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Facts, Figures and Promises

Hawkes Says Federal Planners' Goal Is Destruction Of Free Enterprise System And Unhampered Individual Initiative

Declaring that the Federal planners appear to have as their objective "the assumption of greater power and control over individual life," U. S. Senator Albert W. Hawkes (Rep., N. J.) warned last week that if the policies of the past 10 years are continued they "can only lead to the destruction of the system of free enterprise and unhampered private initiative and the substitution of state direction and control of all the lives of our citizens."

In an address before the annual dinner of the Controllers Institute of America, at the Waldorf-Astoria in New York City, Senator Hawkes called on American businessmen "to take part in the American system of government, by acting now to reverse the trend in governmental affairs." He added that, otherwise, the trend "will lead ultimately to the destruction of states' rights, the socialization of the school system, of medicine, of the legal profession and of business and industry."

Sen. A. W. Hawkes

The Senator also cautioned that after peace comes jobs must be found for returning servicemen and war workers through the re-

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Post-War Tax Program Advanced By Magill

Former Under Secretary of Treasury Predicts Federal Budget of $20 Billions

Says Personal Income Taxes Will Remain at 1942 Levels, but Corporate Taxes Will Be Lower—Would Repeal Profits Tax to Foster Business

Average expenditures of the Federal Government will run about 20 billion dollars annually, during the first ten years following the war, it was predicted on Sept. 22 by Roswell Magill, member of the New York law firm of Cravath, de Gersdorff, Swaine & Wood, and formerly Under-Secretary of the U. S. Treasury, in an address on "The Post-War Federal Tax System," delivered at the 12th annual meeting of the Controller's Institute of America at the Waldorf-Astoria in New York City.

In outlining the necessary changes in the post-war tax system, Mr. Magill said it was probable that individual income taxes would be maintained at 1942 rates; that corporate income tax rates would be gradually reduced; that excess profits taxes would be abolished; that a general sales tax would probably be adopted; and that gift and estate taxes would be coordinated into a single transfer tax.

Roswell Magill

The necessary 20 billions of annual Federal revenue could be raised, he stated, from individual income taxes of $8 billions, corporation income taxes of $4.4 billions, estate and gift taxes of $1 billion, liquor taxes of $1.5 bil-

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Our Post-War National Debt

Doctor Saxon Urges Return to Economic and Fiscal Sanity In Spending and Taxation If $300 Billion Post-War Debt Is to Be Repaid

A return to economic and fiscal sanity in spending and taxation will be required if the post-war national debt of $300,000,000,000 is to be repaid in honest dollars, it was asserted on Sept. 20 by Olin Glenn Saxon, President of the Pennsylvania Economy League and Professor of Economics at Yale University.

In an address before the annual meeting of the Controllers Institute of America in New York City, Doctor Saxon expressed the belief that this huge debt can and will be paid if the American people have the moral fibre and economic good sense to do it.

Dr. O. Glenn Saxon

Pointing out that the national debt and taxes must be thought of in terms of work, since work is a major factor in production, Doctor Saxon said that "if the average wage of a worker were $1 an hour, a $300,000,000,000 debt means that every one of America's 50,000,000 workers would have to contribute 6,000 hours or 150 weeks of 40 hours, or about three work-years, to pay off the debt." He added that the annual interest alone, at 3%, would require 9,000,000,000 work-hours per year.

With respect to Secretary of the Interior Ickes' recent "astounding" statement that the United States are worth $12,023,000,000,000, Doctor Saxon termed the statement quite "irresponsible" and said "it belittles the gravity of our skyrocketing national debt" ("already," he noted, "the largest in all history") and "poohpoohs the possibility of national bankruptcy." He stated that "our people will gladly make all necessary sacrifices in lives and dollars to

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Corn Exchange Bank Of Philadelphia Now 85 Years Old

The Corn Exchange National Bank and Trust Co. of Philadelphia marked the 85th anniversary of its founding on Sept. 23. The total resources of the institution — the second largest national bank in Philadelphia —now stand at an all-time high — being well in excess of $200,000,000, which contrasts with the original figure of less than $200,000 in 1858. When the bank first opened for business on Sept. 23, 1858, as a State institution, it had a paid-in capital of $130,000. However, five years later, when the institution was placed under the National Banking Act, the capital was increased

David E. Williams

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In This Issue

How Far Can We Go In Organizing Peace?

Senator Harold H. Burton of Ohio at the two day Forum on "Our Future World" held at Christ Church, New York City spoke on "How far can we go in Organizing Peace?" We give below the address of Senator Burton:

How far can we, the people of the United States, go in organizing peace?

The question is timely and practical. It deserves a specific and practical answer. I shall, therefore, break the question into three parts. First, how far can we go within the United States? Second, how far can we go within the Western Hemisphere? Third, how far can we go on a world-wide basis? In each case the question is how far can we go toward establishing and organizing a just and lasting peace that will live and grow with us?

Hon. H. H. Burton

1. Within the United States

Our internal stability within the United States, for years to come, will be vital not only to ourselves and as one element in world-wide stability, but also as an outstanding example of the practice of the principles we preach.

As America turns from the governmentally financed war production during her first total war to the far freer privately financed peace-time production of useful goods, she will do so under the heaviest taxes in her history and under a national bonded debt ten times heavier than at any time before the war.

We must take these burdens in our stride. These bonds are held by every church, insurance com-

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A Plan for the Deduction of Post-war Reserves

Walter A. Cooper Regards Equity In Tax Important

Declaring that industry needs reserves to meet post-war requirements, Walter A. Cooper, New York certified public accountant, on Sept. 22 called for the development of a "broad, flexible formula with a proper safeguard in the form of a recapture clause." In an address before the meeting of the Controllers Institute in New York City, Mr. Cooper, a partner in Peat, Marwick, Mitchell & Co., presented a six-point plan designed to accomplish this end.

Walter A. Cooper

Mr. Cooper's remarks follow in part:

"We need post-war reserves in order to place industry in a financial position to swing immediately into a war against unemployment and to meet and overcome all the problems of relocation conversion and rehabilitation which will develop when war activities cease. The crying need now is for the development of a formula, with necessary safeguards and controls, that will accomplish substantial justice without permitting abuse of the privilege or improper loss of revenue to the Treasury. My own experience has been that one narrow formula is always open to the objection that, under the circumstances of certain tax-payers, improper tax avoidance will be possible and, in other cases, that inadequate relief will be afforded. We must have a very broad, flexible formula, with a proper safeguard in the form of a recapture clause.

"The six basic features of a plan which would meet this requirement are as follows:

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New Orleans Dealers Cited For Work In Third War Loan Drive

NEW ORLEANS, LA.—Officials of the Third War Loan drive in New Orleans cited the work of the investment dealers and brokers group, headed by William Perry Brown of Newman, Brown & Co., which with a goal of $2,000,000, has sold $8,241,968 in bonds. Mr. Brown, in explaining the work done by his unit, declared "The reports that have been turned in show hundreds of sales of war bonds, the larger majority in small bonds. Contrary to what might be expected, these sales have been made mostly to small investors."

Other members of the dealers' committee, whose activities accounted for more than 16% of the total sales made during the campaign, are Ernest C. Villere, St. Denis J. Villere & Co.; Irving K. Weil, Weil & Co.; Walter D. Kingston, Lamar, Kingston & Labouisse; and Albert J. Wolf, Merrill Lynch, Pierce, Fenner & Beane.

Boston Stock Exchange Elects New Officers

BOSTON, MASS.—At the annual meeting of the Boston Stock Exchange, Stearns Poor was elected President. He had been Acting President since June 3, succeeding Archibald R. Giroux, who resigned to enter military service.

Horace O. Bright, Elmer H. Bright & Co., was elected Vice-President and Mark R. Hodges, Schirmer, Atherton & Co., Treasurer. Elected to the governing committee with terms expiring in 1945 were: Louis Curtis, Brown Brothers Harriman & Co.; Constantine Hutchins, Hutchins & Parkinson; William R. Long; Daniel Pingree; Ray E. Southgate; and Lester Watson, Hayden, Stone & Co.

J. H. Hunt Now With A. M. Kidder & Co.

(Special to The Financial Chrcnicle)

DETROIT, MICH.—James H. Hunt has become associated with A. M. Kidder & Co., Penobscot Building. Mr. Hunt was formerly manager of the trading department of L. T. Hood & Co. and prior thereto served in a similar capacity with S. R. Livingstone & Co. In the past he was with Palmer, Everham & Co. and Alison & Co.

Seaboard Air Line Ry. Situation Interesting

L. H. Rothchild & Co., 120 Broadway, New York City, have prepared a brief study on the proposal to retire the receivers' certificates and other outstanding bonds of the Seaboard Air Line Railway, analyzing the result of such action on various outstanding issues. Copies of this interesting analysis may be had from the firm upon request.

Huff, Geyer & Hecht Now Co-Partnership

Robert H. Huff, George Geyer and John C. Hecht announce the formation of the co-partnership of Huff, Geyer & Hecht, to specialize in wholesale distribution of insurance and bank stocks.

The firm's main office is located at 67 Wall Street, New York City. Branches are maintained in Boston and Chicago.

Walter Collins Now With Tobey & Kirk

Walter T. Collins, until 1939 a partner of Hemphill, Noyes & Co., has become associated with Tobey & Kirk, 52 Wall Street, New York City, members of the New York Stock Exchange. Mr. Collins' original connection with the investment business was with Lee Higginson in Chicago.

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OUR REPORTER'S REPORT

With the Third War Loan Drive scheduled to close at midnight Saturday investment banking interests, who have virtually suspended their regular order of business since the ninth of the month, are beginning to look forward to a return to normal pursuits for a spell.

Naturally the main interest, at the moment, centers around prospective resumption of new corporate financing and refundings. And just now discussion lends itself chiefly to the business of seeking to figure which of the several issues, recently placed in registration with the Securities and Exchange Commission, will be the first to reach market.

Consensus appears to be that the honors probably will go to P. Lorillard & Company in that respect, although it recognized that Atlanta Gas Light Company's proposed $7,500,000 of first mortgage bonds, having been registered more than a month ago, must be considered as a possibility.

The P. Lorrillard financing, a negotiated deal, since it is an industrial and does not come under Rule U-50 providing for competitive bidding, as utility company issues do, is favored to start the ball rolling.

This financing involves $20,000,000 of twenty-year debentures, and 374,391 shares of additional common stock and will provide the company with funds

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House Group Against Ending Renegotiation

The House Naval Affairs Committee voted 17 to 5 on Sept. 28 against recommending repeal of the statute providing for renegotiation of war contracts.

The motion, offered by Representative Cole (Rep., N. Y.), pertained to the recovery of "excessive" war profits on contracts made after Jan. 1, 1944. The Naval Committee now has under consideration various proposals for renegotiation law changes, including the question of authorizing the renegotiation after—instead of before—taxes.

The House Ways and Means Committee voted on September 27 against recommending termination of the law. A subcommittee has been directed to make a report to the full committee as to possible revisions in the measure. The hearings before this committee were referred to in our issue of Sept. 23, page 1193.

Warns OPA To Alter Practices Or People Will 'Revolt' at '44 Elec.

The Office of Price Administration was warned by Senator Thomas (Dem., Okla.) on Sept. 25 that there would be a "revolt" against the Democrats in 1944 unless OPA officials abandoned practices "contrary to the American way of life."

In a letter to Chester Bowles, OPA General Manager, Senator Thomas wrote, according to the Associated Press, in the New York World Telegram":

"I cannot believe that your administration desires to make the OPA so unpopular, oppressive and ridiculous as to cause the people of the country to revolt almost solidly at the election to be held in 1944."

"I have just spent two months in Oklahoma, and the wave of resentment there is almost universal against the practices which are considered entirely unnecessary and contrary to the American way of life."

"No doubt you know that in some of the states the citizens have already practically repealed the Price Control Law, and act exactly as if no such law existed."

McGinnis To Address Customer Brokers

Patrick McGinnis, of Pflugfelder, Bampton & Rust, will address the Association of Customers' Brokers on Wednesday, Oct. 6, on the subject: "What About Railroad Securities Now?" The meeting will be held in the Board of Governors' Room of the New York Stock Exchange, 6th Floor, 11 Wall St., New York, at 3:45 p.m.

Over-Priced Growth Stocks

By M. D. POPOVIC

Analyst Contends Aircraft Manufacturing Stocks Are Reasonably Priced While Airline Equities Are Selling at Twice Their Worth—Believes Electronic Securities Over-priced Too—Urges Caution in Buying Into Growth Industries

That portion of the address made last week by M. D. Popovic of the Blue Ridge Corp. before the New York Society of Security Analysts pertaining to over-priced growth situations is given below. Mr. Popovic made it clear that he spoke as an individual and not as an employee of the investment company. His remarks follow:

What Is Security Analysis Work?

In order to gain perspective, even at the danger of being impertinent, I think it is well to lay down some basic principles on security analysis. We can divide this work under three main headings.


M. D. Popovic

First: There is economics in general. It is necessary to have a clear idea what makes the world go round and what changes and developments are in progress.

The second point is familiarity with the status and personality, so to speak, of individual companies in terms of operations, management, assets, etc., etc., and how they fit into the larger pattern of economic structure.

Last, and by no means least, important is the factor of how does the market appraise these various investment elements.

Market Irrational

It is not necessary to emphasize that values and market are sometimes completely divergent. We all remember, for example, the prices of 1929 when every stock was a growth stock and the entire market was discounting the growth of the country and profits for 25 years ahead. Anyone who kept his head and looked at the thing rationally could have seen the unreasonableness of it, but you cannot control supply and demand by reasoning when the de-

(Continued on page 1307)

Wanted: Adequate Basis For a Just and Lasting Peace

Norman Thomas, Chairman of the Executive Committee of the Post-War World Council, and a four time Socialist candidate for President, in an address earlier this month at a two-day forum on "Our Future World" held at the Christ Church in New York City, asked for an adequate basis for a just and lasting peace. The address of Dr. Thomas follows in full:

My time is limited and I shall say things which oppose the kind of talk most common on the radio and lecture platform. I shall therefore be forced to seem more blunt and dogmatic than would be the case if I had more time. I assume that we are all united by our desire for a just and lasting peace. I hope we are united in believing that such a peace is possible even though difficult to win. There are, however, wide divisions of opinion among us which ought to be frankly faced.


Norman Thomas

I think, however, that there will be fairly general, although reluctant agreement that officially the United States of America has no adequate basis for a just and lasting peace. America finally went into the war all the way because of the Japanese attack at Pearl Harbor and the German declaration of war against us. We did not go to war for the four freedoms. Apparently we are fighting now for "victory" but, since the war was far more remote from us than from our Allies, victory of itself

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Denver & Rio Grande Western Interesting

Pfugfelder, Bampton & Rust, 61 Broadway, New York, members of the New York Stock Exchange, have prepared a most interesting circular on the Denver, & Rio Grande, Western Railroad, which is creating new securities. Copies of this circular discussing the situation in detail, may be had from the firm upon written request.

Tomorrow's Markets Walter Whyte Says——

Market reaction about over. Expect dullness or resumption of advance within another point or so.

By WALTER WHYTE

If you look into the news for a reason to explain the current dragging reaction, you will search and search without finding any plausible excuse. Yes, you will discover that Congress is scheduled to discuss the new tax program. You may even come upon other bits of information you can add to your collection of trivia; certain "dope" stories analyzing the problems of contract renegotiations, may come your way. But the sum total of your knowledge will be of little help in discovering just why a market which acts so well one day suddenly goes down and acts miserably the next. No, the answer to the market will not be found in the news but in the market itself.

* * *

Last week, for example, you saw the familiar averages nibbling away at the 142 figure after they had moved up from 138. It was possible then to envisage a break through on the upside with certain stocks going on up to new and higher prices.

* * *

But if certain stocks did indicate such a possibility, the action of the market, as reflected in the averages, did not concur. These averages at best showed a drying up of buying power at last week's highs or a gradual retreat of approximately 2 points or so. Of the two, last

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SEC To Begin Hearings Today On NASD Right To Discipline Members

Case Arose On Alleged Violations On Public Service Co. Of Indiana Bond Sale

The Securities and Exchange Commission will begin today, Thursday, oral arguments, in a four-year old case involving the right of the National Association of Security Dealers, Inc., to punish its members for violation of underwriting agreements under its rules of fair practice and whether underwriting agreements are valid and enforceable by disciplinary action of the Association.

The case arose from the public offering of $38,000,000 Public Service Co. of Indiana first mortgage bonds in 1939 by a syndicate headed by Halsey, Stuart & Co., Inc. and comprising 67 underwriters and 396 selling group members. The syndicate agreements set the selling price of the bonds at 102 with certain exceptions, but almost from the first day of the offering, sales at prices below those permitted by the agreements began to occur. The NASD investigated, found violations and levied fines against 70 of its members. The SEC then ordered a review of the disciplinary action and six typical cases were selected for the purpose.

The Association will contend that each of the six John Doe cases violated Rule 1 of its rules of fair practice in selling the securities involved at prices below the selling agreement to which they originally subscribed.

The NASD also will contend that the sole question presented is whether the acts and practices under review are "inconsistent with the high standards of commercial honor and just and equitable principles of trade," and that no jurisdiction to apply or enforce the Sherman Anti-Trust Act has been granted the SEC.

Counsel for the SEC will argue, according to briefs already submitted, that the conduct of none of the members was inconsistent with the standards of commercial honor nor prohibited by the NASD rules, that such underwriting agreements are in unlawful restraint of trade in securities and therefore a violation of the Miller-Tydings amendment of the Sherman Anti-Trust Act.

The validity of underwriting agreements is said never to have been tested and it is understood that both sides would like an appeal carried to the Supreme Court to determine whether such agreements were in restraint of trade as defined by the Sherman Act.

Western Pacific Railroad Situation Attractive

Du Bosque & Company, 72 Wall Street, New York City have prepared an interesting analysis of Western Pacific Railroad with special reference to new income mortgage bonds. Copies of this interesting circular discussing the situation in detail may be had from Du Bosque & Company upon request.

The Transition From War To Peace

Recent military victories in the Mediterranean theatre and in Russia indicate perhaps more decisively than previous ones that the tide of battle has turned strongly in favor of the United Nations. These developments are bringing forcefully into the minds of investors the economic problems of transition from war to peace.

What will be the effect of the transition period on national income, on business volume, on business profits, and finally on prices of common stocks? Will the market look beyond it to the post-war era when business volumes and pofits will probably be at high levels, or is it likely that the change-over may prove sufficiently difficult so that the post-war outlook as now seen will come to appear much less hopeful in the light of the problems that will arise during the transition period? Possibly aggravating and increasing the apprehensions and uncertainties that will come with unemployment, the demobilization of the armed forces, and the contraction of production and national income, may be uncertainties regarding the peace settlement, international trade relations, tariff policies, and domestic and foreign politics.

Although conditions after this war will differ in many important respects from those which prevailed after World War I, an analysis of business and market developments following the Armistice on November 11, 1918, is worth-while in any effort to gain some prespective on the character and dimensions of the problems with which business and investors will be faced. Detailed studies made by the research group show that the transition from war to peace after the Armistice in 1918 occurred with very slight disturbance to production, commodity prices, or stock prices. In the first World War, however, only 25% of the total output of goods and services was devoted to military purposes, compared with 50% of the gross national product that is now directed to the war. Some important industries such as the automobile industry were never converted to war work last time as they have been in the present war; hence the physical conversion problem was not as great then as now. The business boom that developed after the last war was partly the result of continued government deficit spending after the Armistice; but to a greater extent it was the result of business spending for inventory and for machinery and of the high level of consumer demand for goods.

Will the transition to peace come about this time with as little initial disturbance as in World War I? Some comparisons and contasts will help to highlight the situation that we are going to face when peace arrives.

In the last war there were 4,000,000 soldiers in the armed forces to be demobilized, compared with about 11,000,000 expected to be in the Army and Navy at the end of this war. It is also estimated that 12,-15,000,000 employees now in war work will have to find jobs in peace-time work. In this war new industries in new locations have been created for the building of tanks, airplanes, and other types of armaments. The relocation of population in established peace-time industrial regions may increase the difficulties of readjustment. The unemployment problem is likely to be substantially more severe after this war than after the last one, at least for a period of several months.

Outstanding contracts will of course be much larger at the end of this war than last time, and therefore the problems connected with this will be proportionately greater. It is apparent that can-

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Railroad Securities

Considering the record of delays and uncertainties that have characterized arbitrage operations in such reorganizations as Missouri Pacific and St. Paul, and the belief in many quarters that when-issued contracts for the new securities of those roads will eventually be cancelled, it comes as somewhat of a surprise to find when-issued trading already instituted in the new Denver & Rio Grande Western securities. This trading started immediately on approval of the ICC plan by the District Court on Sept. 15.

The new first mortgage bonds, which will bear only 3% fixed interest and an additional 1% contingent, started trading a few points above 80 but have since settled back to a current market around 77 bid—78½ asked. The junior securities were more realistically priced in initial trading and have since moved forward a few points. The income bonds are currently quoted 42½ bid—43½asked, the preferred 33 bid—33¾ asked and the common 19 bid—19¾ asked. The effective date of the plan is Jan. 1, 1943, so that income accrues on the new securities from that date. In the case of the first mortgage bonds, however, only the 1% contingent portion accrues to the when-issued buyer.

Present indications are that objections to the plan will be no more than perfunctory, in which event reasonably early consummation of the plan may be expected. Certainly Judge Symes has given every indication of his own desires to expedite the proceedings. Nevertheless, unexpected delays have had a habit of popping up in Section 77 actions and delivery of the new securities within the next year would appear as too optimistic an expectation. With this background, most rail men have been advocating against the purchase of the when-issued contracts, recommending instead the purchase of the old securities. These old bonds, with the exception of the general 5s, 1955, sell well below the value of the securities they are to receive, and if the plan is to be consummated speedily this arbitrage spread will have to close up, with a consequent more rapid enhancement in the old than in the new securities.

The following tabulation outlines the proposed allocation of new securities to the old bonds.

	3-4% Firsts	4½% Incomes	5% Preferred	Common	*Value of New Securities	Market Price old Securities
RGW 4s, 1939	$970.20	$349.60			89½	80
†RGW 4s, 1949		266.00	$970.90	.931 Sh.	†43½	48½
DRG 4s, 1936	318.92	217.08	321.60	4.824	53½	44
DRG 4½s, 1936	329.03	223.97	331.80	4.977	55¼	45
D & RGW 5s, 1978	250.01	159.61	310.75	6,921	50½	40
D & RGW 5s, 1955				1.461	2¾	5½

*Based on bid when-issued quotations.
†Also distributive share of the Utah Fuel stock.

With the exception of the Rio Grande Western collateral 4s, 1949, a portion of whose value is represented by the Utah Fuel stock, and the general 5s, 1955, the system bonds range approximately 10 points below the present bid value of the securities they are to receive. If the new securities do no more than stay stable at recent levels there would be this much appreciation left in the old bonds between now and consummation of the plan, plus the income accruing on the new securities in the interim. If the new securities move forward from recent prices, as is believed likely, the old securities must necessarily participate in the rise.

Optimism towards the outlook for the reorganized Denver & Rio Grande Western is based on the marked change in recent years in the nature of the territory served, and the equally marked change for the better in operating conditions resulting from the improvement in physical plant. Virtually the entire main line has been rebuilt during trusteeship. With a similar physical improvement in the connecting Western Pacific, this route will finally be in a position to compete permanently for the profitable transcontinental traffic. It is notable that during the reorganization proceedings the Commission commented that the full benefits of the Dotsero Cutoff had never up to that time been realized.

The road directly serves the important Provo, Utah steel center which is considered by competent

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Ohio Municipal Comment

By J. A. WHITE

During this lull in municipal activity, while the Third War Loan is being made successful, some attention might well be paid to the enviable record made by Ohio communities in the reduction of their debt burden. The following information is taken from reports of the Ohio Municipal Advisory Council. A few words here about this Council, generally known as the O. M. A. C., would be appropriate.

It is an organization composed of, and supported entirely by the more active dealers, and a few of the larger investors, in Ohio municipal bonds. During and since the depression of the early thirties, it has given sound and valuable advice to many municipalities. In addition, for more than ten years, the Council has made available to its members the most complete and the most reliable financial information available about all Ohio political subdivisions. Reports are made continuously, both for individual subdivisions and in summary form for all subdivisions. These reports are the only source of information about the overlapping debt of Ohio communities. The Council maintains permanent offices in the Cuyahoga Building, Cleveland.

HISTORY OF REDUCTION IN ACTUAL BONDED DEBT AND IN DEBT BURDEN FOR ALL OHIO SUBDIVISIONS AS A GROUP

(In Thousands of Dollars)

Date—	*Total Debt	*Net Debt	% of Net to Assd. V.	Assessed Valuation
Jan. 1, 1933	$898,600	$735,443	7.4%	$9,985,252
Jan. 1, 1934	864,205	702,553	8.0	8,782,658
Jan. 1, 1935	835,233	667,123	7.7	8,683,853
Jan. 1, 1936	799,823	650,408	7.5	8,702,584
Jan. 1, 1937	765,388	617,529	7.1	8,710,268
Jan. 1, 1938	714,292	580,930	6.4	9,089,802
Jan. 1, 1939	716,307	581,804	6.3	9,162,336
Jan. 1, 1940	704,059	559,869	6.1	9,174,832
Jan. 1, 1941	679,573	540,124	5.8	9,276,151
Jan. 1, 1942	643,842	511,398	5.4	9,526,386
Jan. 1, 1943	614,343	471,130	4.7	10,020,343
Actual Reduction	$284,257	$264,313		
Per Cent Reduction	32%	36%		

*Figures for Total Debt and Net Debt do not include debts of Conservancy and Sanitary Districts, State Bridge Commission or State Universities, except that Net Debt figures since 1935 include an allowance for most of the debt of the Miami Conservancy District and the Mahoning Valley Sanitary District.

The peak total debt in the state was on Jan. 1, 1931, $976,901,771, reduced to $941,744,841 on Jan. 1, 1932. Thus, this total debt of the state has been reduced $362,559,000, or 37%, since the peak on Jan. 1, 1931.

As of Jan. 1, 1943, the net direct debt of all counties combined was only 0.7 of 1% of the assessed valuation of all the counties combined. As of Jan. 1, 1933, this ratio was 1.4%, showing that the net direct debt burden of the counties as a whole has been cut in half since Jan. 1, 1933.

As of Jan. 1, 1943, the net direct debt of all the cities in the state (5,000 or more population) was 3.9% of the assessed valuation of all such cities. As of Jan. 1, 1933, this ratio was 4.9% and as of Jan. 1, 1934, 5.5%.

1933-43 In Retrospect

This enviable reduction in debt has been accomplished during depression and prosperity, and despite a severe reduction in the tax limitation. Effective Jan. 1, 1931, the voters of Ohio wrote into the state constitution a tax limit of 15 mills, unless levies be voed outside such limitation by the people of the community. Effective Jan. 1, 1934, this limitation was reduced to 10 mills.

Furthermore, as the above table shows, the assessed valuation of taxable property in the state took a tumble in 1933 from which, despite gradual increases each year, it did not recover fully until 1943. Finally, one need not be reminded that the depression of the early thirties reduced the collection of taxes in many areas well below 100% of the levy.

Thus, in 1934, the subdivisions of Ohio were faced, all at the same time, with a severe reduction in tax levies, a severe reduction in assessed valuations and a severe reduction in tax collections. At the same time heavy relief costs were added to the cost of operating many communities.

Relief from this critical situation came from several sources. In 1934 the sales tax was levied to replace revenues lost by the reduction in the real estate tax limitation from 15 to 10 mills. In 1938 the Supreme Court rendered the now famous Hudson Case decision, holding that debts incurred prior to the Jan. 1, 1931, and Jan. 1, 1934, tax limitations were not subject to such limitations and could be paid from taxes levied outside the limits. The people of many, and perhaps most commuities have voted tax levies outside such limitations for both operating expenses and debt service. (Some comunities, for example Hamilton County, voted permission to levy outside the limitation the taxes necessary to pay all the debt outstanding at the time.) Of course, the passing of the bank holiday and the debacle of the thirties, has brought increasing property values and increasing tax collections.

But even during the trying years of 1933-35, the subdivisions of Ohio as a whole reduced their total debt by $100,000,000. In fact, the annual reduction in debt during the depression years was maintained at approximately the same rate as in subsequent, more prosperous years. Be it ever remembered, moreover, that the laws of Ohio, and the court decisions of Ohio, hold uniformly that the payment of debt requirements takes precedence over payment of operating expenses.

Prospects for New Municipal Issues After the War

During the 11-year period covered by the above figures, the only year in which there was an increase in the total debt in the state was in 1938. During that year subdivisions throughout Ohio were issuing many bonds in conjunction with grants and loans from the Federal Government. Some talk has been heard lately of the prospects for the issuance of a considerable amount of municipal bonds after this war, possibly in conjunction with Federal aid in another vast public works program. On can hardly deny that grants for such purposes were made on a vast scale in 1938, but it is interesting to note from the above figures that during that year the total amount of bonds outstanding in Ohio increased only $2,115,000, or 0.3% of 1%. Moreover, to a certain extent this program of public works carried over into 1939, but during that year the bonds outstanding in Ohio were actually reduced by more than $12,000,000. One is forced to wonder huw much increase in total municipals will actually be made available during another public works program.

Ohio State Surplus Of $35,815,000 Expected

Assuming revenues hold steadily during the balance of the 1943-44 biennium, the State of Ohio will have a net surplus of approximately $35,815,000 in its general fund at the close of Governor John Brickner's third administration, it was indicated in figures released last week by William S. Evatt, State Tax Commissioner.

In the first eight months of 1943, or one-third of the biennium, general fund revenues as listed in an official compilation totaled $83,945,249, exceeding by $15,271,915 the State's budgetary estimate of $68,673,334 for the same period.

"On this basis—assuming revenues will remain at present 1943 levels—Ohio would accumulate about $45,815,000 above budgetary requirements by Dec. 31, 1944," Mr. Evatt said.

"Out of this, however, must come a contingent appropriation of $6,000,000 for post-war highway construction. Thus the prospective surplus would be reduced to about $39,815,000, from which $4,000,000 will have accrued for the school foundation program and should be deducted. The net surplus therefore could be around $35,000,000."

Ohio Municipal Price Index

Date—	Composite Index for 20 bonds	Ten High Grade Bonds	Ten Lower Grade Bonds
Sept. 29, 1943	1.41%	1.22%	1.60%
Sept. 22	1.41	1.22	1.60
Sept. 15	1.43	1.24	1.62
Sept. 8	1.42	1.24	1.61
Sept. 1	1.42	1.23	1.61
Aug. 25	1.44	1.25	1.63
Aug. 18	1.44	1.25	1.63
Aug. 11	1.45	1.26	1.64
Aug. 4	1.45	1.26	1.64
July 28	1.45	1.27	1.64
July 21	1.48	1.29	1.67
July 15	1.50	1.32	1.68
Mar. 16	1.76	1.55	1.97

Foregoing tabulation was compiled by J. A. White.

STANY Committee To Receive Nominations

The Nominating Committee of the Security Traders Association of New York, Inc., will hold open meetings at the Produce Exchange Luncheon Club on Tuesday and Wednesday, Oct 5 and 6, 1943, from 5 P. M. to 7 P. M. At these meetings the Committee will be glad to receive for their consideration, recommendations and suggestions from the membership, in respect to the following offices to be filled at the annual election in December:

President, First Vice-President, Second Vice-President, Secretary, Treasurer, three members of the Board of Directors, two trustees of the Gratuity Fund, three delegates to the National Convention, and five alternates.

These will be the only such open meetings held, and the committee invites and urges members to appear before it at one of these meetings and make his wishes and the reasons therefore known.

Members of the Nominating Committee are William K. Porter, Hemphill, Noyes & Co., Chairman; Philip H. Ackert, Freeman & Co.; Frank H. Blair, Allen & Co.; William T. Mellin, Bond & Goodwin, Inc.; Eugene Stark, Merrill Lynch, Pierce, Fenner & Beane.

Extension Of Time On Colombian Bond Offer

Holders of Republic of Colombia 6% external sinking fund gold bonds dated July 1, 1927, and due Jan. 1, 1961, and 6% external sinking fund gold bonds of 1928 dated April 1, 1928, and due Oct. 1, 1961, are being notified of the extension of time within which to exchange the bonds and the appurtenant coupons designated in the offer, dated June 5, 1941, for Republic of Colombia, 3% external sinking fund dollar bonds due Oct. 1, 1970, is extended from Oct. 1, 1943, to April 1, 1944.

The exchanges are being effected through the National City Bank of New York, as agent.

G. Parr Ayers With Field, Richards Co.

(Special to The Financial Chronicle)

COLUMBUS, OHIO — George Parr Ayers has become associated with Field, Richards & Co., whose main office is located in the Union Commerce Building, Cleveland. Mr. Ayres for the past ten years has conducted his own investment business in Columbus. Prior thereto he was with Huntington Securities Company.

Railroad Securities Look Good For Peace Time

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have prepared for distribution an attractive reprint of the address of Arthur C. Knies on "Railroad Securities in Peace Time—a Basic Change in the Making," given before the Los Angeles security brokers and dealers at the Los Angeles Stock Exchange.

Mr. Knies believes that the peace-time future of rail securities has been more than underrated and the outlook for them is most attractive. Copies of the reprint of his address discussing the situation in detail may be had upon request from Vilas & Hickey.

Mayfair House Bonds Situation Interesting

Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York City, have prepared a new descriptive report on the bonds securing the Mayfair House, 60 East 65th St., New York. Copies are available from the firm upon request.

"Let The Dealer Beware!" Interprets Recent SEC Decisions Revoking Dealer Registrations

In "Let the Dealer Beware!" Murray Robert Spies of the New York Bar discusses the question of the rights and obligations of the dealer when acting as principal and interprets recent important decisions of the Securities and Exchange Commission revoking the registrations of certain over-the-counter dealers because of their failure to disclose to customers what the Commission felt were "excessive mark-ups."

The book does not go into the question of the rights and duties when the dealer is acting as broker or agent for his client, for they are, the author believes, too well known and too well established and defined under existing applicable legislation. The value of the dealer's Federal franchise is discussed, a value which the author feels will increase constantly during the years of reconstruction which will follow the war.

One of the main thoughts expressed is that the over-the-counter dealers must cooperate among themselves and with the Commission to eliminate from the security business the "under-the-counter dealers." This does not mean that any dealer shall do any malicious act or say anything disparaging about his fellow-dealer. It does mean, however, that he shall take advantage of every opportunity to enhance the prestige of the business from which he has decided to earn his livelihood and build and maintain his good reputation.

The dealer must realize that in his business under existing laws "There is nothing covered that shall not be revealed" and that his actions, records—his entire business life—are as open as the sky. This, however, does not mean that a dealer is to sit back and hold his tongue when he wants to speak — when he has what he believes to be a just criticism of any existing provision of law or regulation thereunder—or even of the manner of their administration. To the contrary, the author declares, the dealer who has this courage of honest conviction is the one who will help to perpetuate the security business for all reputable dealers.

Cooperation between the dealers and the SEC, between one dealer and another, the nurturing of honest concepts, fair and practical treatment of customers, reasonable profits and compensation for intelligent service are the things which will make for a steady enhancement of the dealer's franchise and the gradual lessening of government supervision to the extent now so necessary in too many cases.

"Let the Dealer Beware!" is not a book of reformation, but is intended as a guide for the dealer into safer and, from a longer term point of view, more profitable fields of business. Particular attention is paid to the importance of the Lee and Leeby cases and certain other dealer cases.

Copies of "Let the Dealer Beware!" which was prepared with the collaboration of C. P. Keane may be obtained from Keane's Publications, 32 Broadway, New York City, at a cost of two dollars per copy.

Post-War Rail Prospects

McLaughlin, Baird & Reuss, One Wall St., 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.

Attractive Situations

Gisholt Machine Co., Stromberg-Carlson, Dictaphone Corp., and Haloid Co. offer attractive situations, according to memoranda prepared by Herzog & Co., 170 Broadway, New York City. Copies of these interesting memoranda may be obtained upon request from Herzog & Co.

Our Reporter's Report

(Continued from page 1295)

necessary to liquidate short-term bank loans, redeem 7 per cent bonds due Oct. 1 next year and add to its working capital funds.

Large Utility Possibilities

Refinancing plans of several utility companies still bulk largest in the list of issues in registration with the Securities and Exchange Commission. Four such projects are listed for a total of $133,000,000 in mortgage bonds and debentures, plus some 250,000 shares of preferred stocks.

Largest is the prospective Florida Power & Light Company financing which embraces $45,000,000 of bonds, $10,000,000 debentures and 140,000 shares of preferred stock. This project is subject to a delaying amendment.

Utah Power & Light Company is next with $37,000,000 first mortgage bonds, due for competitive bidding and $7,000,000 general mortgage bonds to be sold without competition.

Central Power & Light Company is listed for $25,000,000 of refunding bonds and 70,000 shares of convertible preferred stock, while California Electric Power follows with $16,000,000 of twenty-five year 3¾s and 40,000 shares of preferred stock.

Rochester Telephone Co.

A large stock operation, growing out of the sale by the New York Telephone Company of its holdings of 48,140 shares of second preferred and 120,000 shares of common of Rochester Telephone Company to a group of Rochester business men, is on the fire.

One of the Street's leading underwriters is reported scheduled to handle public offering of some 380,000 shares of new common stock of the company.

Details have not yet been made public, but it is assumed that the program for this shift of the company's ownership to the public will be announced shortly.

Recent Issues Behave Well

A sampling of prevailing markets for some of the more recent new corporate issues indicates that the respite growing out of the Treasury's war loan drive has turned investor attention to such available material in a broad way.

Looking over the performance of four or five such issues it develops that, without exception, they are ruling at or above their offering prices.

Puget Sound Power & Light 4¼s, for example, brought out at 104¼, are currently commanding a range of 107 bid 107¼ offered. Public Service of Indiana 3¼s of 1975 brought out at 102¾ are selling a point higher on the bid side, while Iowa Power 3¼s of 1973 are bid at the public offering price of 108½, with 109 fixed as the asking figure.

Another Big One

Illinois Iowa Power Co. is reported completing an extensive refunding program which may be ready for registration within a fortnight, calling for the sale of some $70,000,000 of new issues.

Funds from this operation, with $15,200,000 from the recent sale of properties, would be applied to retirement of approximately $87,000,000 of 5 and 6 per cent debts now outstanding. The new issues may be available for competitive bidding before Thanksgiving time.

Oil Situations Interesting

Wood, Walker & Co., 63 Wall St., New York City, members of the New York Stock Exchange, have prepared a pamphlet analyzing the common stocks of 12 leading oil companies, with particular reference to Continental Oil Company.

Moore With Claybaugh

(Special to The Financial Chronicle)

MIAMI BEACH, FLA.—Victor Moore has become associated with Blair F. Claybaugh & Co., 420 Lincoln Road. Mr. Moore was formerly an officer of United Securities Corporation.

STANY Presents Ambulances To Army & Navy

The financial district was treated to an impressive ceremony last Friday when the Security Traders Association of New York, Inc., presented four ambulances to the U. S. Navy and four to the U. S. Army on the steps of the Sub-Treasury Building. The funds that made the presentation possible were raised in the financial district by a committee headed by Walter F. Saunders of Dominion Securities Corporation, with a total of 305 individuals and firms taking part in the drive.

Photo shows, left to right, in foreground: B. Winthrop Pizzini, President of the Association, making presentation; Capt. E. R. Eaton, for the Navy; George E. Price, well known Wall Street and Broadway impresario; Capt. H. G. Lewis, for the Army; and Mr. Saunders.

Real Estate Securities

Bright Future For Apartment Hotel Securities—Changes Brought About By War and Economic Conditions Reacting to Benefit of This Type of Real Estate

First Mortgage Fee Bonds On Mayfair House Appear To Be Attractively Priced

Apartment hotel properties have for many years been extremely popular but their occupancy has been subject to considerable fluctuation as many of the leases have been for only fall, winter and spring months. Many suburbanites have closed their houses in the country during the late fall and winter months as living in the city during such periods proved more convenient and comfortable. As a consequence, many such properties, although maintaining a fair average occupancy in the full year period, ran at a very low occupancy during the summer, usually operating at a sizable loss in this slack period, even though on a yearly basis charges were earned.

The effect of the war, changing economic conditions, servant problems, the gas shortage, etc. has reacted to change the mode of living of both city and suburban dwellers. The answer to these problems seems to be solved by the apartment hotel which can offer the homelike surroundings without the inconveniences and problems which confront a family today in maintaining a house or larger city apartment.

A survey made of these properties shows that as of the new October 1st renting season, occupancy has shown a considerable increase and what is more promising is the fact that a larger proportion of leased space is now on an annual basis than ever before. This condition will naturally produce larger earnings for the properties.

We are using the Mayfair House, Park Avenue at 65th Street, New York City to illustrate this type of property, as in comparison to other comparable properties, it seems to be in a position to derive the most benefit from the changed conditions as its funded debt capitalization per room of only $6,300 is about $2,800 per room, lower than one of four other properties used in the comparison and $700.00 under the next lowest property.

The average occupancy of the Mayfair House for the fiscal year ended June 30, 1943 was 80% but during this period yearly leases in effect amounted to only $172,000 compared to yearly leases as of October 1, 1943 amounting to $259,000. Rent roll from this source alone shows an annual increase of about $87,000 which is equal to over 3% on the $2,574,500 First Mortgage Fee bonds presently outstanding on the property. Maintenance costs will be reduced as many new tenants are using their own furniture. The month of July 1943, being a summer month, produced a rooms department profit of over $15,000, which in itself was considerably more than the same 1942 period. It follows, however, that the real increase in profits will cumulate from the October 1st renting season, at which time occupancy will be close to capacity.

We believe that existing conditions will prevail for this type of property for some time to come and as the trust mortgage provisions are particularly favorable to bondholders, the increased earnings should produce sufficient funds to pay in excess of 5% annual interest and to provide for reduction of the mortgage through sinking fund operation. The mortgage indenture provides for **fixed** interest at the rate of 3% per annum with **additional** interest payable Aug. 1 at the rate of 2% per annum to the extent that **net** income is available. In addition to the **fixed and additional** interest, totaling up to 5% per annum, the indenture makes provision for **participating** interest from available remaining net income, such surplus above 5% on the bonds to be used in the following manner:

25% of such surplus for participating interest
50% of such surplus for sinking fund purposes
25% of such surplus for corporate purposes

providing, however, that while any accumulated interest remains unpaid, the portion of the net income allocated to corporate purposes shall be deposited with the Trustee to be applied and distributed to bondholders to liquidate any unpaid accumulations. At the present time these accumulations unpaid for the 1938 through 1940 mortgage years amount in total to $21.55 per $1,000 bond.

The first mortgage fee bonds on the Mayfair House at current level under 40 seem considerably underpriced in relation to the facts.

Pittsburgh Rys. Look Good

The current situation in Pittsburgh Railways System, particularly certain of the underlying bonds, offers attractive possibilities for appreciation according to a study prepared by T. J. Feibleman & Company, 41 Broad Street, New York City. Copies of this interesting study, which is available to dealers only, may be had upon request from T. J. Feibleman & Co.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

Two weeks ago this column presented 1943 semi-annual figures for a list of fire insurance stocks, compared with 1942 mid-year figures. This week comparable figures are shown for a list of casualty insurance companies, whose stocks are more or less actively traded.

Alfred M. Best Company, in its September "Insurance News," shows combined figures for a group of 60 stock casualty companies as follows:

	6-30-42	6-30-43
	($000)	
Total admitted assets	772,876	877,162
Policyholders' surplus	276,621	350,065
Loss reserves	245,279	273,272
Unearned premiums	206,476	198,787
Net premiums written	234,048	223,469
Net premiums earned	210,923	215,861
Loss ratio	47.5%	45.9%
Expense ratio	41.8%	38.9%
Combined ratio	89.3%	84.8%
Stat. und. profit	9,998	27,628
Net inv. income	8,923	9,768
Federal taxes incurred	*	16,228
Dividends declared	5,960	6,983

*Not available. For 1942 year: $26,-658,000.

These 60 companies show a decline in net premiums written off less than 5%, in spite of an estimated cut of around 25% in automobile writings. Most other casualty lines have expanded, including workmen's compensation. The tabulation also shows that loss and expense ratios are both substantially lower than a year ago, also that statutory underwriting profits, before adjustment for change in premium reserve equity, as well as net investment income, are considerably higher. Offsetting this, however, is the fact that Federal taxes are at the highest level in the history of insurance.

Loss reserves, it should be noted, are some 11% above June, 1942.

Turning now to individual companies. Two tables are presented, as follows: Table I shows the premiums written, unearned premium reserves and surplus, for 14 companies, as of 6-30-43 compared with 6-30-42. Table II shows statutory underwriting profits and net investment income, before Federal taxes, also underwriting loss and expense ratios, for the same 14 companies, and the same comparable periods.

TABLE I

	Net Prems. Written (First Six Months)		Unearned Premium Reserves		Surplus	
	1942	1943	6-30-42	6-30-43	6-30-42	6-30-43
	($000)		($000)		($000)	
Am. Casualty	2,965	3,008	2,484	2,489	711	1,425
Am. Fid. & Cas.	2,082	2,113	216	220	1,371	1,699
Cont. Cas.	15,542	15,969	11,959	11,618	11,845	15,015
Excess Ins.	1,016	1,352	846	924	818	1,114
Fid. & Cas.	17,526	16,724	15,451	14,501	14,984	22,982
Fid. & Dep.	5,945	5,585	6,821	6,822	12,446	14,754
Hartford S. B.	3,037	4,083	10,279	11,984	6,613	8,264
Mass. Bonding	9,369	8,681	6,974	6,998	5,911	8,685
Nat. Cas.	2,556	2,329	1,131	1,140	1,542	1,837
New Amsterdam Cas.	8,721	8,996	7,536	7,530	8,775	11,148
Seaboard Surety	1,210	896	1,441	1,246	3,022	4,369
Stand. Acc.	11,574	11,001	9,621	8,931	7,719	9,396
U. S. Fid. & Guar.	23,400	22,604	20,178	20,241	19,331	23,465
U. S. Guarantee	3,482	2,631	4,303	3,478	8,743	10,728
Totals	$108,425	$105,972	$99,240	$98,113	$103,831	$134,881

TABLE II

	Stat. Und. Profit		Net Inv. Inc.		Loss Ratio		Expense Ratio	
	(First Six Months)							
	1942	1943	1942	1943	1942	1943	1942	1943
Am. Cas.	$0.10	$0.65	$0.39	$0.38	$53.6	$53.8	$36.0	$38.4
Am. Fid. & Cas.	0.40	0.65	0.23	0.24	67.8	68.4	28.6	26.3
Cont. Cas.	2.16	2.63	0.83	0.89	50.5	49.7	38.7	38.4
Excess Ins.	—0.66	—0.47	0.15	0.14	51.1	54.6	38.7	39.0
Fid. & Cas.	4.63	11.85	3.03	3.62	45.0	44.8	42.1	37.4
Fid. & Dep.	4.63	11.41	2.45	2.62	20.8	23.5	63.5	55.1
Hartford S. B.	—0.30	—1.11	0.97	1.20	31.9	27.1	74.9	61.6
Mass. Bonding	2.13	8.02	2.52	2.69	47.9	42.6	38.8	38.1
Nat. Cas.	1.11	1.93	0.65	0.67	54.6	48.2	42.0	43.9
New Amsterdam Cas.	0.04	0.21	0.82	0.90	51.4	52.3	41.5	41.4
Seaboard Surety	2.46	6.98	0.70	0.71	25.2	17.7	43.2	30.6
Stand. Acc.	2.16	7.15	1.10	1.29	47.9	49.3	38.8	37.2
U. S. Fid. & Guar.	1.36	1.63	0.82	0.83	45.3	48.0	41.8	40.7
U. S. Guarantee	2.99	6.02	1.10	1.28	29.0	29.4	54.6	36.5

Note—Figures in this table are before Federal taxes.

It will be observed in Table I that, whereas net premiums written by the group are down 2.3%, nevertheless six of the companies show a moderate increase. Unearned premium are 1.1% lower, but here again six companies show moderate gains. All 14 of the companies show considerable expansion in surplus, aggregating 29.9% for the group. This substantial gain results from higher market values for the companies' portfolios of stocks, plus undistributed earnings in 1942 which were credited to surplus.

In Table II statutory underwriting profits and net investment income are given for the two periods **before Federal taxes.** Underwriting profits show considerable improvement over the first six months of last year, except in the case of Hartford Steam Boiler. Net investment income, in most instances, also shows improvement. Underwriting ratios, both loss and expense, are better than last year in some instances and not so good in others. The record is quite mixed. It will be noted that such companies as Fidelity and Deposit, Hartford Steam Boiler, Seaboard Surety and U. S. Guarantee have exceptionally low loss ratios but relatively high expense ratios. The explanation for such diversity is to be found in the differing types of premium business written. For instance, Fidelity and Deposit writes mainly fidelity and surety business, while New Amsterdam Casualty writes largely auto and other liability, workmen's compensation and auto property damage, and very little fidelity and surety.

Figures used in the tabulations were compiled from Alfred M. Best Co.'s reports.

First Boston Issues Public Utility Survey

The 1943 edition of Public Utility Bonds and Public Utility Preferred Stocks prepared by The First Boston Corporation, 100 Broadway, New York City, has just been published providing a ready reference medium for institutional and other holders of utility securities.

The statistical material is based largely on published reports. However, reported figures not being comparable as between companies, certain adjustments have been made, whereby income is shown on an "earning power" basis with non-recurring influences eliminated. Balance sheet items are adjusted to reflect the latest reported accounting studies and commission rulings. For instance, the impact of increased Federal taxes upon earnings receives attention, especially with respect to the "Tax Cushion Ratio" as a supplement to the usual yardsticks for measuring dividend safety. Also for the first time Original Cost studies as to Property Values are now available in sufficient number and detail to permit of the inclusion of data on that much discussed subject.

As in previous editions the booklet is divided into three sections, covering, respectively, bonds of major utility companies, mortgage and debenture issues of telephone companies, and actively traded utility preferred stocks as well as many of the less active issues.

Firm To Be Known As Edw. D. Jones & Co.

ST. LOUIS, MO.—In the "Financial Chronicle" of Sept. 16 the proposed merger of Edward D. Jones & Co. and Whitaker & Co. was reported. At that time the name of the new organization was given as Jones, Whitaker & Co., but we have since been informed that it will be known as Edward D. Jones & Co. Offices will be located at 300 North Fourth St. The firm will have about 27 salesmen and a well-staffed trading department department, specializing in orders for banks and brokers. Also maintained will be one of the best financial libraries in the United States containing records that have been preserved since an early date. (Whitaker & Co. was established in 1871.)

Public Utility Securities

Puget Sound Power & Light

The company's reorganization plans having become effective Sept. 13, Puget Sound Power & Light moved from its previous "when issued, over-counter" market to unlisted trading on the New York Curb (where it should not be confused with Puget Sound Pulp & Timber). It has been one of the most active issues on both Boards recently, with volume averaging over 10,000 shares a day—eclipsing the old-time Curb leader, Electric Bond and Share. Trading interest was stimulated recently by declaration of a 60-cent dividend, action being somewhat earlier than anticipated, since the new Board of Directors have not yet been elected.

The company was formerly a subsidiary of Engineers Public Service. It was, however, overcapitalized and had substantial dividend arrears on the $5 prior pref. stock and $6 (second) pfd. stock. The reorganization plan, as amended by the SEC, provided for a special payment of $2.50 a share on the prior preference stock (the regular dividend has been paid for the past two or three years) and a "stock dividend" of 25%, the combination equalling the $27.50 arrears which had accumulated prior to 1940. The $6 preferred received eight shares of new common stock for each share of preferred (including arrears). The common stock, formerly all owned by Engineers Public Service with exception of directors' qualifying shares, received one new share for each 20 old shares. Engineers' equity interest was reduced to 3.03% and the 65,000-odd shares which it now holds will probably be liquidated, according to press reports.

Puget Sound completed a bond refunding program last April, substantially reducing fixed charges, writing-down plant value, etc. The refunding, together with the recapitalization, gives the company a "clean bill of health." While some question may remain regarding the balance of a property write-off to adjust to original cost, such adjustment should not substantially affect the present satisfactory balance sheet set-up. A stockholders' committee has been formed, in accordance with the reorganization plan, to recommend nomination and election to the Board of a slate of nine business men from the State of Washington. The principal officials of the company are already local men.

Earnings have been on the upgrade this year, and for the 12 months ended July 31 the amount applicable to the new common stock (after adjustment to the new capitalization, and with allowance for increased income taxes against interest savings) is estimated at $2.03 per share. On the same basis, but without adjustment for taxes, share earnings in recent calendar years are estimated as follows:

1942	$1.61
1941	1.28
1940	.98
1939	1.24
1938	1.01
1937	1.13

About half the company's customers live in rural areas outside of incorporated cities and towns, and this portion of the business is probably not affected to any great extent by war-time industrial activity. In 1942 only 17½% of electric revenues was from industrial plants, and the gain in industrial revenues amounted to only about 2% of total revenues. While the war has therefore not been a big factor in the electric operations, Puget Sound has benefited by increased bus business (which last year contributed 17% of revenues, and increased about two-thirds over 1941). After the war, continued growth in this territory is anticipated, and recovery in the fishing and shipping industries (curtailed by war activities) may help sustain operations. The northwestern territory, with its fertile farm land and huge power reserves in Bonneville and Grand Coulee, has excellent possibilities for expansion in both agriculture and industry.

Is there any danger that the company will suffer from Government power competition? This seems unlikely since rates are already very low—residential reve-

(Continued on page 1319)

Attractive Speculation

Missouri Pacific general 4s of 1975 at current levels represent an equity in the speculative potentialities inherent in the new consolidated Missouri Pacific system, which constitutes an important link in the network of national transportation, according to an interesting memorandum prepared by Otto Hirschmann on the situation. Copies of this interesting memorandum may be obtained upon request from Mr. Hirschmann, care of Halle & Stieglitz, 25 Broad St., New York City.

A.B.A. Economic Policy Commission Sees Need For Stabilization Machinery

Stabilization Plans Discussed—Asserts U. S. Cannot Promote International Monetary Stability Without Balancing Its Budget And Checking Inflationary Influences

The need for post-war economic planning now, "while the spirit is on us," is urged by the Economic Policy Commission of the American Bankers Association in a preliminary report issued on Sept. 13 on "The Place of the United States in the Post-War Economy." The Commission, of which the chairman is W. Randolph Burgess, Vice-Chairman of the Board of the National City Bank of New York, is the group within the Association which speaks for it on economic questions.

The report, which is offered as "a preliminary, brief survey of practical objectives for the post-war economic world and this country's place in it," reviews the different approaches to world economic recovery and sets forth seven points around which it says "the strategy of recovery may well be directed." It asserts that the key to post-war economic revival is to be found in the elimination of obstacles to initiative and enterprise, and suggests that "the more realistic approach assumes that potential forces exist even today within each country for its reconstruction and that what is most needed is to release these powerful affirmative forces. In every country there are groups of able and energetic men and women ready to restore the normal ways of life and add to its richness," it says. "What they need is not philanthropy but opportunity. No people and no nation can be handed a better life. They have to work it out for themselves."

W. R. Burgess

The report also analyzes the various proposals for the currency stabilization, including the Keynes and White plans, and expresses the opinion that some kind of apparatus should be worked out to help nations to stabilize their currencies. But it raises a question as to whether the establishment of a new institution or the adaptation of existing machinery would be more effective and observes that "there is much to be said for building upon machinery which already exists."

"Basically," the Commission concludes, "stable money is possible only with stable national economies. Towards this goal the United States must lead the way. The first requisite for any genuine progress towards stabilization is a stable dollar free of all exchange restrictions, a dollar in which the world has full confidence. Regardless of the standards adopted, or the organization set up, some strong currency must in fact be the main steadying influence. So far as can now be foreseen the foundation currency must be the dollar.

"The second step should be to establish definite rates between the dollar and the pound sterling—the two currencies in which the major part of world trade has been conducted for the past century. Once the values of the dollar and the pound are determined others will follow. Where financial aid is needed it should be granted only after due consideration of the merits in each individual case. Each country must of necessity work out its monetary salvation largely by its own efforts. In this process the presence of an institution as a mechanism to encourage consultation would be useful, but its function as a lender of money can only properly begin when a sound economic program has been put into effect.

"Furthermore, it should again be emphasized that the United States cannot successfully promote international monetary stability without making determined efforts to put its own affairs in order by balancing its budget and checking inflationary influences. Confidence in the dollar would be further enhanced by a clear cut policy making the dollar redeemable in gold, in foreign trade, with no deviation from the present value."

The Commission states that "real progress must be founded upon the regenerative efforts of individual initiative and enterprise. These efforts can be aided through government cooperation and at times by government participation, but the primary task is one of releasing the natural forces of recovery."

As the report comments on the several currency stabilization plans it may be noted here that the U. S. (White) proposal was referred to at length in these columns April 8, pages 1300-05; reference to the British (Keynes) plan appeared in our April 15 issue, page 1388, while the Canadian proposals were given at length in our issue of July 15, page 201.

The report of the Economic Policy Commission follows in full:

Place of the United States in the Post-War Economy

Spokesmen for all parties, all faiths, and all parts of this country are today saying in chorus that after this war we cannot back away from international responsibilities as we did after World War I. Both Houses of Congress have been considering resolutions giving expression to this thesis. The Administration states it in many forms. The principle is accepted.

But principles mean many things to many people. Differences—deep cleavages—arise when they are embodied in definite plans and programs. Even the principles will seem quite different and less compelling when the war is over, when we turn with relief to the pursuits of peace. We cannot safely assume that the principle of collaboration will survive this testing period. We may indeed repeat the mistakes of the '20s and '30s. The normal human emotional reaction leads that way, and politics makes capital of such reactions.

A first suggestion for avoiding this tragic blunder is that we should make plans now, while the spirit is on us, for putting into effect the principles for which we fight. It is easy to say that we do not know how or when the war will end, or what kind of world will be left. We do not of course know in detail but we do in substance. The problems in the main will be like those after World War I—problems of security, of trade, of money, changed in form but in essence the same old problems of nations getting along together. The fashions in thinking about them change more than the problems themselves. When the peace comes rushing on us we shall be better off with plans that have to be changed than with no plans.

A second suggestion is that groups of citizens accept these broader problems as their own, study them now, and be ready to throw their influence for a continuing sane foreign policy. Bankers especially have such responsibility. By the nature of their occupations they have some understanding of these subjects and unusual opportunity for leadership in their communities. It is the informed opinion of such groups in the support of wise government action which may make it possible to avoid in future some of the errors for which we are now paying in "blood, sweat and tears."

This report is a preliminary brief survey of practical objectives for the post-war economic world, and this country's place in it.

Releasing the Forces of Recovery

In the avalanche of literature on the subject of world economic recovery two general points of view reveal themselves.

The first may be called the idealistic approach. Those who consciously or unconsciously hold this viewpoint see the world shattered into a thousand pieces and believe it is our task to put it together again piece by piece, but on a greatly improved pattern. For example, it is suggested that we must see to it that other countries are placed under what we regard as democratic government, and that the standard of living of all peoples is raised and the differentials between theirs and ours reduced.

These are appealing objectives, but one may question their helpfulness as practical directives for our post-war efforts. Apart from the enormously complicated problems of human relations, even the vast resources of the United States, the British Empire, the Soviet Union, and China, which would presumably share this duty with us, are inadequate for these purposes. Recent reports from Puerto Rico indicate that in this our own insular possession, where we have had a reasonably free hand for nearly half a century, the standard of living is shockingly low, partly because the progress of civilization has cut the death rate while the high birth rate goes on as of old.

Perhaps, after all, we are not yet strong enough nor wise enough to reform the world immediately.

The other kind of approach to this problem, and one that seems to be more realistic, assumes that potential forces exist even today within each country for its reconstruction, and that what is most needed is to release these powerful affirmative forces. The farmer wants to till the soil, the artisan wants to fashion shoes or clothes or machines, the trader wants to trade. In every country there are groups of able and energetic men and women ready to restore the normal ways of life and add to its richness. What they need is not philanthropy but opportunity. No people and no nation can be handed a better life. They have to work it out for themselves.

From this point of view, the key to post-war economic revival is the elimination of obstacles to the initiative and enterprise through which alone the better life people everywhere desire can be achieved. Such a program is no denial of longer term ideals and objectives. It is, in fact, the most effective step towards them.

Any list of these obstacles is more or less arbitrary but it is proposed here to discuss seven

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Canadian Securities

By BRUCE WILLIAMS

It is only a little over two years ago when holders and prospective purchasers here of Canadian external securities were considerably exercised with regard to the ability of Canada to raise the necessary exchange to service her U. S. dollar obligations. Today the position appears to be entirely reversed. Now it would seem the problem is to avoid the undue accumulation of U. S. dollar balances.

The recent call for payment of the Dominion 2¼s and 2½s of 1945 was a partial solution, and there is also the somewhat anomalous arrangement reached earlier this year whereby Canada can lend-lease goods to this country from the billion dollar Mutual Aid Fund to siphon off heavy surpluses. There might be some reasonable reluctance to use the latter expedient since Canada, unlike all other belligerent countries, does not accept lend-lease aid.

At the present time the export of Dominion internal securities is a potent factor in the building up of U. S. dollar balances, and it seems logical that this flow will continue while the Canadian dollar is maintained at its present level. From the point of view of the Dominion, balances thus created are undesirable, and however unwilling the Canadian authorities might be at this stage to consider reversing the wartime expedient of establishing their currency at a 10% discount, nevertheless, on due reflection, it might prove to be a beneficial solution for the following reasons:

(1) It would be a constructive and normal step in preparation for the post-war period, and with wartime restrictions still in force the adjustment process would be simplified.

(2) Restoration to parity would be a sign of strength and would be more likely to result in the retention and attraction of permanent capital of the right kind rather than an undesirable influx based on exchange speculation.

(3) Canada since the war has become a leading creditor nation, and if the normal process is followed, there should be a rise eventually in the Dominion standard of living; imports from this country should increase and with the Canadian dollar at par their cost would be lower.

(4) As the step would constitute a virtual export bonus to this country, it is reasonable to suppose that Canada would obtain a quid pro quo in the shape of an increase in the price ceilings of certain Canadian staple exports to this country.

(5) In conjunction with a further lowering of tariffs in the post-war period envisioned in the exchange of notes between the Secretary of State and the Canadian Minister in Washington on Nov. 30, 1942, this step would stimulate the flow of goods between the two countries.

When we turn to the market for the past week, from the angle of price movement there was very little to record. However, the better tone that manifested itself the previous week was still in evidence, and it seemed clearer that the downward trend of the past month had come to an end.

Direct Dominions and Nationals were inactive and virtually unchanged, as were Ontarios and Quebecs, although the latter were a little heavy. The supply of British Columbias, New Brunswicks and Manitobas, which had previously weighed on the market, was largely reduced. Shorter term Saskatchewans also were more easily placed and Nova Scotias continued in demand.

With regard to Nova Scotia, holders of its securities would do well to consider the advisability of switching into comparable New Brunswick issues. The latter province has recently handled its finances in an excellent fashion and if, for example, Nova Scotia 5s of 1959 are sold in exchange for New Brunswick 5s of 1959, it is possible to obtain a favorable differential of 40 basic points.

Internal issues continued in steady demand and between now and the end of October it should be possible to make attractive purchases as there should be a good supply of free exchange resulting from internal bonds called for payment on Oct. 15.

As expected, the market appears now to have lost its heaviness; bonds are no longer pressed for sale; after the close of the Canadian Victory Loan drive there should be a resumption of the upward trend, especially as it is not anticipated that the usual offerings in connection with the loan will be in any large volume.

Russia Said to Intern American Flyers Downed In Siberia

The crews and planes of American aircraft forced down on the Kamchatka Peninsula in Eastern Siberia were interned under terms of International Law, according to a broadcast from Moscow heard by Reuters, said an International News Service dispatch from London on Sept. 25, which added:

It was possible that the planes, if the report is true, had completed a raid against Japanese installations in the Kurile Islands, the northernmost of which virtually touch the lower end of the Kamchatka Peninsula.

ABA Economic Policy Commission Sees Need For Stabilization Machinery

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essential points at which the strategy of recovery may well be directed.

1. Relief

Refugees from Europe report that the most discussed subject is not the war but food—where the next meal is coming from. When fighting ceases, the first need will be food; lack of it will be the greatest obstacle to progress on every front. The shortage need not last long, for even the next crop, not stolen by the Axis, will bring substantial relief. Some countries have funds abroad to buy food. But the first essential is that food be supplied in one way or another. For that purpose lend-lease by the United States, by England and the British dominions, perhaps shared in by Latin American countries, will need to be continued for some months after the end of the war. To do this, however, will require control of consumption and stimulation of production. The problem of food relief is not merely one of finance but of having the food to ship.

With the food itself will be needed seed and farm tools to replace those destroyed and some minimum of simple industrial machinery and raw materials. Beyond this minimum Europe can better produce many things with her own resources and thus start the wheels of trade moving. As to removal of this first obstacle to recovery little serious difference of opinion seems likely. In the official summary of the results of the United Nations Food Conference, it was generally agreed that in the period immediately after the war "the first call will be to reach freedom from hunger in areas devastated by the war," with emphasis at first upon cereals and other foods which maintain human energy and satisfy hunger. It was agreed that while shortages lasted there should be coordinated action by governments both to secure increased production and to prevent speculative and violent fluctuations in prices.

Already a United Nations relief organization is being created. Herbert H. Lehman, former Governor of the State of New York, who heads the American participation, stated the objectives as follows:

"The idea behind the Office of Foreign Relief and Rehabilitation is to help people to help themselves. When we have assisted the people of a freed country to get a crop into the ground we have taken the most important forward step.

"We will supply seeds and farm implements and in some cases raw materials to get factories running again. When that has been done many countries will be ready in a short time, we expect, to solve their own long-range problems."

2. Prompt Peace

Some months ago the suggestion was made for a long armistice or cooling-off period before peace terms were finally settled, to avoid the danger of embodying hate and passion in those terms. The logic of this suggestion is understandable, and people are rightly concerned lest settlements made under the emotional stress of war lead to the terrible tragedy of an unworkable and vengeful peace. A sound and just peace is an indispensable first step to a better post-war world.

Notwithstanding all this, public discussion has exposed the weaknesses of the cooling-off period. Until the principal peace terms are determined trade both external and internal will be stagnant in the countries most vitally concerned. No one can go forward courageously with enterprise until at least the basic outlines of the peace are settled.

The experience after World War I illustrated this difficulty. The United States ratified a treaty only in 1922, and then only half a one. The reparations question was only partly settled by the Dawes Plan in 1924 and not wholly settled by the Young Plan in 1929. Meantime in a depressed Europe were sown the seeds of despair and Hitlerism.

Today there is growing a conviction that the general terms of peace should be agreed upon by the United Nations and imposed immediately hostilities cease. The advance determination of reasonable peace essentials may have the added advantage of telling the Axis peoples what to expect and thus encouraging them to overthrow their present leaders.

In addition to the main peace essentials there will remain many questions which cannot be resolved immediately, such as ascertaining the true ownership of property, forms of restitution, etc. These can perhaps best be dealt with later by commissions. But the basic terms of peace, including boundaries, should be formulated and put into force promptly.

From the point of view of economic recovery the point is that the men and women trying to restore their countries' industry, agriculture, and trade would be retarded by uncertainties—if peace terms were unsettled. Their task will be hard enough and they must be aided by reducing the areas of doubt and uncertainty—and increasing the number of verities on which they can count, and on which they can base action.

Admittedly all of this is far from easy. Peace terms must be negotiated in the last analysis by the chiefs of state of the United Nations whose energies are absorbed in the direct war effort. But agreement on the kind of peace may help to win the war, as it affects the attitude and morale of all the belligerents. Political decisions made during the war are not merely preparatory but are part of both the war and the peace. Already the declarations of the Atlantic Charter and the North African conference have begun the definition of peace. This is the kind of preparation, carried into greater detail and more definite form and agreement, which is essential to winning a prompt peace.

3. Collective Security

For many years of its history Europe has lived in the shadow of war. In such shadow, enterprise does not flourish; the standard of living is held back. Nations spend for war and armaments what might go for the people's comfort and enlightenment. Enterprise must confine itself to short run transactions and cannot boldly plan and venture the long term project. The risk is too great.

The world has known long periods of peace. The Pax Romana was one, enforced by the legions of Rome. More recently the period from the fall of Napoleon to the World War has been termed the Pax Britannica. It is too sweeping a phrase, for there were serious wars. But even so a balance of power in Europe, the British fleet, and the persistence in neutrality by small countries, did give the term some justification. We know that this second period was one of great progress, in which the lot of the average man in Europe and America improved more than in many earlier centuries.

The idea of established and secure peace, not through the dominance of a single power, or a balance of power, but an association of powers has been nurtured by many minds. Tennyson wrote of the "Parliament of Man, the Federation of the World." John Fiske, the great American historian, of the "American Political Idea," the federation of states to secure peace.

When President Wilson launched his proposal for a League of Nations he did so with the support of a group of able and respected Americans. The charter was drawn before the war was won. It was accepted, perhaps somewhat reluctantly, by the other allied nations but just failed of ratification by the United States Senate together with the treaty of Versailles and the pledge of joint security with France and England.

Some great statesmen strove to make the League work: Briand, Stresemann, Smuts, Cecil, Benes and Litvinoff. The handicap of non-participation by the United States, the failure of others to support its decisions, together with some inherent defects in the League structure, were too great to overcome.

Today there is general agreement in this country that there must be, at the conclusion of the war, mechanisms and guarantees to prevent war. As yet this sentiment has not crystallized in specific forms. The principal move in this direction beyond the Atlantic Charter and the United Nations' Declaration of January, 1942, has been the Mutual Aid Agreements which have been concluded by the United States with the United Kingdom, China, Russia, Belgium, Poland, the Netherlands, Greece, Norway, Czechoslovakia and Jugoslavia. While these agreements lay down the principles applying to mutual aid in the prosecution of peace as well as war, they provide no specific commitments or mechanisms.

Two things seem clear. First, that there must be an international organization or organizations of some sort for the consideration of international problems, and, second, that the United Nations must commit themselves to placing their force back of the essential decisions for peace.

It is not proposed here to make a detailed recommendation on this point but simply to emphasize that such a guarantee of peace in our time is a necessary basis for full economic recovery. The risks of war block long term economic planning and enterprise. Peace is even more essential for prosperity than prosperity is for peace.

4. Monetary Stability

Ranking close to the hazard of war as an obstacle to human material progress is the changing value of money. When there is question about the value of money, trade is disorganized, dormant, or feverish, as in Germany and Central Europe after the last war and in France during the monetary troubles of the '20s and '30s. Especially is the advance planning on which a high level of employment so largely depends blocked by doubt of the value of money. The depression of the middle '30s certainly owed some of its severity to fears about money—about its gold value and about the goodness of bank deposits. Money and enterprise grew timid and went into hiding together.

The period of "Pax Britannica" was also a period of stable money when the pound, and for most of the time the dollar, were firmly anchored to and freely exchangeable for a given amount of gold. It was one of the sources of the great material progress of that period.

In the welter of uncertainties which will surround us after the war it is essential, as has been said before, to reduce the areas of doubt, to fix the points of the compass. Only so can the people who want to plan, who want to trade, who want to provide work, go ahead with assurance. Currency value is one of the factors basic to decisions in business and government transactions.

The necessity for currency stability is again being widely recognized, but it will be hard to achieve. Many countries will be impoverished and in disorder, with seriously disturbed balances of foreign payments. Many already are far along the road of internal inflation. Old trade channels will be disrupted. Many countries will lack adequate reserves of gold and foreign exchange. For practically all, the problem of finding rates of exchange that truly reflect the internal purchasing power of different currencies will be a perplexing one. Wrong rates would invite serious difficulties as proved true after World War I.

The rate question cannot be settled alone. It goes along with all the other problems of peace and war and trade barriers reviewed here. No country can assuredly maintain a stable currency unless its internal economy is in order—its budget under control, its price level reasonably stable, and its external payments and receipts well balanced. A stable currency is a logical result of a sound economy and cannot exist long in its absence.

The basic requirements for stabilization are twofold in character. The first concerns the general political and economic background. The second is the more technical question of international monetary arrangements.

It is in the second area that recent proposals have been made for the establishment of an international institution. In April of this year both the American and British Treasuries made public tentative programs for currency stabilization known as the White and Keynes plans.* On August 20 the American Treasury made public a revised version of its experts' plan. Both Governments have wisely refrained from rigid and premature adherence to any particular formula and have invited discussion.

Both plans contemplate the setting up of an international agency—the White plan, an actual fund of gold, foreign exchange and securities; the Keynes plan, a "clearing union," to begin at least without capital assets. Management of the credit agency would be vested by both plans in a governing board with broad powers. Under both plans member countries would be encouraged and aided in fixing their currencies. Once values are fixed, members could not alter their exchange rates without the approval of the governing board, except by small changes under certain circumstances.

Under both plans countries running behind in their balance of payments could borrow other currencies. Countries borrowing from the agency in excess of specified limitations would be required to carry out measures recommended by the board to bring their exchanges into balance. Such measures, it is stated specifically by the Keynes plan, might include a devaluation of currency, control over capital movements, or even such domestic measures as the board deems appropriate.

The White plan in its original form would charge the exchange fund with the purchase and liquidation of the large volume of international balances frozen by the war, essentially a long-term operation. In the revised plan there remains a provision for taking over a part of these balances. The Keynes plan apparently would permit large credit extensions for indefinite periods at nominal rates.

Each plan would provide for the compilation and exchange of information as to foreign balances and the flow of funds and trade.

The Keynes proposal is the more ambitious of the two, and the provisions for making loans would set up vast and highly inflationary credit facilities in a world which will be trying to counteract the inflationary influences created by war. The effect would be particularly inflationary in the United States both by causing an expansion of Federal Reserve credit to the extent other countries borrowed dollars, and by creating large demands for our products at a time when goods are scarce, and the country is trying to meet the wants of its own people. The White plan would apparently involve less danger in this respect in that the sums available would be much smaller and based on member contributions to a central fund, and provisions for lending appear to be more safeguarded.

Conversations between representatives of different governments have been going on. While these plans are under discussion it would be premature to draw final conclusions about them. There are, however, certain principles which have been clarified by the discussions up to this point.

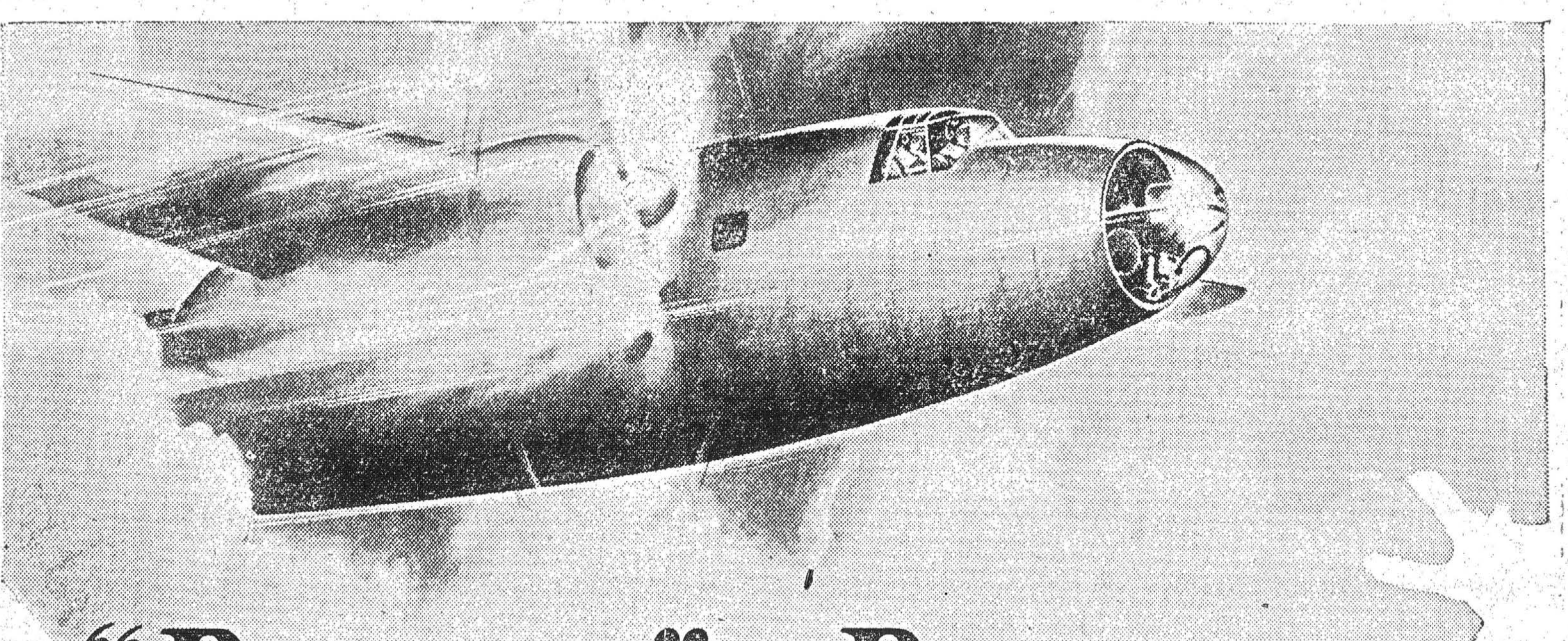
These are, first, that some international institution is desirable: to help nations in stabilizing their currencies; to provide a meeting place for the discussion of monetary questions; to collect information which is a necessary basis for sound decisions; and to make some arrangements for stabilization credits in cases where they are justified, or for temporary seasonal or emergency credits with provisions for early liquidation. The experience with the Bank for International Settlements showed to those who studied its operations the value of such an institution. On a more modest scale the Tripartite Agreement was another encouraging example of the possibility and value of consultation. Whether the needs of the situation would be met best by modifications in the structure of the Bank for International Settlements or by the establishment of a new institution is a question which should be fully explored. Speaking generally, there is much to be said for building upon machinery which already exists.

The second essential point is that institutions of this sort are no substitute for the hard, patient labor of reestablishing the economic soundness of participating countries, of the balancing of budgets, and readjustments to post-war conditions. Especially important is the economic condition of the key countries, the United States and England. To extend this sort of credit before sound economic programs are established would invite failure and loss. In their present form neither of these plans gives adequate recognition to this truth. Clearly there must be a sharper distinction between operations in the period when economic adjustments are in process and the later period of more nearly normal conditions. The short term banking credits appropriate for such an institution are not the kind required for early post-war reconstruction.

A third point relates to the general scale and scope of the operations of such an institution. President Dodds of Princeton has recently suggested that any international organization "must not attempt to frame a super-government so new and unfamiliar that men will not be prepared to participate in it." The Keynes plan clearly violates this principle; the White plan also is open to that objection in its present form both with respect to the amount of money the United States would be asked to put in and the extent to which we and other countries would surrender freedom of action in monetary policy. The principal of limitation of power is especially applicable to an institution whose board might rep-

(Continued on page 1314)

*On June 9 the Canadian Finance Minister, Hon. James L. Ilsey, likewise made public tentative proposals of Canadian experts for a post-war currency stabilization plan which incorporated many of the features of the White and Keynes plans.



"BODIES" for BOMBERS

ON OCTOBER 25, 1940—more than a year before Pearl Harbor—U. S. Army Air Corps officials notified us of the urgent need for a vastly increased aircraft production program, and invited us to participate.

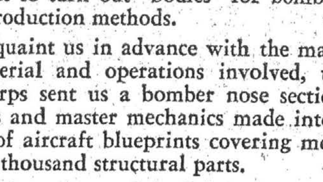
Already we were making Army trucks in great number, completing a huge tank arsenal, building field ranges and tent heaters, and making our first studies of anti-aircraft gun manufacture.

Here was another urgent job that had to be tackled at once.

Without waiting to learn what aircraft job would be assigned to us, we provided 600,000 sq. ft. of additional plant space and, from our own personnel, began to select engineering, metallurgical and manufacturing specialists for this new work.

It was just three months after our first meeting with Air Corps officials that we were officially notified our job was to build the complete nose and center fuselage sections for medium bombers,—including installation of their complete mechanical and control systems.

We immediately sent forty of our technicians to a producing aircraft plant where these men did



NOSES AND BODIES FOR BOMBERS (INSIDE AND OUT)

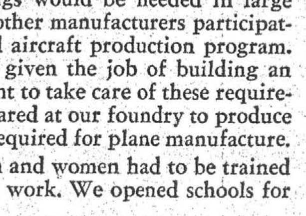
regular production work and observed, at first hand, the production methods then in use. Our long background in building automobiles and trucks, plus the experience these men gained working with an aircraft manufacturer, enabled us quickly to get under way with the necessary tools and equipment to turn out "bodies" for bombers by quantity production methods.

To help acquaint us in advance with the many kinds of material and operations involved, the Army Air Corps sent us a bomber nose section. Our engineers and master mechanics made intensive analyses of aircraft blueprints covering more than fourteen thousand structural parts.

The materials to be used included aluminum, steel, brass, bronze, plastics, plywood and fabrics. They would need to be forged, cast, stamped, machined, cut and fitted without the slightest error in their dimensions or relationship.

Many of the metal parts presented entirely new working characteristics. They required elaborate heat treating processes for the extreme stresses demanded of them. They also presented new problems in the design and use of the dies required to shape them.

Our production and purchasing specialists de-



OVER 14,000 PARTS TO BE FORGED, CAST, STAMPED, MACHINED AND PRECISION-FITTED

termined which parts we could subcontract to other companies. As the work progressed, orders for parts and materials were given to 2,255 subcontractors in 309 towns, in 29 states.

Aluminum forgings would be needed in large numbers by us and other manufacturers participating in the expanded aircraft production program. Therefore, we were given the job of building an aluminum forge plant to take care of these requirements. We also prepared at our foundry to produce aluminum castings required for plane manufacture.

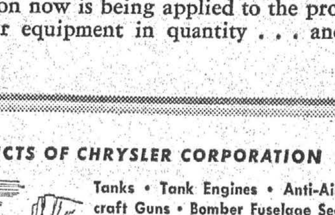
Thousands of men and women had to be trained for this new type of work. We opened schools for

TRAINING SCHOOLS FOR WORKERS

the training of workers. Women were employed in large numbers and carefully taught drilling, riveting, machining and assembling of aircraft parts. Automobile sheet metal workers, body builders and trimmers were shown how to apply their skill and experience to the production of bomber parts.

The big nose of the bomber, which houses the Bombardier, Pilot, Co-Pilot, Navigator and Radio Operator is often called the "brain" of the ship. Nearly all the mechanical and electrical controls are here, while the center section immediately behind it provides the bomb carrying space.

If you could look within these sections as the work of assembly goes on, you would see a bewildering network of wires and tubing as well as the structural skeleton of the ship. Every one of these 1,963 separate wires and over 1,000 feet



IF YOU COULD LOOK WITHIN

of tubes—to say nothing of all the control mechanisms—must operate faultlessly.

In the production of "bodies" for bombers—a new field to Chrysler Corporation—again is demonstrated how our experience in peacetime car and truck production now is being applied to the production of war equipment in quantity . . . and on time.

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Tanks • Tank Engines • Anti-Aircraft Guns • Bomber Fuselage Sections • Bomber Wings • Aircraft Engines • Wide Variety of Ammunition • Anti-Tank Vehicles • Command Reconnaissance Cars • Cantonment Furnaces • Troop Motor Transports • Ambulances • Marine Tractors • Weapon Carriers • Marine and Industrial Engines • Gyro-Compasses • Air Raid Sirens and Fire Fighting Equipment • Powdered Metal Parts • Navy Pontoons • Harbor Tugs • Field Kitchens • Bomb Racks • Bomb Shackles • Tent Heaters • Refrigeration Compressors • Aircraft Landing Gears • and Other Important War Equipment.

In the production of this war equipment Chrysler Corporation is assisted by over 9,800 subcontractors in 956 towns in 39 states

Tune in Major Bowes every Thursday, CBS, 9 P. M., E. W. T.

BACK THE ATTACK—WITH WAR BONDS

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International Bimetallism Advocated By Brownell Chairman Of American Smelting & Refining Co.

Contends It Is The Most Suitable Monetary Standard For The Post-War World. Comments On White And Keynes Stabilization Plans

Adoption of International Bimetallism by agreement of the leading commercial nations of the world, in order to retain every advantage of the international gold standard and yet assure an adequate supply of monetary metals for the post-war period, was proposed by Francis H. Brownell, Chairman of the American Smelting and Refining Company, in a statement released in New York on Sept. 27. Mr. Brownell's remarks follow in full:

A nation can never be healthy when its currency depreciates sharply and fluctuates erratically in value from day to day. We have only to remember the economic chaos and human misery that spread over the continent of Europe after the first World War, before currencies were stabilized, to realize that people must have confidence in the money they use if industry and agriculture are to function normally and employment provided the people.

Francis H. Brownell

If the purchasing power of a nation's money, be it the dollar, pound or any other unit, is declining rapidly, so that prices of goods soar skyward, an economic collapse, unemployment and social unrest will inevitably follow. When the foreign exchange value of a currency depreciates, international trade cannot be conducted along orderly lines and high trade barriers that choke commerce are the result.

At the end of the present global war, what will be the purchasing power of the moneys of France, Belgium, the Netherlands, Poland, Norway, Czechoslovakia, Denmark and Yugoslavia, inflated as they have been under German occupation? What will be the buying power of the currencies of the defeated Axis nations, Germany, Italy, Hungary, Rumania and Bulgaria? Can the internal economies of these nations and of the countries of the Far East, China, the Dutch Indies, the Malay Peninsula and Japan, revive while their peoples use highly inflated moneys of doubtful value? Can international commerce with these countries, and between them, be resumed on a large scale without monetary stability?

Every business man knows that an early, effective stabilization of their moneys is an urgent and absolute pre-requisite to both internal recovery and the revival of the foreign trade of these countries. The need for such immediate currency stabilization has been recognized by the governments of the United Nations, representatives of whose treasuries have been conferring continuously during recent months to evolve a plan to assure the earliest possible stabilization of currencies through international agreement.

The need for monetary stabilization is clear. International collaboration is required to achieve it. We must make sure, however, that the standard adopted to assure such stability is sound and adequate, so that stabilization will be lasting.

Why We Must Return to a Metallic Standard

We all know that the international gold standard broke down during the thirties. This largely resulted from the unsound provisions of the peace treaties following World War I, which made the monetary gold stock of the world inadequate. Economic nationalism, reparations and war debts and other consequences of these peace treaties finally caused so marked a maldistribution of existing gold among the nations of the world that survival of the gold standard became impossible.

The use of the precious metals as standard money is one institution which has worked well through the ages. Gold and silver have been used as money in Ancient, Mediaeval and Modern times. Peoples have learned to have confidence in gold and silver coins, and in monetary units that are anchored to gold and silver and are convertible into these metals.

On the other hand, the nations of the earth have had repeated unhappy experiences with paper money. Hence mankind has always preferred "hard money." In our own Civil War of the 1860s, United States paper currency fell to a substantial discount and, when peace came, there was an insistent demand to "resume specie payment."

History abounds in examples of paper moneys deteriorating in value and at times becoming worthless as the result of wars, revolutions and other vicissitudes of the issuing nation. But we do not have to turn to history for examples of the unhappy consequences of inconvertible paper money issues. We have only to look at the nations of Europe and China today to see the tragic consequences when they are flooded with huge issues of paper money rapidly depreciating in value towards the point of worthlessness.

Is There Enough Gold?

Extended periods of monetary stability in the past have been invariably associated with the use of the precious metals, gold and silver, as monetary standards.

The international gold standard was dominant in the leading countries of the world through most of the nineteenth century and the period down to World War I. Many urge a return to it after the war. But that standard had broken down long before the present war began. Gold had disappeared from circulation and the price had been increased from $20.67 to $35 an ounce, thus in effect increasing the volume available. This failed to solve the difficulty, however.

The monetary gold stocks of the world, according to the best available estimates, do not greatly exceed $30,000,000,000, at the prevailing price of $35 an ounce for the yellow metal. The monetary gold stock of the United States amounts to $22,000,000,000, which is more than 70% of the world stock. Obviously, the $8,000,000,000 or so of monetary gold owned outside the United States is very far from adequate to permit the other nations of the world to return to any type of workable gold standard.

Furthermore, it is not enough that each nation have some gold to make the international gold standard workable. Each country must have a gold reserve that is large enough to take care of adverse contingencies as they arise. A nation should be in position to export a considerable quantity of the yellow metal, to cover a temporary deficit in its balance of international payments without being forced to suspend gold conversion and abandon the standard.

How much yellow metal would be needed to make possible a lasting return to the gold standard by the peoples of the world after the war?

The amount of gold reserve desirable for each country will depend upon its price level at home and the volume of trade and other transactions that it carries on with other countries. The higher the price level, the larger the gold reserve required for domestic purposes.

After the war, commodity prices probably will be higher than before the conflict, since a drastic deflation would not help reconstruction. The expressed policy of the British Government, as stated by Sir Kingsley Wood, Chancellor of the Exchequer, in his 1943 budget speech before the House of Commons, is to retain the then price level after the war, and this level was 60% higher than it was in 1939. Similar considerations will probably cause this country to follow the same course and seek to maintain the existing wage and price levels in the post-war era.

The larger a nation's foreign trade and financial transactions with other nations, the greater the metallic reserve required for these purposes.

It is essential for the welfare of the peoples of the world that foreign trade after the war should be far larger than in the pre-war period. The general determination of nations to lower trade barriers, develop economically backward regions and cooperate in global reconstruction all point to a vast expansion of commerce between nations. The larger the volume of such trade, the greater the disequilibrium that may develop in the balance of international payments in any one year, and so the larger the amount of gold needed in any attempted return to an exclusive gold standard. Hence, regardless of the fact that the gold stocks sufficed for the world's needs for a monetary metal to settle international balances before 1914, and for a few years in the 1920s seemed adequate with the help of the artificial mechanism known as the "Gold Exchange Standard," plus large foreign loans by the United States, there is every reason to believe that a serious shortage of gold for post-war needs looms ahead. This shortage will arise even apart from the fact that the existing supply of the yellow metal is so unequally distributed among the nations of the earth. What is evidently required, therefore, is the expansion of the present monetary gold stock through the addition to it of the other great monetary metal, silver.

The White and Keynes Plans

Recognizing that the inadequacy of the present gold supply, and the small gold holdings outside of the United States, bar a general return to the gold standard after the war, the American and British Governments are preparing plans for economizing on the amount of gold required to achieve monetary stability. These plans, and the American White Plan in particular, are nothing more or less than efforts to return to a partial international gold standard with a smaller amount of gold. The Keynes Plan does not necessarily require any gold. The International Stabilization Fund, under the White Plan, would give each nation a considerable credit on its books against which only a fractional deposit of gold need be made. Both plans are, in effect, types of managed currency.

Commentators on these plans, almost without exception, have pointed out, however, that when a country's maximum credit on the books of the proposed International Stabilization Fund has become exhausted, the same problem will arise as when gold holdings are all exported under the international gold standard. The inadequacy of the medium for settling international balances will thus again become apparent.

If a plan like the White or Keynes schemes is ultimately adopted, therefore, every practical measure should be taken to increase the ability of a nation to maintain its credit balance on the books of the International Stabilization Fund, and thus the stability of its currency, even though its balance of international payments turns unfavorable for a considerable period of time. This calls for an expansion of the volume of settlement media beyond the limit imposed by the amount of gold available.

Asia and Africa

Both the single gold standard and the White and Keynes plans ignore the preferences of the silver-using peoples of Asia and Africa. The humble status of countless individuals devoid of banking facilities or without need of them, who use the rupee, the yuan or the tael as their medium of exchange and as their store of wealth, makes silver the most desirable coinage for their needs. Unlike gold, silver can be minted into coins of small denominations adequate to the modest requirements of myriads of farmers and tradesmen who, from one year-end to the other, seldom earn through hard labor more than $100 in our money. Nor will they willingly accept paper currency, which they distrust for many reasons, not the least, if the latest, of which is the experience of China. The average Asiatic does not aspire to the possession of gold, which is beyond his reach. Silver is what he wants, because silver is the gold of the masses.

Any post-war monetary system must recognize the situation of these people, who constitute approximately one billion human beings or nearly one-half of the estimated population of the earth. The importance of this section of the world in the future from a commercial standpoint will be much greater than in the past.

International Bimetallism

Silver has been in use as a monetary metal as long as gold, and over a large part of history and a large portion of the earth's surface it has been preferred to gold.

Before 1816 all countries, and until the 1870s all countries except England, had a bimetallic monetary system. But they never established identical ratios between gold and silver. When transportation improved, this difference in ratios led to arbitrage. When gold was overvalued, gold coins were melted down or exported, and silver became the sole money in use. When silver was overvalued, it was driven out of circulation by gold.

Economists have pointed out right along that this basic difficulty encountered by bimetallism would not arise if the same ratio were adopted by the leading commercial nations of the world by agreement at the same time. The great English economist Alfred Marshall, probably the outstanding social scientist in the English speaking world of the past century, said in his great work on Money Credit and Commerce, "An agreement entered into by all the commercial countries of the world to keep their mints open to gold and silver at almost any reasonable ratio would tie the values of the metals to that ratio, so long as the agreement lasted." He urged that currencies be made convertible into gold and silver together, with an ounce of silver considered equivalent to one-twentieth of an ounce of gold.

The world's monetary gold stock today is less than 1,000,000,000 ounces, of which the United States owns more than 70%. The world's monetary silver stock is well over 5,000,000,000 ounces, of which the United States holds approximately half. Were the nations of the world to agree upon international bimetallism, with a fixed and permanent ratio of 20 to 1 established between silver and gold, as Marshall suggested, there would be an immediate increase of more than 25% in the aggregate stock of standard money. If we take the countries outside of the United States alone, their holdings of standard money would be increased by some 50%! A ratio of 10 to 1 would double the above percentages. But the actual ratio should be determined by a Commission advised by experts—economists, bankers, geologists, mining engineers and others qualified—after full investigation of the many factors involved. They should particularly consider the amount of metallic money desired and the possibility of increased silver production at various price levels.

In this connection, it is interesting to note that in 1940, the last year for which full statistics were made available, the world produced about 41,000,000 ounces of gold and about 273,000,000 ounces of silver. The production ratio was thus approximately 7 ounces of silver to 1 ounce of gold in that year.

Advantages of International Bimetallism

The adoption by international agreement of International Bimetallism as the world's monetary standard, with or without the use of an International Stabilization Fund to economize on the use of monetary metals in settling international balances, would have the following far-reaching advantages:

1. The volume of standard money would be immediately increased, particularly outside of the United States, to meet the larger needs of the post-war world. This would enable nations to maintain the stability of their currencies even if an adverse balance of payments should compel substantial shipments of gold and silver for a time to other nations, or to the International Stabilization Fund.

2. The yearly addition to the world's stock of standard money would be expanded, for the normal annual output of some 40,000,000 ounces of gold would be supplemented by production of some 270,000,000 ounces of silver.

3. The stock of monetary metal could be expanded further, if found necessary, through drawing in considerable quantities of silver from the arts.

4. Nations whose populations desire would be able to restore the cointage of standard money on a large scale. This has become progressively less possible as the gold shortage has caused all governments, including the United States, to withdraw the yellow metal from circulation.

5. If a world-wide shortage of standard money should again threaten, it could be corrected through stimulating silver production and lowering the ratio of silver to gold by international agreement.

6. The adoption of International Bimetallism would not make the International Stabilization Fund Plan unnecessary, but would rather help assure the success of any such plan by facilitating each nation's ability to replenish its credit on the books of the International Fund through its power deposit silver, as well as gold, for the purpose.

7. This is the only monetary plan that assures the world at large will possess an adequate stock of monetary metals, no matter how large domestic and external trade becomes, and no matter at what points world prices are stabilized.

8. A much larger number of nations would be themselves producers of standard money under International Bimetallism, and thus would be aided in maintaining the stability of their currencies through the production of monetary metals within their

Says Domination Of Industry By Few Corporations Makes Free Enterprise Impossible

Questions Whether Laissez Faire System Can Be Restored Without Lowering Standard of Living

Editor, The Commercial and Financial Chronicle:

I have heard it said that free enterprise is in danger, not because it has been attacked by its enemies, but because it has been abandoned by its friends.

Dr. Clyde William Phelps, in his interesting article "Planned Economy and Free Enterprise," in The Chronicle of Sept. 16, admits as much when he speaks of "a great and widespread retreat from competition." But the examples he gives of this retreat are minor indeed by comparison with the major breakdown in the free enterprise system which is responsible for the effort to restore the balance by governmental intervention.

If it is true, as Dr. Phelps says, that "competition is the major force which we rely upon in our free enterprise system to make the system work effectively," then any business practice which hampers competition is a blow at free enterprise, more deadly because more secret than anything that may be done by the Washington bureaucrats. "Gentlemen's agreements," collusive bids, interlocking directorates, cartels, and other monopolistic devices were with us long before the bureaucrats began their career of regulation. It is the simple truth that the various anti-trust laws, and the boards and commissions set up to enforce them, were attempts to **restore competition,** and not to destroy it. There has probably never been a time when American business could not have regained its freedom if it was willing, to use Dr. Phelps' phrase, to "accept the responsibility to compete more fully and freely."

It is questionable, however, whether free enterprise can be restored without abandoning the industrial techniques which have made a high standard of living possible, and that is the problem to which the economists should address themselves.

The breakdown of free enterprise has resulted not so much from monopolistic practices, and the government regulation resulting therefrom, as from the increase in size and decrease in number of industrial units which has accompanied technological development. When an industry is dominated by one or a few giant corporations, business policy, including competition and prices, is no longer made solely by the operation of the open market, but in part by the administrative action of corporate officials, who are necessarily governed by financial considerations rather than by the broad, general welfare of the whole community.

The traditional economic theory is built around the law of supply and demand. It is assumed that if men are left free to follow their own self-interest, supply and demand will be regulated automatically by the rise and fall of prices in the open market. But if a little group of men can sit down around a table and fix prices or control the volume of production, obviously there is no longer a free market. And this holds good whether the little group of men are bureaucrats administering a Federal law or business men administering the affairs of a great corporation.

Either you have industry automatically regulated by the impersonal forces of competition, or you have it **controlled** by the administrative action of individuals. In the first case you have free enterprise; in the latter, you have **planned economy,** no matter who does the planning.

Not One System of Enterprise But Two

We speak of "the American system of free enterprise," but as a matter of fact we have not one system but two—one "free" and the other "controlled"—and for many years there has been a steady shift from the "free" area to the "controlled" area. This has been due first, to the rapid increase in municipal ownership; second, to the extension of public control over more and more privately owned industries; and third, to the substitution of "controlled production" with "administered prices" for business practices commonly associated with free enterprise.

The latter, while by far the most significant, has received less attention than it deserves from professional writers on economics, although it has furnished the raison d'etre for most of the New Deal attempts at regulation.

A comparison of two industries, each typical in its own field, will illustrate the point.

Before the intrusion of the AAA, there were some six million independent farmers producing for the market. There was no means by which these millions of entrepreneurs could correlate their efforts, and no one of them had any significant control over prices or volume of production. Each farmer produced as much as he could and sold it for what he could get. This was genuine "free enterprise," in which supply and demand were equated by price. If prices went too low, some farmers might, and many did, go broke, but the community as a whole was not impoverished. Society continued to enjoy full production and maximum use of human and material resources.

Contrast this situation with that prevailing in the agricultural machinery industry. Here is a typical large-scale industry, in which a few giant corporations control the entire field. When confronted with falling demand in the early days of the depression, this industry elected to hold its prices firm and made the adjustment to lessened demand by restricting the volume of production.

The mere fact that they had the power to make this choice demonstrates that the industry was not a "free enterprise" in the traditional sense of the term, that it operated on radically different principles than the farmers who bought their products.

The following table illustrates how far this development had gone at that time:

Relation of Price Drop and Production Drop for Ten Major Industries From 1929 to the Spring of 1933*

	Per Cent Drop in Prices	Per Cent Drop in Product'n
Agricultural implements	6	80
Motor vehicles	16	80
Cement	18	65
Iron and steel	20	83
Auto tires	33	70
Textile products	45	30
Food products	49	14
Leather	50	20
Petroleum	56	20
Agricultural commodities	63	6

*Source: "Industrial Prices and Their Relative Inflexibility," by Gardner C. Means, published as Senate Document 13, 74th Congress.

Effects of "Administered" Prices

Observe now the economic consequences of this difference in operating practices: If a bushel of wheat sells for $1 and a mowing machine sells for $100, then a hundred bushels of wheat will pay for one mowing machine. If the price of wheat drops to 50 cents a bushel and that of mowing machines to $50, a hundred bushels of wheat will still pay for one mowing machine. But if wheat drops to 50 cents while mowing machines remain at $100, then it will take 200 bushels of wheat to pay for one mowing machine. And that is substantially what happened. At the depth of the depression agricultural prices, as shown by the foregoing table, had declined 63% while production had fallen barely 6%. For agricultural machinery, however, the reverse was true; prices had dropped only 6%, while production was off 80%.

Under these conditions the bankruptcy of the farmer was inevitable. The prices he received for his products were "free" prices, but his purchases were made in a market in which prices in varying degrees were "fixed" or "administered."

And there you have the basic reason for the New Deal policy of regulation. The AAA was an attempt to organize farmers so that they could do what corporate industry was already doing—maintain prices by restricting production. The killing of little pigs and the plowing under of crops was no different in principle than the deliberate restriction of production by industrial corporations.

The Remedy Worse Than the Disease

The failure of the New Deal to achieve any fundamental solution through this policy was not due to its bungling ineptitude, but to the fact pointed out by Dr. Means in the brochure quoted above, that any policy of restricting output, whether by governmental or corporate action, breeds more evils than it cures. Restriction of output results in the disemployment of labor, which still further reduces buying power, and so ad infinitum. An initial decline in price thus tends to grow into a national catastrophe. During the recent depression production declined, the national income dwindled, people could not pay their debts or taxes, and thousands of banks closed their doors. If the deflation had been allowed to run its course, wholesale bankruptcy would have ensued. Government intervention not only became necessary, it was welcomed at the time by all classes.

There is not space in a letter such as this to discuss this problem in detail. The writer's sole purpose is to point out that the New Deal was an attempt to meet a very acute situation. Inept, bungling, un-American—call it what you will—if the New Deal is ousted at the next election, the original problem will still have to be faced.

If we cannot restore a free market and flexible prices to the whole of our economy, then those sectors where free prices threaten bankruptcy will continue to seek refuge from competition in government regulation.

Nothing is gained, it seems to me, by talking as if the New Deal were the gratuitous invention of Meddlesome Matties, and that free enterprise would be restored ipso facto if and when the New Dealers are kicked out. It was farmers threatened with the loss of their farms who demanded the AAA and the Milk Control Boards. It was small business men threatened with extinction who demanded the "fair trade laws" and special taxes on chain stores. It was merchants and shippers suffering from secret rebates who demanded the ICC, and so on and on. Step by step "free enterprise" has been abandoned, each step making the next inevitable. The New Deal is a symptom and not a cause.

Dr. Phelps and his brilliant confreres among the economists will render a truly great service if they will show us how this problem—**the wholesale retreat from free enterprise under the impact of modern technology**—can be solved.

WILLIAM G. LIGHTBOWNE.
Bogota, N. J., Sept. 29, 1943.

borders. The western hemisphere, chiefly Latin America, produces about three-fourths of the world's silver, while the eastern hemisphere turns out about three-fourths of the gold.

The United States should support international bimetallism because, without lessening or impairing the use of gold or damaging the monetary situation in any country, such a system would serve best its economic interests and those of the western hemisphere.

International bimetallism will escape all of the disadvantages that arise when any one nation resorts to the use of two standard monetary metals, instead of gold alone.

International bimetallism retains every advantage of the gold standard, but possesses a number of additional advantages over gold.

The end of the war and the launching of a cooperative effort by all nations to restore monetary stability with the return of peace provides an unparalleled opportunity to bring this superior international monetary standard into effect, thus assuring a more effective and lasting monetary stability in the post-war world.

R. J. Thomas Enters Appeal Following Charges Of Violating Texas Law Governing Organizing

R. J. Thomas, President of the United Automobile Workers and Vice-President of the Congress of Industrial Organizations, was arrested on Sept. 23 and charged with violating the State law which requires persons seeking members for a union to hold a license from the Secretary of State said an Associated Press dispatch from Pelly, Texas, on Sept. 23, which added:

The union leader was arrested by W. B. Miller, Harris County deputy sheriff, at the end of an oil workers' rally sponsored by the Oil Workers International Union of the CIO.

Three other CIO organizers who spoke were arrested. They are John W. Livingston of Kansas City, regional director of the southwestern region for UAW-CIO; C. M. Massengale of Kilgore, assistant national director of the Oil Workers Organizing Committee, and John Crossland of Houston, sub-regional director of the CIO.

Criticizing the Texas law, Mr. Thomas said:

"We're not going to let any selfish interests here in America—in Texas or anywhere else—sneak behind our back and put on the people of this country the same kind of restrictions and bans that Hitler put on the German people.

"And we're going to fight it tooth and nail, wherever that happens, because we know if it can happen in the Legislatures of Texas and several other States, it can happen in Michigan, and if it can happen in the States, then it can happen in Congress—and even if we lick Hitler, we will have lost the very things we are fighting for."

Mr. Thomas asserted that Colorado, Kansas, Alabama and Florida had laws similar to the Texas labor regulatory statute.

Further Associated Press advices from Austin, Texas, on Sept. 25 revealed that an appeal had been made indicating this as follows:

Chief Justice James P. Alexander of the Texas Supreme Court granted tonight a writ of habeas corpus for the release of R. J. Thomas, President of the United Automobile Workers, Congress of Industrial Workers affiliate, from Travis County jail.

Mr. Thomas was found in contempt of court today by Judge J. Harris Gardner in 53d District Court and was sentenced to three days in jail with a $100 fine. Justice Alexander said a hearing on Mr. Thomas' case had been set for Oct. 20.

Judge Gardner asserted there was no question that Mr. Thomas had violated a temporary restraining order preventing the union official from soliciting membership in a union without a license as required by Texas law. Following his ruling on the contempt issue, the jurist made permanent the temporary restraining order.

Garfield, Goerz & Co., NYSE Firm, In New York

As of Oct. 11, 1943, Richard A. Garfield, Edward V. Goerz, and J. Victor Onativia, member of the New York Stock Exchange, will form the Exchange firm of Garfield, Goerz & Co. with offices at 120 Broadway, New York City. Mr. Goerz in the past held membership on the Stock Exchange and conducted his own brokerage firm in New York. Mr. Onativia has recently been active as an individual floor broker and prior thereto was a partner in Elliott, Crawford & Co.

N. Y. Hanseatic Elects

Otto H. Steindecker, assistant treasurer, and Maurice Hart, assistant secretary, have been elected assistant vice-presidents of the New York Hanseatic Corporation, 120 Broadway, New York City.

Our Post-War National Debt

(Continued from first page)

win the war," "but," he added, "they will demand accountings of those who, through ill-conceived fiscal policies, load on the nation any unnecessary debt burden." Doctor Saxon, in telling the gathering, "we can help the world most by remaining free and prosperous," reminded those he addressed that "**our** job is to keep our own house in order, while encouraging peace and revival of international markets, trade and finance."

In discussing the growth of the national debt, Doctor Saxon dealt somewhat along the lines of a special article he wrote for the "Chronicle" last May (given in our issue of May 13, page 1753).

The following is part of his speech before the Controllers:

There are three ways by which Government can rid itself of debt. It can be directly repudiated. It can be inflated out with disaster to our people and destruction of their savings. It can be gradually redeemed in honest dollars through taxes.

Debt can be retired honestly through taxes, however, only when kept within reasonable bounds commensurate with national income and wealth.

What Is Wealth?

Economists define wealth as only things which are **material, useful,** and **owned** by man. Intangibles, such as accumulated knowledge, imagination, will-power, though instrumental in producing wealth, are **not** wealth. Things not owned by man are not wealth. Fish in the sea, deer in the forest, the air we breathe, the untold riches in and under the sea are **not** wealth until reduced to possession through toil and sweat and made useful to man.

Wealth, therefore, is mainly the product of man's labor, expended on natural resources-production.

There are only three factors in production—land (all natural resources), labor and capital. Roughly speaking, there are only two—land and labor, for capital is mainly the product of labor accumulated in savings or physical assets, such as tools of production.

The **value** of wealth is a matter of yard-sticks. Today we measure it in dollars of a theoretical gold value and a practical purchasing power.

In evaluating wealth, whether it be a horse, farm, mine, factory, or the United States, the value is simply the price, which the component items will bring on a free market—the price at which buyers are willing and **able** to buy. (Mere desire means nothing.)

National Wealth

Based on this yard-stick, the present value of our national wealth is about $388,000,000,000. It necessarily varies from time to time, depending on production, consumption and the price level.

* * *

However, Harold Ickes, Secretary of Interior, recently made a most astounding statement. He said that the United States are worth more than twelve trillion dollars, or, in figures, $12,023,000,000,000.

This statement is quite irresponsible. All economists (worthy of the name) estimate our national wealth at $388,000,000,000. That sum is only 3% of Mr. Ickes' figure.

Has Mr. Ickes' good nature been capitalized by the day-dreamers in Washington to justify their post-war world-wide WPAs, PWAs, FHAs, etc? Perhaps the Secretary has been covering the North Woods recently with (legendary) Paul Bunyan. Yet a false blow has been struck at our fiscal sanity.

The Secretary's statement quiets many honest fears. It belittles the gravity of our skyrocketing national debt, already the largest in all history, in honest dollars, and estimated, in a long war, to approximate between three and five hundred billions. It pooh-poohs the possibility of national bankruptcy, which, after World War I, paved the way in Europe, through inflation and repudiation of national debts, for dictatorships as the only alternative to anarchy.

Secretary Ickes Evaluates Our Wealth

Mr. Ickes obtains his "valuation" merely by adding to our true wealth the incomprehensible sum of 11 trillion, 635 billion dollars (97% of his entire estimate), labeling it "value of our undeveloped natural resources." Ten trillion dollars (83% of his estimate) is credited to our coal deposits.

In other words, he arbitrarily adds 11⅔ trillions as the value at which our **undeveloped resources might be sold, if they were all developed into useful things with ready and able buyers at current prices. He ignores the obvious fact that their markets are some hundreds, even thousands of years in the future.**

There are interesting examples of what undeveloped resources are worth. Manhattan Island was once sold for $24 worth of whiskey and some trinkets. The Indians probably thought they had fleeced their white buyers.

Who can say that Manhattan was then worth more? In fact, not so many years ago (1933) certain people in Washington were wondering whether we shouldn't give the country back to the Indians. But that was before the deficit spenders took over.

Mr. Ickes must think that Jefferson cheated Napoleon in 1803 when we bought for $11,250,000 the Territory of Louisiana, which now covers all Louisiana, Arkansas, Oklahoma, Kansas, Missouri, Nebraska, Iowa, North Dakota, South Dakota, Montana, most of Minnesota, and portions of Colorado and Wyoming. He must think Seward tricked Russia in 1863 when we bought Alaska for $7,200,000. Perhaps he thinks the SEC should indict them posthumously for fraud!

These prices sound absurd today, but they represent the approximate value of those territories **undeveloped** at that time. The tremendous increase in value of those areas is due to labor and capital savings expended by a free people in developing the usefulness of their resources and in making markets for their products.

Mr. Ickes' "wealth" is not wealth because 97% of it cannot be utilized until tremendous quantities of labor and capital have been expended on it and ready markets created. Nor can it be used to pay our national debt.

With 97% of his birds still in the bush, Mr. Ickes counts them all as in the hand, ready for sale at present prices to willing and able buyers. If a corporation offered its securities on this basis, its officials would be convicted of fraud under the (Truth in) Securities Act. Mr. Ickes is probably not deliberately deceiving us, but we need truth in high office today as much as truth in securities!

Time was when whale oil was a vital product. Almost over night kerosene put it out of business, only to be challenged by natural gas, which in turn was put out of the illuminating business by the incandescent electric light. Nylon will probably ruin the Japanese silk industry. Synthetic rubber can destroy the billions invested in Eastern rubber plantations.

Crude oil, the world's most valued natural resource, would be relatively worthless without the automotive engine. Who knows when science will tap untold energies directly from the sun? What will happen then to our undeveloped oil and coal deposits which Mr. Ickes values at 11⅔ trillion dollars?

Secretary Ickes Is a Piker

If Mr. Ickes' formula for value is correct, he is a "piker" to stop at 12 trillion. He should include the air we breathe, the fish in the seas, the birds in the brush, the fast-multiplying jack-rabbits of the Western plains, the possibilities of gold from the ocean, and the unlimited energies of the sun.

Ten trillion of the Secretary's "wealth" is in our coal deposits, mostly "soft" coal. **Yet with only 11 billion dollars you could today buy all the known coal deposits in the United States and its possessions.**

These deposits are only worth what you can get for them under ground today **in their present form.** If you leased a deposit to any operator, he would pay you **about 25 cents** for each ton he took out of the ground.

He must sell the coal for about $2.00 per ton, after it has been mined, graded, cleaned and loaded for shipment. The payroll per ton for this is about $1.50. This leaves about 50 cents to cover all over head expenses, machinery maintenance and repair, depreciation, taxes and profit. If you could get one-half of that 50 cents, you would have made a good bargain. You would probably get less.

An orange sapling, with proper care, labor, fertilizer, etc., may grow into a tree and produce hundreds of dollars worth of fruit in its lifetime. But Mr. Ickes wouldn't give $5 for it today.

That sapling, like a coal deposit, is merely a permit to work, worry and invest money with only a **chance** of selling the product at a profit commensurate with the risks of loss.

But even Mr. Ickes finally hedges. He says:

"If our coal and oil and vast timberlands lay at the feet of primitive people, they would still add up to such figures and yet, in fact, they would be worth almost nothing. But in the hands of men and women as highly civilized as we are, by our enterprise, amounting to almost genius, we shall add greatly to the value of the resources."

Yet China and Russia have more labor than, and probably as great natural resources as, we. Their peoples have ingenuity, genius and spiritual qualities equal to ours.

The chief factor lacking in their equation, the key to all prosperity, Mr. Ickes dismisses with one word: "enterprise." Yet **private** enterprise, with its profit motives, regulated by government to prevent abuse, stimulates economic energy far more effectively than any other social device. Virtually every American immigrant came from a "backward" area, but in the climate of a free economy "the disinherited" and their children have built the world's greatest accumulation of wealth and income in all history. And we have only just begun!

America's Capital

About 50% of our man-made physical assets produce useful goods and services. Our industrial and commercial plants, machinery, railroads, the means by which we convert undeveloped resources, **constitute the greatest stock of tools the world has ever known.** They are, in economic vernacular, "capital." The millions of Americans, whose savings made them possible, are "capitalists."

By use of this "capital" American workers have increased the earning power of their muscles about 300% since 1870. Without it, our living standards would be what they were 100 years ago. Yet through ever-new technological devices, we can progressively tap our undeveloped resources at lower and lower costs until we may have a uniform 30- or even 20-hour work-week, maximum employment, real social security for all, and a standard of living beyond our wildest dreams. All this will be the product of our labor and capital on our undeveloped resources.

The Price We Pay

Yet, according to Treasury Department reports, our capitalists are satisfied with **only a chance** of a small profit to compensate for the risks assumed. Between 1924 and 1936, a mixture of good and bad years, net earnings of all manufacturing capital was only 3.02% on the investment. The peak figure was 6.4% in 1929; the valley figure was a **loss** of 3.79% in 1932. That doesn't seem too much to pay for the tools that make possible our phenomenal production.

In fact, over a period of years about 80 to 85% of our national income goes to labor and the self-employed, while not more than 15 to 20% goes to profits, interest and rents and royalties.

Since work is a major factor (without which natural resources are worthless) in production, we must think of our national debt and taxes in terms of work.

If the average wage of a worker were $1 an hour, a $300 billion debt means that **every one** of America's 50,000,000 **workers** would have to contribute 6,000 hours, or 150 weeks of 40 hours, or about three work-years, to pay off the debt. **The annual interest alone,** at 3%, would require 9,000,000,000 work-hours per year!

Lord Keynes' Theory

The vital necessity of maintaining our national solvency is appreciated by all thinking people, except the emotional planners and self-seeking bureaucrats. They, of late years, have been fervently practicing the "deficit-spending" theory (imported from England) to perpetuate themselves in power. This theory, sired by Lord Keynes, would justify a permanently unbalanced budget. (It has been unbalanced since 1930.)

A nation, according to Lord Keynes, can spend without limit, regardless of its income, wealth, or debt. So long as we merely owe the debt internally, to ourselves, the process of paying it off involves only siphoning of money, through taxation, from one pocket into another. **This entirely disregards the fact that the pockets are in different pants and are not owned by the same person.**

Under this magic wand debt becomes, if not virtuous, at least respectable. Governments could borrow and squander endlessly to satisfy all pressure groups with Treasury handouts.

Harry Hopkins, close adviser to the White House, on the eve of a recent election, said: "We will spend and spend, **tax** and **tax,** and elect and elect."

This political opiate ignores the fact that debt has a disconcerting habit of demanding interest. Annual interest on a $100,000,000,000 debt will approximate $9,000,000,000, a sum equal to the entire annual cost of the Federal Government in the 30's and three times that of the 20's. This annual interest alone will amount to about $68 for every man, woman and child in the United States!

Even these astounding figures do not upset the "spenders." Recently Seymour Harris of Harvard, currently with OPA, a disciple of Lord Keynes' American counterpart, Professor Hansen, also of Harvard, stated that we can conceivably stand a debt of $4,000,000,000,000. This would, at a rate of 2½%, require annual interest payments of $100,000,000,000. Yet national income was only $85,000,000,000 in 1929, the largest in history until this war. (It is estimated at $135,000,000,000 for 1943.)

Another fly was found in this political ointment. When the higher income groups had been clipped to the skin by taxes, it became necessary to tap the average citizen. Taxes then proved somewhat unpopular.

Lord Keynes' theory removes this fly, changing the slogan to "Spend and spend, **borrow and borrow,** and elect and elect."

No wonder his ideas are so welcome in Washington. Borrowing is painless, compared to taxing. The bureaucrats could now thumb their official noses at taxes and unbalanced budgets. It's nice work if you can get it and keep it.

Unfortunately for the "deficit spenders," the Brookings Institution, an authoritative, impartial research agency, recently issued a study entitled, "The New Philosophy of Public Debt," which completely demolishes the Keynes theory.

Now comes Mr. Ickes, who dramatically extracts another white rabbit from the mysterious depths of the New Deal hat, which itself, after 12 long years, must be pretty nearly bankrupt. **His** thesis is that our wealth is unlimited. Why worry over a debt of 300 or 500 billions, or even Professor Harris' four trillions, when we are worth 12 trillions?

The Secretary, with his "blitz," is softening us up for a post-war spending spree. Under his theory, the New Deal can guarantee full employment, social security from cradle to grave, and Vice-President Wallace's bottle of milk a day for every child in the world. We can feed the world indefinitely, write off billions advanced under "Lease-Lend," police the post-war world, and indulge in thousands of post-war projects, domestic and foreign, now being dreamed up by hundreds of commissions and committees—all this (and Heaven too) and still remain solvent!

The United States Are Very Rich

The United States **are** very, very rich. They can, if they will, be even richer. But they **must** produce their riches through toil and sweat from Nature.

In 1940, with only 6% of the world's population, we produced an income of $72,000,000,000, 36% of the total world income.

Our per capita income in 1940 was about $550. That of the rest of the world was only $70. By equalizing incomes throughout the world, we would add about $30 per year, 8 cents per day, to the incomes of **2,015,000,000** people outside the United States. But this would flatten our own standard of living to 1/6 of its present level.

These figures reduce all the current international reform and world-wide relief projects to sheer absurdity. Nothing real can be gained by redistribution of existing wealth. We can, however, encourage increased production everywhere, so that there will be more to distribute among us all.

Less prosperous nations, with huge populations and undeveloped resources, can do what America has done, if they secure the climate of political and economic freedom that stimulates men and women to work hard, accumulate savings, assume risks, and acquire power tools that multiply productivity.

We can help the world most by remaining free and prosperous. **Our** job is to keep our own house in order, while encouraging peace and revival of international markets, trade, and finance.

We Must Keep Our Own House in Order

Keeping our own house in order will itself be quite a challenge. Total government in the United States in the 30's cost about 16 billions per year.

Assuming this total cost after the war for **ordinary** functions of government, if we add 20 billions annually for policing the world

(Mr. Wallace's estimate), 15 to 20 billions for cradle-to-grave social security, 7 to 9 billions for interest on the post-war debt, 1 billion annually for additional benefits to veterans and their dependents, and, say, 3 billions for debt retirement, total annual cost of government would be between 62 and 70 billions per year. That is more than our entire national income averaged during the 30's!

Merely to tabulate these figures shows the impossibility of the program. Yet, they include nothing for many favorite New Deal projects at home and abroad.

Secretary Ickes, therefore, does the country a great disservice when he runs interference for fiscal crystal-gazers who are planning global reform, despite their twelve-year failure at home.

Our people will gladly make all necessary sacrifices in lives and dollars to win the war. But they will demand accountings of those who, through ill-conceived fiscal policies, load on the nation any unnecessary debt burden.

It seems proper, therefore, to challenge anyone — **anyone**—who makes light of the prospect ahead of us. We must face up realistically to the price we are paying for victory.

In the final analysis, every venture on the road of deficit spending (other than for emergency periods), has ended in national bankruptcy at some time, some sooner, some later, depending on peculiar conditions of time and place. Regardless of what white rabbit is used to hypnotize the people, national insolvency is always followed by inflation or dictatorship.

Inflation, of course, can be avoided by complete government control of all production, consumption, wages, prices, and all economic life.

This, of course, is dictatorship. Government can prevent prices rising, if it uses the concentration camp, the bayonet, and the firing squad to enforce the controls.

There is, however, no way to maintain a nation of free men and women except through economic freedom. That requires a solvent nation, willing and able to pay its obligations through taxes and the sweat and toil of their labor.

A three-hundred-billion-dollar debt can be repaid in honest dollars, if we have the moral fibre and political courage of our forefathers. But it will require return to economic and fiscal sanity in spending and taxation.

Growth of Federal Debt

In 1910, the Federal debt of the United States was only $1,470,000,000. By 1920, the costs of the first World War had raised this to $24,298,000,000. During the 1920's, the debt was reduced steadily, falling to $16,185,000,000 by 1930. Then the depression years of the 1930's raised the debt to $43,000,000,000 in 1940.

On June, 1943, the costs of the second World War had already lifted the debt to $137,000,000,000. It is conservatively estimated that, at the present rate of Federal expenditures—$2,000,000,000 weekly—the debt will reach $300,000,000,000 in 1945. By the end of that year, the debt may well reach or even exceed our entire national wealth, estimated at about $388,000,000,000 today. In effect, it will constitute a 100% mortgage on all our resources.

The seriousness of the problems raised by this situation cannot be too greatly emphasized. The per capita Federal debt in 1910 did not exceed $12. By 1920 it had increased to $220. By 1940 it had risen to $326.

A national debt of $300,000,000,000 in 1945 will mean a per capita debt of approximately $2,222 for every man, woman and child in the country. In brief, in the span of 35 years our per capita debt will have risen from $12 to $2,222 despite an increase of 47% in our population in this period.

In 1932 Franklin Roosevelt said: "Any government, like any family, can spend for a while more than it earns, but you and I know that a continuation of that habit means the poorhouse."

The "Chronicle" invites comments on the views expressed by Doctor Saxon, 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.

Over-Priced Growth Stocks

(Continued from page 1295)

mand is so great to offset completely all the basic factors involved. This in turn is a lesson that you cannot go against the market, if you want to make money. There must be a healthy respect for the opinion of the majority even though you do not have to agree with it.

All the time certain securities are pushed up or down to levels obviously too low or too high. Sometimes this appraisal is not very complimentary to the level of intelligence in the Street. Just taking a glaring example: Int. T. & T. a year ago was available at 3, now it is over 14. There was absolutely no change in operations or prospects of that company. A year ago all we saw were bearish factors. There is no other explanation for it but that we all think the same things at the same time. A little iconoclastic vision a year ago would have been very profitable in that case.

We in investment trust work, having a longer view in our approach to investments, naturally are less concerned with the market phase of security analysis than those who are associated with brokerage firms which have to consider shorter term trading. On the other hand, we are not married to the past record as trust companies are, which, I believe, makes the conditions of our work practically ideal.

This leisurely approach is probably the reason why I have developed the fixed belief that consideration of values, or the first two points of security analysis, in the long run is more profitable than thinking in terms of the market trends. Once one develops a good sense of values of individual issues, which takes years and a lot of effort, it is sufficient to watch their action, and as soon as some one is patently out of line up or down, sell or buy. If judgment involved is reasonably good, a steady accumulation of profits will be made whatever the market as a whole does. In other words, the business of running into cash and out of it in anticipation of market moves requires sense of the market which only sensitive and fast-thinking and acting ticker watchers can accomplish successfully, and they are very rare. That is one of the reasons why the market enthusiasms for growth industries or companies is the time to run away from them rather than buy them, because when there is bidding you may be almost certain that the prices are too high.

It is sufficient to review the record of the "growth industries" of the past 15 years to see how correct this view is.

We all remember the great expectations and valuations of stocks in the air-conditioning field in the 1930's because that was a coming new industry and stockholders who chased Carrier Company stock up to $67 in 1937 in expectation of a great future for air conditioning have had a rather drab waiting period. The company had the volume but no profits and only about now it is beginning to capitalize on the hard work of a decade, and despite that the stock sells only at one-fourth of the high. The stockholder who, instead of jumping on the bandwagon when it started rolling, waited to purchase the stock when the hullabaloo subsided, was the one who made the profits, not the one who anticipated the development by buying before the chickens were hatched. Then, after that, we had **prefabricated houses.** Everybody was in it and nobody made any money on it. Another glaring example is **radio** industry. We all remember the rise of Radio Corp. stock and what great things were expected from it. The interesting point is that they were right in terms of volume. There are, I think, 40,000,000 sets in this country now which nobody thought possible in 1929. Obviously all those hopefuls who bought the radio stock at above 100 were right and even conservative in their expectations, but they lost money because volume is not necessarily profit. We must realize that in a competitive economy nobody can make money easily. It is literally a matter of decades to develop and market a new product. Wall Street is inclined to jump to the end of the rainbow and consider a thing done just because it was started.

Aircraft Manufacturing

Speaking more specifically and in terms of the future of another growth industry, the aircraft manufacturing group, at the start of the war we pushed these stocks up to prices too high from the viewpoint of long-range values because apparently many of us believed that we would be able to unload before the day of post-war reckoning comes. Sadly enough, some of us still hold Boeing or Lockheed at costs twice the current market. The unloading started rather early, so that only some took the profits, the others guessed right on the length of the war and volume of business but did not anticipate E. P. T. and ultimate market reappraisal of prospects at lower levels. Now aircraft stocks are down at levels that may be too low in the aggregate. Using just a rough index, the total market value of aircraft manufacturing companies now is approximately $350,000,000. In view of the fact that in the first two or three post-war years the aircraft industry may average a volume up to $300,000,000, in my opinion the **total** valuation of the issues is not too high, since it really means that the market is roughly 15 times possible earnings at 6% of potential sales, which is not exorbitant because of the long-term growth factor of the industry. From an investment viewpoint, of course, this over-all picture does not consider the most important element, that is, which individual companies are going to do better than the average. There is no doubt that many companies will fail to match the growth of the industry, and will probably fall by the wayside, while, on the other hand, certain others in the group will do better and may be cheap at these levels. That, of course, is to be determined by appraisal of management, assets, and other characteristics of each concern, and you can make your selection on the basis of your opinion of them. Summarizing, it is evident that among aircraft stocks there are companies that will give profit from these levels and if you feel that you can choose the winners you may buy. It may be a good idea, however, to wait, even at the expense of paying higher prices than the current market, until the trends are clearer because the risks are too large.

Airline Stocks Over-priced

Taking an affiliated group, the airline transportation industry, in my humble opinion the values of the securities of most companies are entirely out of sight. Specifically, I have made recently a little study of the prospects of one of the major transport companies and have indulged in some crystal-gazing in projecting its trends into the future. I have used most optimistic premises for my estimates, such as, for instance, that the company will nearly treble its capital by sale of preferred and common stocks, and by issuing low interest rate equipment trust certificates; that the volume of operations will go up better than proportionately to additional capital employed which would bring them up to more than 7 times that of the last peace year (1939); that the rate of charges will be stabilized at current levels; and that the efficiency will be high, profit before taxes in percentage of gross revenue to be nearly 3 times that of 1939-1941 and that return on capital after taxes will be permitted to rise to above 6% on the capital invested.

On the basis of this most optimistic calculation, the conclusion was that the stock today sells at 12 times these Utopian earnings. On a purely actuarial basis, if there were a way of evaluating the risks involved, it is evident that the stock should now be selling not at 12 times this impossible estimate, but probably 5 or 6 times. In other words, I believe that the airline transportation stocks are too high. That is one group of stocks that serious investors are hardly justified in buying today.

Misnaming of Growth Companies

Manuals that we use for appraisal of securities have a major shortcoming which confuses the analysis of individual securities. Listing the operations of individual companies very slight distinction is made in description of operations as to size and profitableness of each division. In other words, a company may be engaged in three or four industrial fields but only one of them may contribute the lion's share of the sales and profits to the consolidated picture. However, when a company is discussed, it usually is classified in all fields, so, for instance, a concern in a durable consumer field with relatively uninteresting future, from which field most of the sales and profits are derived, may be classified with electronics because the company in the last year or two started a new department in that field. So just because a company is engaged fractionally in an interesting industry is by no means sufficient for optimistic appraisal of the entire venture.

Conversely, there are "flash in the pan" developments which operate in reverse. An uninteresting enterprise may have a product which temporarily is very successful and brings great profits and publicity to it. Then when competitors wake up the thing collapses. I am thinking of "vitamins." No doubt some companies have recently made a killing in that field. However, I doubt that these profits can be projected into the future and capitalized as a growth situation. I believe that vitamins, instead of giving the tremendous profit margins that they have been in the recent past, will come down to a reasonable 20% when all those now tooling up for production enter the field. In short, it is always well to know exactly what are the ingredients of any change in any company before capitalizing the expected growth.

Summary

A good general rule can be accepted in principle; never to buy an untried issue when it discounts the future without fairly definite indications that strong background exists for exploitation. For that reason I believe that most of the so-called "electronics" issues is overpriced now. There is no doubt that there is growth there, but to take current operations and profits in that field as basis for buying is rank optimism. There is a great difference between producing for government on practically cost-plus basis in tremendous volume and trying to market a new product under competitive conditions. Metal working and assembling ability and plant capacity of this country at the end of this war, will be plentiful. All these instrument makers and metal workers will be operating under an entirely different set of conditions with terrific investment risks. Therefore, it is extremely optimistic to have visions of great profits in that field apart from the element of reasonableness of expectation of volume.

A Plan For Deduction Of Post-War Reserves

(Continued from page 1294)

1. The deduction should be elective.

2. It should not exceed a percentage, say 15% of net income.

3. The entire funds should be required to be invested in government bonds.

4. The fund should be expended within a period of three years after the war ends.

5. It should be expended for any one of specified post-war requirements—such as severance and relocation costs or wages; costs of reconverting, moving or adjusting plant facilities; deferred maintenance not otherwise covered; inventory losses; deferred research expenses; losses due to contract cancellations, reemployment of service men, etc.

6. If not so expended, the fund or unexpended portion should be subject to recapture by the Treasury by taxing it at the rates in effect when the fund was created.

"Many of the post-war expenditures will be the outgrowth of all-out activities for war production. They may be made in later years when it may be expected that somewhat lower tax rates will be in force, and if there is no loss or unused credit the post-war expenses will save taxes at such lower rates; yet the profit growing out of the activities which necessitated the expenditures will have been subjected to the highest tax rates in our history.

"We should not overlook the fact that equity in taxation is important. Our policy of permitting deductions only in the year actually incurred will result in these costs being deductible in the years that follow the coming of peace. I think we can look for a reduction in tax rates at that time—not to pre-war levels, but certainly we can reasonably hope for a reduction in the 90% top tax bracket. Yet the profits which resulted from the activities that make the post-war expenditures necessary will have been taxed at the top rate. If there is to be an equitable distribution of the tax burden that grows out of this war, such expenditures should result in tax reduction at the same rate as was applied to the income which caused them. That will be accomplished only if the deduction is allowed in the year in which the profit is earned, regardless of the fact that the expenditures may not be made until a year later."

Public Utility Pfds. Situation of Interest

Public Utility preferred stocks merit investment consideration, according to a circular being distributed by Stifel, Nicolaus & Co., Inc., 105 West Adams Street, Chicago, Ill., discussing the attractions of these issues. Copies of this circular together with a list of preferred stocks which the firm believes appear particularly attractive at current levels may be had upon request from Stifel, Nicolaus & Co., Inc.

Facts, Figures and Promises

(Continued from first page)

sources and ingenuity of business—or the government will be forced to take over in a major way. To avoid such a disaster, Senator Hawkes urged that the following steps be taken: (1) Reestablish the independence of the three branches of government; (2) get rid of excess bureaucracy and man-made directives; (3) see that the States are protected in their rights; (4) eliminate subsidies; (') have intelligent men administering government agencies, and (6) protect the right of citizens to criticize. He also said that business must fight for the foundation of all freedoms—the freedom of a man or woman to work when or where he or she chooses, union member or no union member—and asserted that the mainspring of American life—fair reward for work and accomplishment and the development of genius—must not be broken.

Following is the text of Senator Hawkes' address:

Your organization, the Controllers Institute of America, is composed of men whose careers have led them to cultivate a passion for facts and figures. You appreciate the value of factual data. You have learned to dig out the facts and the figures. You know how to evaluate them, and how to separate the truly factual from the fictitious. And you have the ability to utilize this information so that it will present a valid picture upon which to base a plan of action. Conversely, you—above all men—can appreciate the helplessness of any enterprise, be it private or public, which is compelled to make decisions which are **not** predicated upon factual data, or which are based upon administrative regulations which lack a solid foundation.

Yet this latter condition is the one in which your Congress finds itself today. In order to perform its legislative function, the Congress must have ready access to an enormous amount of statistical and factual information which will give its members an accurate picture of the conditions confronting industry, commerce, finance, labor and foreign trade. But Congress is often handicapped in securing the facts, and its members frequently are forced to rely on information procured from administrative agencies which—either because of incompetence or deliberate intent—is sometimes found to be inadequate, inaccurate and conflicting. Oftentimes the administrative branch of government refuses to give essential information to Congressional committees, however much they may need it in order to arrive at the decisions they are expected to make. And never were the **true facts** more urgently needed than they are today.

False propaganda is the most dangerous enemy of free men. The importance of gaining the true facts and pushing aside statements made to mislead or to gain the support of unsuspecting citizens is one of the most important problems in front of each of us.

Take post-war planning as an instance. You businessmen must not for one single moment overlook **your** vital stake in whatever plans are proposed and decided upon for redeveloping our national economy in the post-war period. Government, as well as business, is engaged in post-war planning. Did you know that 30 of the 245 agencies now engaged in post-war planning are Federal bureaus? They are financed through taxation—and much of their work involves duplication, overlapping and the employment of unnecessary manpower. Some duplication is desirable, even necessary, but there is no reliable leadership to coordinate the work of these planning agencies.

Some of the Federal planners are drafting their proposals along the line of a "planned economy" which would revolutionize our economic and social system, in a manner that is alien to our American way of life. Their plans repudiate all our traditional conceptions of public finance, and our American pattern of governmental relationships with industry, business and agriculture. These planners minimize the dangers of an unbalanced Federal budget and an ever-increasing Federal debt. They call for an expenditure of public funds on a level never before considered or dreamed of.

Not only do these "planners" regard cost as a secondary matter; they propose changes in our political system which they admit—and even boast—will curb our traditional liberties. Their "plans" ignore the fact that individual opportunity, properly established and protected, would make it unnecessary for the government to do most of these things. They overlook the **truth** that our people do not wish to be serfs or wards of the state—and that men, standing on their own feet, made America great.

These planners of an alien breed maintain that we in the United States are really fighting **two** wars. One, they say, is abroad—against the Axis. The other is here, at home—and they call it "the People's Revolution!"

I am not crying "Wolf!" These are facts, not fancies. The blueprints are already published for all to see. They call for the Federal ownership and control of our public utilities; of our transportation and shipping facilities; of our investments and—even—of our land. Nor are they blueprints only! Already the Federal government owns $16,000,000,000 worth of manufacturing plants and equipment—much of it built during this war emergency. These Federal planners of whom I speak intend that the Federal government shall retain the ownership of these plans after the war—and they plan to use them as an instrument to secure Federal control of our key industries.

And land? Already the Federal Government owns land aggregating almost 300,000,000 acres. That is an area equal to the combined areas of New England, all the Middle Atlantic States—including Maryland and West Virginia, as well as the entire State of Pennsylvania—the southern States of Virginia, North and South Carolina, Georgia, Florida and Alabama, PLUS Ohio, Illinois and Indiana. Twenty-one states—with enough left over to make 32 District of Columbia! One-fifth of the total land area of the United States!

The Federal government—YOUR Federal government—has organized a vast and overwhelming bureaucracy. The Farm Security Administration, to cite one example (although it is a comparatively small bureau) has 15,000 employes. It occupies 2,700 seperate local offices, for which the government is paying rent and furnishing personnel—largely for the purpose of controlling the farmer's life and (some say) to control the farmer's vote.

Think of the difference between our Office of Price Administration and its British counterpart. OPA has 2,700 lawyers—500 of them in Washington and 2,200 distributed throughout the country to regulate and to see that the people are regulated. In Britain, the legal staff for the same operation totals only 10—with accomplishments which apparently please the British people better than OPA's do here.

Here is another set of facts and figures which should cause every American to stop, look and listen. Ohio, which has 25,000 State employes, has 90,000 Federal employes. Within the borders of Pennsylvania there are 44,000 State employes, as compared with 215,000 who are on the Federal payroll. Wyoming, with only 1,100 State employes, finds 6,200 Federal employes in the State. With all due allowance for the fact that the conduct of the Federal system requires a substantial number of Federal employes in each State, there is an odious comparison between the records of the present and the records of the past.

I could go on adinfinitum citing figures of this sort. But I simply wish to call attention to the fact that the cost to the taxpayer is increased almost directly in proportion to the number of Federal employes. All of them have expense accounts—including travel, telephoning and the like—and the total runs into millions of dollars. The bill for travel and communications for this fiscal year, conservatively estimated, will reach $100,000,000—and this does not include a single penny for the expenditures of the Army and the Navy.

The joint Economy Committee headed by Senator Harry F. Byrd, has done an outstanding job in the interest of the taxpayer. Senator Byrd's Committee has pointed out practical ways in which Government expenditures may be reduced without the loss of efficiency.

After careful examination of the records made by the Administration and Congress during the past 10 years, one can only conclude that they have as their objective the assumption of greater power and control by the Government over individual life. If these policies are continued they can only lead to the destruction of the system of free enterprise and unhampered private initiative and the substitution of state direction and control of all the lives of our citizens.

That is the goal of the Federal planners. But, gentlemen, it is not the desire of the American people! In my trip across the United States, I found in every section that the people are beginning to recognize the importance of preserving private enterprise in this country. This recognition is not confined to the owners of business; it also comes from the intelligent labor leaders and intelligent workers in every State. They are beginning to realize that if we destroy the American system there is no place left for any of us to go—except to statism, under which we would be a completely regimented people, subject to the orders of a single individual or of a small coterie of power-crazy men.

Gentlemen, the people of America want to get back to the rule of laws, instead of the rule of men. They crave to be rid of these ill-informed Janizaries who tell them what they can eat, what they can wear, and where they can go. They are tired of seeing government set up rules for private business which government itself does not follow. They are beginning to see that government can cover up its losses, while private industry cannot. They are beginning—even the plainest people—to distrust a "yardstick" which is elastic when applied to government projects and rigid when applied to business.

The American people don't mind hardship. They are willing to sacrifice in every way, to whatever degree is necessary, in order to win the war. But they want the hardship spread honestly and evenly among them. They don't want to cheat at home while the boys are serving honorably abroad. They want to be able to look those boys in the eye when they return, and say, "We have preserved American institutions at home so that **you** may have the benefits of the system you defended on the field of battle."

What are we doing to make that welcome possible? Think, when the wars in Europe and Asia end, our economy will lose the customer who now buys half its output—the government. Many of the 10,800,000 then members of the armed forces, plus nearly all of the millions in war work, will be returning to peacetime pursuits, eager for jobs. They will insist on getting them—useful jobs at decent pay, and with ample opportunity for advancement. Never again will doles and subsistence levels be tolerated. Jobs for these returning soldiers and sailors and war workers must be provided through the resources and ingenuity of business—or the government will be forced to take over in a major way. And that is what the Federal planners are counting on!

They know that if we have too much unemployment for too long a time after peace comes, our free society can easily be supplanted by a dictatorial regime. It is lack of jobs on a grand scale that gives regimentors their opportunity. Unemployment in Italy gave Mussolini his big chance. Hitler's gangsters were recruited from among the unemployed. It isn't plotters on the left who constitute the real hazard to our free society, but rather the pressures stemming out of widespread, unwanted idleness. If collectivism comes to America, it will be by default on the part of the good citizens rather than by design on the part of the revolutionaries.

How can be avoid that disaster? Well, we must do a number of things. We must reestablish the independence of the three great branches of government. We must get rid of excess bureaucracy and man-made directives. We must see that the states are protected in the rights which belong to them and which under the Constitution were never ceded to the Federal Government. And, unless we wish state socialism—the kind of Government which controls the lives of individuals and tries to divide property—we must get rid of subsidies, even those subsidies which help our own line of business.

Furthermore, we must see that intelligent men administer the necessary agencies of government—men who recognize that cost of production must bear a fair relationship to any ceiling price. High cost of production and low ceiling prices which permit no legitimate and fair profit constitute the pincer-jaws which can crush free enterprise to death.

We must also protect the right and duty of American citizens to criticize honestly and openly any regulations or controls of the individual life issued by a bureaucratic administration. We are asked in the name of the war effort not to criticize those in authority for bungling the job which involves not only the lives and health of our civilian population but also the lives of our fighting forces. "But when our right to criticize ceases, then the lifeblood of a free people will cease to flow."

The American people must be told a lot of unpleasant truths in the most pleasant way possible. They must know the truth as to what the last 11 years have done to this nation, and then decide if that is the road they wish to continue travelling.

Of course, citizens in wartime recognize that the temporary surrender of certain rights and the acceptance of temporary regulation and restriction, are necessary to victory. But they still must criticize, to the end that such regulations and restrictions will not interfere with the successful conduct of the war.

It is especially important that the business man emerge from his shell of timidity and feel free to criticize, and to present to his Congressmen his ideas, his suggestions and whatever facts he has which may help his representatives in Washington to solve the momentous problems which confront the nation. Despite a ten-year campaign of villification of the American business man conducted by the administration and its allies—and financed largely with the taxpayers' money—the majority of the members of Congress still have a wholesome respect for the opinions, judgments and facts presented to them by business men. This has become increasingly true during the past two years, as the result of the remarkable job done by American industry in the war effort. That is why business men should get together as much as they can, among themselves and with other groups, to develop recommendations on taxation, government spending, labor legislation, post-war planning and other related problems.

In advancing their suggestions on these matters, however, business men should be sure that they do not repeat the mistakes which they made in years gone by. They should keep first in mind the common good. And whatever they do must be done within the bounds of sound economics. After you decide your course, you must fight courageously for it, but never fight for what seems popular when in your heart and soul you believe in another thing that is right—but unpopular at the moment.

Business must fight for the foundation of all freedoms—the freedom of a man or woman to work when or where he or she chooses, union member or no union member. This is the basic freedom—individual initiative, and it is the foundation upon which depends individual enterprise, individual accomplishment, individual security and the solvency of the United States Government. The mainspring, which is a fair reward for work and accomplishment, and the development of genius, produces the only fruit from which taxation can be collected.

Labor is entitled to the right to organize, the right of collective bargaining, the right to strike lawfully in peacetime, and to legislation which is necessary to prevent unjust exploitation. Laws governing labor and capital must be just if they are to be effective. They must contain equity for all groups, and should never unfairly invade the constitutional guaranteed rights of personal liberty, free enterprise, private initiative or the realm of lawful property ownership.

America is labor **and** capital. Under the American system of free men, every working man should have the opportunity to fairly earn and save, so that he may become a property holder and owner of business, and a part of management. That is America, and anything which interferes with the operation of this system will help to destroy free enterprise. The watchword is "Justice to all and special privilege to none." If labor and capital, through failure to understand each other and to voluntarily cooperate, destroy the system of free enterprise and initiative, then each should now recognize that both must become the slaves of the state. We must not break the mainspring of American life—honest profit for hard work, for accomplishment, and for the use of genius in experimentation, research and the development of the things required for the sustenance, recreation and happiness of the human family.

American business men must do more than this. You must take part in the American system of government, by acting NOW to reverse the trend in governmental affairs. That trend today, as outlined by the Federal administration—and up until now approved by the Congress—will lead ultimately to the destruction of states' rights, the socialization of the school system, of medicine, of the legal profession and of business and industry. This is not a job for once a year or every four years. It is a job **every** year—365 days a year—and it requires the same kind of efficient organization which you devote to the conduct of your own business. Recognize your duty NOW to see that the men who take high office in Washington and in your state capitals, in the executive branch or as legislators, be they Republicans or Democrats, believe in the things you are trying to save. And have the **facts** to support every effort that you undertake. You cannot expect to save the American system of free men unless your representatives in the Federal, State and local governments sincerely believe in and will follow through in saving the things you wish and I wish saved.

Always we come back to facts and figures, and sometimes we stack them up against the promises which distinguish the New Deal from the "American Deal" where the cards are really on the table. Facts are usually strangers to the extreme internationalists in our country but they are willing to be long on promises. They place the ideal ahead of the practical, and would substantially sacrifice the national identity, character and independence of the United States Government in exchange for a super-state or United Nations of the World. They do not explain how that super-state would avoid intrigue and coalition of groups within itself, if and when certain nations had to be denied something which their own people demanded. They do not tell us how they would overcome the innate selfishness of human beings, or how they plan to avoid the problems arising from international competition. Their desires and objectives are commendable, but their knowledge is far from convincing.

Midway between these internationalists and the relatively few pure, unadulterated isolationists, are those millions of Americans who believe in maintaining our independence, but who also feel that we can afford to enter into a definite agreement with Allied nations for the purpose of enforcing peace. This middle group, which contains the great body of our citizens—would recognize only those nations which acknowledge the sanctity of contracts and the obligation to fulfill them even when conditions become difficult. These Americans believe in fair trade treaties, and wish to exchange the wares of one nation for those of another on a basis which does not needlessly disturb the markets for our own products. This basis of exchange, they hold, must consider cost of production and the established living standards of the people in the various countries involved. And they know that we must maintain peace and economic tranquility within our own borders if we would be strong enough to render real leadership service to the world.

This midway group leaves the United States as justified in maintaining an Army and Navy of sufficient size and strength to help keep the peace by force if necessary. This group feels this is like paying a small premium on an insurance policy of peace, and in the light of the human lives lost, and the hundreds of billions of dollars being spent for this war, such a cost is a justified taxation upon the people.

In the last analysis, the war will be won and the post-war victory achieved by standing on **sound** facts, figures and promises. We cannot win either battle by waving a magic wand or by idealistic hoping. This is a practical world, and it behooves you gentlemen and all Americans to recognize that the solution of our problem depends entirely on true facts and figures, and that we must not make promises which we cannot keep.

Promises are made by words. They must be fulfilled by acts. Let not our words outdistance our acts. The easiest way to lose our friends and to make new enemies is to make promises which we cannot keep or which—worse yet—we do not intend to keep.

It is my firm conviction that every nation should scrupulously avoid doing anything that can in any way leave the impression with the people of one country, that those of another country are interfering with the election processes of that particular country. We must not try to influence the vote or the will of the people in any other nation except by our example at home. No other country must try to influence the will of our people or the vote of our people except through their example at home. This is vital, if we are to remain friends and cooperate on a great scale for the development and perpetuation of peace.

Quoting Shakespeare:

"There is a tide in the affairs of men
Which, taken at the flood, leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries;
And we must take the current when it serves,
Or lose our ventures."

Wanted: Adequate Basis For a Just and Lasting Peace

(Continued from page 1295)

will mean something far less tangible to us than to them who have borne the burden, the tragedy and the bitterness of blitzkriegs and invasions. At the end of the war there is bound to be a rather confused reaction. Our soldiers will have no desire indefinitely to police the world. Nevertheless there will be a strong urge to imperialism. We shall emerge from the war the strongest nation in the world with no very obvious and immediate gain from victory, with a huge debt and a tremendous problem of transfer from a war to a peace economy. All these circumstances contribute to a growth of imperialism and militarism, partly as providers of jobs. We shall probably want to dress up that naked imperialism with a few fig leaves of internationalism. We shall want "to do others good" and that phrase may mean two very different things which, however, easily pass from the better to the worse. We, or some of us, shall be very optimistic about our ability to "re-educate" the German and the Japanese people at the same time that we are very pessimistic about the more immediate and important task of reeducating ourselves so as to deal with our own racial and economic problems.

It is certain that the chances of the successful survival of democracy in the world are poor if America cannot solve her problems in democratic fashion. We cannot thus solve our problems if we are dedicated to universal military conscription, great armaments and imperialism. Yet, of recent weeks the discussion among us really turns on nothing but the kind of imperialism; shall it be our own imperialism, especially in this hemisphere, or shall it be in alliance with Great Britain, or with Russia and maybe China?

Let me stress the fact that these alliances mean imperialism. Never in the history of the world have alliances preserved peace. Alliances have broken and always will break on the rocks of the resentment of excluded peoples and the differences of interest and ambitions between the Allies.

Walter Lippmann in his overpraised book, **The United States Foreign Policy,** in which pontifically he does much violence to history advocates a "nuclear alliance" of the United States, Great Britain and Russia which, he thinks, in its own interest, will add other nations to it and institute a world order of justice which he nowhere defines. In other words, his book stops at its most important point which is showing that his alliance, once a common enemy has been conquered, will develop on any other lines than have attended the development of all alliances from the times of the Greek city states down through the Napoleonic period and the First and Second World Wars.

Prime Minister Churchill and Governor Dewey of New York put their trust in an Anglo American alliance. This would be valid as a road to peace or a basis for peace only on two conditions, which these notable personages ignore. First, that at the time of the formation of the alliance, it be solemnly announced that **all** peoples honestly desirous of peace and willing to meet the conditions of peace, will be admitted to the confederation of which the alliance is the beginning; and second, that as an evidence of good faith, immediately Great Britain and America will set up machinery to guarantee true freedom to India, Burma, Malaya, Puerto Rico and other imperial possessions outside of the free English speaking nations. Walter Lippmann has truly said that American commitments should not exceed American power. In the past, American commitments did exceed American power. British commitments, even more truly, exceeded British power as two World Wars have proved. An Anglo American alliance would increase our commitments more than our power. Whatever we said, unless we did what I have suggested but what Mr. Churchill has never suggested, our alliance would be correctly considered by the rest of the world as a means of maintaining disproportionate power and advantage. It would invite new wars; it would tend to consolidate Asia against us. It is no basis of peace at all.

Indeed, no police force alliance of any sort is a proper basis of peace. There may be a place for a genuine international police force in the world, but no community of nations can be born simply on the police principle. The police in every civilized community are subordinate to community cooperation and are controlled by law. That is the only way in which you can talk of a police force in the world.

I have spoken so long about various proposals for alliances rather than the Atlantic Charter because, except for occasional lip service, nobody pays any attention to the Atlantic Charter. Its authors, Messrs. Roosevelt and Churchill, wrote a document of pious hopes, not positive pledges. They gave us a watered-down and warmed-up version of Wilson's Fourteen Points. And they do not agree on the interpretation of their own document. Witness Mr. Churchill's famous "We Must Hold Our Own" speech, which applies to regions like Burma and Malaya, which by no moral right were ever England's own and which are not her own today even by right of possession, but will require for their recovery the blood of thousands of Americans. Yet Mr. Churchill has offered them nothing but a return to the status quo.

Secretary Hull (Secretary Hull's speech appeared in the Sept. 16 issue of the "Chronicle," page 1086—Ed.) on Sunday night made things a little better by his thoughtful speech, most of whose general principles were sound. But the time has come for high officials to go beyond these generalities. How would Mr. Hull have the force which he thinks necessary to peace exercised? What sort of organization would control it? Who would be admitted to it? And on what terms? It is all very well to cite our treatment of the Philippines as an example to the world, but what about Puerto Rico? What about our racial problems here at home? What about our failure to abolish the insult of Asiatic unilateral exclusion? How shall our humanity toward the world be generally accepted until we have tried harder than we have to bring some relief to the children of occupied Europe and her cruelly-oppressed refugees? What have the Italian people to hope for the future? I admit that the immediate task is to get rid of the Germans. But then what? Do Messrs. Churchill and Roosevelt intend to freeze in power Badoglio, the King and all the bureaucracies which were fascist until bad weather overtook fascism? Will not the same forces which produced fascism before produce it again, under another name unless more substantial changes are made?

I do not suggest that it is the business of the British and Americans to make any sort of revolution in Italy. I do suggest it is their business to give the people who are our real friends, the people whose opposition to the war gave us so comparatively easy a victory, their chance to work out their salvation. And this principle will apply everywhere in Europe.

It certainly should apply in Germany. I am far from feeling the indiscriminate enthusiasm now preached in some quarters for Stalin. It is not necessary, in order to give due credit to the immense bravery of the Russians, utterly to condone in an ally a totalitarianism we condemn so utterly in an enemy. But Stalin's approach to Germany is far more sane and hopeful than is the apparent approach of the English speaking powers. He has already made it completely plain that he distinguishes between the Nazis and the German people and that he will deal with a government of the German people without indulging the fantastic notion of an indefinite policing and reeducation of the people through foreign gauleiters.

All these problems are certainly not covered by the endless reiteration of the phrase "Unconditional Surrender"; not even when that phrase is qualified by such a thoughtful speech as Secretary Hull has made or by Vice-President Wallace's uncritical enthusiasm for President Roosevelt and the "common man."

The time has come for something more definite and more pertinent to world peace. Indeed it is already later than we think. The United States should use all its power and its influence to get from its Allies a concerted and solemn announcement to the peoples of the world that we want the earliest possible end of the war, which by its continuation threatens European civilization with something close to destruction, no matter who may be the final victor. We want a peoples' peace. To that end we proclaim that it shall be a peace without vengeance against any people and without our attempt, through puppets or gauleiters of our choosing, to prevent the people of any land from solving their own problems.

With equal solemnity we must state our purpose that the peace shall not be a peace to try to guarantee for a few uneasy years white supremacy in the Far East; that throughout the world we seek a new principle than imperialism for the organization of nations and that every people is entitled to self-government.

The fulfillment of these principles, the removal of the causes of the war, the establishment of a just and lasting peace, require cooperation. That cooperation should be inclusive of all peoples who will honestly accept its terms. The test of the value of the cooperation will be not the degree to which a mighty police force is erected, but the degree to which disarmament and the end of universal military service is made possible. We shall have lost the war if we have to continue universal military service after it. There may, indeed, be a taste for an international police force to which the Ely Culbertson quota principle might be applied, but such a force must always be subordinate to positive cooperation to get things done. Already that cooperation exists in a great many individual instances, like the Internation Postal Union and those examples must be increased as we are increasing them to deal, for instance, with the problem of food. It would be well to have the right sort of inclusive confederation. It must not be, on the one hand, a mere police force alliance, of certain powers, or on the other, a highly centralized world state. That confederation can best provide machinery for preventing and settling disputes among nations and for positive controls of certain economic processes on which increasingly the well being of all depend.

To work out this matter in detail requires conferences and not merely secret conferences. I am still of the opinion that the cause of peace and a just peace would be furthered by establishing a standing American commission on peace representing the State Department, both Houses of Congress, and of course, both parties, and representatives of various sections of the public: labor, farmers, educators, etc. Similar commissions might be encouraged in other lands.

Now is the time to adopt a general framework of the future. The details can be filled in later, but if the whole business is left to what is sometimes called a "cooling off" period, it will be a disaster. The cooling off period will merely mean a let-down of such hope for the future and such a cooperation as now exists; the revival of animosities and suspicion. The time for agreement on the general outline of cooperation in behalf of a lasting peace is now while the hopes of men turn toward peace. These are the things that lovers of peace should be saying to their government in every land.

Sen. Wheeler Blames Bureaucrats for Manpower Bungling

At a press conference Senator Wheeler spoke bitterly about what he called the bungling of the general manpower situation, said Associated Press advices from Washington on Sept. 25, which also gives other comments of Mr. Wheeler as follows:

"The bureaucrats in Washington cannot escape the blame for the chaos that exists in the manpower situation today."

"The incompetence on the part of these bureaus—and I include the War Department—is doing more to sabotage the war effort and break down morale of the people than all the fifth columnists in the United States.

"They're asking the American people to make sacrifices. They're willing to compel mothers to go to work in industry and put their children on the streets while they themselves sit complacently back in their soft jobs handing out propaganda trying to discredit anybody who dares to criticize them for their incompetence and lack of intelligence."

Magill Advances Post-War Tax Program

(Continued from first page)

lions, tobacco taxes of $1 billion and miscellaneous excise taxes of $4.1 billions, or a general sales tax in place of the latter. In addition, he said, Social Security taxes would run from $1.2 billions to $2.4 billions annually.

Although questioning whether the total levy on personal incomes could be much reduced, Mr. Magill said:

"Individual income tax provisions and credits must be devised so that they will enable and encourage individuals to save, to provide for their own security, and for the flow of new capital which an expanding economy will require. High surtaxes and high estate tax rates have made the accumulation of an estate of any size almost impossible. It is still important to our economy that citizens be encouraged to carry their own life insurance and to build up their own savings funds, which during their lives will provide life-blood for business, and after their deaths will take care of their dependents."

In emphasizing the need for lower corporate income tax rates in the post-war period, Mr. Magill had the following to say:

"There seems to be general agreement that present corporate tax rates are at a peak, and that substantial reductions should be made after the war. We must devote much more attention than we have to the effect of taxes upon the economy, and the impact of the individual forms of taxes on various kinds of business and social activities.

"To activate the business machine and to convert the war plants to peace-time production, a great deal of new investment will be needed. Some of the great corporations have surplus and reserves adequate for the purpose. Many have not.. It is clear that, to meet our obligations to our own people and to develop markets abroad, large additional amounts will need to be invested. No doubt government will supply some capital, but much should and will come from the private investor. To attract investment in the corporations which conduct our major business enterprises, it is essential that corporate taxes be demonstrably fair; that they permit a resonable return to private investors; that they provide adequate deductions for losses."

"The greatest present brake on corporate enterprise," Mr. Magill pointed out, "is the excess profits tax." Stating that "it is frequently discriminatory and unfair in its operation, since, in general, the well-established corporation is apt to be less heavily burdened than its young and growing competitor," he added that "corporations exploting new inventions and developments are particularly hard hit. Hence the first step in fostering sound business activity and development after the war is the repeal of the excess profits tax." Continuing, Mr. Magill said:

"As a nation, we would be better served with a high level of business activity and lower tax rates than with moderate business activity and high rates. Perhaps neither corporate nor individual rates can ever be brought down to pre-war levels. Congress might well experiment, however, with rates much reduced from present heights. More important, perhaps, would be executive and legislative assurance that we are no longer involved in a spiral of increasing taxes and of administrative provisions of increasing severity; that business can plan on the basis of rates and provisions established for a reasonable term of years."

Mr. Magill's address follows in full:

To some of you, it must have seemed that the character and scope of this address were comparable with one on how and when we will win the war with Japan. Both are addressed to problems which lie very much in the future. Both will be affected by great imponderables, as well as by numerous events that cannot be foreseen in detail today. But if it is not too soon to discuss international organization and international monetary affairs after the war, it is certainly not too soon to consider what our domestic fiscal policy ought to be. The first step in securing a tax system that is bearable is to consider what the nation's fiscal needs are going to be, and how best to meet them.

We have now a considerable fiscal history, and, though the nation may be young, our ideals and ideas, our ways of life, our demands on business and government are pretty well established. Most of us would like to see continue the civiliization we knew before the war. It is certain that governmental modifications affecting the budget will occur, like social security; and changes in the relations of business and government, like the establishment of the Securities and Exchange Commission. But it is still a reasonable assumption that the philosophy on which our tax system, as well as our Government, is built, will remain. At least, this is the basic premise of this address.

What major factors, then, will govern the formulation of our Federal tax system after the war? Here we could consider each of the basic attributes of a good tax system normally cited by fiscal students: simplicity and economy in administration, adequacy and diversity of taxes levied, fairness and equity. For our purposes, two factors are enough to keep in mind. First, what are the requirements of the Federal Treasury likely to be? What are the inescapable items of Federal expenditure, and how much must we allow for them? What kinds of functions and activities do we citizens want our Government to perform, and how much are we willing to pay for them? A related question is, what functions are the States to perform, and what are to be the relationships between the various levels of government? For example, is the Federal Government to subsidize municipal and State activities or not?

Second, how can we best encourage through our tax system the kind of business and social life that we want to exist here? Taxes have become a major factor in determining the form and character of investment, of business transactions generally, and of family settlements and arrangements. Some useful devices, like revocable trusts, have been outlawed; others, like insurance, are both encouraged and discouraged. Doing business in corporate form is discouraged by a form of double taxation, as compared with individual or partnership business. Corporate financing by means of equity securities is similarly discouraged, while debt financing is sanctioned—though the SEC takes a contrary position. Certainly all these particular impacts of the Federal tax system should be reviewed after the war. But fundamentally Congress must consider whether the post-war tax system fosters those incentives to business activity which a healthy economy requires. Can business men afford to take risks? Can they afford to undertakes new enterprises? Or does the tax system load the dice in favor of 3% bonds and safety?

After the war, we will have in our hands a vastly increased productive capacity, and a multitude of inventions and developments fairly pleading to be exploited. We will have an enormous army of workers, more than we have ever employed in peace times. We will have, at home and abroad, a great consumer demand for new houses, automobiles, airplanes, shoes, clothing, food. Even a Treasury fiscal expert will aspire to devise a tax system which, while producing the very large amounts which the Government will require, will also encourage an expanding economy, with the full employment and general well-being which are its fruits.

Now to what fiscal conclusions do these considerations lead us? Even with this general groundwork, it may seem pure crystal-gazing to attempt to state specifically what the Federal tax system will be after the war. However, we can put down the inescapable Federal expenditures, in each case allowing a little leeway up and down. Again, we know what taxes we have been accustomed to, how they have worked, and what the other possibilities are. We can make a reasonably accurate forecast of the tax components of our post-war system. Moreover, even though our table of receipts and expenditures proves to be all awry, we will gain something in thinking through the various items and the considerations back of them. As citizens we will have to have an opinion on these fiscal problems, and it might as well be an informed opinion.

I.

1. Average Federal budgetary expenditures for the first post-war decade will run about $20,000,000,000.

This conclusion is based upon several general assumptions: (1) that major United States military operations in Europe will end by the third quarter of 1944, and those in the Pacific by the third quarter of 1945; (2) that new large-scale shifts from privately-owned enterprise to publicly-owned enterprise will not occur; and (3) that the United States price level will average close to that of 1942.

There will undoubtedly be a powerful drive to reduce governmental expenditures after the war. Citizens and voters will not want to continue Government any longer than necessary in the role of a senior partner who takes the lion's share of business and individual earnings. Hence thoughtful students expect a very material reduction in the levels of expenditures reached during the war. On the other hand, we have certain inescapable expenses, which, reduced as much as possible, will still total materially more than before the war. Interest on the public debt, the cost of the military and civil establishment, veterans' pensions, aids to agriculture, and social security are principal items. The latter may bulk large, unless business activity provides a high degree of employment.

Before the last war, in fiscal 1914, the Federal Government spent about $1,000,000,000. In fiscal 1924, after we had thoroughly settled down from World War I, Federal expenditures were just over $4.000,000,000. In 1939, the National Government spent $8,707,000,000. Increased interest and military expenditures alone after World War II may exceed this figure. Total expenditures at an average of $20.000,000,000 are therefore reasonably to be anticipated.

On the other hand, there seems a reasonable probability that, on the average, Federal expenditures during the post-war decade can be held to about this figure. It is fair to assume that the States and localities will wish to play a larger part than their recent declining role, and that taxpayers' organizations will seek corresponding reductions in the Federal budget. The projected figure provides for a considerably increased military establishment, more veterans' pensions, and agricultural benefits and social security provisions at somewhat over current rates. Of course, each of these major items of expenditure is and will be the subject of discussion and political controversy. Any of them might be materially increased (and some might be diminished). There will be strong general pressure, however, to reduce taxes, to reduce total expenditures, and to balance the budget. After the best possible evaluation of the innumerable conflicting forces, several students of the subject have reached the conclusion that the average figure of $20,000,000,000 is a good working approximation of total Federal expenditures for the post-war decade.

2. The principal Federal taxes of the post-war decade will probably be individual and corporate income taxes, special excises on liquor, tobacco, gasoline and other commodities regarded as luxuries, estate and gift taxes, and social security taxes, and possibly a general sales tax.

These taxes were the major components of the Federal system during the pre-war decade. A general sales tax is a likely addition, and the war-time excess profits tax will probably be repealed.

The income tax has steadily grown in importance in the Federal system. It is unthinkable that revenues of about $20,000,000,000 will be raised without its use. It will, no doubt, be modified in various particulars briefly outlined in the next section, but in all probability it will still be used to raise more than half the needed revenue. Liquor and tobacco excises have so long a history as major items of Federal taxation that it is very unlikely that their use will not continue. The gasoline tax might be yielded to the States, in whole or in part, as might some greater portion of the field of estate and gift taxation; or it may be that a system of State-Federal tax coordination will call for collection of these taxes entirely by the Federal Government, followed by a distribution of part of the collections to the States. The Federal Government, having utilized estate taxes for 27 years and gift taxes and gasoline taxes for 11 to raise very substantial sums, is not at all likely to give them up entirely. There seems to be no demand for basic changes in the taxes employed to finance the Social Security structure; current discussions are of rates and of the scope of the program.

The excess profits tax used in World War I was materially reduced in rates in 1919 and repealed in 1921, three years after its close. The present excess profits tax, a much more complicated affair, is certainly no more popular with taxpayers, at least, than its predecessor. It has numerous demonstrable failings; its discriminatory operation in cases of competing businesses; its failure to distinguish adequately between excessive profits and normal profits; the enormous difficulty of determining invested capital—to name only a few. The recognized inequities in the basic structure of the law have led to the enactment of sweeping relief provisions, which, in turn, will make administration an almost impossible job. Although the idea of a special tax on excessive profits has many adherents, tax experts are agreed upon the great difficulty of constructing a fair and workable law. Few would fight to retain the present tax. The chances are, therefore, that the tax will be abandoned not long after the war, leaving the income tax the sole major Federal impost on corporations generally.

The Federal Government levied a wide variety of particular sales taxes during the pre-war decade. There seems to be a reasonable probability that either a general sales tax or a considerable variety of particular excises will form a part of the post-war Federal revenue system.

3. Twenty billions of revenue could be raised by these principal taxes in approximately the following proportions: (a) individual income, $8; (b) corporation income, $4.4; (c) estate and gift, $1; (d) liquor, $1.5; (e) tobacco, $1; (f) miscellaneous excises and/or general sales, $4.1—total, $20. Social security $1.2 to $2.4.

In broad outline, the tax structure would be as follows:

(a) Individual income tax rates approximating those imposed on 1942 income would be required, but the law would be modified in several particulars. A normal tax of 20-25% would be collected at the source on wages and salaries. Limited credits would be allowed for savings in the form of insurance premiums, debt repayment, etc. The individual stockholder would also receive credit for the taxes paid by the corporation on the dividends he received.

(b) A corporation tax of 24-40% would be levied. The aim would be to levy the tax at approximately the same rate as the normal individual income tax, but since for years the rate has been higher, the change would probably not be accomplished at once. There seems to be general agreement, however, that present corporate tax rates are at a peak, and that substantial reductions should be made after the war.

The rates of individual and corporate income taxes will be materially affected, of course, by the level of business activity. In view of the excess savings and unsatisfied demands of consumers during the war period, and the generally increasing trend in the gross national product, it is reasonable to assume comparatively good business. If corporate earnings were sufficiently high, a 20-30% tax rate might prevail. A 40% rate is perhaps a little higher than the average will be for the post-war decade.

(c) Estate and gift taxes ought to be coordinated into a single transfer tax. No tax should be laid on transfers between husband and wife. Not much change in present rates or exemptions is likely.

(d) and (e) Liquor and tobacco taxes will probably be levied more or less at present rates. The return may be somewhat more than indicated.

(f) No important change is contemplated in presently imposed excises. As indicated previously, the sharing or elimination of the gasoline tax would reduce collections. A general retail sales tax at a 5% rate might be levied in addition to or in substitution for the particular sales taxes to which we are accustomed.

II.

It remains to consider what changes in the tax system will foster an expanding economy after the war. I have already mentioned various desirable changes in the present program of taxes, but some of them need more emphasis. During the war, when our civilization is at stake, individuals and the corporations they own are willing to make any sacrifice to provide the Treasury with the sinews of war. Hence, there has been no serious opposition during the past three years to the collection of the amount of taxes the President and the Treasury have wished. When the war is over, however, we must devote much more attention than we have to the effect of taxes upon the economy; and the impact of the individual forms of taxes upon various kinds of business and social activities. There are many instances in which our tax structure, which, like Topsy, has just growed, opposes accepted governmental policy as manifested by other regulatory devices.

The major need after the war is full employment. Private industry or government must provide activities and a livelihood for citizens who want to work. Most of us would prefer to see private industry do the job. Since there will be many more individuals seeking employment than in any peace-time year, industry must operate at a high level of activity to absorb them. On the asset side, we will have greatly increased productive capacity—many newly built plants more or less readily convertible to peace-time manufacturing. There is a great backlog of unsatisfied consumer demand for houses, for automobiles, for helicopters, and for an infinity of smaller objects like fountain pens, typewriters and radios, which have been unavailable. We are told that the war, for all its terrific waste of human and material resources, has enormously accelerated invention and development in a thousand fields, from plastics to chemicals and from planes to radios. Hence, there will be great human need for business activity, both because men want to work and because men want the new and the old products of industry.

To activate the business machine and to convert the war plants to peace-time production, a great deal of new investment will be needed. Some of the great corporations have surplus and reserves adequate for the purpose. Many have not. It is clear that, to meet our obligations to our own people and to develop markets abroad, large additional amounts will need to be invested. No doubt government will supply some capital, but much should and will come from the private investor. To attract investment in the corporations which conduct our major business enterprises, it is essential that corporate taxes be demonstrably fair; that they permit a reasonable return to private investors; that they provide adequate deductions for losses.

The greatest present brake on corporate enterprise is the excess profits tax. It is frequently discriminatory and unfair in its operation, since, in general, the well-established corporation is apt to be less heavily burdened than its young and growing competitor. Corporations exploiting new inventions and developments are particularly hard hit. The general relief provisions, if intelligently and generously administered, can assist greatly in eliminating hardships, but the task of passing upon thousands of applications for relief will be enormous, and will not be completed for years. Moreover, it will still be true that the excess profits tax in its general operation is complicated, cumbersome and unfair. Hence the first step in fostering sound business activity and development after the war is the repeal of the excess profits tax. Fortunately, a number of congressional leaders have come to this conclusion already.

The second major inequity in corporate taxation is the double taxation of corporate distributions—once to the corporation as its income, and again to the stockholder when he receives the dividend. There is no similar double taxation of the income of a business run by an individual or a partnership, nor of salaries and wages, nor of the interest on corporate or individual notes or bonds. Corporate rates of taxation are now, and may continue to be, so high that this tax provision is seriously objectionable. For one thing, it tips the scales much too heavily in favor of debt financing rather than equity financing, since a corporation receives a deduction for the interest it pays, but not for the dividends it distributes. It makes the establishment and growth of small corporations particularly expensive and uneconomical. After the war, we want to encourage the establishment and growth of new enterprises. Both in theory and in practice the present tax arrangement is unwise and inequitable. We need to get back to the plan we used prior to 1936, whereby dividends were not subject to normal tax to individual shareholders. Subject corporations and individuals to a like normal tax; let dividends bear the usual individual surtaxes but don't subject dividends to a second normal tax, when individuals receive them.

Corporate tax rates are at a high point in our fiscal history. They ought to be reduced as soon as they can be to a much lower level. As a nation, we would be better served with a high level of business activity and lower tax rates than with moderate business activity and high rates. Perhaps neither corporate nor individual rates can ever be brought down to pre-war levels. Congress might well experiment, however, with rates much reduced from present heights. More important, perhaps, would be executive and legislative assurance that we are no longer involved in a spiral of increasing taxes and of administrative provisions of increasing severity; that business can plan on the basis of rates and provisions established for a reasonable term of years.

I have not attempted to discuss the changes which need to be made in the individual tax structure. One which is pertinent to this discussion is the formulation of credit provisions and tax provisions which will enable and encourage individuals to save, to provide for their own security, and incidentally for that flow of new capital which an expanding economy will require. High surtaxes and high estate tax rates have made the accumulation of an estate of any size almost impossible. It is still important to our economy that citizens be encouraged to carry their own insurance and to build up their own savings funds that during their lives will provide life-blood for business, and after their deaths will take care of their dependents. This is certainly one of the freedoms that we are fighting for.

It is fortunate that legislators and laymen alike recognize the leading role the tax system plays, not only in draining our pocketbooks, but in regulating day-by-day transactions in business and family life. But as taxes may veto transactions and destroy incentive, they can also be used to foster the business activity we desire. To impose them intelligently to this end is the great problem of the post-war decade.

The Transition From War To Peace

(Continued from page 1297)

cellations are likely to be very high and that the dollar volume involved will be very great. While contract cancellation is an antecedent step to reducing production and in part may be thought of in connection with retraction of war output, it also raises many other problems which will be pressing for solution. Working capital of many companies will be tied up and settlement of contracts must be made before these companies can use their resources to resume peace-time operations. The problem is much bigger than before, but there is more understanding of it and a great deal of thought has already been given to plans for the liquidation of these contracts and the freeing of working capital of corporations engaged in war work. While there is a chance of confusion in many instances, in the main it is likely that this problem will be handled without major disturbance to reconversion.

When the war in Europe ends, contraction in production will be sharp. The extent of the decline in the FRB index, however, will depend in part upon the amount of war production that is maintained to finish the war with Japan and for military occupation of Europe. If all military production is discontinued at one time and the conversion crowded into as brief a period as possible, the FRB index may decline from its present level of 205 to around 115-120. No such pattern of events, however, seems likely, and the level of production during the conversion period appears more likely to be in the range of 125-150. Just as after the last war, government spending will continue for some time, but for different reasons, and will help cushion the shock of transition.

Supplies of goods owned by the government at the termination of the war will be huge and much of the equipment obviously can have no peace-time use. Inventories of machinery owned by the government or by industries operating under government contracts may likewise have very limited peace-time uses. Some of the raw material industries will be plagued with surplus supplies. This will be particularly true of copper and aluminum and some of the other metals, where scrap will likely be available in great quantities. There will be work for producers of copper and aluminum bars, rods, shapes, and sheets after the war, but little for producers of virgin metals.

These factors are on the negative side; but on the favorable side are the following:

Since this war has been longer and has involved greater restrictions of civilian consumption, there has been a much greater accumulation of consumer demands for goods in the face of declining inventories or elimination of them in many lines. The accumulations of purchasing power have also been greater with which to purchase goods after the war is over. These deficiencies run throughout the economy, from deficiencies in durable consumers goods, including housing, to increasing deficiencies in inventories and to growing deficiencies in machinery and equipment in many peace-time industries; and funds are being accumulated by business and individuals alike with which to make good these deficits. Not only are the accumulations of funds very large, but they are not being dissipated nearly to the same extent by rising prices as they were in the last war, so that present accumulations of funds will go further in buying goods at the end of this war than similar accumulations would at the end of the last war. Consequently, the continuation of government spending after the end of the European war will not likely be as important relative to private spending in the transition period as it was after the last war.

In spite of the relatively greater magnitude of the conversion problem, it is not so serious as it sounds when stated in terms of either total dollars of expenditure for war or in terms of percentage of total production that is devoted to war and that must be converted to peace. It has been estimated that the conversion problem as a technical matter probably applies to only about 20% of industry. Some companies engaged in war work such as tank and airplane manufacture will simply be wound up. Among the larger industries automobiles will be affected most, and it is generally estimated that the time required to get out new cars will be about six months. In general other industries will present less difficulty and many of them, including the railroads, utilities, raw materials, will have practically no conversion problems at all. It should also be borne in mind in considering the magnitude of the conversion problem that we converted to war in a relatively short time. The conversion to peace industry should be relatively much more easily accomplished, on the technical side at least, because industrial managers will be returning to the production of goods and to production problems with which they have long been familiar, whereas the transition to war involved the production of many goods with which industrial managers had little or no familiarity.

Will the deflationary effects of reconversion after the war in some industries outweigh the forces making for a rapid reconversion of other industrial plants and a relatively prompt revival of their normal business activity? It is possible for the difficulties of the transition period to produce serious depression through gross mismanagement. But it appears more likely that, by reason of the considerable thought and planning on the subject, they will be well enough handled so that the pressure of demand for goods and the accumulation of funds will be able to assert themselves and shape the course of business activity. Meanwhile the action of the market and its various groups of securities indicates that the difficulties of the transition period are already to some degree in the minds of investors. —*From "The Broad Street Letter," published by the Broad Street Sales Corporation, distributors of shares of Broad Street Investing Corp.*

Brig.-Gen. Rose In Defending Fathers Draft Looks For Further Handicaps In Manpower Situation

Drafting of fathers is required in order to prevent curtailing the size of the armed forces and essential activities, Brig.-Gen. William C. Rose, Chief of Executive Services of the War Manpower Commission, told the annual meeting of the Controllers Institute of America at New York City on Sept. 21. He also warned that the manpower situation will become worse later on especially in certain critical industries.

Excerpts from Gen. Rose's talk follow:

"I say to you in all sincerity that we must draft fathers or we must curtail the size of the armed forces—which is not our decision—or we must curtal essential activities by taking non-fathers from key jobs, which latter is a responsibility that we in the War Manpower Commission will not accept unless instructed to do so by the mandate of the American people through their duly elected representatives in Congress.

"The national manpower problem cannot be considered in terms of all-over requirement and all-over supply. It is made up of several hundred community problems, each of which must be solved in the light of local conditions. For example, at this moment our all-over requirements and our all-over supply are pretty well in balance. In fact, there is even a little surplus on the supply side—yet for essential war and civilian needs, either these particular individuals do not live in the communities in which the need exists, or, if living in the community are not so domiciled as to be convenient to the factory or activity requiring their services.

"Most conservative estimates indicate that employment in vital war industries must increase by 2,000,000 in the next 6 months. This is *in addition* to the workers who must be hired to replace those leaving for the armed forces or lost to these industries for other reasons. Other and less essential industries will have to furnish most of the manpower needed by these industries which are vital to the war problem.

"Since the national problem is a composite of the local problems we have classified all labor market areas in which there is a city of 25,000 or more, or in which at least 5,000 additional workers will be needed before peak war production is reached. There are 340 such. In Group I areas are those of current acute labor shortage. In Group II are those of labor stringency and those anticipating a labor shortage within 6 months. In Group III are those in which a general labor shortage may be anticipated after six months. In Group IV are those in which labor supply is, and will continue to be, adequate to meet all known labor requirements. As of Sept. 1, 1943, there were 59 areas in Group I, 112 in Group II, 78 in Group III, and 91 in Group IV.

"In Group I areas our anticipated additional requirements of manpower, both military and civilian, for the period ending Dec. 1 of this year is 1,010,000. Our anticipated supply is 530,000, leaving a deficit of 480,000. In Group II areas our anticipated additional requirements for the same period is 1,217,000 with an anticipated supply of 1,028,000, leaving a deficit of 189,000. In Group III areas anticipated additional requirements are 543,000. Our anticipated supply is 843,000, leaving a surplus of 300,000. In Group IV areas we will need 483,000. We anticipate 1,154,000, leaving a surplus of 671,000. Balancing the requirements and the available supply shows 302,000 surplus—but the joker is in getting the 669,000 needed in Groups I and II from Groups III and IV.

"There are those who don't want to go: They have a perfectly good job, live in their own homes among long-time associates and have a natural and understandable disinclination to change. Others are willing to go, provided their families can go with them. Still others will go for a short time, but are not satisfied to be separated from their home and family for an indefinite period. Many make no conditions, and are perfectly willing to follow our suggestions. Even then there is grief, for we are still confronted with the difficulties of lack of housing, lack of feeding establishments, lack of transportation at the place of need; lack of assurance that the individual, if and when transported to a new environment will be satisfied to remain.

"Our progress may be briefly summarized. There are now well over 9,000,000 in the armed forces. There were little more than 2,000,000 at the time of Pearl Harbor. There are now over 9,500,000 in munitions industries, as compared with no more than 6,500,000 at the time of Pearl Harbor. The increase of workers in aircraft industry alone is almost 300%; in shipbuilding it is more than 300%. In productive agriculture, workers in 1942 were some 28% above the 1935-39 average, and greater than for any other period. Finally, we are maintaining the civilian economy at the highest level of any country engaged in the war effort, and the American standard of living has not been curtailed in any essential degree.

"Notwithstanding our achievements, an even more difficult jub lies ahead. Our readily available resources are gone. Further, certain industries that are most critical, and in which the work requires extreme physical stamina, such as lumber, mining, etc., are far removed from centers of population, and recruiting workers for them is at best difficult—all the more so because of wage differentials which are as old as the industries themselves."

Form New Partnership

A new partnership formed under the name of Coggeshall & Hicks will become active on Oct. 1 with the admission to the firm of several former partners of Marshall, Campbell & Co. It was previously reported that the new partnership would be known as Coggeshall & Hicks, Marshall, Campbell & Co.

How Far Can We Go In Organizing Peace

(Continued from page 1294)

pany, bank, trustee, and practically every family in America. We must pay the interest on them. We must pay enough of their maturities to enable us to refund the rest. These bonds are evidence of our national credit. To carry on, we must produce a larger national income in real wealth than at any time before the war. In this emergency we have discovered new strength within us. Our stability now depends on our use of this new productive strength. This in turn depends upon cooperation between industry, labor, agriculture and government in a spirit of mutual helpfulness coupled with increased development of the resources and markets of the world.

To fail to develop such post-war prosperity will mean a shortage of food, clothing, shelter and of all sorts of goods in the midst of a world capable of producing much more than enough to meet the shortage. Such a disaster would make our last depression look like prosperity. It would force upon us such regimentation as would make us wonder whether we had won or lost the fight against totalitarianism.

To develop this post-war prosperity, we must have peace, stability, reasonable assurance of stability and a readiness to develop new discoveries and opportunities. I speak in terms of aviation, radio, electric power, diesel power, automotive, possibly atomic power, electric welding, light metals, improved housing, chemistry, chemurgy, plastics, wood, glass, soy-beans, "sulfa" drugs, and countless other "acres of diamonds" available close at hand.

Using aviation as a specific example, we find that three years ago America produced $280,000,000 of planes; two years ago $1,800,000,000; one year ago $6.400,000,000. This year it will be $20,100,000,000. Our automobile industry at its peak produced only $4,000,000 of automobiles a year. I cite this not because I expect us to continue to produce four-engine bomber planes at this rate in time of peace, but because for a short time following the day of military victory we shall have available a capacity in plants, tools, skilled workmen, skilled supervision, pilots, ground crews and air bases sufficient to revolutionize the transportation and communication system of civilization. This capacity can make savings in time and money of infinite value and can open new resources and markets of equally immeasurable worth. This industry is but one of many that can develop tremendous new values if it has the opportunity to do so. It should be noted also that its greatest value lies in its longest trips. Its internal value to America depends in large part upon its world-wide success. This is characteristic of the opportunities of today when all the world is a neighborhood.

2. In the Western Hemisphere

Of extreme value to us is the development of stability in the Western Hemisphere. In this Hemisphere, all the nations are at peace and most of them are allies in the fight against totalitarian slavery. Improved transportation and new industrial production will increase the prosperity of the people of North, Central and South America in a way that will benefit both them and us if the Western Hemisphere can have peace, stability and reasonable assurance of stability for many years ahead. Under such conditions private industry will prosper "like a tree planted beside a river of water and it shall bring forth its fruit in its season."

3. World-Wide Stability—Its Foundations

This brings us to consideration of the foundations for world-wide lasting peace. Peace is like a building; it must have firm foundations, well thought out plans, practical specifications, skillful workmanship and, after it is built, careful maintenance. First come the foundations.

The foundations must be so placed that every part contributes to the support of the rest and all must rest upon the rock of human understanding and goodwill toward men.

Mutual support is essential to the strength and survival of the United Nations. This became tragically clear when the sovereign, independent and freedom-loving nations of Europe one by one lost their sovereignty independence and freedom as they attempted separately to face the assault of the enemy.

But when the last few free nations of the world, in their extremity, united their forces, the enemy was stopped and the tide of battle turned. Today the United Nations are winning in every part of the globe. On the day of final victory, the United Nations will have demonstrated their ability, when united, to establish military stability in the world for the cause of freedom and justice. Likewise, it will be clear that as long as that winning combination of the United Nations remains intact, at least that long will the military stability of the world remain secure. At least, that long there will be peace from military aggression. On the other hand, at any moment that that championship team might disband, then there will end the demonstrated certainty of military stability established by the war. While, thank God, it would not necessarily mean immediate war among the Allies, it would end that demonstrated certainty of peace which otherwise would have existed. Any relaxation of the military unity of the United Nations introduces a new uncertainty that calls for military measures to offset it. In practical terms, every relaxation in the assured unity of the United Nations means correspondingly increased armaments or other means of defense against an unnecessary and self-created risk.

United Strength of the United Nations

What then is the first foundation structure to be built for lasting peace? It is the arch of unity between the United Nations. It exists now. We must continue, in some form, this assurance that the United Nations will remain united in peace as well as in war. If we can have this assurance of peace among the United Nations and also the assurance of their unity in resisting attacks from without, then we will have retained at least that degree of military stability that will have been won on the battlefields of this war. The form of this unity is not nearly as important as the fact of it. The first responsibility of the United Nations is to make sure that they as nations and their people as individuals, realize that in unity there is strength and promise of peace, but in disunity there is weakness and danger of war.

This unity is important also to the economic and social stability and development of each of the nations of the world, including our own. Unless each of us is freed from the burden of producing great quantities of non-productive implements of war, we will find that the cost of them in taxes will handicap our industrial recovery, and that the manpower and materials needed for their production will be taken from the production of articles needed not only to raise the standards of life but even to supply essential human needs for food, clothing and shelter.

The Special Value of Aviation

If we examine further into the feasibility of maintaining military stability through the unity of the military forces of the United Nations, we find encouragement springing again from the recent advances in aviation. The increased speed of travel by air will make it possible for an international air force to reach any outbreak of trouble before it can gain dangerous headway. This speed of military aviation tomorrow means as much to the prevention of war in the world of tomorrow as the speed of modern fire departments means to the prevention of conflagrations in the cities of today. If a modern fire department reaches a fire at its start, it can put out nearly any fire with a bucket of water or a single fire extinguisher. Never has it been possible until now for the forces of civiliaztion to reach a distant danger spot until after the danger had started an international conflagration so great that generally it became necessary to let it run its course. Today, the international air force could reach practically any local explosion within less than 60 hours and long before the situation was out of control.

Internal and Regional Stability

With this unity of the United Nations as a foundation, how far can our nation go now in organizing peace? First, to develop our own internal stability as a local foundation for lasting peace, our government should initiate meetings at once between industry, labor, agriculture and government. Those attending these meetings should devote themselves not merely to planning such post-war policies as public construction and public relief. They should devote themselves primarily to the encouragement of such type and volume of industry and employment as will prevent the coming of the depression and thereby eliminate or reduce the number of its victims before they become its victims. The prevention of disaster is far better than the relief of its victims.

Likewise, in our Western Hemisphere, our nation should initiate meetings between industry, labor, agriculture and government. The opportunity for the development of production and prosperity is ours if we direct our efforts towards it rather than toward the restriction of individual initiative to the point where we lose the very freedom for which we fight and reduce the very disease we seek to cure.

In seeking world-wide stability it is quite as important that we do not do now those many things that should not be done as it is that we do do now those several things that should be done. To this end Senate Resolution 114, introduced by Senators Ball, Hatch, Hill and myself advises that the Government of the United States initiate meetings among representatives of the United Nations to propose a form of organization to deal with the utiliaztion of all resources in the prosecution of the war; the establishment of temporary administrations for the government, relief and rehabilitation of occupied territories; the establishment of procedures and machinery for peaceful settlement of disagreements between nations and the provision for a United Nations military force to suppress any future attempt at military aggression by any nation. Similar meetings might also deal with such subjects as international aviation and international currency that should be acted upon immediately and that need not be included in the final peace treaty. Such of these questions as will directly and seriously affect nations whose governments are now in exile and such of these questions as call for a treaty subject to constitutional ratification by two-third of our Senate need not be brought to formal conclusion at this time. On the other hand, much is to be gained by establishing a method or orderly procedure in dealing even with these questions which will wait until a later date for their formal conclusion. The important thing is to go as far as we can on immediate issues and that the gate is open and the way is cleared so that there shall be no moment of disorder in proceeding with the rest. The declared intent of the United Nations to travel a road of peace and cooperation will lend strength to their conduct of the war and confidence to all the world that the fruits of victory this time shall be fully worth the price paid for them.

Decentralization

In the field of international relations it is important also to recognize that many changes have taken place even within the past twenty years emphasizing the value of the decentralization of many international questions among groups of nations especially concerned with them. The Pan-American Union, for example, is peculiarly fitted to the needs of the Western Hemisphere. Its form probably would not meet the needs of Central Europe. On the other hand, some form of association among nations of Central Europe, far closer than that among members of the Pan-American Union, might prove to be of great permanent value in separating the internal problems of that area from those of the world as a whole. In this way the problems remaining for world-wide consideration would be reduced in number and in difficulty and the organization of the United Nations of the world might be simplified.

Action Needed

In the House of Representatives, the point of view that I have recommended is expressed in general terms by the Fulbright resolution. The early passage of this by the House would be helpful. (The Fulbright measure was passed by the House last week.—Editor). In the Senate, this point of view is expressed in general terms by the Vandenberg-White resolution, and more clearly and fully in Senate Resolution 114. Individual support of action by the Senate and particularly by its Committee on Foreign Relations along any of these lines will be helpful. The development of popular interest in these measures is of substantial importance now and becomes increasingly important as the issues become more specific.

Senate Resolution 114

As to Senate Resolution 114, it is not its serial number, its sponsors or its form that is important. The important thing is the taking of the steps it recommends. The important thing is that meetings of representatives of the United Nations shall take place to prepare and to submit to the United States Senate and to the other United Nations an agreement presenting some practical program that will preserve the unity of the United Nations in peace.

Sovereignty

As to the sovereignty of the United States of America and of each nation of the United Nations, this sovereignty exists in order to be used in the interest of people from whom it is derived. One of the most important uses of sovereignty is in the making of treaties of mutual advantage to the parties to them. It is only through the international meeting of minds that the principle of "Peace on Earth and Goodwill Toward Men" can be applied on the heroic scale that is now both necessary and possible since God has given men voices to speak, ears to hear and wings to fly around the world. By virtue of these new powers, men have, for the first time, means adequate to organize the peace of the world. It is for us to prove that we are deserving of these new talents which are the evidence of God's increasing faith in Man. The opportunity is ours. let us have the faith of our forefathers to develop it.

Bondholders' Protective Committee Claims Realty Associates Securities Corporation Extension Plan A Failure Because Inequitable

The Bondholders' Protective Committee for the 5% income bonds of the Realty Associates Securities Corporation, due Oct. 1, 1943, asserts in an advertisement that the company's campaign to obtain voluntary extension of the maturity date of the bonds has "been a failure because the plan is inequitable."

"So long as the company does not assert that it cannot meet its debts," says the committee, "there is no reason for any concession by bondholders, nor for the surrender of any of their legal rights. We therefore believe that bondholders should insist on full payment of principal and interest, when due; otherwise the company should be liquidated. In our opinion, such a procedure would yield to bondholders the full principal and accrued interest."

The committee expresses the opinion that the interest rate should not be reduced to 4½%, as proposed, but that the former 6% rate should be restored, particularly since the company has stated that it earned an average of 7½%, computed on a current basis, for the years of 1941, 1942 and 1943 that an appropriate sinking fund should be provided; that all arrears of interest should be paid at once; that the extended maturity date of the bonds should be 1948, or as soon thereafter as is practicable before 1953; and that bondholders should have a broader representation on the board of directors.

The committee further urges that the bonds be guaranteed by the Reconstruction Finance Corporation, which it believes to be the owner of the common stock, and that in any event the bondholders should receive a substantial share of the equity of the company. Theodore Wechsler, Room 1010, 71 Broadway, New York, is Secretary of the Bondholders' Protective Committee.

Sen. Downey Predicts Collapse Of Germany Within Four Months

The collapse of Germany within four months was predicted by Senator Downey of California on Sept. 25, who said that many of the married men scheduled for induction this fall would never see combat, according to an Associated Press dispatch from Washington, that also gave other remarks of Senator Downey as follows:

He saw one possible exception —development by Adolf Hitler's ordnance experts of some new anti-aircraft weapons to thwart the Allies' aerial blasting of the Reich.

Declaring enormous damage already had been dealt German's munition works, refineries and synthetic rubber plants, Mr. Downey maintained that it was a cold mathematical fact that Berlin and other Nazi cities could be leveled by our bombers.

The Road To Currency Stabilization Proposed By Guaranty Trust Company

The Guaranty Trust Company of New York announced the salient points of its own basic program for international exchange stabilization and world trade recovery in the Sept. 28 issue of "The Guaranty Survey," its monthly review of business and financial conditions in the United States and abroad. This proposal is offered in lieu of the tentative plans for the same purpose made public by the British, Canadian, and United States governments, the adoption of any one of which or any combination of the same would be undesirable, the Guaranty Trust Company states.

"It is our belief," says "The Survey," "that no method of stabilization yet devised or suggested is so sound or so easily operated as the international gold standard—with free coinage of gold, free markets and private ownership of gold, and currencies freely convertible into gold, both for domestic use and for shipment abroad." The Guaranty Trust presents its plan as follows:

There is no serious disagreement as to the desirability of international trade, or as to the need for exchange stability if such trade is to reach its greatest possibilities. How to achieve stability is the all-important problem. It is our belief that no method of stabilization yet devised or suggested is so sound or so easily operated as the international gold standard—with free coinage of gold, free markets and private ownership of gold, and currencies freely convertible into gold, both for domestic use and for shipment abroad.

If the abnormal conditions that exist at the close of the war make an immediate return to the free gold standard by some nations impossible, it may be necessary for such nations to resort temporarily to the gold exchange standard, whereby countries with inadequate gold reserves "tie" their currencies to those based on gold by using their bank balances in gold-standard countries as reserves in lieu of actual gold holdings. Restoration of the free gold standard, however, should be the universal objective.

Need for Sound Public Policies

The success of this or any other program must depend finally on the adoption and general pursuance of sound internal economic and political policies—balanced budgets, reasonable tariffs and trade regulations, avoidance of central bank and Treasury operations that interfere with the price reactions essential to the operation of the gold standard and, in general, governmental policies that promote business confidence instead of destroying it. Every individual knows that his promises to pay will not be accepted by his neighbors unless he keeps his financial affairs in order. Similarly, no country can expect to have its currency acceptable at a stable value in world markets unless its fiscal affairs are under control, its price level is reasonably stable and its internal economy is functioning smoothly and productively. Internal stability is a prerequisite to international stability.

If sound governmental policies directed toward this end are followed, the gold standard can work successfully in the future, as it did in the past. If such policies are not followed, international trade and finance will break down under any conceivable system.

The Simple Fundamentals

A large part of the confusion that exists with regard to the problem of exchange stabilization and trade recovery is probably due to the fact that the simple fundamentals have been lost sight of in the maze of complications and artificialities that has grown up around them. Trade has not attained its present complexity and vital importance suddenly, but through a slow process of evolution. With the first division of labor, when individuals or groups took it upon themselves to specialize in the production of certain articles, trade became necessary; and, although barter was (and still is) practiced to some extent, the use of certain generally acceptable commodities as media of exchange and as measures and stores of value must have developed rather quickly. The early use of such commodity money or "hard" money probably rested upon no legal sanction or formal agreement but merely on the fact that some commodities were so universally desired and so convenient for the purpose that it gradually became customary to accept them in payment of debts and to use them as standards in measuring the values of other commodities.

Of the many articles used as money at various times and places, the precious metals—silver and more especially gold—finally emerged as the most acceptable. There are numerous reasons for the superiority of gold as money. Its usefulness in the industrial arts, its rarity and its high value have, over a period of many centuries, given it a unique quality as a symbol of wealth and riches, and have made it universally desired. Because of its high value, it is not too bulky for hand-to-hand use. Though comparatively rare, it is nevertheless available in sufficient quantities to serve as a general medium of exchange. It is easily recognizable, uniform in quality and almost indestructible. It is easy to coin and melt down. And its relative stability of value makes it especially suitable as a yardstick by which to measure the values of other commodities and other kinds of money.

To avoid the necessity of weighing and testing, it became the practice for known and trusted individuals—and later the sovereign power—to stamp or coin the metal into convenient and easily recognizable units. Finally, the money metal or metals were made legal tender for the payment of debts. Other kinds of money, of course, have also been given the legal-tender power. In the last analysis, however, the value of this money, as well as that of the money metal itself, as a medium of exchange rests upon the fact that it is, or represents, a commodity with an intrinsic value.

Growth of Credit

Along with the development of money has gone that of banking and credit, which depends on money. The early custodians with whom precious metal was deposited by its owners issued receipts for the amounts deposited; and these receipts, instead of the actual metal, were exchanged by the holders for commodities. Later the receipts were issued in even multiples of the money unit and were made payable to the bearer, and thus became in effect, bank notes. The note-issuing function has since been taken over largely by governments and government-sponsored banks.

There was developing at the same time another form of credit instrument, namely, the check—an order by the depositor on his banker—which is now more largely used in some countries than either hard money or paper money. And the practice adopted by the depositaries of keeping a reserve of metal and lending the remainder has grown into the most important of all modern banking functions—that of financing trade and industry. The essential point is that credit, whether in the form of bank or government notes, negotiable instruments or outright loans, depends on confidence in the ultimate ability of the credit-taker to deliver money—which, as has just been seen, rests in turn on the intrinsic usefulness and value of the money metal.

In the most advanced countries the credit structure is built on a comparatively small hard-money base and is sensitive to any event that shakes the confidence of the community. It has become fashionable to speak of "the failure of the gold standard" when the real failure has been that of the credit structure, either because of unsound governmental policies or because credit has been overexpanded to a point where for some reason, political or economic, the structure breaks down and there is not enough gold to liquidate outstanding obligations.

Two Post-War Problems

After the war the world will be faced with two distinct and separate problems. One will be that of readjustment to a peacetime basis. Stores of many consumable commodities will have been nearly exhausted, and in many instances the means of production and transportation will have been destroyed or badly impaired. In large part, these must be replaced and rebuilt on credit; but the task cannot be done on short-term credit, and it should not place an undue strain on the international exchanges. It should be dealt with through sufficiently long-term credit to make final liquidation possible without unnecessary interference with the normal foreign trade structure. The United States can well afford to contribute with other nations toward the rehabilitation of the world by providing long-term credit, partly because it is good business to promote such rehabilitation, partly because humanitarian considerations require it and partly because the distribution of certain surpluses that will exist at the end of the war will aid in the solution of the unemployment problems that may arise.

As far as the second problem—that of normal foreign trade and the stabilization of international exchanges—is concerned, the stability of only a few currencies, which are in fact international as well as national, is of primary importance. Those countries with international currencies should return to the gold standard—or, where gold reserves are insufficient, to the gold exchange standard. Foreign claims on United States gold stocks, if used for the purpose of obtaining metal, would be sufficient in many instances to permit the reestablishment of an adequate gold base. Other countries, which may not have sufficient claims on the United States, are large gold producers. For still others, less fortunately situated, a quick return to the gold standard may be impracticable; but, if sound policies aimed at this objective are followed, gold can be accumulated in course of time.

The process of gold redistribution, however, even under the most favorable conditions, will probably be slow and difficult. It cannot be permanently achieved by the easy expedient of loans, for loans have to be repaid. It can be accomplished only by the repatriation of foreign capital now invested in the United States and by merchandise trade balances. Such a program will require time, steadfast purpose and intelligent cooperation by this country as well as by those endeavoring to accumulate gold. If it is to succeed, both international trade policies and internal political policies must be better adapted to the realities of the situation than they were after the last war. The desire to escape from these necessities by establishing stabilization funds and clearing unions is a natural one, but such schemes offer no escape from economic facts and requirements. Resumption of the gold standard, difficult as it may be, holds out the only reasonable hope of sound and lasting currency stabilization.

Obligations of Creditors

The need for sound national economic conditions and practices applies not only to debtors but to creditors as well. This necessity will, in fact, be perhaps more urgent with reference to the United States than to any other country, since the position of the dollar will be a determining factor in the success or failure of any international post-war stabilization plan. Our failure to adapt our trade policies to our creditor position was an important contributing cause of the worldwide breakdown in 1929 and the years following. The devaluation of the dollar aggravated the maldistribution of gold and became an obstacle to international trade recovery. The unbalanced condition of our national budget, which has persisted without a break for 13 years, will certainly continue for the duration of the war; and there is as yet no assurance that it will be corrected within a reasonable period after the restoration of peace. Other governmental policies have interfered with normal economic reactions, impaired confidence and hampered business revival. Weaknesses like these must be removed before the world can hope for the reestablishment of sound conditions in international trade.

The mistakes made in extending long-term credit after World War I must not be repeated. Although these mistakes and their unfortunate results are exaggerated in the popular mind, it is true that too many loans were made for social purposes which, while temporarily beneficial to the borrowers, in no way increased their ability to service their external debts. Sound long-term loans are those that help expand the productive capacities of the borrowing countries, thus stimulating exports, diminishing imports and increasing the amount of foreign exchange available for the service of the loans. It is to be hoped that our experience in the past, together with helpful cooperation from the State Department and other Government agencies and the recognition on the part of the borrowers themselves that only this type of loan is desirable, will prevent another era of misguided long-term credit.

International trade must be carried on through the medium of credit, but credit can be extended only where creditors are assured of ultimate repayment. This repayment must be made not merely in such commodities as the debtor wishes to dispose of but in goods that can find foreign markets in free competition with other goods, either in the creditor country or elsewhere—or, in the final reckoning, by the shipment of hard money, the commodity that can be exchanged for other commodities the world over.

The worldwide breakdown of the credit structure that began with the failure of the Austrian Creditanstalt in 1931, followed by he German moratorium and the departure of Great Britain from the gold standard, dealt international trade a blow from which it never fully recovered. Among the reasons for the failure of commerce to revive was the unwillingness to extend private credit, due to the knowledge on the part of potential lenders that, if the transactions of the debtor countries left balances to be paid, these would be settled not in gold or in the currencies of the creditor countries but in "blocked" balances of debtor currencies that could not be disposed of or made available for the use of creditors.

We do not expect the millennium. The credit system may break down in the future as it has in the past, but if the morality of the debtor is high and a real effort is made to reestablish his credit, these breakdowns will result in only temporary interruptions. Much will depend on political courage and the willingness to make such sacrifices as must be made by any private debtor who wishes to remain honest and respected and to restore his credit. Neither the gold standard nor any other international financial system can offer a substitute for this basic requirement.

The metallic standard is more easily managed and less complicated, and requires fewer restrictions, than any other; and it is the only standard upon which private and governmental credit can permanently exist, with the possible exception of credit granted on very short term. The basic money underlying the world's monetary and credit system must be a commodity with an intrinsic value, and time has shown that gold is preeminently the commodity best suited to serve as money in the modern world.

As for credit, the world cannot be rebuilt on short-term credit alone. It cannot safely be rebuilt on government credit, which is too likely to be political and uneconomic. Credit must rest on the eventual ability of the debtor to liquidate the debt in money, as demonstrated to the satisfaction of the lender; and there is no reasonable measure of the safety-point to which credit can be extended but the money base.

The straightest, quickest and safest path to exchange stabilization and trade recovery is for those countries, at least, whose currencies are of an international character and upon which the world depends for the financing of foreign trade to reestablish their currencies on the gold standard as promptly as possible.

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 Christopher K. Coates to William V. Stockdale will be considered on Sept. 30. Both are partners in Beer & Co.

Harold C. Mayer has been appointed a member of the Board of Arbitration to fill the vacancy caused by the retirement of Jacob C. Stone.

Proposed transfer of the Exchange membership of Earl E. T. Smith to Andrew S. Lockie will be considered by the Exchange on Oct. 7. Mr. Lockie will continue as a partner in Spear & Leeds.

Transfer of the Exchange membership of Sylvan E. Weil to Harry A. Silvey will be considered on Oct. 7. It is understood that Mr. Silvey will act as an individual floor broker.

Transfer of the membership of the late C. Hyland Jones to Jerome Melniker will be considered on Oct. 7. Mr. Melniker will continue as a partner in Mervin Ash & Co.

J. Denison Sawyer, a partner in Eastman, Dillon & Co., died on Sept. 18.

The firm of T. Sloan Young & Co. dissolved as of Sept. 20. T. Sloan Young, who was on active duty with the U. S. Navy was reported lost at sea.

Frank H. Davis Dies

Frank H. Davis, partner in Riter & Co., 40 Wall Street, New York City, died at his home at the age of 65. During the first World War he was a financial field worker for the Civil Service Reform League, recruiting dollar-a-year men for government service. After the war he became associated with Dillon, Read & Co. In 1933 he helped in the organization of Riter & Co.

ABA Economic Policy Commission Sees Need For Stabilization Machinery

(Continued from page 1302)

resent a few creditor countries and many debtor countries.

The success of such an institution will depend not on the extent of its legal powers, but on the support given it by key countries. It was not so much lack of power that crippled the League of Nations, but lack of support. The British Commonwealth of Nations has no constitution and no legal powers. It is tied together by enlightened loyalty. Implications of compulsion and broad controls, regardless of how carefully veiled they may be, are not suitably unifying factors in international monetary matters. Free collaboration based on mutual advantages and built up by persuasion and friendly relationships offers the most promising approach.

Fourth, Credits granted by such an agency should be extended in accordance with proven standards, based on the merits of the individual case, and conditioned on adequate commitments by the debtor. They should be temporary in nature and made at a fair rate of interest. A system of quotas or shares in a pool which gives debtor countries the impression that they have a **right** to credits up to some amount is unsound in principle, and raises hopes that cannot be realized. Such a system would encourage the impression that credits received may not have to be liquidated, and would invite abuses of the facilities. Any formula which attempts to determine in advance the credit needs and credit worthiness of each country is impracticable.

It is to be hoped that general public discussion of the two plans will lead to fundamental modifications of the proposals in order to conform with the foregoing principles or will result in some alternative procedure for attaining the results so desirable for all.

In concluding this section it seems wise to emphasize again the fact that no institution no matter how well designed can work miracles—an illusion too often cherished. Basically stable money is possible only with stable national economies. Towards this goal the United States must lead the way. The first requisite for any genuine progress towards stabilization is a stable dollar free of all exchange restrictions, a dollar in which the world has full confidence. Regardless of the standards adopted, or the organization set up, some strong currency must in fact be the main steadying influence. So far as can now be foreseen the foundation currency must be the dollar.

The second step should be to establish definite rates between the dollar and the pound sterling—the two currencies in which the major part of world trade has been conducted for the past century. This step involves the whole problem of the reestablishment of the British monetary and trade position on a sound basis. We must assist in the solution of this problem if currency stability is to be achieved promptly. It is probably wiser to grapple frankly and directly with this question rather than merging and partly concealing it in a general international plan.

Once the values of the dollar and the pound are determined others will follow, for certain currencies are now stable in relation to the dollar or the pound, and other countries could gradually make the necessary adjustments. Where financial aid is needed it should be granted only after due consideration of the merits in each individual case. Each country must of necessity work out its monetary salvation largely by its own efforts. It cannot shift responsibility. In this process the presence of an institution as a mechanism to encourage consultation would be useful, but its function as a lender of money can only properly begin when a sound economic program has been put into effect.

Furthermore, it should again be emphasized that the United States cannot successfully promote international monetary stability without making determined efforts to put its own affairs in order by balancing its budget and checking inflationary influences. If our fiscal policies in time of peace continue to rest on the principle of deficit financing, all efforts to maintain international monetary stability will inevitably fail. Confidence in the dollar would be further enhanced by a clear cut policy making the dollar redeemable in gold, in foreign trade, with no deviation from the present value.

5. Lower Trade Barriers

It is often hard for citizens of the United States to realize the meaning of foreign trade for the world as a whole. Export trade for us is less than 10% of the country's total output. But overall figures are misleading as to the influence with respect to certain commodities in certain areas. Cotton exports from Southern States have often made the difference between prosperity and depression in those states. For certain manufacturing industries such as office appliances, sewing machines, and agricultural implements, foreign markets have likewise furnished important outlets. Imports, on the other hand, supplied us with many necessities as well as luxuries. In some cases—for example, certain specialties from Japan—imports have spelled trouble for a limited number of manufacturers. The American consumer pays a higher price for a number of articles because of high protective duties. In these specific ways we feel changes in trade and trade barriers.

But for many if not for most other countries foreign trade fills a much larger role. The following table indicates the estimated relation of export trade to total production of a number of countries:

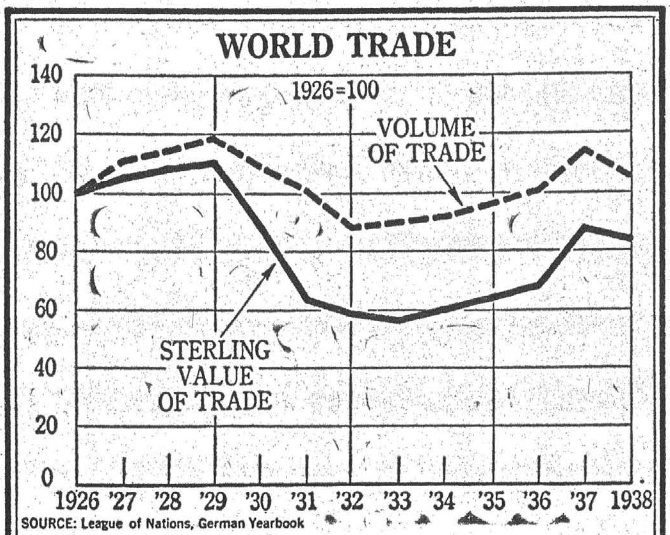
Relation of Exports to Total Production of Different Countries
(Based on 1937-38-39 figures)
(In millions of dollars)

		Production	Exports	Per Cent
1	United States	45,630	3,190	6.9
2	Great Britain	11,800	2,380	20.1
3	Canada	2,700	1,040	38.5
4	New Zealand	520	230	44.2
5	Argentina	1,380	505	36.5
6	Brazil	1,740	350	20.0
7	Chile	470	160	34.0
8	Cuba	316	160	50.7
9	India	7,700	600	7.8
10	Japan	4,750	910	19.1
11	Malaya	320	240	75.0
12	Sweden	2,040	480	23.5
13	Belgium	2,250	810	36.0
14	Hungary	790	110	13.9
15	France	9,000	940	10.4
16	Denmark	1,100	330	30.0

Compiled from various official sources.

Some of these countries are very largely dependent on the export of a few commodities: Argentina on grains and meat products, Cuba on sugar, Chile on copper and nitrates, New Zealand on wool and dairy products. Fluctuations in these exports or in their prices may spell the difference between distress or prosperity. Similarly many countries rely largely for their standard of living on imported goods. These changes can be causes of peace and war—they are so vital.

Certainly one of the causes of the disordered internal condition of many countries in the '30s was the disorder of world trade, reflected in the accompanying diagram:



SOURCE: League of Nations, German Yearbook

The United States had a substantial share in this trade disorder, since the value of our purchases fell greatly, as the next table shows. For us these changes were fractional in relation to our total business. For the exporting countries they were often disastrous.

These are illustrations of the place which a broad flow of trade can take in world prosperity and in peace between nations. They exemplify also what may be the effect of trade changes and policies of the United States. Through the complex structure of world trade the United States lumbers like a well-meaning but often destructive giant.

We may distinguish two kinds of causes of trade disorders. One is cyclical—the changes which result from swings of the business cycle, such as those of 1932. These will be discussed later. The other

Value of Principal Commodities Imported Into The United States in 1929 and 1932
(In millions of dollars)

	1929	1932	Per Cent Decline
Silk, raw	427	114	73%
Coffee	302	137	55
Rubber, crude	241	33	86
Sugar	209	97	54
Paper and manufactures	163	94	42
Hides and skins	137	22	84
Wood pulp & pulp woods	103	52	50
Burlap and jute	95	22	77
Tin	92	16	83
Wool, raw	87	6	93
Oilseeds	79	16	80
Cocoa beans	49	20	59
Flax, hemp & manufactures	49	21	57
Cocoanut and palm oil	47	14	70
Nitrate	35	1	97
Total	2,115	665	69

Source: Statistical Abstract of the U. S.

is legal restrictions of tariffs, quotas, and clearing arrangements or other prohibitions and restraints. One of the worst and most arbitrary of these trade barriers is fluctuations in currency values which on one side may be the equivalent of imposing a high tariff duty. The number of devices for trade limitation grew apace in the period between the two wars. Each new restriction by one country led to new action by others. It was a vicious circle in which in order to safeguard its own production each country sought protection from the goods of others.

The argument from the American point of view for freeing trade from these shackles has been effectively stated by Secretary Hull:

"There is a direct and unmistakable connection between business activity and the volume of exports. Our Cotton Belt, our Tobacco Belt, our Wheat Belt, our corn-hog industry, our fruit and vegetable growers, our lumber producers, our machine manufacturers and many other branches of our production cannot prosper unless they have adequate foreign markets for their surplus output. Deprive them of such markets, and their purchasing power shrinks, and with it the whole nation's purchasing power declines. . . .

"The experience of the two decades which elapsed between the end of the World War and the outbreak of a new war in Europe, has brought out in sharp relief the validity of two basic propositions. The first of these is that our nation, and every nation, can enjoy sustained prosperity only in a world which is at peace.

"The second is that a peaceful world is possible only when there exists for it a solid economic foundation, an indispensable part of which is active and mutually beneficial trade among the nations."

Secretary Hull has also promoted a means by which the country may play its part in a gradual reduction of the most difficult trade barriers, in the form of reciprocal trade agreements. Under this mechanism tariff negotiations are removed one step from the political bargains which usually mean steadily rising tariffs, but the administration of the Act has been periodically examined in considerable detail by Congress with a view to satisfying itself that there have been no injustices or undue hardships.

The United States has concluded agreements with twenty-seven foreign countries. These countries, in the order in which the agreements were signed, are: Cuba, Brazil, Belgium and Luxembourg, Haiti, Sweden, Colombia, Canada, Honduras, the Netherlands, Switzerland, Nicaragua,* Guatemala, France, Finland, Costa Rica, El Salvador, Czechoslovakia,** Ecuador, the United Kingdom of Great Britain and Northern Ireland, Turkey, Venezuela, Argentina, Peru, Uruguay, Mexico, and Iran.

About 65% of the total foreign trade of the United States is carried on with the countries with which reciprocal trade agreements have been concluded.

The mechanism has thus been thoroughly tried. No revolutionary changes in this country's tariffs have been produced, but in many important respects the interchange of commodities with other countries has been made easier, and—perhaps more important still—the long trend towards more and higher tariffs has been stopped.

In dealing with tariffs one point to remember is that particular groups who feel themselves penalized are more articulate than the consumers who reap the broad benefits of tariff easements, or even than the producer who gains through the relaxation of trade barriers abroad.

Apart from the Hull reciprocal trade agreement policy there is no outstanding single movement here or abroad towards freer trade. It is rather a matter of constant study, of constant alertness, and the use of every opportunity to negotiate reduction in impediments to trade. These impediments may of course exist in the form of monopolies and other private regulatory agreements as well as in the field of government controls.

In the effort to break down trade barriers we shall encounter conditions under which some countries must restrict their imports to conserve their supplies of foreign exchange, and so be able to maintain a sound balance of payments. It may be that additional markets can somewhere be opened up for the products of some such countries. It may be new export products can be found. War-time changes in production will greatly affect the picture. For example, the United States may import less rubber and silk after the war, but a threatened exhaustion of oil and certain other mineral resources in this country may lead to increased imports in these latter categories, and there will be many other shifts in the channels and types of trade between markets.

The freeing of trade and thereby increasing its volume can be greatly aided by consistent effort by men of good will. It is possible that international organizations for conducting such studies and assisting in negotiations would be found feasible and helpful.

6. Reducing the Swings of the Trade Cycle

In the previous section figures were given showing the wide variation in the volume of imports into the United States of certain raw materials at different periods of the business cycle. In countries where a single export is a large part of their livelihood the effects of such variations are severe. It is difficult for any country to adjust itself to such blows, especially when the prices fall as volume of export diminishes, and credit becomes less freely available.

The trade or business cycle is a long-familiar phenomenon. Its swings have recently been more severe in the United States than in most other countries and in general more severe since World War I than before. When such swings bring depressions like 1921 and 1932 they become major problems both for domestic and foreign policy. The point to be made here is simply that huge swings of the cycle, with their great booms and great depressions, are as damaging to the maintenance of a sound structure of world trade as they are to any domestic economy. When aggravated they become one of the obstacles which impede enterprise and progress all over the world. For where there is great measure of unemployment and uncertainty, countries are far more likely to shirk political obligations—no matter how wise and essential—and to be shortsighted and indifferent in their economic dealings with other countries. On the other hand, if men and women find it relatively easy to have work and feel relatively secure in their employment, it is easier to negotiate the necessary international political arrangements and bring countries together in a many-sided cooperative economic effort.

Although these trade cycle swings may lie so deep in the vagaries of human psychology that they can never be eradicated, it should not be beyond our ingenuity to temper their destructiveness.

7. Making Credit and Capital Available

Enterprise is held back in many parts of the world by lack of funds. The record makes it clear that improvement in the standard of living has taken place where and when capital, in the form of machinery and equipment, multiplies the fruits of man's labors. But—and here is the great question mark—capital to be productive must be wisely used, and investment calls for an investor as well as an opportunity for investment.

The hasty answer that many are making today—"let the govern-

*The reciprocal duty concessions and certain provisions of this agreement ceased to be effective March 10, 1938.
**The operation of this agreement was suspended April 22, 1939.

ment do it"—needs consideration and analysis. There is grave doubt whether the American people after this war, saddled with a huge debt, will be ready to approve government lending of large sums of money in various parts of the world to improve backward areas.

Thus we should examine also the private resources available for such use. Despite all the uncertainties of the period between wars a very substantial amount of trade has been financed privately. British and American banks have been prepared to finance essential trade movements. Such short-term credit has been freely available for the needs of genuine trade where the buyer of the goods could pay when the goods reached his hands. The banks have made losses as well as profits, and have learned "how not to" as well as "how to." This kind of short-term private credit will continue to be available promptly and in ample amounts.

Another kind of funds has also been available in fair amounts. American and other business concerns, even during this difficult period, have put substantial amounts of capital into foreign countries where the opportunity was promising and where they could stay with their undertakings and see that the capital was productively used. If the steps outlined previously in this report are taken more funds of this sort will be available.

There are dangers that attend the flow of business funds abroad that arise from deep-seated political reactions. A powerful foreign interest in any country is a natural target for the politician who finds a popular response to the cry that the foreign corporation is exploiting the country. The consequences are discriminatory taxes and regulations and restrictions as to who can be employed and how, how much profits can be exported, etc., etc. Occasionally the political feeling goes to the point of expropriation as in the case of the oil companies in Mexico. Such treatment does not encourage foreign investment. On the other side, corporations have at times obtained special favors and a privileged status which in the long run is bound to arouse hostility.

The net of it is that a much larger flow of American, British and other capital will go to all parts of the world if conditions are made attractive. American business is prepared to go with its capital, to provide know-how as well as funds, and as fully as possible to work with the people of other countries. One method of financing that has been notably successful in certain instances is the joint ownership method, where an important share of the capital is raised locally.

The problem is not so much supplying a new mechanism as removing obstacles which hold back foreign investment. "It is often argued," states a report on the Transition from War to Peace Economy, recently issued by the League of Nations Delegation on Economic Depressions, "that some radical change in financial mechanisms will be required, and this indeed may be true." "But," continues the report: "new financial mechanisms may well increase the intensity of depressions later if they involve the substitution of government lending for equity or direct investment. There is a real danger, in our opinion, of attention being so concentrated on the satisfaction of immediate and pressing capital needs that subsequent effects will be ignored. To pump capital into stricken areas by the most perfect pumping mechanisms will benefit no one in the long run if the strain imposed by the reverse movement later, when amortization and interest payments exceed new lending, leads to a breakdown similar to that of 1929. It is far wiser to open every possible channel of foreign investment and to control the flow, giving preference to real investment over loans."

A significant development of recent months in a flow of private capital from this country to Mexico and to other Latin American countries where the political atmosphere of late has been more favorable. Capital is by nature adventurous and will wander far if given promising opportunities.

This does not mean that in any nearby future huge foreign loans like those of the '20s for Europe and for Latin America can be floated in New York and London. There will have to be much better assurance both as to the general condition of the world economy and as to the way the money will be used. But some foreign security issues are not impossible if even the minimum assurances can be given. Recent movements on the New York Stock Exchange show that not all venture money has disappeared.

Given a favoring atmosphere, private capital will be ready to do much of the work which needs to be done. We should not, however, dismiss wholly the need for some use of government credit. There will be situations in some countries where the conditions cannot be made wholly favorable for private capital and where funds for reconstruction or construction are badly needed and likely to be used wisely. Then some form of government credit may be desirable for both economic and political reasons. One pattern for such loans might be the loans jointly guaranteed under the League of Nations after the last war. The experience of the Export-Import Bank illustrates another method of meeting this situation. That Bank has made commitments since the start of operations in February, 1934 to June 1, 1943 amounting to $1,143,000,000; total disbursements have been $396,000,000 of which $205,000,000 have been repaid. The bulk of these commitments and disbursements have been related to inter-American trade, and most loans have been for self-liquidating projects. In most cases private funds have been used under the guaranty of the Export-Import Bank and available banking facilities have been utilized. Its loans have been made on the whole sparingly and carefully and with every effort to strike a proper bargain. Utilized in this way modest amounts of government credit may be a valuable supplement to private investment. The danger to be guarded against is that excessive government lending will drive out the private enterprise which is the best hope for continuing progress.

But whether the loans are government loans or private loans they should be good loans, with reasonable promise of repayment; and not too much. If these conditions are fulfilled a good deal of private credit will be found available. There is no use making bad loans; such loans benefit no one.

Carrying Out the Program

The size and scope and almost infinite ramifications of the problems we have been discussing must be evident from the foregoing. They involve politics, economics, psychology in all sorts of combinations and degrees. How make progress in such a maze?

No single simple formula will do. Nor will any complicated and elaborate scheme. For the first essential is the understanding and agreement of many peoples. There must not only be acceptance at the start but continuous and effective support for a long period.

We can agree on some suggestions. First, these international problems must be made somebody's business. Able men, qualified by understanding and by experience in affairs, must be set to work on them. Groups of such men from different nations must meet together and discuss them. The conclusions reached by these men must also be discussed by the chiefs of state among themselves, just as Mr. Roosevelt and Mr. Churchill have discussed military plans. Some discussions have already begun in the areas of relief, of agriculture, of money. This is sound procedure.

Second, there must be established organizations engaged continuously in analyzing these difficult questions and seeking to do something about them. Fortunately we are not wholly without experience in such organizations. There are some 20 years' operations of the League of Nations, and the World Court. Central banks have been important agencies for international collaboration, both directly and through the Bank for International Settlements which has accumulated over 12 years of experience. There are other organizations like the International Chamber of Commerce, the International Institute of Agriculture, and the International Labor Office. All of these have tangible achievements to their credit.

Something of the flexibility of possible organizations is suggested in Mr. Churchill's proposal for a European Council and an Asiatic Council and for sub-organizations for smaller groups of countries. He stated this as follows in his March 21, 1943, address:

"One can imagine that under a world institution embodying or representing the United Nations, and some day all nations, there should come into being a Council of Europe and a Council of Asia. . . . It would therefore seem to me at any rate worthy of patient study that side by side with the great powers there should be a number of groupings of states or confederations which would express themselves through their own chosen representatives, the whole making a council of great states and groups of states."

He further discusses the very delicate subject of the preservation of the sovereignty of states along with this joint organization:

"It is my earnest hope, though I can hardly expect to see it fulfilled in my lifetime, that we shall achieve the largest common measure of the integrated life of Europe that is possible without destroying the individual characteristics and traditions of its many ancient and historic races."

In these quotations there appear the two essential principles of adaptation of international organizations to each purpose and the corresponding principle of respecting the rights, traditions, and nationalism of the participating states.

Such discussions suggest the desirability of avoiding too ambitious and too comprehensive programs, but of moving forward wherever and whenever opportunity serves, of adapting organizations to all the very human difficulties which such enterprises will encounter. The solutions can hardly be absolute and global. The words "commission" and "council" are better descriptions of the nature of organization than the word "authority."

The nature of the problem was discussed recently by Sir Norman Angel in the following terms:

"This fact—that many different nations have to agree to any plan adopted—reminds us that our test of a 'good' plan must not be merely that which would be best for the welfare of mankind if only nations had the political wisdom to accept it and to work it. It is well to remember the remark of Henri IV of France, who, when a certain blueprint for world peace was submitted to him, said, 'It is perfect, without a blemish of any kind so far as I can see, except perhaps one—namely, that no earthly prince would ever agree to it.' Democracies are just as difficult to persuade as princes, and, unhappily, just as unstable at times in their convictions."

All of which emphasizes the need for beginning now the discussion of plans and organizations and reaching some agreements among the United Nations before the day of peace arrives.

With the Tide

Lest we be discouraged by the all-too-formidable obstacles, we may well conclude by returning to the point made at the beginning of this report—that there exist in the world natural and powerful regenerative impulses capable, given encouragement and reasonable freedom to operate, of bringing about the recovery for which we strive. The problem is not the paternalistic one of dictating a reshaping of the affairs of the world; it is rather to strike off shackles to release the abundant energies of able men and women in all countries that each group may build in its own areas and with patterns of its own choosing.

The world demonstrated in the century of comparative peace between Waterloo and July 1914 what can be done when these energies are released. The industrial revolution, which transformed the lot of mankind in the western world during this period, is not over. After Europe and America, Japan discovered it—then Russia and China. Now, with the tremendous forces set in motion by the war, the speeding of communications, the opening of new areas to transportation, the development of new contacts, other countries little changed in economic status since the Middle Ages are catching the contagion. Even in highly industrialized countries like the United States the industrial revolution marches on, its pace accelerated by new miracles of scientific discovery and technological advance. Though the new methods and processes are used now for destructive purposes, they will be available for human betterment in time of peace.

Thus the current is with us. The natural impulse is forward. Our task is to unlock the gates and set free the pent-up forces of enterprise, the restless urge of the people for a better life.

Summary

With sentiment of the American people overwhelmingly for the principle of collaboration with other nations in dealing with post-war problems, we need to be making plans now for putting this principle into effect. The coming of peace must not find us unprepared. Bankers, in particular, have responsibility for studying these problems and equipping themselves for leadership in their communities in support of wise policies.

The program we seek must not be too ambitious or attempt too much; grandiose plans are not likely to succeed, either of adoption or execution. Real progress must be founded upon the regenerative efforts of individual initiative and enterprise. These efforts can be aided through government cooperation and even at times by government participation, but the primary task is one of releasing the natural forces of recovery. People must be helped to help themselves.

To remove obstacles and set free the pent-up forces of enterprise calls for action towards seven essential objectives:

1. **Relief**—Temporary aid in the form of food and some minimum of raw materials and tools for ravaged nations to avert starvation and help restart industry; to be supplied through some form of lend-lease.

2. **Prompt Peace**—Early determination of as many as possible of the main peace conditions so that governments and private individuals can make plans.

3. **Collective Security**—Establishment of some form of organization or guarantee to prevent war, thus lessening the fear of new conflicts, diminishing the incentive towards extreme nationalism, and avoiding the waste of resources in armament competition.

4. **Monetary Stability**—Collaboration between nations to restore currency stability, so that trade and enterprise can count upon the value of the money they use.

5. **Lower Trade Barriers**—With all nations to some extent dependent upon foreign trade and many nations largely so, efforts to broaden international commerce are necessarily part of any program for revival of internal economies.

6. **Reducing the Swings of the Business Cycle**—Because of the damaging effects of alternating booms and depressions upon all countries, particularly those dependent upon a few primary products, efforts to modify such swings are essential to an enduring post-war recovery.

7. **Making Credit and Capital Available**—Given a reasonable degree of security, private capital is ready to supply much of the international short-term financing and long-term investment needed. Some use of government credit may be necessary; but international credits should be made for sound purposes, in reasonable amounts and with expectation of repayment.

For carrying out the program no single simple formula can be laid down, nor will any complicated elaborate scheme suffice. The problem is primarily one of understanding and of acceptance of the need for agreement among many peoples; of moving forward wherever and whenever opportunity offers, of tempering idealism with realism, and of adapting plans and organizations to the practical difficulties.

The world learned in the rise of political democracy and the development of the free enterprise system what can be done when the natural energies of mankind are unchained. Great as these achievements have been, still greater opportunities lie ahead. The boundaries of human inventiveness and aspirations for progress are as yet unchartered. Our task is to call forth anew those energies that have been so productive in the past. Success in the program requires that the United States assume its full share of leadership with other great powers in creating the conditions that will bring about the desired results.

The following are the members of the ABA Economic Policy Commission:

W. Randolph Burgess, Vice-Chairman of Board of National City Bank, New York, N. Y., Chairman.

Leonard P. Ayres, Vice-President Cleveland Trust Co., Cleveland, Ohio, Vice-Chairman.

Winthrop W. Aldrich, Chairman of Board of The Chase National Bank, New York, N. Y.

F. M. Farris, President Third National Bank in Nashville, Nashville, Tenn.

A. P. Giannini, Chairman of Board Bank of America N. T. & S. A., San Francisco, Cal.

A. George Gilman, President Malden Savings Bank, Malden, Mass.

Richard S. Hawes, Vice-President First National Bank, St. Louis, Mo.

Rudolf S. Hecht, Chairman of Board Hibernia National Bank, New Orleans, La.

Harold H. Helm, Vice-President Chemical Bank & Trust Co., New York, N. Y.

William A. Mitchell, Vice-President J. P. Morgan & Co., Inc., New York, N. Y.

E. S. Woosley, Vice-President Louisville Trust Co., Louisville, Ky.

John C. Wright, Vice-President and Cashier American National Bank & Trust Co., Chicago, Ill.

Dr. Paul F. Cadman, 22 East 40th Street, New York, N. Y., Secretary.

"Our Reporter On Governments"

By S. F. PORTER

The way the bond dealers in Wall Street are figuring it now, the offering to commercial banks will be made early next week, now that the drive is closing Sunday night. . . . Say around October 4 or 5. . . . The books on the bank drive should be closed in two days, indicating a market will be quoted on the 2s of 1953/51 and the 2½s by the end of next week. . . . Opening price looked for at 100.8 or thereabouts. . . . Premium of ⅜ to ½ on the 2s looked for toward the end of October. . . . Premium of as high as ¾ forecast before 1943 is over and some dealers even are talking 101 for the new 2s. . . . Surely, this is guesswork! . . . It probably doesn't even deserve this much space at this stage of the game. . . . But it is important, if not as an accurate barometer of prices, then as a sign to the psychology of experts these days. . . . Which is, you can see, exceedingly optimistic. . . .

The best information remains consistent with predictions made here during the last several weeks. . . . An oversubscription of two billions or so. . . . Maybe a total around $18,000,000,000. . . . No more loan drives this year, to the public or the banks, with the exception, of course, of the minor technical flotations now and then. . . . Bills and refundings of certificates. . . . A good, healthy market in an advancing trend after the technical problems of initial trading in the new issues have been solved. . . .

You've bought your bonds, we assume. . . . You've picked up the 2s or the 2½s or perhaps some certificates if those fit your needs. . . . If you're a banker, you're waiting now for your chance and you have your cash position all set for subscribing. . . . And if you're a trader, you're eagerly anticipating one of the best markets in many a month. . . .

So the story of the drive is almost over. . . . All that remains to be done may be placed under the statistical classification and that can be told in a few sentences. . . .

It has been a successful financing—marvelously so. . . . And as for the lagging of individual subscriptions, well, that too was foretold in this space and was explained. . . . Somehow, the voluntary method of financing works best only with the people who need the lesson least. . . . The war worker whose spending is the most dangerous factor in our economy today seems to slip by under a voluntary system. . . . But as for forced lending, that is a subject better written about a few weeks or months from now. . . .

NEXT SPRING?

The story is around that we may get no more bond drives until next April! . . . The Treasury will have the cash it needs for this year in another few days. . . . No question about its going beyond its money balance between now and the end of 1943 unless spending reaches a level not even dreamed of at this time. . . .

So that leads us into 1944. . . . And the gossip on this point is that if a new tax bill is put through Congress before January 1, as is indicated despite the Washington reports of considerable confusion and bickering, the Treasury may get enough from its pay-as-you-go collections to keep it in funds until the spring. . . .

April does sound tremendously optimistic when we're finishing up September. . . . But there's no doubt in the minds of any observer that we'll have a higher tax burden to carry during 1944. . . . And if the Treasury does get another $5,000,000,000 to $7,000,000,000 through taxes, in addition to its present record-high collections, borrowing in the amounts we've seen in 1943 just won't be necessary. . . . And probably won't be possible, either. . . .

So while April may be too far off, if you think in terms of a "free market" for four to five months, you'll have the idea. . . . And you don't need any elaboration to recognize the probable influence of that on the market's level. . . . Especially when bankers and large investors around the country begin to think the same way. . . .

FREE RIDING

Check around the banks reveals that virtually all of them—if not all—are sticking close to the Federal Reserve Banks' request that they discourage heavy borrowing by individuals out to take a free ride on this loan. . . . Margins of 10% are the rule. . . . Meaning a would-be subscriber has had to put up $1,000 for every $10,000 purchase—which eliminates many of them. . . . Also banks are charging same rate for borrowing as bonds bear. . . . 2% on a 2% issue, 2½% on the 2½s, eliminating gamblers who thought in terms of borrowing at 1% to hold 2% bonds and make 1% for the length of their holding. . . . Brokerage houses also have been extremely careful on speculators and New York Stock Exchange member firms have been following regulation on purchase to discourage any speculator without a large cash balance. . . .

Surely, some have gotten by. . . . And those who have obtained better-than-customary terms are among the informed. . . . So unwise selling at an uncomfortable time may not be looked for from them. . . .

This observer continues as always to defend speculation to some extent in Government bonds. . . . It does add color to the market, it does bring in investors who otherwise might not be aware of the values of these securities, it does give a life and activity to the market which is helpful and not harmful. . . . But since the Treasury is afraid of being embarrassed at some future moment by heavy selling, free riding or its many variations will remain the property of the bigger investors. . . . The "little fellow" just can't get in on a large enough scale to attract him. . . .

INSIDE THE MARKET

Guesses are the bank offering will reach the $4,000,000,000 mark, despite fears of bankers to the contrary. . . . Divided equally between the 2s and certificates. . . . The way things shape up now, this $4,000,000,000 may not be nearly enough for the banks, especially the large ones, and they'll be in the market during October for more of the 2s. . . .

Excess reserves position of the banks easier today than in almost a year. . . . Banks have been losing deposits against which they must keep reserves, have been gaining deposits against which they need keep no reserves. . . . Result is they'll be more than willing to build up their positions through subscribing to the 2s and through entering the open market. . . .

Money situation of banks may tighten up a bit at the end of the year when Secretary Morgenthau starts drawing down on his war loan accounts but until then, way seems clear and bright. . . .

Tax-exempts acting so beautifully it almost is frightening. . . . Long-term issues—the 2⅞s at 112.15, the 2¾s of 1959 at 112.6, the 2¾s of 1963 at 112.2 and the 2¾s of 1965 at 112.14—are among the most attractive securities on the board. . . . These are not yet in line with prices of taxables and with indicated demand over the coming months. . . .

Shorter-term tax-exempts are in line, however. . . . They're high enough now and their rises in the future will be dependent on a strong Government market. . . .

There's one major switch in the Government market these days which is so far ahead of all other technical suggestions that there's no comparison. . . . And that switch is—out of the shorter-term tax-exempts and into the long-terms or out of the shorter-term exempts and into the longer taxables. . . . No question about the better value of the long-term exempts. . . .

You might consider switching from the shorts to the longs on a temporary basis and then returning to your original position later in the year. . . .

During August, the Treasury sold bonds again for the accounts of funds under its supervision. . . . Sales amounted to $15,813,000. . . . And beyond doubt, funds have been put back into the new loan. . . .

Stockholder Relations Stressed

Stockholders relations is a field where extensive public relations work is needed, according to Verne Burnett, Vice-President in charge of public and stockholders relations for General Foods Corporation.

Probably 12 to 14 million men, women, and children in the United States today own stock in some business enterprise. This is a large gain since 1929, when only about 9,000,000 Americans owned stock.

This rapid growth in stock ownership, Mr. Burnett believes, presents many and new problems for company management, problems that must be solved by public relations.

"Let the stockholders speak!" urges Mr. Burnett in his latest book, "You and Your Public," recently published by Harper & Brothers. And to get stockholders to tell what they like and do not like about a company, Mr. Burnett would make a survey of stockholders.

"The questions," he writes, "will vary widely with different companies. But here are some things those charged with stockholders relations would want to know immediately about the company:

"Are the company's reports to stockholders too long, too short, or about right?

"Should there be more, less, or about the present volume of charts, tables, pictures, information on products, labor policies, research, inventories, relations of the company with the Government and national and world affairs? Is there enough told about the outlook?

"Are the usual reports sufficiently clear? Is the type legible? What kind of material should be stressed, reduced, or eliminated? How much should be spent on each copy of an annual report—5, 10, 15 or 25 cents? (Stockholders often think the booklets cost more than they actually do.)

"Are dividends as much as could reasonably be expected in view of the company's current needs or hazards? Or should dividends be increased and, if so, by what percentage? You could ask whether dividends should be reduced under certain conditions, and you might get some interesting reactions, although most investors naturally want to keep the dividends as high as possible.

"Which of the company's products are stockholders using? (List products for checking.) Do stockholders recommend the products to friends, dealers, or others?

"Other questions could bring out answers to the attitude of stockholders regarding the management, its policies and practices; regarding prices, advertising and employee relations. You can learn what questions the stockholder would like to bring up if he were present at the next annual meeting.

"Once a year a questionnaire should be included in a mailing to all stockholders. Old grievances die down and new ones crop up rather suddenly. Watch shifting opinion with an eagle eye.

"It isn't advisable for a management to yield to every whim of its stockholders. Sometimes you find there is a complete lack of understanding, and it is your job to present the facts so that proper conclusions will be drawn. But often there are executive policies and practices which need revision, or you find that unnecessary irritants can and should be removed.

"Stockholders own your company, and if they are sufficiently angered they will use their power to hamper the enterprise. If they are thoroughly sold on the company, they can become crusaders or at least useful voluntary salesmen, with telling benefits. By understanding your stockholders all the time, you are in a position to frame an intelligent program which will more than justify your salary.

"More and more the feeling of social consciousness has developed among stockholders in recent years. Many stockholders nowadays pay much attention to factors other than sales, earnings and dividends. They want sound labor relations; an able, ethical management; honest products; up-to-date research laboratories; good relations with customers, dealers and government. Stockholders know that such factors are right—and profitable.

Scott Of Tool Industry Urges Changes In Renegotiation Law

An amendment to the renegotiation law so as to abandon the present basis for profits and its administrative features is being urged upon Congress by the machine tool industry. This was brought out on Sept. 20 by James V. Scott, President of the Van Norman Machine Tool Co., Springfield, Mass., in a talk before the meeting in New York of the Controllers Institute of America.

The following are excerpts from Mr. Scott's address:

"Taxes are based on a mathematical formula. But under renegotiation the additional amount to be returned to the Government is purely and solely a matter of the judgment of the Price Adjustment Boards. In short, renegotiation is a matter of taxation by men, rather than taxation by law. No matter how sincere the men administering the law may be, it places in their hands the power to pronounce a sentence of life or death over a company or an industry. This is not the kind of a law which we should have in a democracy.

"Therefore the machine tool industry is now urging upon Congress an amendment to the renegotiation law. In amending the law, the following principles are suggested:

1. Renegotiation on the basis of profits before taxes should be abandoned. Agreements should be made wholly in the light of profits after taxes. Any other approach brings disagreement and demands that are inequitable and unjust.

2. The extent to which a company's product is expendable in the war effort should be taken into consideration in determining the amount of the company's earnings to be recovered by the Government through renegotiation. In short, due allowance should be made for the peacetime use inherent in the equipment after the nation's war needs have been met.

3. Companies which have saturated their post-war markets by reason of their wartime production should be permitted to retain out of their earnings the reserves necessary to maintain their service to the industries dependent upon machines already installed; to finance the engineering research that leads to new developments, and to finance those developments through the stages of experiment to production and use. Only by this means can American machine tool builders maintain employment and restore their market position in the post-war period.

"The post-war market picture of the machine tool industry, is, without question, one of the toughest in the country. The law that has hurt our industry today may hurt any industry tomorrow, depending on the opinions and the judgment of the men on Price Adjustment Boards. I believe that they are sincerely trying to do the best job they know how, in the light of the policies laid down by the Government. But it is mighty bad law, it seems to me, to create a set-up under which the just administration of a law depends upon the character and intelligence of the men who administer it, rather than the law itself.

"There have been times in the history of this country when men have used positions of power for political purposes or personal advantage. Imagine what might happen if the power granted the personnel of the Price Adjustment Boards should fall into the hands of unprincipled people!

"May I suggest therefore that you do all you can to convince Congressmen and Senators of the dangerous nature of this law, and to urge its amendment?"

Balkan Peace Offers Reported

Reports, some clearly of German origin, circulated in Madrid, Spain, that representatives of the Rumanian Government are negotiating with Allied representatives at Ankara, Turkey, for an armistice, said an Associated Press News account from Madrid on Sept. 25 appearing in the New York "Journal American," which had the following to say regarding the reported peace movements:

The Rumanians first attempted, the reports said, to omit the Russians and negotiate only with the Western Powers, but failed in this.

(CBS recorded a London broadcast of a report from Istanbul "that a Bulgarian envoy is expected there soon to seek a basis for Turkish intervention with the Allies on Bulgaria's behalf.)

The reports said further that near-panic was aroused among Budapest Government and military leaders when they heard of the Rumanian armistice feelers and that Hungarian contacts with United Nations' representatives may have been made also.

"What the Petroleum Industry Offers . . Today"; Gold Stocks For Peace

An interesting circular entitled "What the Petroleum Industry Offers the Investor Today" has been prepared by Distributors Group, Inc., 63 Wall Street, New York City, discussing the effects of the war upon the petroleum industry as well as the future of the industry as a producer of a basic raw material for the chemical industry. Copies of this circular may be had upon request from Distributors Group, Inc.

Also available is a memorandum on the "peace" outlook for gold shares which Distributors Group, Inc., believes offer attractive possibilities. Copies of this memorandum may also be obtained from the firm 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 large number of comments have been received regarding the views and conclusions drawn by this eminent authority on the subject. Some of the letters were given in these columns on Sept. 2, Sept. 9 and Sept. 16; more are given below:

L. EDMUND ZACHER,
President, The Travelers Insurance Co.


L. Edmund Zacher

I agree with Dr. Anderson that the long-term rate should be more liberal on Government securities, but how to accomplish this with a large volume outstanding at lower rates, I haven't had time to study.

In his discussion he does not mention the fact that there is hardly any private lending going on in long term securities. Most of these loans go to the Government at rates that investors would be glad to receive, but they are obliged to furnish the Government with money with which to make this investment. In other words, it monopolizes the long-term investment values as well as the short term banking operations.

HON. EDWARD MARTIN,
Governor of Pennsylvania

I am heartily in accord with Dr. Anderson's thought that the accumulation of capital by individual, by corporate and by public thrift must once again become the primary policy of our Government if our finances are to be re-established on a permanently sound basis. We are, however, in a period of emergency arising as a result of the war. Our first consideration must be to leave no stone unturned to win it. This, of course, includes the necessary financing of the war. Consequently, while Dr. Anderson's argument in favor of an increase in the rate of interest seems convincing, it is a question whether it would be wise to attempt to put such an increase into effect until we can more nearly determine what the size of the national debt will ultimately be. It seems reasonably certain that we shall have a debt somewhere between two hundred billion and three hundred billion dollars.


Hon. Edw. Martin

A large majority of our citizens have purchased Government securities to help finance the war and they have been given the assurance that this is the safest investment they can make. Repudiation is unthinkable and our Government must keep faith with its citizens. If we assume a national debt of two hundred and fifty billion dollars and an increase in the average interest rate on the Government debt of only one-half of 1%, that would mean an increase in the Government's yearly interest charges of one billion, two hundred and fifty million dollars. Therefore, it seems to me that the solvency of our Government requires, for the present at least, a rate of interest low enough to offer every reasonable assurance that the debt can be serviced and carried. Since the revenue with which to service the debt and pay the interest must be derived from taxes, it is obviously to the taxpayers' advantage that the interest charges be not increased at the present time.

It may well be that following the war a refunding of the present indebtedness, particularly the short-term floating debt, on a long-term basis and at a somewhat higher interest rate may be not only advisable but necessary.

I am particularly interested in Dr. Anderson's suggestion that banks holding long dated governments be permitted to subscribe to new higher yield issues which may be issued at some time in the future by turning their old bonds in exchange. Such a step would tend to prevent the situation which prevailed at the end of the first World War, where long-term Government issues depreciated materially in value.

Because of the effort my Administration is making here in Pennsylvania to practice thrift in our State Government and to set an example to our people, Dr. Anderson's presentation is of particular interest to me.

WILLIAM L. DE BOST
President, Union Dime Savings Bank, New York City

I have read the article "The Future of Interest Rates," by Dr. Benjamin M. Anderson and have had one of my associates who is familiar with our investments, do so and we have found it very interesting.


William L. De Bost

We are wondering whether Dr. Anderson's ideas are practical and if carried out and the Government offers a higher interest rate, what would happen to all the billions of E F and G bonds which are all payable on demand. As a matter of fact I have always wondered whether the Government is not building up by the sale of so many of these demand loans something that may later on cause serious trouble.

Interesting Situations

Loewi & Co., 225 East Mason Street, Milwaukee, Wis. have issued a circular discussing four situations which they feel offer interesting possibilities at the present time. Copies of this circular may be obtained from the firm upon request.

Investment Trusts

There's A Great Day Coming!

All signs in the investment company field point to the fact that managements are actively preparing now for the victory and the peace that lie ahead.

Investors who have placed their capital in any of the leading mutual funds can be assured of alert, full-time, professional investment management working in their behalf through the difficult period of transition to a normal peace-time economy.

The mutual fund managers are scrutinizing the whole field of securities for favorable post-war opportunities. They are carefully reviewing present portfolios and revising them to conform with realistic appraisals of the outlook. Taxes, post-war backlogs, new products, inflation and a host of other factors are being carefully weighed in the light of their influence on particular industries and particular companies.

All this activity is making itself evident in both the publications and the portfolios of the investment companies. This week, for example, Calvin Bullock's **Bulletin** is devoted to a discussion of post-war cushions in the earning power of various "war stocks" as a result of the carry-back provisions of the 1942 Revenue Act. National Securities & Research Corp. has a letter out on International Series pointing to the favorable outlook for selected South American and European investments. Also, in attractive booklet form, is a reprint of this sponsor's series of articles on "Post-War Backlogs and Business" which appeared serially in **Investment Timing.**

Keystone Corp.'s **Keynotes** discusses the "Outlook for Industrial Production" and concludes that a gradual transition from war to peace will occur—a transition in which careful selection and continuous supervision of investments will "pay dividends."

The latest issue of **Investment Timing** has a convincing article on "Gold Stocks in Distinctive Position," pointing out that: "The stocks of major gold mining companies now derive a strong appeal from the prospect of peace, which should permit the resumption of profitable operations—encouraged by the possibility of an increase in the price of gold."

An even more striking presentation of the outlook for the Gold Stocks is embodied in a new folder by Distributors Group on the Mining Shares of Group Securities, Inc. Entitled, "Why Gold Stocks Are Good 'Peace' Investments," the folder reveals that as of Sept. 23, 1943, the investments of Mining Shares were concentrated wholly in leading American and Canadian gold stocks. Here is tangible evidence of the positive steps being taken by one investment company management to prepare for that "Great Day."

* * *

The following excerpts are from Lord, Abbett's **Union Dealer** entitled, "Mutual Funds Are Delivering."

"Open-end mutual funds have been in operation a long time now. Most sponsors active today have behind them more than a decade of experience—and the past decade, to go back no further, has been one of trial and test for the investing profession.

"These years of experience, during which organizations have been welded together and methods of operation developed, are clearly benefiting investors in the funds—and the benefit seems to be increasingly pronounced year after year.

"This benefit is not something intangible; it is a matter of dollars and cents and figures. Over the period March 31-August 31, 1943 the Dow-Jones Industrial Average made practically no net gain or loss, beginning the period at 136.57 and ending it at 136.62.

"In the same 'neutral' period, out of 40 mutual funds tabulated, 35 showed plus gains, ranging from a nominal amount to as high as 15.7%. In contrast to this high gain figure, the greatest loss shown by any of the 40 funds was only 4.7%. Twenty of the 40 funds showed a gain equal to, or more than 4.7%.

"The UNION funds made a useful contribution to this showing for the mutual fund industry, furnishing three of the first four funds."

* * *

Walter L. Morgan, President of Wellington Fund, has announced the following portfolio changes in the Fund. New Purchases—Tide Water Associated Oil, Philadelphia Electric, Bendix, Standard Brands. **Additions to Present**

(Continued on page 1320)

Savings and Loan Associations And The Post-War Era

By RALPH H. CAKE

Meeting in Chicago last week (Sept. 22 and 23) the Post-War Savings and Loan Program Committee of the United States Savings and Loan League looked at the post-war directions and dimensions of the 112-year old savings and loan system of the country, discussing everything from probable effects of prefabricated housing on the methods of home financing in this country, to the possibilities of developing a standard savings and loan plan of meeting each of the principal types of needs which the citizens have for mortgage money.

Ralph H. Cake

Chairman of the meeting was Gardner W. Taylor, New York savings and loan executive of 20 years' experience in the business, in both the large institution and small institution type of operation, and the Vice-Chairman was Arthur G. Erdmann of Chicago, also a veteran of two decades in savings and loan. Reports from subcommittees which had been working for the past three months on different angles of the post-war problem pointed to the conviction that private financing will have its chance to prove its ability to cope with the home financing situation when the brave new world after the war comes into being. A frank discussion of the prospective economic directions which the affairs of the nation will take after Victory opened the meeting. The question raised by some of the committeemen was whether or not socialized housing and various controls over business, such as rent control, would be given fuller rein after the war. The group decided to set the goal of the business to develop a home financing program of the type which would leave no doubt to the people of America that private capital can do the job of housing more efficiently than any other credit source or method.

The most nearly complete preliminary report of any subcommittee was that given by Fermor S. Cannon, Indianapolis, Chairman of the group assigned to study possibilities of a standard plan for savings and loan financing of each of the following: (1) the home purchaser; (2) the builder of a home for owner-occupancy; (3) the property owner improving his dwelling; (4) individuals and corporations building multiple residential units; and (5) operative builders of housing. The tentative outline of such plans dealt with competitive loan rates, the term of the loan, percentage of value to be loaned in each case, monthly payment of taxes and assessments, prompt commitment, service and disbursement, provision for the borrower whose employment requires him to move, and provision in the mortgage for additional advances for repairs, alterations and modernization on an economical basis.

A subcommittee to study the financing of prefabricated and engineered housing, headed by Arhtur P. Bartholomew, Rochester, New York, after its first endeavors to ascertain the present status of prefabricated housing possibilities that it was too early yet to formulate financing plans for such types of housing. It asked, however, that the business of savings and loan provide itself with a clearing house of information following every step in the merchandising plans for prefabricated housing and the legal developments in connection with it. The consensus was that such housing could be financed by savings and loan institutions and that it was a natural field for their activity. General Manager Oscar R. Kreutz of the Federal Savings

(Continued on page 1321)

Mortgage Bankers Association Of America Elects New Officers

Herold G. Woodruff, president, H. G. Woodruff, Inc., Detroit, was elected president of the Mortgage Bankers Association of America at the organization's annual business meeting at the Drake Hotel, in Chicago, in connection with a Conference of Post-War Planning held Sept. 23, 24 and 25. Mr. Woodruff succeeds Charles A. Mullenix, Cleveland. L. E. Mahan, president, L. E. Mahan & Co., St. Louis, was elected vice-president.

Herold G. Woodruff

Six new regional vice-presidents were elected, including George B. Underwood, Irvington, N. J., eastern region; Edward F. Lambrecht, Detroit, northeast central region; Ward J. Gauntlett, Chicago, northwest central region; R. O. Deming, Jr., Oswego, Kan., south central region; J. C. McGee, Jackson, Miss., southeast central region, and C. W. Mead, Omaha, Rocky Mountain region. Governors of the Governors of the Association, meeting Sept. 25, were expected to elect a regional vice-president for the Pacific coast region. Miller B. Pennell, Cleveland, was reelected Association counsel and George H. Patterson, Chicago, was renamed executive secretary and treasurer for his twelfth term. Governors named include C. P. Kennedy, Cincinnati; Allyn R. Cline, Houston; C. Armel Nutter, Camden, N. J.; Hugo Porth, Milwaukee; Aksel Nielsen, Denver; Norman R. Lloyd, Cleveland; Wallace Moir, Los Angeles, and G. Calvert Bowie, Washington, D. C.

The Association's new president for the 1943-44 term is a native of Michigan, served in the First World War and is a member of the State bar. He was formerly with the Union Guardian Trust Company and formed his own firm ten years ago, which represents many leading life insurance companies. Mr. Mahan, the new vice-president, is an Association member for nearly 20 years and two years ago organized its affiliated group, the Legion of Mortgage Bankers. He was formerly with the Mississippi Valley Trust Company in St. Louis and organized his own company in 1931. During the last war, he was in charge of all real estate and mortgages in the country taken over under the Trading with the Enemy Act.

Raps Influence Of Bureaucrats In Federal Govt.

Retiring President of Mortgage Bankers Association Says He Expects Investigation of RFC At Some Future Date. Calls for Separation of FHA And National Housing Agency

Washington bureaucrats are using the war to perpetuate excess Federal jobs, for the evasion of military responsibility and to further crackpot ideas in their underground development of revolutionary schemes of government, Charles A. Mullenix, Cleveland, President, Mortgage Bankers Association of America, charged last week in an address at the opening session of the Association's 30th annual meeting and Conference on Post-War Planning at the Drake Hotel, Chicago.

There can be no "complaint or objection when Congress delegates to the President the supreme authority necessary for the conduct of the war, but we must complain of the activity of certain bureaucrats who use this authority for promulgating their pet schemes and developing a type of totalitarian rule in matters which have nothing to do with the war effort—such as the definite attempt of these socialistic forces which set up rent control and the undemocratic manner in which it was administered," he said.

Chas. E. Mullenix

Mullenix' address at the opening session was preceded by brief talks by Howard E. Green, President, Chicago Mortgage Bankers Association, and Herold G. Woodruff, Detroit, Association Vice President. Mortgage bankers, Government officials, executives of many of the largest life insurance companies, and real estate men from all but a few States were there for the meeting, which was cut to two and a half days because of wartime conditions. Mullenix' address was in the nature of a review of developments affecting real estate, taxes, and government agency activities in the past year with recommendations for change.

He reiterated that all mortgage men favor rent control as provided by the Price Control Act, but that they are utterly opposed to the "autocratic administration of it by the type of radical bureaucrats who set up the regulations with no regard to equitable control." He reviewed the Smith Committee's findings and said that "it is hoped that a change in administrative personnel resulting from the investigation will lead to a correction of prevailing tactics and rulings—but the honeymoon is almost over and nothing has happened!"

He said mortgage men weren't too pleased with present operations of the RFC and subsidiary corporations, particularly the Federal National Mortgage Association and RFC Mortgage Company. The former recently sold about $130,000,000 of its mortgages and retains about $65,000,000, which, he said, "could have been sold at a fair price to investors, but the best of these mortgages should be refinanced and taken out of Federal ownership." Regarding the $130,000,000 sale, Mullenix pointed out that "we did not expect that any Federal agency would profiteer at the expense of those servicing agents and investors who have been so loyal in supporting FHA's efforts for home owners.

"Some day some Congressman or Senator is going to start an investigation of the RFC to determine what its activities might lead us into if, at some future time, it might come into hands imbued with the idea of State Socialism—a possible significant development because of its tremendous holdings and the influence which this federally-owned super-bank can exert because of its widespread control of industries and other property holdings."

Mullenix said Association officials have been and still are working on plans which it hopes will prove workable so that the HOLC can be speedily liquidated with the least possible loss to the Government. Turning to current prices for real estate, he said he was somewhat concerned about the present trend and observed that in some instances houses have sold for from 15 to 25% and more above a reasonable economic or possible future value." He declared that a few representatives of a certain type of mortgage lending institution are being accused of lending on homes in amounts greater than FHA will commit for and, in some cases, for amounts higher than FHA appraisals. He said Washington officials who exercise supervisory control are cooperating to end the practice and have showed that they do not approve. He added that the practice has been limited to only a few such lenders. The trend is inflationary, he added, and leads to instability. He told the mortgage men that something must be done to secure a better application of property tax responsibility to remove the chaotic system which has prevailed and still does. He commended the Federal Housing Administration for its survey to determine future construction possibilities. He said the National Housing Agency, however, has become a pyramided bureau which might be justified in wartime but that "it has been used for the domination of private endeavor, both in financing and construction of housing, by socialistic-minded public housing interests. I cannot believe that the administrative section of NHA is private-business-minded except as it has been forced by public sentiment and Congress to moderate its activities. It has, however, apparently done a good job in meeting the war emergency, especially since its apparent change of policy in March of this year. The socialistic "public housers' within the agency, however, are working overtime on plans for tremendous public housing following the war."

A contributing reason, he cited, was that if public housing were turned over to private management organizations, the overhead cost could be reduced by an estimated two-thirds. He said suggestions to Washington to this effect have met with evasive replies.

"Administration of FHA has been good," he said, "But I believe it could have been better had it not been dominated by the 'public houser' influence. We should use every means at our command to have it removed from the National Housing Agency at the earliest possible date and be permitted to resume its role for the benefit of home owners. The same action should be taken regarding the Federal Home Loan Bank system. These two agencies have to do with private enterprise and should not be dominated by influences which have prevailed during the war and which, if allowed to prevail, will result in complete demoralization of two valuable public agencies."

Ralph E. Crawford Dead

Ralph E. Crawford, Secretary of the First Federal Savings & Loan Association, Greenwood, Indiana, died Sept. 19, of an illness of a week's duration. Prominent in the Indiana Savings & Loan League, he was on the Membership Committee of the United States Savings & Loan League, and had previously been a member of the national organization's Committee on Fidelity Bonds and Insurance. He was also active in the Republican party in Indiana.

Jas. Roberts In Seattle

(Special to The Financial Chronicle)

SEATTLE, WASH.—James W. Roberts has opened offices at 4014 Brooklyn Avenue to engage in a general securities business.

Canadian War Output Attains Record High

In entering the fifth year of its participation in the war, Canadian war production was found to be attaining a peak figure on a scale of $55,000,000 worth of armaments and munitions per week, the Bank of Montreal states in its "Business Summary" dated Sept. 22.

The review goes on to state:

"For the year ended Sept. 1, 1943, the expenditure on contracts for war production and construction under departmental contracts was placed at $3,094,000,000, as compared with $1,957,000,000 for the year ending on the corresponding date in 1942, while the number of persons employed directly or indirectly on war work on Sept. 1 was estimated at 1,100,000, as compared with 940,000 on the same date last year. During the four-year period, more than $800,000,000 was spent on the construction of new plants and the installation of new machines. By the close of 1943, Canadian yards will have launched approximately 750 ships and Canadian plants will have produced 10,000 aircraft, 35,000 armored fighting vehicles, 600,000 other military vehicles, 100,000 guns, barrels and mountings and 1,000,000 small arms. There will also have been manufactured 1,000,000 tons of explosives and war chemicals, 60,000,000 complete rounds of heavy ammunition, 3,000,000,000 rounds of small arms ammunition, and instruments and communications material valued at nearly $300,000,000."

The Securities Salesman's Corner

Selling Intangibles Requires A Sympathetic Understanding Of People

Salesmen who have never sold intangibles often discover that although they may have been successful selling automobiles, houses, or other tangible articles, that there is an entirely different technique to selling something that cannot be seen, felt, tasted or handled. Some people find the answer quickly—others have the greatest difficulty in acquiring the knack of selling intangibles.

For it is a "knack." Most people are born with a certain amount of sympathetic understanding of other people. As we progress through life our understanding usually quickens and we acquire more experience in dealing with others. The successful salesman of intangibles uses this ability to GAIN A SYMPATHETIC UNDERSTANDING with his prospects. It is the basis upon which he erects a foundation of confidence in himself that eventually leads to the creation of a substantial business relationship.

One of the first requisites necessary in order to acquire the sort of sympathetic relationship that eventually leads to confidence and sales is to be genuinely interested in people. This has been repeated many times, in hundreds of selling courses, but it is worth stating again. The salesman who has lived and observed the many ups and downs that come to all human beings and who has learned the lessons that life itself teaches, is the fellow who can almost instinctively discern the proper things to say and the right time to say them.

As an example of how one salesman capitalized upon this gift of understanding people we are reminded of how a well-educated young fellow began his sales career a few years ago by calling upon pople with whom he had a very close tie and relationship to the past. On account of the war he had been compelled to leave occupied Europe and, although his family were still there, he was fortunate to be in the U. S. A. He built his clientele among people who had also been through some of the same experiences and had feelings and sympathies in common with his own. His knowledge of the various countries in Europe and of several languages also made it possible for him to get closer to these people. As his clientele developed he stayed in this same group—one told another and today he has a very lucrative investment business.

Of course this specialization in one class of prospects is not always possible, but it does show how important a common understanding can be when it is based upon realistic experiences. The salesman who has this faculty of understanding people knows instinctively when he is overstaying during a call—he knows how to pick up little things his prospect is saying so as to lead the conversation into channels that are INTERESTING TO THE PERSON WITH WHOM HE IS TALKING. His tact is almost instinctive because it is based upon an appreciation of the things THAT ARE IMPORTANT in the lives of others. This faculty can be acquired by every one—some of us have it in a greater degree than others—but it is always an essential ingredient of successful salesmanship.

Public Utility Securities

(Continued from page 1300)

nue averaged only 1.9¢ per kwh. in 1942, not much over half the U. S. average. If the Federal Government finally obtains an appropriation from Congress to buy up local distributing companies and thus obtain a market for Bonneville power (now largely used in war industries), it seems unlikely that the company could be forced to sell at a price which would injure common stockholders. Some local utility districts have been formed, but thus far have not been able to buy any parts of the Puget Sound property. Jury condemnation awards totalled over $22,000,000 or about double what the districts claimed the properties were worth.

At the recent price of 11¾, the stock is selling at about six times the adjusted earnings per share, as compared with an average of about 14 or 15 times for leading utility stocks listed on the Big Board. Dividend policy is not yet clearly formulated but the initial dividend alone is equal to about 5% on the present price of the stock. It appears likely that the annual rate might be in the neighborhood of 75¢ a share, which would equal the dividends on the old preferred stock. A portion of net earnings is to be used to reduce funded debt.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1296)

week's column chose the latter as more in keeping with market behavior.

* * *

As this is written the market has already retreated from the 142 point and is now at about 139. To hear some of the statements made explaining this reaction you would think that this was a prelude to a sharp wide open crack. I don't agree. I have made errors in the past, and being human, will undoubtedly make them in the future, but the current action of not only individual stocks but the averages do not in my opinion indicate any extension of the reaction.

* * *

That Congress will be plastered all over the front pages as it argues new taxes next week is well known. But because it's well known the market has already anticipated it.

* * *

You and I may not know what the final tax decision will be. But you can be sure that the market does. True, its knowledge isn't displayed in just so many words. But to the market analyst the answer seems to be that after all the shouting is over, certain stocks will go higher.

* * *

From the war front the news is almost uniformly good. But here too the news of battles play a secondary role to the political maneuverings aimed at shaping the post-war world. What the answer to all this will be is something the market has yet to indicate. There are weeks when its interpretations point one way, to be followed by market actions in subsequent weeks that point still another way.

* * *

The London market, for example, foretold a post-war settlement that would be kind to industries whose securities are traded in that Exchange. The American market, did the contrary. Whether it was because of domestic problems or international, is hard to tell. But whatever it was, it was sufficient for this column to ignore the London market and base recommendations on the action of the American exchanges.

* * *

All this was true until last week. It was then that certain stocks began acting in such a manner that new and higher prices seemed to be foreshadowed after a minor setback. This setback has already been seen. It may go further, but I doubt if any further decline will extend more than another point or so.

* * *

As this is being typed the averages are about 139. This represents a reaction of about 3 points from last week's highs. If the market means what it is saying the low point should be 138 or so, followed by either dullnes or a gradual recovery to 142. But playing the averages is impractical. No one ever buys or sells them. So converting the action of the averages into individual stocks, this column has chosen a list which it believes will advance even if the market itself marks time, and should do appreciably better if the market as a unit shows any tendency to advance.

* * *

Last week's column advised the purchase of eight stocks at specific prices. Of these the following became available: Atlantic Refining, bought at 27, with a stop at 26. U. S. Pipe & Foundry, bought at 34, with a stop at 32. White Motors, bought at 21, with a stop at 19, and Youngstown Sheet & Tube, bought at 36, with a stop at 35. I advise holding the above until new instructions appear here. The other four stocks (see last week's Chronicle) are still anywhere from fraction to full points away from the buying levels. If they get down, the advice to buy still applies.

* * *

More next Thursday.

—Walter Whyte

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

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.

Municipal News & Notes

A decline in passenger car registrations this year to less than the total recorded at the beginning of the war in 1939 is indicated by registration data from 39 States for the first half of 1943, the Public Roads Administration of the Federal Works Agency announced Sept. 20.

The Roads Administration estimates that 25,500,000 automobiles will be registered in 1943 compared with 26,100,000 in 1939. This would be a decrease of four million from the 29,500,000 of 1941, peak year in the 43-year history of automobile registrations. It would be a greater decline than the only previous large reduction in registrations which took place during the depression when the number dropped from 23,100,000 in 1929 to 20,600,000 in 1933.

Registrations in 39 States for the first six months of 1943 were down 10.7% compared with the same period in 1941. Registrations in these States in 1942 increased only 3% from the 1941 total.

The percentage drop in registrations in 15 States in the severely gasoline rationed eastern area during the first half of 1943 was nearly double that of the 24 States in the "western" rationed area. The eastern and western declines were 15 and 8%, respectively, compared with January-June registrations in 1941. The decline in 1942 registrations from the 1941 totals amounted to only 3.5% in the eastern and 2.7% in the western area.

Greatest reductions in the East in 1943 occurred in New Hampshire with a 26% drop, New York 23%, Vermont 18%, Florida 17%, Maine 16% and Delaware and Massachusetts 15%.

In the "West" in 1943, Montana led with an 18% decline, followed by Michigan with 17%, Oklahoma with 15%, Idaho 14%, New Mexico 13%, Illinois 12% and Minnesota 11%. The smallest decrease, 2%, was in the State of Washington. Registrations increased in Alabama, Arkansas and Nevada, 1, 2 and 7%, respectively.

The automobile registration figures show that a large number of cars have migrated westward from the eastern portion of the country, the Public Roads Administration pointed out.

On the other hand, truck registrations in the eastern ration area during the first half of this year decreased 0.4% from the same period in 1941—considerably less than the 4.2% decrease in the western area.

January-June truck registrations in 39 States this year were down 2.9% compared with the first half of 1941.

A table comparing the 1941 and 1943 registrations in the 39 States covered by the survey has been compiled by the Public Roads Administration.

Detroit Debt Survey Reveals $48 Million Net Debt Reduction

The substantial improvement effected in the credit position of the City of Detroit, Mich., in the past ten years is reflected in an interesting analysis of the city's financial statement of Aug. 31, 1943. The survey, prepared by the First of Michigan Corp., Detroit, reviews the details of the various factors which have brought the city's credit standing to its present high level. Among these are:

A net debt reduction of over $48,000,000 which is equivalent to approximately 17% in amount, 4% in percentage of assessed valuation, $35 per capita.

The highest percentage of tax collections on record.

Complete elimination of the $21,000,000 carry-over deficit.

In the water and street railway departments: (a) Net water debt reduction of approximately 26%; (b) Net street railway debt reduction of approximately 50%; (c) Substantial margin of earnings to meet debt service notwithstanding increased operating costs.

Detroit's tremendous industrial capacity is now devoted primarily to war production. Conversion to war work has given the city new facilities which should prove of much permanent value in a broadened peacetime production, the First of Michigan Corp. explains. The backlog of potential orders being created in automobile and other expendable products manufactured in Detroit, and plans made for a rapid reconversion, when peace is declared, are reassuring.

Detroit bonds, the bond house concludes, are still obtainable at current market levels, yielding substantially more than bonds of most of the other large cities in the country.

Copies of the complete analysis, of which a few highlights have been given, are available on request from the First of Michigan Corporation, Buhl Bldg., Detroit (26), Mich.

Legislative Action In Sales Tax Field Reported

West Virginia exempted all food purchases up to 50 cents from the State's 2% sales tax and California cut its sales and use tax rates from 3 to 2½% to highlight State legislative action this year in the sales and use tax field, the Federation of Tax Administrators reported Sept. 13.

West Virginia's action fell in line with the general trend this year of extending sales tax exemptions to transactions formerly subject to the tax, the Federation said, although several States broadened their sales tax laws to include transactions and commodities formerly exempt.

Despite strong pressure in several States to abolish or reduce sales taxes, California was the only State to do so. Oregon's Legislature, on the other hand, will submit to voters at the next general election a proposal to levy a 3% sales tax on gross income of retailers, with 60% of an anticipated annual yield of $20,000,000 scheduled to offset reduced yields from property taxes.

Among the States broadening exemptions from sales and use taxes or otherwise liberalizing these laws were Alabama, Arizona, Colorado, Missouri, North Dakota, Oklahoma, South Dakota, Utah and Washington. Alabama, for example, exempted gross proceeds from sale of agricultural publications from the sales tax, and allowed manufacturers to buy supplies and materials without payment of sales tax.

Arizona exempted contractors from paying the sales tax on materials bought for use in their contract projects; Colorado exempted all fuel oil, coke, newsprint and printer's ink used by publishers and commercial printers and also exempted sales of animals to be used for breeding purposes; North and South Dakota both exempted from the sales tax the sale of materials and supplies to the State and local governments; Oklahoma exempted from the State use tax all tangible personal property stored in the State pending shipment for use in another State; Washington made tax-exempt the sale of an entire operating property of a publicly-owned utility, or sale of a section of the property.

Among the States broadening their sales tax structures to cover a wider range of transactions or commodities were Alabama, Illinois, Oklahoma, South Dakota, Utah, Washington and West Virginia.

Under the new Alabama legislation use of tangible personal property by the manufacturer himself as building material in performing a construction contract is to be considered as a retail sale by the manufacturer, to himself as consumer, making himself liable for the sales tax.

Illinois amended its retailer's occupation tax to include sales made by foreign corporations through solicitations or orders by salesmen in Illinois.

Oklahoma enacted legislation applying to tax exemption of "cost-plus" contracts, providing that sales tax exemptions for Federal cost-plus-a-fixed-fee type of contracts shall apply only to bona-fide contracts of this type, and not to lump sum or renegotiated contracts.

South Dakota, though exempting from the sales tax the sale of materials and supplies to State and local governments, repealed exemptions formerly granted industrial materials, capital assets and equipment not readily obtainable in South Dakota. The Legislature also levied a 2% tax on gross receipts from pin-ball machines and similar mechanical devices.

Utah levied a 2% tax on sale of coal, fuel oil and other fuels for domestic or commercial consumption; rural electric cooperatives were exempted however.

Washington tightened its sales and use tax structures in several ways by amendment to the general act. Certain improvements to lands and buildings were declared retail sales, and sales or charges made for labor and service rendered in respect to real or personal property, which are not sales at retail, were made sales at wholesale. Gifts were made subject to the use tax, and persons engaged in improving roads, streets and bridges were made liable for the business privilege tax.

West Virginia extended its sales tax law to include persons selling tangible personal property or furnishing services to retail dealers for resale only; wholesalers were classified as retail dealers when they make sales for personal consumption or use. Repealed was the exemption formerly granted persons paying a personal income tax on income from rentals, royalties, fees and interest.

Delaware, Iowa, Oklahoma and Wisconsin made changes regarding imposition of sales taxes on special commodities; Delaware made dealers in feed bags subject to a tax of 20 cents per $1,000 of the cost value of goods purchased during the preceding year; Oklahoma repealed its oleomargerine poundage tax and license fees; Wisconsin imposed an excise tax of 7 cents per 1,000 feet on use or consumption of natural gas; Iowa imposed an excise tax of 1 cent a pound on butterfat produced between June 1 and June 15 each year to finance the advertising of Iowa dairy products.

Corn Exchange Bank Of Philadelphia Now 85 Years Old

(Continued from first page)

to $500,000. The bank's growth over the 85 years of its existence has been steady and rapid during which time it has retained the same name and always has been known and guided by its symbol—the ear of corn.

The Corn Exchange, having several times previously served the nation in times of stress, is again exercising every effort in the prosecution of the present war effort. Over 55% of its deposits, or approximately $113,500,000, are invested in U. S. Government securities and practically every fifth dollar of Corn Exchange deposits are financing America's vital war industries in the all-out production of weapons of victory. The bank also is active in promoting the sale of war savings bonds, and to date has sold over $22,000,000, in addition to millions of dollars of other Government issues.

The bank has long been identified closely with every movement of a constructive nature in the city of Philadelphia—the most notable being its efforts in the development of the Port of Philadelphia, helping to obtain the Federal Building for the new Custom House, its interest also extending to the Philadlephia airport and the erection of the Art Museum and the Franklin Institute.

The first President of the Corn Exchange was Alexander G. Cattell, who served until 1871. David E. Williams, the present head of the institution has served since January, 1941.

It was on Sept. 23, 1858, that the Corn Exchange National Bank & Trust Co. was first opened for business as a State institution with a paid-in capital of $130,000. The five clerks transacted business in modest rented quarters in the hall of the "Corn Exchange" building at the corner of Second and Gold, near Dock Street in old Philadelphia. Later that year the bank moved to its permanent location at Second and Chestnut Street where its main office still stands. In a sketch of the bank's history, which has been made available, the following information is also supplied.

Originally, the Board of Directors met at night to guide and chart the bank's course, continuing to do so until 1859 when meetings were held during the day. By their diligent efforts the bank accumulated quickly resources of $500,000. In 1864, the institution was placed under the National Banking Act with a capital of $500,000. Today the bank's resources are over $200,000,000—a growth which perhaps even the most sanguine of the founders could not have foreseen.

The expansion of the bank was steady and rapid. It outgrew its quarters several times, making repeated additions necessary to the originally occupied building. Other properties were bought and a modern building was erected about the turn of the century. This building is now known as the "main office" for the bank has since kept pace with Philadelphia's growing population by acquiring 10 branch offices located at strategic points, the better to serve its many customers.

The long life of the Corn Exchange Bank has spanned several wars. During its inceptive years the bank financed the Government to its utmost in carrying on the Civil War. In response to President Lincoln's urgent call for volunteers, Mr. Cattell, the first President of the bank, sponsored the formation of a regiment almost immediately. Within a matter of days approximately a thousand men, known as the "Corn Exchange Regiment," went forth to engage in some of the war's most important battles, including Antietam and Gettysburg.

The bank has been fortunate in having as its leaders some of Philadelphia's most outstanding citizens to uphold this tradition. Since January, 1941, David E. Williams has been President of the institution. A captain in Philadelphia own 315th Infantry during the last World War, he was in the midst of an attack on the Germans on Nov. 11, 1918, when firing ceased. Now he is fighting wholeheartedly on the home front. As Chairman of the recent War Chest Campaign in Philadelphia he brought the drive well over its $7,300,000 goal with his untiring efforts night and day and his outstanding leadership.

Investment Trusts

(Continued from page 1317)

Holdings — United Corp. Pfd., Atchison, Phelps Dodge, Caterpillar, Celanese, Bank of America, Simmons, Sperry, Commercial Investment Trust, New York, Chi. & St. L. 4½s, 1978, Associated Elec. 4½s, 1953. **Eliminations**—American Loco. Pfd., Lehman Corp., Anaconda, Briggs, Reliance Insurance, U. S. Tobacco, Burroughs, Underwood-Elliot-Fisher, Boston Edison, Southern California Edison, Wash. Railway & Elec. units, Amer. Lt. & Traction, Illinois Central 4s, 1955.

* * *

If there is anything new in the way of investment company literature, the new prospectus on Selective American Shares is it. Done in two colors, with the front cover set to resemble the usual "new offering" prospectus, it succeeds in making the revered document through which "official" offering is made look more nearly like a sales presentation than anything we have hitherto seen.

* * *

The Stock Exchange firm of E. F. Hutton & Co. has prepared a new study of the principal portfolio changes in the common stock holdings of the leading investment trusts. Copies are available from Mr. G. M. Loeb of that firm.

Investment Company Reports

At the close of business Aug. 31, 1943 The Maryland Fund, Inc. had net assets amounting to $5,769,989.23, equivalent to $5.19 per share on 1,112,302 shares outstanding. This compared with net assets on Feb. 27, 1943 of $5,467,065.42, equivalent to $4.88 per share on 1,119,922 shares outstanding, and with net assets a year ago of $4,349,580.92, equivalent to $3.88 per share on 1,119,922 shares outstanding.

Dividends

Fundamental Investors, Inc.—Quarterly dividend No. 39 amounting to $.20 per share payable Oct. 15, 1943, to holders of record Sept. 30.

Manhattan Bond Fund, Inc.—Ordinary distribution No. 21 amounting to $.10 per share and an extra amounting to $.15 per share payable Oct. 15, 1943 to holders of record Oct. 5.

Aviation Group Shares—A semi-annual dividend of $.50 per share payable Nov. 30, 1943 to holders of record Oct. 30.

"News & Views"

The current issue of "News & Views" being distributed by Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, Calif., contains interesting data on a number of fire and casualty insurance companies. Copies of this interesting circular may be had from the firm upon request. Also available to dealers only is an interesting quotation sheet of bank and insurance stocks.

Savings And Loan Associations And The Post-War Era

(Continued from page 1318)

and Loan Insurance Corporation, who spoke to the committee, said he believed that changes in methods of building houses in this country after the war would be evolutionary rather than revolutionary.

Consideration of additional financial services which can be offered to savings and loan customers, along with the financing of their homes brought to discussion the possibility of a "package" loan, designed to cover not only the financing of the house itself but of the furniture and other household effects. Recognizing the legal changes which would be involved in such a departure from traditional mortgage financing, the subcommittee headed by W. W. McAllister, San Antonio, Texas, saw the advantage to the home owners of making one payment each month cover all of his commitmentss for the home, and also sthe advantage to the lender, who would then be aware of practically the full extent of the home borrower's obligations and consequently be able to build a more realistic collection policy.

Viewing the wartime increases in the inflow of savings into the thrift and home financing institutions, and visualizing the probability that the overall accumulation of savings in the country will be greater than the outlet through mortgage loans, which have always been the chief investment for savings in America, one subcommittee set itself to devise additional outlets for the funds of saving and loan. The Chairman, E. C. Duncanson, Spring Valley, Minnesota, stressed that such outlets must be in keeping with the type of funds they are receiving from the public and from institutions, estates and other organizations.

George L. Bliss, New York City, Chairman of the subcommittee on Public Relations suggested simplification of the terminology applied to the business, along with other preliminary suggestions on a nationwide public relations program for the business.

A subcommittee with the responsibility of pointing the way to participation of savings and loan associations in the slum clearance and redevelopment programs of cities after the war, pointed to the successful precedent for local handling of such problems which now exist in the functioning of local draft and rationing boards, and in the proposed decentralization of some of the other wartime arms of government. John F. Scott, St. Paul, Minnesota, is Chairman. Seeing the demolition of slum properties as one problem and the housing of slum dwellers under decent and sanitary shelter as another distinct and separate problem, his subcommittee held that the service of savings and loan men on local housing authorities and boards would be valuable in shaping the post-war developments in rehousing the lower-income groups, as well as in removing present slum buildings.

Thomas T. Taylor, Salt Lake City, Chairman of the subcommittee on methods of expanding savings volume, pointed out that the savings and loan system now has the best liquidity it has enjoyed in all its history. He visualized the need for maintenance of this position in the business after the war and its correlation with the dividend policies of the associations. Another angle of the liquidity question was explored in an inquiry by Philip Klein, Newark, N. J., as to the feasibility of harnessing the assets of the savings and loan business in a system which would insure the mortgagor's payments and thus approach some degree of true liquidity in a mortgage.

The post-war group will make a progress report at the War Conference of the United States Savings and Loan League meeting in Chicago, November 30 and December 1. Ideas which have come out of four days of discussion of the major problem, two days in June and two in September, presage the far-reaching possibilities of the final post-war program which grows out of these conversations around a table, and the exchange of ideas among the committeemen and the men who operate the other 3,700 savings and loan associations in the country which the national organization comprises.

The entire field of savings and loan ramifications and possibilities will be explored, under the leadership of the committee. As a result, the summer and fall of 1943 may well prove to be as momentous in the development of this basic American financial system as were the beginning days of the institution in January, 1831, or the year, 1932, when the Federal Home Loan Bank system was created, giving these diverse units for the first time a central reserve system.

New York Bank Stocks Compared For 3rd Quarter

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting analytical comparison of New York City Bank Stocks for the quarter ended Sept. 30. Copies of this comparison may be had from the firm upon request.

July Home Mortgage Recordings Up Slightly

The recent month-by-month rise in the volume of non-farm mortgage recordings leveled off during July, when the total of $351,516,000 was only a fraction of 1% greater than the June figure, the Federal Home Loan Bank Administration reported on Sept. 4. Nevertheless, recordings were within 1% of the volume for July of 1942. The Administration further said:

"Mutual savings banks increased their recordings by 4% from June to July, while the activity of savings and loan associations rose 3%. Except for individuals, whose totals gained 5%, recordings by all other types of lenders declined for the month.

"For the first seven months of this year, the aggregate of all recordings was 13% below the total for 1942 and 23% less than in the same months of 1941. Only individual lenders increased their activity over the January-July period of 1942, scoring a gain of more than 5%. The greatest declines were shown for insurance companies 27%, and commercial banks 25%. Mutual savings banks dropped 20%, while the figures for savings and loan associations were off 7%.

"The number and amount of mortgages of $20,000 and less recorded for July 1943, by type of lender, follow:

	Number	Amount	Per Cent
Savings and loan associations	39,168	$116,406,000	33%
Insurance companies	4,955	25,586,000	7
Banks and trust companies	18,914	64,766,000	19
Mutual savings banks	3,823	15,329,000	4
Individuals	33,913	78,594,000	22
Other mortgagees	13,687	50,835,000	15
Totals	114,460	$351,516,000	100%

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.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Russell L. Davis**, previously with Trust Funds, Inc., is now connected with **Perrin, West & Winslow, Inc.**, 24 Federal Street.

(Special to The Financial Chronicle)

CINCINNATI, OHIO—**William H. Bell** has been added to the staff of the **J. L. Barth Co.**, Dixie Terminal Bldg. Mr. Bell was previously with the Research Institute of America and prior thereto was in business for himself as tax consultant.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Claude E. Mulkey** has joined the staff of **Merrill Lynch, Pierce, Fenner & Beane**, Buhl Building. Mr. Mulkey in the past was with Smith, Hague & Co., American Industries Corp. and Alison & Co.

(Special to The Financial Chronicle)

GREENVILLE, S. C.—**Darrell Wade Swope** has become associated with **R. S. Dickson & Co., Inc.** Mr. Swope was formerly with McAlister, Smith & Pate, Inc. in charge of their Asheville, N. C. office.

(Special to The Financial Chronicle)

JOPLIN, MO. — **Hubbard A. Sublett** has been added to the staff of **B. C. Christopher & Co.**, 118 West Fourth Street.

(Special to The Financial Chronicle)

MIAMI, FLA.—**Bernard Simonetti** has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane**, 169 East Flagler Street.

MINNEAPOLIS, MINN. — **Carl H. Carlson** is now with **Central Republic Company**, Rand Tower. Mr. Carlson was formerly with Standard & Poors Corporation.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN.—**Archibald G. Ingersoll** has become connected with **Merrill Lynch, Pierce, Fenner & Beane**, Rand Tower. Mr. Ingersoll was previously with Riter & Co.

(Special to The Financial Chronicle)

PORTLAND, MAINE — **Albert B. Collins, Philip H. Hansen** and **Frank H. Miller** have become connected with **R. H. Johnson & Co.**, 31 State St., Boston, Mass. All previously were with J. Arthur Warner & Co.

N. Y. Stock Exchange War Bond Rally

The trading floor of the New York Stock Exchange was the scene on Sept. 23 of a War Bond rally unique in the 151-year history of the institution. Under a 50-foot American Flag suspended from the lofty ceiling of its trading floor, about 7,000 people crowded among the trading posts to witness a rally marking New York Stock Exchange War Bond Day. The rally climaxed a day of extraordinary War Bond sales effort by the entire Stock Exchange membership.

Participating in the rally as speakers were Secretary of the Treasury Henry Morgenthau, Jr.; Vice-Admiral Adolphus Andrews, Commander of the Eastern Sea Frontier; W. Randolph Burgess, Chairman of the New York State War Finance Committee, and Kate Smith. Emil Schram, President of the Exchange, presided.

Mr. Schram reported that, up to 4 p.m. $778,458,286 of Third War Loan Bonds had been sold by the Stock Exchange community for the period of the Drive to date. The total sales for the day, also up to 4 p.m., amounted to $55,338,870. Mr. Schram pointed out that the total for the Third War Loan Drive to date compared with Second War Loan sales by the community in the amount of $500,000,000, and that in the current Drive the goal of the Stock Exchange membership was not only a larger dollar volume, but also the aim has been to reach a greater number of individuals.

Mr. Schram handed to Mr. Burgess the Stock Exchange's check representing completion of the purchase of $2,000,000 of War Bonds in the Third War Loan Drive to date by the Exchange and its subsidiary companies and the Trustees of the Exchange Gratuity Fund.

Fronting the Exchange in Broad Street was a war exhibit installed by the U. S. Army which consisted of a bullet-riddled B-17 fuselage, anti-aircraft guns and crews, amphibious jeeps, a 105-mm. field piece, 2 beach searchlights, 2 tanks and 6 jeeps armed with machine guns, and, also, German and Japanese war implements.

In his talk, Secretary Morgenthau paid tribute to the Stock Exchange community for its part in the bond drive. He also recalled that he was a strong advocate of keeping the Stock Exchange open when the European war started in September, 1939 and had advised President Roosevelt to do so. Mr. Morgenthau praised the Stock Exchange for having taken this war in stride.

Capt Cattus Honored By Queens Guards

Captain John C. Cattus of Kean, Taylor & Co., 14 Wall Street, New York City, was guest of honor of the Queens Own Guards, the free military training academy, at its drillhall, the gymnasium of the Jamaica High School, on Friday evening, Sept. 24. This unit, organized Sept. 23, 1941, is celebrating its second anniversary. Captain Cattus has just been commissioned Master of a Class B ship in the Army Transport Service and will report for duty in the Pacific area early in October.

He has been an active member of the Colonel George Chase Lewis Military Training Group which meets Tuesdays for luncheon lectures and discussions at Au Coq D'Or, 129 Maiden Lane, New York City. Numerous other prominent financial district men are attending these meetings while awaiting their commissions.

Railroad Securities

(Continued from page 1297)

steel men as a permanent accretion to the territory's industry and as the natural source for the western area's steel needs in a return to a peace economy. Thus the Denver should emerge from the war period with important new traffic sources to compensate for the loss of war business and with a stake in heavy industry unusual for a property operating primarily in a traditionally agricultural territory. It is felt that these long-term considerations, which were not reflected in any pre-war earnings, should eventually find recognition in a wider investment and speculative regard for the new company's securities.

Purolator Products Situation of Interest

Purolator Products, Inc., 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 company may be had from Reynolds & Co. upon request.

The Business Man's Bookshelf

Community Action for Post-War Jobs and Profits—U. S. Department of Commerce — United States Government Printing Office, Washington, D. C.—paper.

Europe's Overseas Needs 1919-1920 and How They Were Met—League of National Publication, 1943. II. A. 6—Columbia University Press, International Documents Service, 2960 Broadway, New York 27, N. Y.—paper—50c.

Excess Profits Taxation—Kenneth James Curran, with an introduction by Alfred G. Buehler—American Council on Public Affairs, 2153 Florida Ave., Washington, D. C.—cloth, $3.50; paper, $3.00.

Fire Losses and Fire Risks—Herbert A. Simon, Ronald W. Shephard, and Frederick W. Sharp—Bureau of Public Administration, University of California, Berkeley, Calif.—paper—$1.00.

Free China's New Deal—Hubert Freyn—The Macmillan Company, 60 Fifth Avenue, New York City—cloth, $2.50—to be published Oct. 19, 1943.

Germans In the Conquest of America, A Sixteenth Century Venture — German Arciniegas — Translated by Angel Flores—The Macmillan Company, 60 Fifth Avenue, New York 11, N. Y.—cloth—$2.50.

Labor Legislation of New Jersey, The—Philip Charles Newman, with a foreword by Charles A. Beard — American Council on Public Affairs, 2153 Florida Avenue, Washington, D. C.—paper, $2.00.

Maps of Agriculture and Mineral Industries in the Territory Served by the Nickel Plate Road —Nickel Plate Railroad, Terminal Tower, Cleveland, O.

Pension, Bonus and Profit-Sharing Plans—The Chase National Bank of the City of New York—paper.

Post-War Backlogs and Business—L. Scudder Mott— Economics and Investment Department, National Securities & Research Corporation, 120 Broadway, New York City—paper—$1.00 (prices on quantity orders on request).

Price Control and Subsidy Program in Canada, The—Jules Backman—The Brookings Institution, 722 Jackson Place, N. W., Washington, D. C.—paper—50c.

Public Utility Bonds and Public Utility Preferred Stocks, 1943 Edition—The First Boston Corporation, 100 Broadway, New York City—paper.

Renegotiation — (A protest against renegotiation as it relates to the machine tool industry)—National Machine Tool Builders' Association, 10525 Carnegie Ave., Cleveland 6, O.—paper.

Chicago Surface Lines Situation of Interest

The current situation affecting Chicago Surface Lines offers attractive possibilities according to a memorandum prepared by Brailsford & Co., 208 So. La Salle St., Chicago, Ill., members of the Chicago Stock Exchange. Copies of this interesting memorandum may be had from the firm upon request.

Calendar Of New Security Flotations

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing (unless accelerated at the discretion of the SEC), except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930 (b).

Offerings will rarely be made before the day following.

MONDAY, OCT. 4

DERBY GAS & ELECTRIC CORP.

Derby Gas & Electric Corp., a subsidiary of Ogden Corp., registered 91,577 shares of its common stock without par value with the SEC. This stock is already issued and outstanding, and the shares are not being offered by or for the account of the company. They are to be sold by Ogden Corp., as part of its plan to dispose of its public utility investments in accordance with the Public Utility Holding Company Act of 1935.

Address — One Exchange Place, Jersey City, N. J.

Business — The company is engaged primarily in the generation, distribution and sale of electric energy and manufactured gas.

Underwriting—Ogden Corp., after the registration becomes effective, will publicly invite sealed proposals for the purchase or underwriting of these shares. The result of the bid opening will be filed by amendment later.

Offering—Terms will be filed by amendment later.

Registration Statement No. 2-5213. Form S-1. (9-15-43).

JULIUS GARFINCKEL & CO., INC.

Julius Garfinckel & Co., Inc., filed a registration with the SEC covering 60,000 shares of 5½% preferred stock, par value $25 a share, and 19,990 shares of common stock, $1 par value.

Address—Washington, D. C.

Business — The company operates a specialty department store at 14th and F Streets, N. W., Washington, D. C., dealing primarily in women's wear and accessories, but includes various other retail and service departments, the more important being men's and boys' furnishings and clothing, semi-precious and precious jewelry, linens and blankets, glassware, china and lamps, stationery and luggage, and fur storage vaults.

Proceeds — To redeem an unspecified number of the company's cumulative convertible 6% preferred stock on its redemption date Oct. 8, at $27.50 a share plus accrued dividends from Oct. 1.

Underwriting—J. G. White & Co., Inc., for the 5½% preferred stock.

Offering—The common stock shares will be sold only to the holders of the company's outstanding bearer warrants which entitle them to purchase at $12.50 a share on or before Sept. 1, 1944, an aggregate of 19,990 shares of $1 par common stock, fully paid and non-assessable.

Registration Statement No. 2-5214. Form S-1. (9-15-43).

SATURDAY, OCT. 9

FIRST BOND & MORTGAGE CO.

The First Bond & Mortgage Co. filed a registration statement with the SEC covering voting trust certificates for 1,400 shares of common stock no par value. O. C. Logan, sale trustee.

Office—Glendale, Calif.

Registration Statement (filed in San Francisco) No. 2-5215. Form F-1 (9-20-43).

SUNDAY, OCT. 10

P. LORILLARD COMPANY

P. Lorillard Company has filed a registration statement for $20,000,000 20-year debentures, due Oct. 1, 1963, and 374,391 shares of common stock, par value $10 per share. The interest rate on the debentures will be supplied by amendment.

Address—119 West 40th Street, New York City.

Business—Company is engaged in the business of manufacturing and selling cigarettes, smoking and chewing tobaccos, and cigars.

Underwriting—The new debentures and common stock will be underwritten by a banking group headed by Lehman Brothers and Smith, Barney & Co. Other members will be supplied by amendment.

Offering—Offering price of the debentures to the public will be supplied by amendment. The 374,391 shares of common stock are being offered to present common stockholders of record at the close of business on Oct. 4, 1943, at the rate of one-fifth of a share for each share of common stock held at a price to be supplied by amendment. The subscription warrants will expire at 3 p.m. on Oct. 15, 1943. New debentures will have a sinking fund scheduled to retire 50% of the issue by maturity.

Proceeds—Proceeds to be received by the company from the sale of the debentures are to be applied to the payment at maturity, or the sooner purchasing, of the company's 7% gold bonds due Oct. 1, 1944, presently outstanding in the aggregate principal amount of $5,209,600. Balance of such proceeds and proceeds received from sale of common stock are to be applied to the payment or reduction of the company's short term loans payable to the banks aggregating $19,000,000, and after payment of expenses, any balance will be added to the company's working capital.

Registration Statement No. 2-5216. Form S-1. (9-21-43).

MONDAY, OCT. 11

OSCAR MAYER & CO., INC.

Oscar Mayer & Co., Inc., has filed a registration statement for $3,000,000 fifteen year 3¼% debentures, due Oct. 1, 1958.

Address—1241 Sedgwick Street, Chicago.

Business—Engaged in the meat packing and provision business.

Underwriting—A. G. Becker & Co., Inc., Chicago, head the group of underwriters. Others will be supplied by amendment.

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

Proceeds—Net proceeds will be used to prepay the 2⅝% notes, maturing serially to 1951, of the company, in the principal amount of $2,025,000, held by the First National Bank of Chicago and First Wisconsin National Bank of Milwaukee, requiring, exclusive of interest, the sum of $2,050,312. The remainder of net proceeds will be used by the company to carry additional receivables and inventories and larger bank balances, to reduce the necessity for current borrowings, and to pay current liabilities.

Registration Statement No. 2-5217. Form A-2. (9-22-43).

WEDNESDAY, OCT. 13

GLOBE-WERNICKE CO.

Globe-Wernicke Co. has filed a registration statement for $650,000 4½% first mortgage bonds to be dated Oct. 1, 1943 and due Oct. 1, 1953.

Address—5025 Carthage Avenue, Norwood, Ohio.

Business—Manufacturer of office furniture, filing equipment, stationers goods and filing supplies.

Underwriting—W. E. Hutton & Co., of Cincinnati is named underwriter.

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

Proceeds—Proceeds from issue and sale of the bonds will be used, together with other funds of the company, to retire in full the presently outstanding $651,100 principal amount of 6% first mortgage sinking fund bonds due Oct. 1, 1944 on Jan. 1, 1944.

Registration Statement No. 2-5218. Form S-2. (9-24-43).

THURSDAY, OCT. 14

DELAWARE POWER & LIGHT CO.

Delaware Power & Light Co. as constituted after the merger into it of Eastern Shore Public Service Co., Delaware, has filed a registration statement covering $15,000,000 first mortgage and collateral trust bonds 3% series to be dated Oct. 1, 1943, and due Oct. 1, 1973, and 40,000 shares of preferred stock, cumulative, par $100 per share. The dividend rate on the preferred stock is to be named by bidders when issue is offered for competitive bidding, but is not to exceed 4.4%.

Address—600 Market Street, Wilmington, Del.

Business—Is a public utility operating in the State of Delaware.

Underwriting—The bonds and stock are to be offered by the company for sale at competitive bidding and the names of the underwriters will be supplied by amendment.

Offering—Offering price of the bonds and preferred stock to the public will be furnished by post-effective amendment.

Proceeds—Net proceeds from the sale of bonds and preferred stock, together with a portion, to the extent necessary, of $6,287,063 cash received from the United Gas Improvement Co., parent of the company, in connection with the issue and sale of common stock of Delaware to U. G. I., will be applied to redeem indebtedness and preferred stocks of Delaware Power & Light Co., Eastern Shore Public Service Co. to be merged into Delaware and Maryland Light & Power Co. aggregating $24,822,913.

Registration Statement No. 2-5219. Form S-1. (9-25-43).

SATURDAY, OCT. 16

CHICAGO & SOUTHERN AIR LINES, INC.

Chicago & Southern Air Lines, Inc., has filed a registration statement for 107,989 shares of common stock, no par value. Of the shares registered, 60,000 shares, to be evidenced by voting trust certificates registered under a separate registration statement—see statement below—are to be offered by or through underwriters at a proposed maximum public offering price not exceeding $16 per share and not exceeding in the aggregate $960,000; and 47,989 shares are registered for issuance, pursuant to options, at $8 per share, being an aggregate public offering price of $383,912.

Address — Municipal Airport, Memphis, Tenn.

Business—Operates as an air carrier of passengers, mail and express between Chicago, Ill., and New Orleans, La., and between Memphis, Tenn., and Houston, Texas.

Underwriting — Principal underwriters named are Kebbon, McCormick & Co., Chicago, and I. M. Simon & Co., St. Louis.

Offering—Offering price to the public will be supplied by amendment. A new voting trust under which the common shares registered will be offered will be dated Oct. 1, 1943. The old voting trust will be terminated prior to or concurrently with the delivery of common stock to the underwriters.

Proceeds—The net proceeds may be applied to any one or more of the following purposes: Purchase of additional equipment to be used on present routes or on proposed new routes; payment or reduction of present bank loans; for working capital or other corporate purposes.

Registration Statement No. 2-5220. Form S-2. (9-27-43).

CHICAGO & SOUTHERN AIR LINES, INC.

Carleton Putnam, voting trustee, has filed a registration statement for voting trust certificates under voting trust agreement dated Oct. 1, 1943, for 500,000 shares of common stock, no par value, of Chicago and Southern Air Lines, Inc.

Address — Municipal Airport, Memphis, Tenn.

Business—Voting trust.

Underwriting — See registration statement above. Carleton Putnam, sole voting trustee, is president and a director of the company.

Offering—As soon as practicable after the effective date of the registration statement. Under the terms of the voting trust agreement there may be deposited thereunder any authorized shares of the capital stock of the corporation. It is also proposed to offer to the public voting trust certificates representing an aggregate of 60,000 shares of common stock as shown in statement above and voting trust certificates will be offered to persons exercising stock purchase options and acquiring shares of common stock pursuant thereto. The offer to holders of common stock to deposit stock under the agreement will terminate Oct. 1, 1944, unless extended by the voting trustee.

Registration Statement No. 2-5221. Form F-1. (9-27-43).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMERICAN EXPORT AIRLINES, INC.

American Export Airlines, Inc., has filed a registration statement for 43,888 shares of capital stock, par value $3 per share.

Address—25 Broadway, New York.

Business—Is now engaged in air transport operations between the United States and Europe, and conducts operations between the United States and certain military bases in the Caribbean and South America under contract with the Navy.

Underwriting—No underwriters.

Offering—The shares are issuable upon the exercise of capital stock purchase warrants of the airlines company attached to 7,900 shares of 5% cumulative preferred stock of its parent, American Export Lines, Inc., a steamship company. The warrants are exercisable by the transfer to the airlines company of the shares of preferred stock attached to the warrants in payment of the purchase price. At the date of the prospectus holders of preferred stock of the steamship company are entitled to receive 5 5/9 shares at the price of $18 per share for each share of the steamship company preferred stock.

Purpose—Upon the exercise of any warrants the airlines company is required to surrender to the steamship company all shares of preferred stock of the steamship company it may acquire, and each share of preferred is to be paid for by cancelling $100 of the indebtedness owed by the airlines company to the steamship company. The steamship company sold privately in 1940 10,000 shares of its preferred stock with warrants of the airlines company attached and advanced the gross proceeds of the sale, $1,000,000, to the airlines company. The steamship company through the sinking fund provision is retiring 2,100 shares of the preferred stock so that warrants attached to these shares become void.

Registration Statement No. 2-5203. Form S-1. (8-19-43).

Amendment filed Sept. 4, 1943, to defer effective date.

ATLANTA GAS LIGHT CO.

Atlanta Gas Light Co., a subsidiary of Consolidated Electric & Gas Co., filed a registration statement with the SEC, for $7,500,000 of first mortgage bonds, series due 1963, and 20,000 shares of 5% cumulative preferred stock, par value $100 a share, on which sealed bids will be asked.

Address—243 Peachtree St., Atlanta, Ga.

Business—Company is an operating utility company engaged primarily in the business of purchasing, distributing and selling natural gas in 20 municipalities in Georgia, and manufacturing, distributing and selling artificial gas in five municipalities in Georgia and two in South Carolina. Incidental to the promotion of its business, the company also engages in the merchandising of gas appliances. It has been engaged in the sale of gas continuously since 1856, except when its plant was damaged during the Civil War.

Proceeds—Net proceeds, exclusive of accrued interest and dividends, will be applied to the extent that funds are available to the redemption of $5,875,000 principal amount of general mortgage bonds, series due 1955, 4½%, at 104, and $2,150,000 principal amount of general mortgage bonds, 3½%, series due 1961, at 104½, and to the redemption of 13,000 shares of 6% cumulative preferred stock at $110 a share.

Underwriting—To be filed by amendment.

Registration Statement No. 2-5211. Form S-1. (8-31-43).

CALIFORNIA ELECTRIC POWER CO.

California Electric Power Co. has registered $16,000,000 first mortgage bonds, 3¾% Series due 1968, and 40,000 shares 5¼% convertible prior preferred stock, par value $100 per share.

Address—3771 Eighth Street, Riverside, Cal.

Business—Engaged in the generation, transmission, distribution and sale of electric energy.

Underwriting—Principal underwriter for the bonds is Dillon, Read & Co., New York, and for the preferred stock Stone & Webster and Blodget, Inc., and Bosworth, Chanute, Loughridge & Co., Denver. Other underwriters will be named by amendment.

Offering—Price of both bonds and prior preferred stock will be supplied by amendment.

Proceeds—Proceeds, together with funds received by the company from the sale of certain of its electric properties, will be used to redeem all of the first trust mortgage gold bonds, 5% series of 1956 to be outstanding after giving effect to the surrender of certain bonds in the face amount of $641,300. Balance of proceeds will be used to pay the balance then due on the 3% installment note held by Bank of America National Trust & Savings Association. Upon the payment of such note, $641,000 face amount of the company's first mortgage trust gold bonds pledged by the company as security for such note will be surrendered for cancellation.

Registration Statement No. 2-5172. Form S-1. (6-29-43).

Amendment filed Sept. 11, 1943, to defer effective date.

CENTURY SHARES TRUST

Century Shares Trust, of Boston, an open-end diversified investment company, has registered 200,000 shares which are to be offered to the public at the liquidating value then in effect, plus a loading charge of 7% of the offering price (approximately 7.5% of the liquidating value).

Address—30 Federal Street, Boston.

Business—The principal object of the trust is to enable investors to acquire through purchase of its shares, a security of moderate price which will be readily marketable, and which will represent an investment in a diversified list of shares of insurance companies, banks and trust companies.

Underwriting—Harriman Ripley & Co., Inc., principal underwriter.

Offering—The present offering comprises 200,000 shares authorized by the Trustees on July 20, 1943, for sale for cash to Harriman Ripley & Co., Inc., from time to time at the liquidating value of outstanding shares.

Proceeds—The Trust would receive $5,654,000 from the sale of these shares if the liquidating value remained the same as on July 20, 1943.

Registration Statement No. 2-5208. Form S-5. (8-27-43).

Amendment filed Sept. 10, 1943, to defer effective date.

CROWLEY, MILNER & CO.

Crowley, Milner & Co. have filed a registration statement for certificates of deposit for $996,500 5½% sinking fund debentures, due 1946.

Address—Monroe Avenue and Farmer Street, Detroit, Mich.

Business—Character of business done by original issuer is a department store and general mercantile business, at retail.

Underwriting—Company has engaged the services of H. M. Preston & Co., Chicago, as its readjustment manager.

Offering—Call for deposit of bonds under plan of debenture adjustment.

Purpose—Purpose of requesting deposits is to ask depositors to consent to an extension of the maturity date of the authorized 5½% debentures from May 1, 1946, to Oct. 31, 1952 and various modifications of the indenture. See Registration Statement No. 2-5176.

Registration Statement No. 2-5175. Form D-1. (7-5-43).

Stop order proceedings discontinued and registration statement withdrawn Aug. 3, 1943.

CROWLEY, MILNER & CO.

Crowley, Milner & Co. have filed a registration statement for $996,500 5½% sinking fund debentures as extended to 1952 and $1,245,600 4% debentures due 1962.

Address—Monroe Avenue and Farmer Street, Detroit, Mich.

Business—Department store and general mercantile business, at retail.

Purpose—Company proposes a plan of debenture adjustment and a plan of capital stock readjustment. The 5½% debentures as extended to 1952 are to be issued through certificates of deposit to holders of old 5½% sinking fund debentures due 1946 under plan of debenture adjustment, extending maturity date and modifying indenture provisions. The 4% debentures will be issued in exchange for 31,140 shares of $50 par prior preference stock on basis of $40 face amount of debentures plus $10 in cash for one share of stock under plan of capital stock readjustment.

Registration Statement No. 2-5176. Form S-1. (6-30-1943).

Stop order proceedings discontinued and registration statement withdrawn Aug. 3, 1943.

COLORADO MILLING & ELEVATOR CO.

Colorado Milling & Elevator Co. has filed a registration statement for 70,000 shares of cumulative convertible preferred stock, without par value, and 269,231 shares of common stock, par $1, representing shares reserved for issuance upon conversion of the cumulative convertible preferred stock. The dividend rate on preferred stock will be filed by amendment.

Address — Equitable Building, Denver, Col.

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

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

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

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

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

Company in amendment filed Aug. 20, 1943, fixes the dividend rate on the preferred stock at $3.

The SEC hearings scheduled for Sept. 14, 1943, on stop order proceedings have been postponed subject to call by the trial examiner.

CROWN CAPITAL CORPORATION

Crown Capital Corporation has filed a registration statement for 250,000 shares of common stock, Class A, and 6,900 shares of common stock, Class B.

Address—100 West Tenth Street, Wilmington, Del.

Business—Formed on Jan. 2, 1942, for the purpose of organizing subsidiaries to engage in the small loan or personal finance business.

Underwriting—Hodson & Co., Inc., New York, is named principal underwriter.

Offering—Company has entered into an agreement with Hodson & Co., Inc., pursuant to which the latter has agreed to use its best efforts, as agent of the corporation, to effect the sale of 250,000 shares of common stock Class A and 6,900 shares of common stock Class B at prices to be filed by amendment. Hodson & Co., Inc., is not obligated to purchase any part of the stock.

Proceeds—Corporation intends to apply the net proceeds from the sale of stock toward the repayment of the balance due on a loan procured from a finance company, which amounted to $35,000 on July 31, 1943. Balance of proceeds will be placed in the general funds of the company.

Registration Statement No. 2-5202. Form S-1. (8-18-43).

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

DOYLE MACHINE & TOOL CORP.

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

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

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

Underwriting—None stated.

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

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

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

Amendment filed Sept. 4, 1943, to defer effective date.

DRAKE TOWERS, INC.

W. L. Cohrs, John P. Hooker, E. A. Tittle, John T. Wheeler and F. Hampden Winston as trustees have filed a registration statement for voting trust certificates for 28,209 shares of common stock, par $1 per share, of Drake Towers, Inc.

Address—Principal office Room 1730, 23 South Clark Street, Chicago.

Business—Apartment building located at 171-179 Lake Shore Drive, Chicago.

Underwriting—None.

Offering—As soon as practicable after registration statement becomes effective.

Purpose—The securities are presently subject to a stock trust agreement which expires Oct. 1, 1943. It is proposed to extend the agreement, as amended, to Oct. 1, 1953.

Registration Statement No. 2-5204. Form F-1. (8-20-43).

Registration statement effective 3:15 p.m. EWT on Sept. 4, 1943.

FIDUCIARY COUNSEL, S. A., INC.

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

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

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

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

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

Proceeds—For working capital.

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

FINANCIAL INDUSTRIAL FUND, INC.

Financial Industrial Fund, Inc. has registered 300,000 fund shares.

Address—650 Seventeenth Street, Denver.

Business—Diversified investment fund.

Underwriters—None.

Offering—At market. Approximate date of proposed public offering Aug. 17, 1943.

Proceeds—For investment.

Registration Statement No. 2-5188. Form S-5. (7-28-43).

Registration statement effective 5:30 p.m. EWT on Sept. 13, 1943.

FINANCIAL INDUSTRIAL FUND, INC.

Financial Industrial Fund, Inc., has filed a registration statement for 600 cumulative (full-paid) investment certificates calling for the purchase of Financial Industrial Fund shares in the amount of $600,000; 950 systematic (periodic payment) investment certificates providing for total payment of $1,140,000, and 50 systematic investment certificates (with insurance) providing for total payments of $60,000.

Address—650 Seventeenth Street, Denver.

Business—Diversified investment fund.

Underwriting—None.

Offering—Proposed maximum offering price to the public of the securities being registered is $1,800,000. Approximate date of proposed public offering is Aug. 17, 1943.

Proceeds—For investment.

Registration Statement No. 2-5189. Form S-6. (7-28-43).

Registration statement effective 5:30 p.m. EWT on Sept. 13, 1943.

FLORIDA POWER & LIGHT CO.

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

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

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

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

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

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

Amendment filed Sept. 13, 1943, to defer effective date.

INDIANA STEEL PRODUCTS CO.

Indiana Steel Products Co., has filed a registration statement covering 30,000 shares of 6% convertible preferred stock, $20 par value, and 75,000 shares of common stock, $1 par value (reserved for conversion of 6% convertible preferred stock). By an agreement dated July 9, 1943, between the company and the underwriters, the company has agreed to sell the preferred stock to them at $18 a share.

Address — 6 North Michigan Avenue, Chicago.

The company is the largest exclusive manufacturer of permanent magnets in the United States and distributes its product directly to manufacturers of products in which permanent magnets are a component part. Among such products are: radio and sound equipment, electrical instruments, temperature and pressure controls, polarized relays, arc back indicators, voltage regulators, traffic signal controls, magnetos, generators, etc.

Underwriters—Brailsford & Co., Chicago, and Kalman & Co., St. Paul, Minn.

Offering price to the public of the preferred stock, $20.00 a share.

Proceeds—Net proceeds from the sale of the preferred stock, estimated at $531,230 after expenses, will be used for working capital. In the opinion of the management, additional capital is required in connection with expanded production incidental to war program, and in the anticipated expanded peace time business.

Holders of the preferred stock may at their option convert such shares from date of issue to and including Dec. 31, 1946, at the rate of 2½ shares of common stock for each share of preferred stock so converted, and after that date, at the rate of two shares of common for each share of preferred.

Registration Statement No. 2-5206. Form S-2. (8-25-43).

Amendment filed Sept. 11, 1943, to defer effective date.

KANSAS-NEBRASKA NATURAL GAS CO., INC.

Kansas-Nebraska Natural Gas Co., Inc., has filed a registration statement for 12,500 shares of $5 cumulative preferred stock, without par value.

Address—Phillipsburg, Kan.

Business—Is an operating public utility company engaged in the purchase, primarily, of natural gas in the State of Kansas, and in its transmission and wholesale and retail distribution in the States of Kansas and Nebraska.

Underwriting — Underwriters are First Trust Co. of Lincoln, Neb., 5,625 shares; Beecroft, Cole & Co., Topeka, Kan., 2,250; Harold E. Wood & Co., St. Paul, 1,875; United Trust Co., Abilene, Kan., 1,500; Rauscher, Pierce & Co., Dallas, 625 and Bigelow-Webb, Inc., Minneapolis, 625 shares.

Offering—Offering price to public $105 per share plus accrued dividends.

Proceeds—of the net proceeds, estimated at $1,275,000, the retirement of the company's outstanding 9,824 shares of $6 cumulative preferred stock at $105 per share will require $1,031,520. All of the $6 preferred stock has been called for redemption on Sept. 15, 1943. Balance of net proceeds, estimated at $243,000, will be added to the company's working capital.

Registration Statement No. 2-5186. Form S-1. (7-24-43).

Registration statement effective 5:30 p.m. EWT on Aug. 16, 1943.

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 100,000 shares of full certificates of participation, Keystone Custodian Fund, Series "B-2".

Address—50 Congress Street, Boston.

Business—Investment trust.

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

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5167. Form C-1. (6-29-43).

Registration statement effective 5:30 p.m. EWT on Aug. 4, 1943.

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 100,000 shares full certificates of participation, Keystone Custodian Fund, Series "K-2".

Address—50 Congress Street, Boston.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5168. Form C-1. (6-29-43).

Registration statement effective 5:30 p.m. EWT on Aug. 4, 1943, as of 5:30 p.m. EWT July 18, 1943.

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 25,000 shares, full certificates of participation, Keystone Custodian Fund, Series "S-1".

Address—50 Congress Street, Boston.

Business—Investment trusst.

Underwriting — Keystone Custodian Funds, Inc., sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5169. Form C-1. (6-29-43).

Registration statement effective 5:30 p.m. EWT on Aug. 4, 1943, as of 5:30 p.m. EWT July 18, 1943.

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 500,000 shares of full certificates of participation, Keystone Custodian Fund, Series "S-2".

Address—50 Congress Street, Boston.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5170. Form C-1. (6-29-43).

Registration statement effective 5:30 p.m. EWT on Aug. 4, 1943.

NATIONAL SECURITIES & RESEARCH CORPORATION

National Securities & Research Corporation has filed a registration statement for 40,716 shares in First Mutual Trust Fund.

Address—120 Broadway, New York City.

Business—Investment trust.

Underwriter—National Securities & Research Corporation, sponsor.

Offering—Will be continuous and the offering price will vary with the value of a share, which value in turn will vary with the value of the underlying securities in the trust fund.

Proceeds—For investment.

Registration Statement No. 2-5163. Form C-1. (6-28-43).

Registration statement effective 5:30 p.m. EWT on Aug. 4, 1943.

NATIONAL SECURITIES & RESEARCH CORPORATION

National Securities & Research Corporation has filed a registration statement for 16,631 shares of National Securities Series.

Address—120 Broadway, New York City.

Business—Investment trust.

Offering—Effective date of registration statement.

Proceeds—For investment.

Registration Statement No. 2-5164. Form C-1. (6-28-43).

Registration statement effective 5:30 p.m. EWT on Aug. 4, 1943.

NETHERLANDS HOTEL

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

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

Business—Hotel and apartments.

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

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

Purpose—To effect exchange of bonds.

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

PACIFIC MUTUAL LIFE INSURANCE CO. OF CALIFORNIA

A. C. Balch, F. E. Rand and Leslie Waggener as the Pacific Mutual Shareholders Protective Committee have filed a registration statement with the SEC for voting trust certificates for 508,200 shares of common stock, par $1 per share, of Pacific Mutual Life Insurance Co. of California.

Address — Of issuer, 626 South Spring St., Los Angeles, Cal. Executive office, 523 West Sixth St., Los Angeles, Cal.

Business—Life insurance.

Purpose—The agreement places no limitation upon the powers of the committee to vote the shares held by it. However, one of the main objectives of the committee is to vote the securities held by them in connection with the said so-called plan and agreement of rehabilitation and reinsurance and mutualization affecting the Pacific Mutual Life Insurance Co. of California.

Registration Statement No. 2-5098. Form F-1. (2-19-43).

Amendment filed Sept. 11, 1943, to defer effective date.

PITTSBURGH METALLURGICAL CO., INC.

Pittsburgh Metallurgical Co., Inc., has filed a registration statement for 25,073 shares of common stock, par value $10 a share. The company is offering, without underwriting, to its stockholders of record at the close of business Aug. 5, 1943, these shares on the basis of one share of such additional common stock for each 4 shares of stock held by each stockholder on such record date. In case a stockholder's allotment on this basis is, or includes, a fraction of a share, he will be entitled to subscribe to one whole share in lieu of such fraction.

Address—3801 Highland Avenue, Niagara Falls, N. Y.

Business—Engaged in the production in electric furnaces of alloys which are used in the production of alloy steel, alloy castings and magnesium metal. Such alloys are principally ferro-silicon, silico-manganese, and ferro-chromium. The company also manages the Charleston plant of the Defense Plant Corporation.

Underwriting—None.

Proceeds—Net proceeds will be applied to the payment of the principal of certain notes due the Commercial National Bank and Trust Co., of New York, as they mature, or may, in the discretion of the board of directors, be applied to the prepayment of the principal prior to maturity. The company borrowed $500,000, represented by ten promissory notes, to finance the construction and equipment of its Charleston plant. Of this sum, $200,000 has been paid off and three $100,000 installments are due on the 1st of May, 1944, 1945 and 1946.

Registration Statement No. 2-5209. Form S-2. (8-27-43).

Amendment filed Sept. 10, 1943, to defer effective date.

POPE & TALBOT, INC.

Pope & Talbot, Inc., San Francisco, have registered with the SEC 200,000 shares of common stock, $10 par value, which are to be sold by the present owners of this already issued and outstanding stock.

Address—2700 Russ Bldg., San Francisco, Calif.

Business—The primary business of the company is manufacturing and marketing lumber and lumber products, and operating a fleet of steam cargo ships as a common carrier in Pacific coastwise and intercoastal trade. The company also is in the business of selling cut over timber land owned by it in the Pacific Northwest.

Proceeds—Will go to the present owners of the 200,000 shares.

Underwriting—Blyth & Co., Inc., and Dean Witter & Co.

Offering—Of the authorized 800,000 common stock shares, 799,969 are held by a number of individuals. The 200,000 being offered will be sold by some of these, and their identity will be disclosed in an amendment to be filed later.

Registration Statement No. 2-5210. Form A-2. (8-28-43).

Amendment filed Sept. 15, 1943, to defer effective date.

RIVERSIDE MILLS

Riverside Mills has registered $639,000 5½% first mortgage bonds, dated Feb. 15, 1943, due Feb. 15, 1963.

Address—Augusta, Ga.

Business—Company devotes its activity almost entirely to cotton textile by-products or waste.

Underwriting—No formal underwriting agreement has been entered into covering the exchange offered.

Offering—Under a plan of reorganization Riverside Mills offers to the holders of its preferred stock in exchange therefor $120 par value in first mortgage 5½% bonds, plus $2.625 in cash for each share of its preferred stock, provided that 75% in amount of the issued and outstanding preferred stock accept the same and tender their stock in exchange on or before Sept. 1, 1943 (but extended by the board to Dec. 31, 1943). The bonds of this issue shall only be exchanged for preferred stock or sold to raise money to purchase and retire preferred stock or to reimburse the company for preferred stock which it may purchase before plan becomes effective, and which it does not retire and shall not be disposed of for any other purpose. Should company acquire an amount of bonds not exceeding $120,000 through the exchange of preferred stock purchased by it, Johnson, Lane, Space & Co., Inc. has agreed to buy any such bonds which Riverside Mills desires to sell at not less than $83.50 per $100 par value and accrued interest.

Purpose—For reorganization.

Registration Statement No. 2-5165. Form S-1. (6-28-43).

Registration statement effective 3 p.m. EWT on Sept. 1, 1943 as of 5:30 p.m. EWT July 17, 1943.

STOKELY BROS. & CO., INC.

Stokely Bros. & Co., Inc., has registered with the SEC 106,050 shares of common stock, $1 par value, and 42,925 shares of 5% cumulative prior preference stock, $20 par value, which are being offered under an exchange plan to the holders of common and preferred stocks of its subsidiary, Stokely Foods, Inc.

Address—941 N. Meridian St., Indianapolis, Ind.

Business—Selling fruits, fruit juices and vegetables which are processed and packed for it by its subsidiaries.

Underwriting—None.

Offering—The company offers to holders of common stock of Stokely Foods, Inc., 50-cent par value a share, one share of its $1 par value common stock in exchange. Holders of the $1.50 cumulative dividend preferred stock of Stokely Foods, Inc., are given the right to exchange four of such shares for each five shares of the company's 5% cumulative prior preference stock, $20 par value. The Sept. 1, 1943, dividend on the preferred stock of Stokely Foods, Inc., has not been declared. Any shares of such preferred stock of that company exchanged after the close of business Sept. 30, 1943, will not be entitled to receive the dividend on the 5% cumulative prior preference stock of Stokely Brothers & Co., Inc., which has been declared payable Oct. 1, 1943, to holders of record at the close of business Sept. 30, 1943.

Registration Statement No. 2-5212. Form S-1. (9-3-43).

Registration statement effective 5:30 p.m. EWT on Sept. 23, 1942.

TRANS-OCEANIC AIR LINES, INC.

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

Address—Du Pont Building, Wilmington, Del.

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

Underwriting—No underwriters.

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

Proceeds — For organization expenses, working capital and investments.

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

Amendment filed Sept. 4, 1943, to defer effective date.

UNION LIGHT, HEAT AND POWER COMPANY

Union Light, Heat and Power Co. registered 25,000 shares $100 par common stock

Address—4th & Main St., Cincinnati, Ohio

Business — Operating electric utility company

Underwriter — Columbia Gas & Electric Corp.

Offering—Stockholders will receive offer to subscribe to 25/94ths of one common share in units of 5/94ths of a share for each 5/94ths of a share held at $5.3[illegible] for each unit. On a share basis, stockholders may subscribe to 5 new shares for each share held at $100.016 per share. Substantially all outstanding stock is held by Columbia Gas & Electric Corp.

Proceeds—To repay current debt and $2,835,000 first mortgage bonds held by parent and associated companies, and for construction costs

Registration Statement No. 2-4379. Form A-2. (3-30-40)

Amendment filed Sept. 9, 1943, to defer effective date.

(This list is incomplete this week)

Interesting Situation

Preferred stock of the Peoples Light & Power Co. offers an interesting situation according to a memorandum being distributed by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange. Copies of this memorandum may be had from Ira Haupt & Co. upon request.

H. B. Wyeth Visiting N. Y.

Harry B. Wyeth, Jr., president of Wyeth & Co., 647 S. Spring Street, Los Angeles, Calif., members of the Los Angeles Stock Exchange, is visiting in New York City where he will remain for about one week. He is making his headquarters at the firm's office at 40 Wall Street.

Senate Group Delays Post-War Proposals

A subcommittee of the Senate Foreign Relations Committee has under consideration several resolutions regarding post-war policy, including the House-approved Fulbright resolution, but has postponed action pending further study. It is reported that the Senate will pass a measure of its own compromising various proposals. In Associated Press Washington accounts of Sept. 23, the following was reported.

Senator Guy M. Gillette (Dem., Iowa) predicted the committee would act within "three or four weeks" on a resolution of its own. He said that there was some feeling in the Senate that the House had gone out of bounds in passing the Fulbright measure.

Senator Gillette told reporters that while he welcomed the House action he believed the Senate would desire to pass a resolution of its own. The Senate holds the constitutional authority to advise the President in the negotiation of treaties, which cannot become effective until ratified by a two-thirds vote of the Senate.

Senator Hatch (Dem., N. M.) who is not a member of the committee, told reporters he regarded the House-approved Fulbright measure as unsatisfactory because it lacks a definite pledge to use military force to prevent future aggression.

The Fulbright proposal would put Congress on record merely as favoring United States participation in "appropriate international machinery" with power adequate to maintain peace.

The proposal to use military force is the keynote of a resolution offered by Senator Hatch and Senators Hill (Dem., Ala.), Ball (Rep., Minn.) and Burton (Rep., Ohio) which the subcommittee is considering. ~~Their resolution, the~~ Fulbright measure, and other pending proposals appear likely to give way in the committee to a compromise statement expected to be offered later by Senator Connally (Dem., Tex.) chairman of the full committee.

Passage of the Fulbright resolution was noted in these columns of Sept. 23, page 1192.

Further Newsprint Cut

The War Production Board on Sept. 28 ordered a further cut in consumption of newsprint by newpapers during the fourth quarter of this year said Associated Press advices from Washington on Sept. 28, and from which we also take the following:

H. M. Bitner, director of W. P. B.'s printing and publishing division, said the reductions in permissible total usage would become effective Oct. 1. Required reductions will be figured on a sliding scale in combination with previously ordered slashes. Smaller users will not be so drastically curtailed as publishers using 500 tons or more a quarter, who will be required to cut a full 10% from the base total calculated on 103% of net paid circulation. The new order again exempts users of less than 25 tons a quarter.

The sliding scale for calculating reductions ranges from 5% for users of 50 tons to a full 10% for users of 500 tons or more a quarter.

The newsprint reduction ordered today is the third limitation on allowable usage. Last January, publishers were restricted to quarterly allotments equal to 100% of the tonnage needed to print the 1941 net paid circulation, plus 3% allowance for spoilage. This 103% of 1941 net paid circulation requirements remains the base on which the new restrictions are calculated.

Bill In Congress To Retain State Control Of Fire Ins. Companies Backed By Underwriters

The National Board of Underwriters announced on Sept. 27 the position of the nation's fire insurance companies with respect to efforts of the anti-trust division of the Department of Justice to apply the anti-trust laws to the business, said the New York "Times" of Sept. 28, which also said:

Among other data, the board has distributed a bill introduced in the United States Senate a week ago today "affirming the intent of the Congress that the regulation of the business of insurance remain within the control of the several States" and that the anti-trust laws "be not applicable to that business."

Identical bills were introduced in the House of Representatives on the preceding day, and both houses referred the bills to their committees on the judiciary. The bills note that the several States, "each as it deems for the best interest of its citizens, do regulate all acts of insurance companies performed within their respective borders" and that "it has not been, nor is it now, the intent or the desire of the Congress to invade the rights of the States or to assume to itself functions which have long been accepted as best performed by the States."

"This proposed legislation is being supported openly and wholeheartedly by fire insurance companies, agents, brokers, and others connected with the insurance business," the board declares. "It is believed to be in the interest of the established American principle of maintaining the rights of the States to regulate and govern their own affairs.

"There is nothing unusual in these bills. The Supreme Court of the United States has repeatedly held, during a period of 75 years, that the business of insurance is not commerce. Hence it is not subject to Federal anti-trust laws. For over 90 years, insurance has been regulated by the States, each acting to meet local conditions in the way it deems best for its citizens.

Anti-Trust Case Recalled

"The need for Congress to affirm its intention that regulation of insurance remain a matter for the States arises out of the attempts of the anti-trust division of the Department of Justice to apply Federal anti-trust laws to the fire insurance business."

In August of this year the indictment brought against 198 fire insurance companies and some 27 individuals charging them with violation of Federal anti-trust laws, was dismissed by the United States District Court at Atlanta. The Court, according to the Board of Underwriters, "held, as the Supreme Court has done for 75 years, that the business of insurance is not commerce and that the companies have not violated the Sherman Act."

Employee Pension Plan Advantages Outlined

Reflecting the keen public interest in plans providing retirement benefits for employed persons, the Pension Trust Division of the Chase National Bank has published a 92-page book written by two members of its staff, containing comprehensive information about pension, bonus, and profit-sharing systems.

The authors of the book are Esmond B. Gardner, Second Vice-President of the bank, and C. Jerome Weber, Trust Administrator, both of whom are members of the New York Bar. Their study is designed to assist business executives and other employers, attorneys, accountants, insurance brokers, and industrial relations counsellors and others who are interested in employee benefit programs.

From years of practical experience in handling these matters in the trust department of a large bank and from extensive research, Mr. Gardner and Mr. Weber have developed an objective and impartial presentation of the fundamentals of formulating and financing pension plans, with or without a trustee.

Their book tells how a pension plan may be financed by investment in annuity contracts or in securities, and the differences between these methods. It summarizes possible provisions covering employee membership in pension plans, benefits accruing from such plans, and methods of administration. It discusses actuarial factors, operating costs and investment considerations. Deferred compensation plans of the bonus or profit-sharing type also are reviewed.

Copies of the study may be had upon request from the Pension Trust Division of the Chase National Bank, 11 Broad St., New York City.

Advertising A Constructive Contribution To War Effort Says Commerce Department

Advertising schedules should be maintained by American business firms as a constructive contribution to the war effort, said the Commerce Department in a 96-page booklet just issued. Some of the observations in the booklet issued by the Department were noted as follows in Associated Press advices from Washington:

"The record shows that business has shared this viewpoint. Companies continued to advertise. And they keyed their messages to aiding the Government in its prosecution of the war."

"People had to be informed. Talents used so effectively in creating a desire for goods could with equal effectiveness show how to help win the war.

"At the same time, the Department of Commerce sensed the danger of a gradual decrease or cessation of advertising either by companies that had converted wholly to war production or by those whose civilian output had been curtailed. In either case carefully built brand names, trade marks and goodwill would suffer.

"And so as liaison officer between business and Government, this Department has continually reminded both of the necessity of advertising, not only as a means of maintaining markets but as a mighty force for social good. It is evident in the eyes of Government that advertising has a rightful role in wartime and that it is filling that role successfully."

Increased Subsidy Funds Asked By Jones

The Administration drive for expanded farm subsidies was opened on Sept. 29 when Marvin Jones, War Food Administrator, asked Congress to increase the WFA price-support and subsidy authorization of $500,000,000, which would make $1,000,000,000 available for the program.

In reporting this, United Press Washington advices further said:

"He said at a House Banking and Currency Committee hearing that farm production costs are rising and that the Government should stand ready to absorb whatever loss may be necessary.

"The additional authorization requested by Mr. Jones would give the WFA authority to spend more than $1,000,000,000, including present CCC funds, for subsidies and price supports during an indefinite period starting Jan. 1, 1944. The hearing at which Mr. Jones testified was on a bill to extend the life of the CCC beyond the present Dec. 31 expiration date."

Report Canadian Crop Harvesting Advanced

In its Sept. 23 crop report, the Bank of Montreal reported that in the Prairie Provinces, harvesting has now been resumed in most areas following a period of intermittent rains. Operations are farthest advanced in Manitoba and in the southern sections of Saskatchewan and Alberta. While widespread frosts have occurred, outturns to date have been of satisfactory quality. The bank's report continued:

"The first estimate of the Dominion Bureau of Statistics places wheat production in the prairies at 279,000,000 bushels, as compared with the final estimate of 565,000,000 bushels in 1942, and coarse grains at 642,600,000 bushels, as compared with 778,700,000 bushels. . . .

"In the Province of Quebec, harvesting operations, which have been retarded by rains, are nearing completion. . . .

"In Ontario, sugar beets, turnips and other roots are making good progress, although the yield of potatoes will be down from earlier forecasts due to late blight and rot. . . .

"In the Maritime Provinces, harvesting of grain is under way, with prospects of a heavy yield in Prince Edward Island and an average yield elsewhere. . . .

"In British Columbia, crops are being garnered satisfactorily despite some labor shortages."

Rock Island Interesting

Raymond & Co., 148 State St., Boston, Mass., have prepared an interesting discussion of the reorganization plan proposed for the Rock Island with particular reference to this railroad's general 4s of 1988 and the first refunding 4s of 1934. Copies of this memorandum may be had upon request.

Farnsworth & Electronics

In their October issue of "Highlights" J. F. Reilly & Co., 111 Broadway, New York City, have an interesting discussion of Farnsworth and electronics. Copies of "Highlights" may be had upon request from J. F. Reilly & Co.

Attractive Situation

Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges, have prepared an interesting memorandum on the common stock of Auto Car, which offers an attractive situation at current levels, the firm believes. Copies of this memorandum may be had from Buckley Brothers on request.

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Wm. S. Thompson Is Ralph Carr Partner

BOSTON, MASS.—William S. Thompson has been admitted to partnership with Ralph F. Carr in Ralph F. Carr & Co., 10 Post Office Square. Mr. Thompson has been with the firm for some time specializing in industrial, textile and street railway stocks.