alliance is to be stronger than any possible opposition, it will have at least a benevolent control over the entire world. While it is suggested that this alliance may grow into an international association, that appears to be an after thought. The alliance is to come first and is to remain in effect so that it is hard to see how it can develop into something fundamentally different.

The book is brilliantly written and it will have a profound effect on American public opinion. It will obtain much support because undoubtedly in the few years after the war Europe will be dominated by the British, American and Russian armies, and perhaps by some formal trusteeship by those nations during the period of reconstruction. It is often easier to continue such existing powers than to surrender them. The idea may appeal also to the nationalistic sentiment of those Americans who picture America dominating the alliance and the world. It may appeal to the do-gooders who regard it as the manifest destiny of America to confer the benefits of the New Deal on every Hottentot. The fact that it is inconsistent with all the ideals so eloquently stated by Woodrow Wilson and Franklin Roosevelt does not seem to be noticed by the followers of those statesmen. It proceeds on the assumption that wars cannot be prevented by the education of the human race to a rule of law and order or by any international arrangement, but only by the armed forces of America, England and Russia.

Fundamentally this is imperialism. It derides the idea that we can defend the United States, or America, without sea-bases and air bases in Europe, Africa and Asia. It is said that we cannot be safe unless our forces are equal to the job of meeting all our commitments, that is of defending America, Greenland, Iceland, Alaska, the Philippines and perhaps Australia and England against any possible combination. For that purpose we must control all the sealanes and all the airlanes over the Atlantic and the Pacific. Obviously if this is sound policy for us, it is sound policy for every other nation. England must control all the oceans. Holland must control the routes to the Indies. Russia must have bases on all sides of the Baltic and control the North Pacific because Bering Strait cannot be reached except by sea or air. If we must have bases in Africa to defend South America why doesn't France or any other African power have to have bases in South America to defend Africa from us? Since many nations are dependent on imported food for their very existence, they must each dominate the sea lanes over which that food must travel. The theory can only lead to vast national armaments in all parts of the world; every nation or at any rate every alliance of nations must be able to control the seas, which means, control the world. It has long been recognized that militarism, the very existence of huge armaments potentially aggressive is a cause of war. They are a tinder box which any spark may ignite. Those who control them unconsciously desire to see them in action. They create a profession of militarists. The plan is at variance with paragraph eight of the Atlantic Charter which provides for the disarmament of the Axis nations, and "all other practicable measures which will lighten for peace-loving peoples the crushing burden of armaments."

Mr. Lippmann bases his plea for an English defensive alliance on the claim that from 1823 to 1900 we depended on an understanding with England which gave us the British fleet to enforce the Monroe Doctrine, and that from 1900 to 1940 our foreign policy was bankrupt because our army and navy were not large enough to enforce the Monroe doctrine and defend the Philippines. As for the earlier period there was a long succession of eminent American Secretaries of State from John Quincy Adams to Seward and Olney and Hay who certainly would be very much surprised to learn that there was any alliance of any kind with England, express or implied, to enforce the Monroe Doctrine. It was always doubtful whether a little nation like the United States could enforce that policy. But we could make a lot of trouble for anyone who violated it; and we relied on the fact that European nations could find other areas in the world more attractive for colonization or exploitation, and were usually involved in quarrels between themselves. As a matter of fact the number of different races in Europe is so great, the racial feelings so strong, the physical conditions so diverse, that no nation since Rome has ever been able to conquer all of Europe or dominate any great part of it for long. England and Russia are just as much a part of Europe as France and Germany. Neither has ever been conquered. A policy affecting South America or the Far East therefore was carried out, and can still be carried out, with the certain assumption that it will not meet a combined European opposition.

As for the period after 1900 our foreign policy was undoubtedly based on a mistaken assumption that one nation would not wantonly attack another. But we had a navy from 1900 to 1914 adequate to defend ourselves against any nation except England whose peaceful intentions we assumed; except for our position in the Philippines which we always intended to be temporary. After the World War we maintained the same position. The disarmament treaties so divided naval strength that again we had adequate protection against any combination of countries which did not include England. Again the Philippines were regarded as indefensible and were to be made independent shortly.

It was only after the expiration of the naval treaties that our foreign policy became bankrupt. Then we permitted Japan to increase its Navy while we neglected to modernize our own sufficiently. Then we failed like France and England to keep up with the procession in military aviation, and let Hitler assume control of the air. But Hitler only came into power in 1932, and before that airplanes were forbidden to Germany and its army limited to 100,000 men. If we had developed a sufficient land-based air force it seems now that we could even have defended the Philippines.

Nor was there anything isolationist about our foreign policy in the twenties after the first refusal to join the League of Nations. The disarmament treaties, the Eight Power Pact in the Pacific, the Kellogg treaties were all efforts to work with other nations. We were willing to go further than the British in the imposition of sanctions against Japan and Italy. In the Dawes and Young Plans we attempted to help in solving the economic trouble brought on Europe by the Versailles treaty. One of President Hoover's last acts was to secure the postponement or reparations and the freezing of the German short-term credits. Our foreign policy was never bankrupt. In his eagerness to support a preconceived thesis, Mr. Lippmann seems to me to have distorted historical fact.

The policy which he advocates would have promoted war in the past and would promote war in the future. I have pointed out how it would promote militarism, one of the causes of war. But it has other dangerous results. A military alliance presupposes an enemy threatening war. A military alliance is always an alliance against someone. It arouses the antagonism of the world and leads to the formation promptly of a counteralliance. Once the whole world is lined up in two opposing camps another world war is only a question of time. To avoid that condition is the very purpose of all the ideals and plans for any kind of world federation for peace.

A defensive military alliance based on a control of all the sealanes and airlanes of the world is bound to produce imperialism. Our fingers will be in every pie. Our military forces will work with our commercial forces to obtain as much of world trade as we can lay our hands on. We will occupy all the strong strategic points in the world and try to maintain a force so preponderant that none shall dare attack us. How long can nations restrain themselves from using such force with just a little of the aggressiveness of Germany and Japan? Look at the history of the British Empire, how a trading post in India extended itself into a rule over 300,000,000 people, how the Boer War led to the domination of the Transvaal, how the desire for Chinese trade led to the colonization of Hong Kong. Potential power over other nations, however benevolent its purpose, leads inevitably to imperialism.

Any policy based primarily on alliances is an abandonment of the ideals on which the American Republic is founded. It substitutes force for a rule of law in the making of which law all those participate who are to be governed. It establishes government without the consent of the governed. It is of course inconsistent with the Atlantic Charter formally approved by 32 United Nations. The first clause of that document says "The countries seek no aggrandizement, territorial or other." Yet here certainly is a substantial aggrandizement of power plus the seizure of any bases which may be thought necessary. The desire to secure the alliance with Russia has led Mr. Lippmann to sacrifice the third clause of the Atlantic Charter promising the restoration of self-government to those nations who have been forcibly deprived of it, for he assumes that Russia will take over the Baltic states, and in his eagerness for the Russian alliance he seems prepared to go a long way in conceding Russian domination over Poland and all the other border states. He is proposing to substitute for the appeasement of Germany any appeasement of Russia necessary to secure an alliance. He proposes to substitute for American isolationism, the isolationism of Britain, America, Russia and perhaps China from the rest of the world.

Finally my own opinion is that we are not fitted to a role of imperialism and would fail in any attempt at world domination. We do not have the interest or the temperament to make a success. We are so strongly democratic that we don't approve of ruthlessness even when necessary for success. We permit our colonial problems to be determined by domestic policies. We don't really want to boss other peoples, and so we don't do it well. If we did succeed in becoming imperialists abroad it would be likely to change our whole attitude at home. We are in enough danger from totalitarianism now, without abandoning the ideal of a rule of democratic law in foreign relations.

There may be some question whether the Fulbright resolution covers the Lippman plan, but on the whole I believe it does. A British-American-Russian alliance is probably international machinery, and it certainly has the power. I should prefer a resolution not sufficiently broad to cover this plan of imperialism.

Organizations of Sovereign Nations

The plan for an enforced peace which accords most closely with the ideals of the American Republic, and of the Atlantic Charter, is that for an Association of nations to include the United Nations and the Neutrals and, after a period of probation, the Axis nations. It would be supported by covenants between sovereign nations agreeing to determine their disputes by the law of nations and judicial decision or by arbitration. It would further be supported by covenants to join in the use of force against any nation determined to be an aggressor by the decision of some international tribunal. Frankly this is an obligation which the American people may be loath to undertake, but I believe they will undertake it, because they know that if war is not prevented at the start under modern conditions, it is more than likely to spread throughout the world. Certainly this plan is to be preferred to an international state or a British-American-Russian offensive-defensive alliance.

But there are certainly conditions to be insisted on. First, force should not be called for against any nation because of any internal domestic policy, except rearmament in excess of a quota imposed or agreed to. Interference in domestic policies, even such vital matters as tariffs or the treatment of minorities, would be more likely to make war than prevent it. The test is: is the subject one on which the people of the United States would be willing to have other nations interfere with our internal action? If not, we should not attempt to impose such interference on others. Second, the covenant must be preceded by an economic arrangement fair to all nations, and by political arrangements providing for proper self-determination. The covenant, of course, must provide for the revision of boundaries and obligations, but essentially we will be asked to guarantee the status quo. We cannot make that guarantee unless the status quo is fair to all peoples and gives them a chance to live, and therefore affords a reasonable hope that peace can be maintained. Third, I believe that any obligation to use force in Europe should only be secondary, not to be effective until the peaceloving nations of Europe have exhausted their own resources. This is in accord with Mr. Churchill's suggestion of a Council of Europe under the Association of Nations. We cannot help solve the problems of Europe unless the great majority of the European nations first agree on what that solution should be.

I quite agree that it may be impossible to work out an Association of Nations, but that is no reason for not trying. Russia may insist on conditions in Eastern Europe or in Eastern Asia in conflict with our insistence on self-determination of peoples, but I hope not. England may insist on an empire which our people do not care to support, but I do not think so. The question of relative representation in tribunals to pass on questions involving the use of force is always difficult to adjust. But if Mr. Fulbright's resolution were confined to machinery of the character I have described I should be glad to support it.

Conclusion

I don't believe that the time has come to consider what our alternative course should be if the effort to establish an Association of Nations based on law and orderly justice, with enforcement provisions should fail. Let us not assume that it will fail. But if it failed we would then be confronted with a choice between the Lippmann plan of a defensive alliance with England and Russia designed to dominate the world, or an independent policy with no obligations assumed in advance. I do not hesitate to say that I should prefer the continuation of our traditional policy, with the hope that the time might soon come when an international agreement might be reached.

In the meantime we could proceed with the seven points I first suggested including provision for our own defense, and actively interest ourselves in assisting those nations who desire our help to become self-supporting economically. We could judge of the seriousness of any crisis which may arise in the world and weigh the need of interference by our armed forces. England and ourselves could assume that neither would attack the other, and be free to cooperate in any emergency. That policy has not brought upon us either catastrophe or invasion in the past and is not likely to do so in the future.

I have tried to suggest the infinite complications which we face in foreign policy, and the great difference of principles involved in the alternatives presented. I

Calendar of New Security Flotations

OFFERINGS

ALL AMERICAN AVIATION, INC.

All American Aviation, Inc., has filed a registration statement for 26,218 shares of convertible non-cumulative preferred stock, par $25 per share, and 131,090 shares of common stock, par $1 per share, to be reserved for issuance upon the conversion of convertible non-cumulative preferred stock into common stock.

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

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

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

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

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

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

Registration statement effective 5:30 p.m. EWT on June 21, 1943 as of 5:30 p.m. EWT. June 16, 1943.

Company in an amendment Aug. 19, 1943 states that 5,720 shares of preferred have been sold to common stockholders at $25 per share and 20,498 shares will be sold at $25 per share through Blyth & Co., Inc., as underwriter.

Offered—20,498 shares of 4% convertible preferred stock offered at par ($25 per share) Aug. 30, 1943 by Blyth & Co., Inc.

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).

Registration statement effective 5:30 p.m. EWT on Aug. 27, 1943.

Offered Aug. 30, 1943 at $12.75 per share by F. Eberstadt & Co.; Merrill Lynch, Pierce, Fenner & Beane; Courts & Co.; Eastman, Dillon & Co.; Otis & Co.; Paine, Webber, Jackson & Curtis; Sutro & Co.; Boettcher and Co.; E. H. Rollins & Sons Inc.; Shields & Co.; Hawley, Shepard & Co.; A. C. Allyn and Co., Inc.; Ames Emerich & Co., Inc.; Butcher & Sherrerd; Kidder, Peabody & Co.; Mitchum, Tully & Co.; O'Melveny-Wagenseller & Durst, Inc.; Equitable Securities Corp.; Loewi & Co.; Bankamerica Co.; Dewar, Robertson & Pancoast; Johnston, Lemon & Co.; A. M. Kidder & Co.; Riter & Co.; Spencer Trask & Co.; Stein Bros. & Boyce; Auchincloss, Parker & Redpath; Alfred L. Baker & Co.; E. W. Clark & Co.; Hill Richards & Co.; Van Alstyne, Noel & Co.; Grubbs, Scott and Co.; The Wisconsin Co.; Pacific Co. of Calif.; J. C. Bradford & Co.; Cohu & Torrey; Barrett Herrick & Co., Inc.; Hill Brothers; Nashville Securities Co.; Bond & Goodwin Inc.; Bosworth, Chanute, Loughridge & Co.; Cruttenden & Co.; Doolittle, Schoellkopf & Co.; A. G. Edwards & Sons; Estabrook & Co.; Robert Garrett & Sons; Graham, Parsons & Co.; Peters, Writer & Christensen, Inc.; Putnam & Co.; Stix & Co.; Watling, Lerchen & Co.; Bateman, Eichler & Co.; Ferris, Exnicios & Co., Inc.; Granbery, Marache & Lord; Kay Richard & Co.; Lester & Co.; A. E. Masten & Co.; Nelson Douglass & Co.; Reinholdt & Gardner; Schwabacher & Co.; Searl-Merrick Co.; Wyeth & Co.; The Bankers Bond Co., Inc.; Burns, Potter & Co., Inc.; Francis I. du Pont & Co.; Wyatt, Neal & Waggoner; Bingham, Walter & Hurry; George D. B. Bonbright & Co.; Singer, Deane & Scribner; Murphey, Favre & Co.; A. E. Weltner & Co., Inc.; Westheimer & Co., and Herbert B. White.

FROEDTERT GRAIN & MALTING CO., INC.

Froedtert Grain & Malting Co., Inc., has filed a registration statement for $2,000,000 15-year 3½% sinking fund debentures due Aug. 1, 1958.

Address—Milwaukee, Wis.

Business—Engaged principally in producing malt.

Underwriters — The underwriters and amounts underwritten are as follows: Schroder Rockefeller & Co., Inc., N. Y., $500,000; Loewi & Co., N. Y., $500,000; Eastman, Dillon & Co., N. Y., $150,000; H. M. Byllesby & Co., Chicago, $150,000; A. G. Becker & Co., Inc., Chicago, $100,000; Central Republic Co., Chicago, $100,000; Lee Higginson Corp., Chicago, $100,000; Milwaukee Co., Milwaukee, $100,000; E. H. Rollins & Sons, Inc., N. Y., $100,000; G. H. Walker & Co., St. Louis, $100,000, and Wisconsin Company, Milwaukee, $100,000.

Offering—Price to public will be supplied by amendment.

Proceeds—Net proceeds estimated at $1,978,844 will, together with such other funds as may be necessary, be applied to the redemption, on Nov. 1, 1943, and in no event later than Aug. 1, 1944, of such of the company's cumulative convertible participating preferred stock which may be outstanding at time of redemption and which shall not theretofore have been converted into common stock of the company. Each share of preferred stock so redeemed will be redeemed at the sum of $20 per share plus accrued dividends so that in event all of the company's presently outstanding preferred stock is redeemed, there will be required therefor, exclusive of accrued dividends, the sum of $2,614,000. In the event that prior to the effective redemption date for redeeming preferred, more than 5,000 shares shall have been converted into common, the company will retire debentures in an amount which, at principal amount, equals the total, computed at the rate of $20 per share, of preferred stock in excess of 5,000 shares converted into common stock.

Registration Statement No. 2-5199. Form S-1. (8-17-43).

Offered Sept. 1, 1943 at 102¾ and int. by Schroder, Rockefeller & Co., Loewi & Co. and associates.

IDAHO POWER COMPANY

Idaho Power Co. has filed a registration statement for 450,000 shares of common stock, $20 par value. All of the stock is outstanding and owned by Electric Power & Light Corporation.

Address—1220 Idaho Street, Boise, Idaho.

Business—Company is an operating electric public utility engaged principally in the hydro-electric generation, transmission, distribution and sale of electric power and energy.

Underwriting — Underwriters will be named by amendment. Apart from the registration statement company announced it has selected a group headed by Blyth & Co., and Lazard Freres to market the shares.

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

Proceeds—The proceeds of the sale are to be received by Electric Power & Light Corporation and not by the company, and such sale does not represent new financing by the company. Idaho is advised that the sale of its common stock is being made by Electric as a step consistent with Electric's plan, filed with the Securities and Exchange Commission under Section 11 (e) of the Public Utility Holding Company Act of 1935, for compliance with Section 11 (b) of the act. After the sale of the company's common stock by Electric, Idaho will have ceased to be either a subsidiary or an affiliate of Electric Power & Light Corp. or of Electric Bond & Share Co., the parent of Electric.

Registration Statement No. 2-5207. Form S-1. (8-25-43).

Offered Sept. 1, 1943 at $24⅝ per share by Blyth & Co., Inc. and Lazard Freres & Co. and associates.

NORTHEAST AIRLINES, INC.

Northeast Airlines, Inc., has filed a registration statement for 200,000 shares of common stock, par value $1 per share.

Address—General Logan Airport, East Boston, Mass.

Business—Engaged principally as an air carrier over routes in New England and in southeastern Canada.

Underwriting — Lee Higginson Corporation, Boston, heads the group of underwriters. Others will be named by amendment.

Offering—The 200,000 shares of stock will be offered to holders of common stock of the company at a price to be supplied by amendment, in the ratio of two shares for every three shares of common held, and, subject to the offering to stockholders, not exceeding 50,000 shares will be offered to certain individuals, investment companies and other organizations. The balance of the 200,000 shares not taken on either of said offerings will be initially offered to the public at the price offered to the stockholders.

Proceeds—It is the present intention of the company to use entire net proceeds to provide working capital needed for the performance of the company's contracts with the U. S. Government and for the company's proposed development and expansion of its operations.

Registration Statement No. 2-5200. Form S-1. (8-17-43).

Offered Aug. 31, 1943 at $7 per share by Lee Higginson Corp.; Paine, Webber, Jackson & Curtis; Graham, Parsons & Co.; Courts & Co.; Whiting, Weeks & Stubbs, Inc.; Estabrook & Co.; Perrin, West & Winslow, Inc.; A. M. Kidder & Co.; Coburn & Middlebrook; Josephthal & Co.; Wyeth & Co.; The Milwaukee Co.; Piper, Jaffray & Hopwood; Mitchell, Hutchins & Co.; Van Alstyne, Noel & Co., and Harry A. Rounds Co.

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).

Registration statement effective 5:30 p.m. EWT on Aug. 21, 1943.

Bonds awarded Aug. 30, 1943 to a syndicate headed by Salomon Bros. & Hutzler at 105.577 as 3⅛s.

Preferred stock awarded to Smith, Barney & Co. and associates at 103.516 per share, as 4.40% cumulative pref. stock.

Offering—Bonds offered Sept. 1, 1943 at 106½ and int. by Salomon Bros. & Hutzler, Wertheim & Co., Stroud & Co., Inc., Weeden & Co., Inc., and Cooley & Co.

Preferred stock offered Sept. 1, 1943 at $105.25 per share and div. by Smith, Barney & Co. and associates.

(This list is incomplete this week)

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have tried to indicate that we show a complete lack of grasp of the fundamentals of peace policy, if we debate only the question of force.

I suggest that instead of passing vague resolutions about machinery with force we ought to discuss the basic principles by which we can hope to assure a peace in the world, which will enable America to work out her destiny at home. The time has not come when the President, or Congress, or the people can make a final decision, because we do not know the conditions which will exist at the end of the war. Until that time comes I do not believe we should, if we could, tie our hands against the adoption of any policy which the American people after due consideration may then desire to adopt.

Froedtert Grain Debs. Offered At 102¾

A new issue of $2,000,000 15-year 3½% sinking fund debentures of the Froedtert Grain & Malting Co., Inc., was publicly offered Sept. 1 by a banking group headed by Schroeder, Rockefeller & Co., Inc., and Loewi & Co. The debentures are priced to yield 102¾ and accrued interest. Others in the offering group included Eastman, Dillon & Co., H. M. Byllesby & Co., A. G. Becker & Co., Inc., Central Republic Co., Inc., Lee Higginson Corp., the Milwaukee Co., E. H. Rollins & Sons, Inc., G. H. Walker & Co and the Wisconsin Co.

Net proceeds from the sale of the issue, together with other funds, will be used for the redemption on Nov. 1 of the cumulative convertible participating preferred stock outstanding at the time of redemption and which by then has not been converted into common stock. The preferred is to be redeemed at $20 per share.

Net profit of Froedtert Grain & Malting Co., for the fiscal year ended July 31, 1943, was $861,980 after charges and Federal taxes, comparing with a revised net profit of $957,720 in preceding year.

St. Louis Public Service Situation Attractive

The current situation in St. Louis Public Service Company offers interesting possibilities according to a summary of the company's current position issued by Scherck, Richter Company, Landreth Building, St. Louis, Mo. Copies of the memorandum may be had from Scherck, Richter Company upon request.

Offering Of Stock Of Portland, Ore., Bank

Offering of 100,653 shares of The First National Bank of Portland, Ore., $12.50 par value capital stock, was made on Aug. 31 by a banking group headed by Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corporation. Other underwriters include Morgan Stanley & Co., Harriman Ripley & Co., Hemphill Noyes & Co., Laird & Co., and The Wisconsin Co. In addition the syndicate includes a large majority of the leading investment firms in Portland and other cities in the Pacific Northwest, as well as other leading security dealers throughout the country. The shares are priced to the public at $40 per share.

It is pointed out that this offering does not represent any financing by the bank; the shares being offered are outstanding and owned by Pacific Coast Mortgage Co.

The announcement further disclosed:

"The bank, by an amendment to its charter, which has been approved by the Comptroller of the Currency, has changed each of its 45,000 outstanding shares of $100 par value into eight new shares of $12.50 par. Giving effect to this split-up, there are presently outstanding a total of 360,000 shares of $12.50 par value capital stock.

"Dividends on the old $100 par stock have been paid in every year since 1871.

"Chartered under The National Banking Act in 1865, The First National Bank of Portland, Ore., now ranks as a strongly entrenched banking institution serving Portland and the great Pacific Northwest—one of the most rapidly growing industrial and agricultural areas in the United States.

"With total resources amounting to $311,391,479 on June 30, 1943, the bank is actively represented in practically all phases of the banking business. Departments include commercial, instalment credit and mortgage loans, savings, foreign and domestic exchange, and the bank also offers safe deposit and trust services. On June 30, 1943, the bank, in addition to its principal office, operated seven branches in Portland and 32 other offices located in the principal industrial and agricultural centers of Oregon."

Attractive Possibilities

The first mortgage 6s and common stock of Empire Sheet & Tin Plate Co. offer interesting possibilities at current levels according to a memorandum being distributed by Hill, Thompson & Co., Inc., 120 Broadway, New York City. Copies of this memorandum may be had from the firm upon request.

Puget Sound Looks Good

Puget Sound Power & Light Co. 5% preferred w. i., and common w. i., offer an interesting situation according to a memorandum issued by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum may be had upon request from Buckley Brothers.

Stokely Interesting

Stokely Bros. & Co. 5% preferred offers attractive possibilities, according to Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. An interesting basic report upon the situation may be had from Reynolds & Co. upon request.

Investment Trusts

(Continued from page 921)

out: "The quality, or inherent value, of a discount bond is not static. Today many of these issues not only have an upward trend in **price**, but also in **value**—because the factors which measure value are improving." Among the factors listed are (1) more money in the bank, (2) fewer bonds to be had, (3) high earnings and (4) settlements and solutions.

The last issue of **Abstracts** discusses "two kinds of gain" in Affiliated Fund. From the end of 1942 to Aug. 16, 1943, Affiliated Fund went ahead 49.2% while the Dow-Jones Industrials were scoring a net gain of 14.7%. But from May 15, 1943, to Aug. 16 the Industrial Average made no net gain while Affiliated was widening its advance from 43.6% to 49.2%. Obviously, part of Affiliated's gain was for leverage, but management also accounted for improved results.

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"Kismet takes care of an Arab's fuure," writes Calvin Bullock's **Perspective,** "and he is apparently satisfied to let it be so. Americans, however, are not content to leave their futures to fate." The discussion continues in line with its title, "The Shaping of Things to Come," and gives some interesting slants on the post-war outlook.

* * *

A most attractive piece of sales literature is Hugh W. Long & Co.'s new folder on the building industry, "Blueprint For Better Living." The theme of the discussion is carried out visually on the front cover with blueprints of a ultra-modern home. The text is a study of post-war housing.

* * *

Net portfolio changes of Broadstreet Investing Corporation in July were as follows: Increase, 1,800 shares of Van Raalte; decrease, 500 shares of Aluminium, Ltd., 39 shares of Pacific Gas & Electric (eliminated), and $2,000 par value of Erie R. R. Income 4½s, 2015.

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Hare's, Ltd., is out with two new folders on Aviation Group Shares. They are companion pieces and show the potentialities in air transport after the war and the need for diversification in the industry.

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Dividends

Bank Group Shares—Semi-annual distribution of $.01822 payable Sept. 30 to stockholders of record Aug. 31, 1943.

Massachusetts Investors Second Fund—A dividend of 10c. per share payable from investment income Sept. 20, to stockholders of record Aug. 31, 1943.

St. Louis, San Francisco RR. Situation Interesting

An interesting report on the reorganization plan for St. Louis, San Francisco Railroad has been prepared by Raymond & Co., 148 State St., Boston, Mass. Copies of this report and a special letter discussing the outlook for rail reorganization bonds may be had from the firm upon request.

The Business Man's Bookshelf

Blue Book Of Advertising, The—Case histories of wartime advertising successes—The Bureau of Advertising, American Newspaper Publishers Association, 370 Lexington Avenue, New York City—paper

War's End and After—Stuart Chevalier—The Macmillan Company, 60 Fifth Avenue, New York 11, N. Y.—cloth—$2.75 (to be published Sept. 21, 1943).

Addresses Annual Convention Of National Ass'n Of Securities Commissioners

Small Investor Called "Forgotten Man" By Merrill Griswold of Massachusetts Investors

CINCINNATI, O.—Asserting that the small investor in American enterprises has come to be the "forgotten man," Merrill Griswold, member of the executive committee of the National Association of Investment Companies, in an address before the National Association of Securities Commissioners, in annual convention here, urged all fiduciaries and others professionally engaged in investment matters, to make effective the voice of the obscure shareholder.

Mr. Griswold, who is also Chairman of Massachusetts Investors Trust, Boston, said that neither investment companies, trust companies or other institutional holders "are ever justified in using waste-baskets as receptacles for proxies to vote at corporate meetings. Let us remember that if corporate management tends to interpret stockholder quiescence as acquiescence, we must all bear some share of the blame. It is our duty to speak whenever and wherever the voice of the alert stockholder is needed." The voice of the small stockholder, if raised individually, Mr. Griswold added, "would be nothing more than a voice crying in the wilderness."

The National Association of Investment Companies is an organization with more than 100 members having upwards of 1,000,000 stockholders and assets estimated at approximately $1,500,000,000 invested in about 3,000 separate securities.

Emphasizing that most publicly owned corporations are managed with integrity, skill and foresight, Mr. Griswold said that the investment companies, representing the ultimate owners of American enterprise, should nevertheless supply an alert stockholdership. "Our role," he said, "is neither that of professional dissenters nor that of constitutional whitewashers, but of honest and careful protectors of our own interest and that of our fellow stockholders."

"In this aim of providing an alert stockholder viewpoint," he added, "there is no reason why investment companies should not work together. There must be democracy in business ownership as truly as there must be democracy in government."

Mr. Griswold expressed the personal conviction "that publicly owned corporations should have on their boards at least one or two truly independent and adequately paid directors who are in no way connected with the management. Such directors, obviously, could not be employes of the corporation, nor should they be interested in its financing or be too closely allied by any other ties with management. It is significant that almost every well-known company does in fact have some independent directors."

Palyi Says Treasury's International Stabilization Plan Would Expropriate America's Wealth

"The Treasury's plan of international stablization (the so-called White Plan) would amount in effect to lawfully expropriating a substantial part of America's national wealth," Dr. Melchior Palyi, Hungarian-born finincial expert stated on August 25. The Chicago economist declared that "the White Plan, as well as similar ones put out by the British and Canadian governments, pretend to bring equilibrium into the international balances of payments, but in reality all they propose is to have the United States pay for the deficits in the foreign trade of other countries and to maintain their exchange rates at our expense. Obviously, the purpose of the game is to exact from this country a vast amount of money under false pretenses."

Leefe Joins Gruntal In Municipal Dept.

Gruntal & Co., 30 Broad St., New York City, members of the New York Stock Exchange, announce that Charles C. Leefe, for the past year Vice-President of R. A. Ward & Co., Inc., is now associated with them in their municipal bond department. Formerly, Mr. Leefe was associated with B. J. Van Ingen & Co., Inc., and, before that was a partner in the firm of Gibson, Leefe & Co.

INDEX

Post-War Conditions Demand Dynamic Economy Says First National Bank Of Boston

Urges Revitalization Of Free Enterprise

The problems to be faced in the post-war period "will call for a dynamic and expensive economy, with the full use of the nation's facilities and manpower and the adoption of policies that will square with the underlying principles largely responsible for the country's industrial greatness," according to the First National Bank of Boston.

In its Aug. 31 New England Letter, the bank says that the successful functioning of the nation's economy "is possible only under free enterprise and its concomitant democratic form of Government, but these need to be strengthened if we are to be in position to meet the demands of the times."

Pointing out that the "driving force behind all progress is private initiative and the unleashing of personal energy in response to rewards for achievement," the bank calls for a revitalization "of our enterprise system all along the line so that we may most effectively muster our strength" to meet the post-war challenge of carrying staggering debts and providing jobs for the many millions to be released from the armed forces and war industries.

Continuing the bank's "Letter" says:

"A vigorous and healthy economy is dependent upon a proper relationship between Government and business. Each should be kept within proper bounds.

"Business management as the innovator and the pace-setter under private enterprise must have a keen sense of social responsibility in order that the net outcome of its aggregate policies and activities may be for the betterment of all. In reality, management serves in the capacity of trustee for the common good. Management cannot effectively perform its mission when it is placed in a strait-jacket, its prerogatives seriously encroached upon, and harassed at every turn. It must be given the necessary freedom of action in order to carry out its trying and momentous tasks.

"Under a dynamic economy the Government would play a passive role, except in case of emergency. Its primary function should be formulating the rules of the game and their impartial enforcement. It should stimulate and not stifle private initiative, and should encourage the people to help themselves instead of supplying them with crutches, although of course necessitous relief should be provided. Moreover, it should adopt polices that make for a smooth-running economy, free from the gyrations and speculative influences that leave graring maladjustments and tragedy in their trail. Above all, it should conduct the affairs of state in a manner that makes for national unity, which is essential to the full utilization of our powers.

"Labor organizations, under responsible and constructive leadership, can contribute greatly to the effective operation of our economy. After years of struggle, labor now has preeminent power in national affairs, and it is essential for its own good, as well as that of the nation, that its influence should be on the side of general welfare. Since wage payments are dependent upon output, it is obvious that the greater the productivity the more there will be for all. In view of the fact that compensation to employees is about 14 times more than is distributed in the form of dividends to stockholders, it is apparent that workers have the greatest stake of any group in the productiveness and preservation of private enterprise. When wage rates are forced upward beyond what the traffic can bear, a decline in employment follows, with the consequence that jobs are destroyed, as has been the case in the building and railroad industries. The true spirit of democracy must prevail within the labor movement, for every restriction that is imposed upon the liberty and initiative of workers reduces the productivity of labor and results in a lower standard of living for all."

John Hawkins With Bacon, Whipple & Co.

CHICAGO, ILL.—The investment firm of Bacon, Whipple & Co., 135 South La Salle St., members of the New York and Chicago Stock Exchanges, announces that John C. Hawkins has become associated with them. Mr. Hawkins began his investment career in 1920 with the Chicago office of William A. Read & Co., predecessor to Dillon, Read & Co., after his graduation from West Point and subsequent service in the army as a Captain during World War I.

In 1934 Mr. Hawkins joined Shields & Co. and for five years, 1936 to 1941, served as Vice-President in charge of the investment portfolio of Investors Syndicate in Minneapolis. After Pearl Harbor he applied for and was commissioned a Major in the army and served until a year ago when he was retired because of physical disability for active service.

Gisholt Co. Interesting

Gisholt Machine Co. offers an attractive situation, according to a memorandum prepared by Herzog & Co., 170 Broadway, New York City. Copies of this interesting memorandum may be obtained upon request from Herzog & Co.

Lamborn Named V.-P. Of N. Y. Coffee & Sugar Exch.

Ody H. Lamborn, President of Lamborn & Co., Inc., and internationally known authority on sugar, was elected Vice-President of the New York Coffee and Sugar Exchange on Aug. 26 to fill the vacancy caused by the resignation of Frank C. Russell. Mr. Russell became Director of the New York District of the Office of Price Administration in June, as was noted in these columns June 10, page 2190.

National City Interesting

The current situation in National City Bank 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.