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Military Alliance Does Not Mean Peaceful World: Landon

Fears The American People Are Being Conditioned For "The Old-Fashioned Balance-of-Power Alliance"—Calls For Plain Talk To Clear Air Of Suspicion

Expressing the belief that "now is the time for America to be hard-headed, realistic, fair and plain spoken if a lasting peace is to be established, Alf M. Landon warned on Oct. 1 that the country must make sure of its basic principles in post-war international policies before making any military alliances.

In a radio address from Topeka, Kansas, Mr. Landon criticized talk of a military alliance with Great Britain, asserting that "by making a military alliance, however temporary, with one country, America abandons her traditional impartial role of peacemaker and becomes a partner in the imperialism of Great Britain."

Alf M. Landon

He charged that the nation's efforts to help maintain peace in the post-war world "are being weakened both at home and abroad by the President's mismanagement of our foreign policy and by the hallelujah policy that America will clothe, feed, educate, and rebuild the world."

The former Governor of Kansas assailed the Administration's "hush-hush" policy, pointing out that failure to settle the many

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The Theories Of The New Deal Economists

By LEWIS H. HANEY

Professor of Economics, New York University, Author of "History of Economic Thought"

I

As time has gone by, evidence of some unifying scheme lying behind the shifting New Deal economic policies, has accumulated. Apparently, for nearly ten years, some process of natural selection has been at work in Washington tending toward the survival of a characteristic type of economic thought. Certainly it can be said that among the more important parts of the New Deal political machine, is a group of youngish men* who call themselves economists and who agree on a considerable body of economic theory which they seek to develop as a system.

Lewis H. Haney

Probably two main external conditions have governed the process of selection: the existence of a great business depression, and a world-wide recrudescence of Nationalism attending the development of world war. The first of these conditions is to be seen

*These men include, among others, Mordecai Ezekiel, R. V. Gilbert, O. L. Altman, M. Taitel. On the fringe are such diverse thinkers as Stuart Chase, Leon Henderson, A. H. Hansen and Jacob Viner. Their theories are to be gathered from occasional testimony, speeches, records of round-table conferences and the T. N. E. C. monographs. The fragments can be pieced together in the light of New Deal acts and announced policies, and when in doubt one may be sure that they will follow J. M. Keynes, whose thought has been the most influential part of their intellectual background.

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Effect of Stored Up Purchasing Power On Our Post-War Economy

Dr. Landis Doubts People Will Go On Spending Spree After War. Predicts Higher Price Level Which Will Discount Purchasing Power Of Savings

Sees Taxes At 2½ To 3 Times Pre-War Level

The belief that people will conserve their savings and not go on a spending spree in the post-war period was expressed on Sept. 30 by Dr. W. S. Landis, Vice-President of the American Cyanamid Co., in an address before the "Road Ahead" conference of the Federal Wholesale Druggists' Association at the Waldorf-Astoria Hotel in New York City. According to Dr. Landis "the great bulk of stored up purchasing power will lie with agriculture and with the wage-earner, and such as is spent will be for the goods which these groups are accustomed to buy. "To a considerable extent," he says, "these will be replacements for worn out agricultural and household implements, and transportation units of the lower priced categories." He added, "I am not too optimistic that they will spread far beyond these so-called necessities to any marked extent until some settled pattern of post-war economy has established itself. I believe industry will be well able to cope with the demands without undue dislocation of the economy, if wise removal of present controls govern."

W. S. Landis

His address follows in full:

In many of the plans for our post-war economy, emphasis is laid upon the large store of savings. Figures vary from $30,000,000,000 to $60,000,000,000. The precise total is not material at this

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What About Future Of Interest Rates?

Babson Believes Post-War Rates Will Be Higher

From the December, 1941, low in 19 cities of 2.40% as the average rate for top-notch commercial loans to bank customers, interest rates have been gradually creeping upward. In August, 1942, the average bank rate was 2.48%. By June of this year rates were up to 2.76%. Currently the bank rate for commercial loans is averaging 3%. Rates for prime commercial paper now average ¾%. These are up over the average for 1941 but unchanged from the average for 1942. I believe that after the war all interest rates will be higher.

Roger W. Babson

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Pennsylvania Corporates-Municipals

Special section devoted exclusively to Pennsylvania corporate and municipal securities and brevities starts on page 1402.

For index see page 1420.

The 'Road Ahead' In Distribution

Dr. Dewhurst Warns Accumulation of 'Hot Money' Can Bring About Either An Explosive Boom And Collapse Or A Long Period Of Healthy Activity In Immediate Post-War Years

Lauds Free Play Of Free Enterprise And Stresses Marvels In Production And Distribution Wrought After World War I. Sees Similar Possibilities After Termination Of Present Conflict

The accumulation of "hot money" in the hands of consumers will be "one of the most potent influences for good or evil during the immediate post-war years," it was stated on Sept. 30 by J. Frederic Dewhurst, economist of The Twentieth Century Fund.

In an address before the Federal Wholesale Druggists' Association conference on the "The Road Ahead In Distribution" at the Waldorf - Astoria Hotel in N. Y. City, Dr. Dewhurst estimated that individuals will have over $60,000,000,000 in surplus purchasing power at the end of 1943 and that these total surplus funds may be double this amount at the end of the war or equal to the total amount the average family would normally spend for consumer's goods over a year to a year-and-a-half period. He warned that this surplus purchasing power "could easily dissipate itself in a disastrous inflationary boom followed by an equally disastrous collapse" if it is suddenly poured "into a market denuded of goods and unrestricted by price or rationing controls." However, Dr. Dewhurst added, "the more gradual spending of this vast sum could ensure a high level of prosperity over a period of several years" "if producers and distributors are able and willing to hold down their costs and keep prices within reasonable bounds, and if industry can reconvert promptly to the production of civilian goods."

J. Frederic Dewhurst

Expressing the opinion that "the chief problem of the immediate

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Peace And Security Prices

E. W. Axe, noted economist and Vice-President of Incorporated Investors, prepared a paper on the probable effect of peace on security prices for the Parker Corporation of Boston. We are indebted to the Parker Corporation for giving us their consent to publishing the paper as we saw fit. The major portion of it follows:

At the present time some investors assume that the ending of the war is an unfavorable factor in the outlook. There is no question that its **immediate** effect upon some industries will be unfavorable and that in many industries it will take several months to convert plants back to their normal use. But the **longer-range effect** for most companies would be strongly favorable.

War is competitive destruction and the larger the scale on which it is waged the more rapidly the total supply of useful property diminishes. If the present war were continued long enough and on a broad enough scale, nearly everything except equipment needed to produce and transport the means of making war would disappear and eventually even the capacity to produce war materials would decline. Ending of destruction cannot be considered an unfavorable factor in the investment outlook.

To illustrate the unfavorable effect upon investment values that a long continuation of the war would have we need only consider the difficulties under which business operates today. Supplies of some types of goods have already become short and if the war were to continue two or three years longer there is no question that some of these shortages would become much more acute and handi-

(Continued on page 1416)

Boston Traders Elect Maguire President

BOSTON, MASS.—At the annual meeting of the Boston Securities Traders' Association, held at the University Club, the following officers were elected:

James B. Maguire

James B. Maguire of E. H. Rollins & Sons, President; Paul Monroe of Hunnewell & Co., Vice-President; Howard Harris of Baldwin & Co., Treasurer; William Duncklie of Brown Brothers & Harriman, Recording Secy., and James Duffy of Paine, Webber, Jackson & Curtis, Corresponding Secretary.

Governors for two years: Carleton Jordan of Pressprich Co.; Walter J. Connolly of Walter J. Connolly Co., and Lawrence Stevens of Graham, Parsons.

Governors for one year: James Galvin of F. L. Putnam, Inc., and William Prescott of Carver & Co.

A motion was made to offer blood donations as a group.

Also, a plan was set forth to inaugurate an educational program as to the study of the Securities Exchange Commission Act and railroad reorganizations.

Wilson White Jr. With Alex. Brown In N. Y. C.

Announcement is made by Alex. Brown & Sons, that Wilson White, Jr., is now associated with them as municipal representative in their New York office, 2 Wall Street.

Mr. White for the past 9 years was with Boenning & Co. specializing in municipal bonds and for six years prior to that was in the Philadelphia office of Dillon, Read & Co.

Arbitrage Opportunities

Denver & Rio Grande Western Bonds offer attractive arbitrage opportunities according to a circular by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Arbitrage transactions in Denver & Rio Grande bonds are likely to result in the unusual combination of a large return with small risk, according to the firm. Copies of this interesting circular discussing the situation in detail may be obtained from Vilas & Hickey upon request.

Also available is the firm's October Rail Calendar listing developments scheduled for October.

"Undervalued Groups"

Distributors Group, Incorporated, 63 Wall Street, New York City, have prepared an interesting booklet entitled "Undervalued groups." Copies of this booklet may be had upon request from the firm.

The Riddle Of Oil

With oil, a vital commodity in both peace and war, very much in the public eye at present, Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges, have issued an attractive brochure entitled "The Riddle of Oil." This brochure offers a brief review of the oil industry, bringing together the fundamental facts and estimates covering reserves, supply, demand and price outlook, for the world, and American companies. Copies may be obtained upon request from Ira Haupt & Co.

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.

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Other Publications
Bank and Quotation Record—Mth. $20 yr.
Monthly Earnings Record—Mth. $20 yr.
State & Municipal Compendium—Semi-Annual $20 yr.

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

Hugh Knowlton To Head Aviation Research

Hugh Knowlton, formerly a partner in Kuhn, Loeb & Co., has been appointed director of research and post-war planning for Eastern Air Lines, it was announced by Capt. E. V. Rickenbacker, President and General Manager of the company. Plans for the expansion of the airline's routes in both national and international fields will be under Mr. Knowlton's direction, it was said.

Hugh Knowlton

Mr. Knowlton was graduated from Yale University in 1914 and from Harvard Law School in 1921. He served as an officer of field artillery in World War I. After practicing law in New York for five years, he became a member of Kuhn, Loeb & Co. in 1933.

In 1942 he entered Government Service with the United States Commercial Company, a subsidiary of the Reconstruction Finance Corporation, as Vice-President in charge of the communications division. He resigned in May of this year. He has been a director of Eastern Air Lines since it was organized in 1938.

Application has been filed with the Civil Aeronautics Board by the company for authority to operate fourteen new passenger, mail and cargo services after the war, ten of them to Latin America and Canada and four for supplementary domestic service.

N. Irving Maxfield Now At Cohu & Torrey

Cohu & Torrey, 1 Wall Street, New York City, members New York Stock Exchange, announce that N. Irving Maxfield has become associated with them as manager of the corporate trading department in the New York office.

N. Irving Maxfield

Mr. Maxfield was formerly with Craigmyle, Penney & Co. and prior thereto was Vice President of R. E. Swart & Co. in charge of the trading department.

The firm also announces the opening of a branch office in the State Tower Building, Syracuse, under the management of William L. Marsh.

S. W. Public Service Situation of Interest

Common stock of the Southwestern Public Service Company offers an attractive situation according to a memorandum being distributed by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this interesting memorandum may be had from Buckley Brothers on request.

F. N. L. White To Be T. L. Watson Partner

Frederick N. L. White will be admitted to partnership in T. L. Watson & Co., 40 Wall Street, New York City, members of the New York Stock and Curb Exchanges, as of Oct. 14. Mr. White will acquire the Exchange membership of the late B. L. M. Bates. In the past Mr. White was an individual floor broker.

Attractive Situations

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

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, Sept. 16 and Sept. 30; more are given below:

JOHN MASEK
John's Plants, Seeds, Bulbs, Apopka, Fla.

I was very much interested in the article by Dr. Anderson, on "The Future of Interest Rates."

I don't know why, but I am wondering if he should emphasize, to an even greater extent, in his discussion of sources of capital, that source of capital which comes as a result of direct capitalization.

All this is implied in his article, but I really think there should be more emphasis put on it, because new techniques are constantly developed, improving methods of production. Economies are being effected in distribution. All this lowers the costs, and enables the consumer to buy more at a lower price, or have money left to buy other things—in other words, developing a "know how" is really of tremendous importance as a source of capital.

HON. ROBERT A. TAFT
United States Senator from Ohio

I am not prepared to give any definite opinion of the course which the Treasury should take in view of the prodigious holdings of government securities by the banks. The Treasury has taken the right course in recent months in pressing the sale of bonds to individuals and non-financial corporations. The present drive has been very successful in this direction, and I understand that after the sale of bonds to the banks in October, there will probably be no more bank sales for a period of eight or 10 months.

Robert A. Taft

Probable Trend Of Interest Rates

Since the Government is going to be a heavy issuer of bonds for some time to come, undoubtedly it will keep the controls that enable it to finance at low rates. Even a change of Administration at Washington would be unlikely to alter this.

In the opinion of our economist, Dr. Frederick R. Macaulay, a recognized authority on interest rates, investors need anticipate no appreciable change in rates, particularly long-term, during the war. The Treasury's need of funds will continue abnormally large, and the controls vested in the monetary authorities will be used to prevent an increase in interest rates. The volume of money in the hands of the public will increase, while simultaneously the volume of civilian goods will continue to decrease. The ability of the banks to absorb Government securities, already large, can be increased by the Federal Reserve either through lowering of the reserve requirements or through open market operations.

War production is generating incomes roughly equal in amount to that production. While the Government is spending far more than it is receiving in taxes and is faced with a deficit, the people of the country are receiving more income than they spend, because goods available for purchase are diminishing. The Government proposes to channel back into the

(Continued on page 1419)

OUR REPORTER'S REPORT

In line with recent reports, Southern Railway Co. plans for early refinancing of $20,000,000 of outstanding 4½ and 5% first mortgage bonds, series A and B, of the Atlanta and Charlotte Air Line Railway Co.

The first sizeable railroad financing projected in several months or, since the Pennsylvania, Ohio & Detroit Railroad refunding which brought decision by the Interstate Commerce Commission to go thoroughly into the matter of competitive bidding for all railroad securities, awaits approval by stockholders of the issuer at a meeting called for early next month.

The debt to be refinanced is scheduled to mature on July 1, 1944, and Southern, which operates the properties of the issuer as an integral part of its main line, is evidently anxious to provide for its retirement well in advance.

Southern proposes that the Atlanta and Charlotte issue $15,000,000 of new first mortgage bonds, which together with additional funds to be advanced by Southern would provide for the 5s and 4½s outstanding.

The Interstate Commerce Commission has set Nov. 5 as the date for the start of hearings on demands for competitive bidding raised by middle western banking

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N. Y. Dealers Ass'n To Hold Dinner Meeting

A general dinner-meeting of the members of the New York Security Dealers Association has been called for Wednesday, Oct. 20, 1943, at 5 p.m. at the Waldorf Astoria (Palm Room).

The Board of Governors deem it necessary to hold the meeting because of the various current developments that have arisen, and which have an important bearing on the future life and conduct of the Over-the-Counter business.

Remarks will be made by Frank Dunne of Dunne & Co. on matters generally effecting the Association; by Tracy R. Engle of Buckley Bros. on Quotations; by Clarence E. Unterberg of C. E. Unterberg & Co. on National Developments; by Meyer Willett of Bristol & Willett on "Disclosure."

There will be a general discussion on the subject of "Trading in Listed Securities."

As a result of the discussion it is hoped that a policy on "Quotations," "Disclosure" and "Trading in Listed Securities" will be adopted as representative of the Association attitude on these subjects.

The meeting, because of its nature, will be confined to members, their partners and heads of Trading departments. Reservations should be made as soon as possible; tickets may be obtained from Mr. Loyd at the Association office, 42 Broadway, New York City.

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.

Chase Bank Stock Offered

The First Boston Corporation announced on Oct. 1 the offering of 12,500 shares of Chase National Bank of New York stock at 35½. less 45 cents per share to members of the National Association of Securities Dealers, Inc.

Government Finance And Money Rates

Editor, Commercial & Financial Chronicle:

The success of any social order depends upon a sense of the proper relativities of things. In its highly developed forms, a sense of the proper relativities is the expertness of the ablest. In its less developed forms, it is merely ordinary common sense. The law of proper relativities pervades all life not excluding economics. That is to say, industrial activity and progress will be best when the proper relationships exist between a great multitude of factors made visible only in part by statistics and abstract theory. Unfortunately, this obvious general truth often seems to be lost sight of in discussion of economic particularities.

A. Some Aspects of Keynesian Theory and War Finance

Without attempting any full discussion of the theories of Lord Keynes, it may perhaps be possible to comment on a few features of his philosophy as they appear to be expressed in American National financial policy and current discussion, without grossly violating the proprieties in our treatment of Lord Keynes, or neglecting our own sense of proper relativities.

It may be admitted that the Federal Reserve Authorities could, by raising money rates to a sufficient height, ultimately discourage the creation of debts by private industry, at least if the Federal Budget were balanced. It may also be admitted that a similar course of action could not prevent the Federal Government from increasing its deficit or its debts, because a central government must and will finance itself at all times, in order to remain in existence, and it will do so irrespective of money rates. Today the demand for capital for private purposes is small, because of (1) the all pervading character of the war effort; (2) the volume of capital supplied towards the war effort by the government itself; (3) regulations; (4) high taxes; and (5) general uncertainties. At the moment higher money rates would merely increase the government deficit and pyramid the government debt still more rapidly, unless they caused additional sales of government obligations to persons other than banks in amounts greater than the added deficit.

Whether or not such added sales of government bonds would result from higher money rates would depend in part upon the manner in which such an increase was brought about. Bonds can be sold in volume when (1) the existing level of prices has been steady or rising for some time and

(Continued on page 1418)

Sees Million Homes A Year In Post-War

Governor Of Federal Home Loan Bank System Predicts They Will Be Financed At Unprecedented Low Interest Rates

Predicting that the post-war period will bring a market for a million homes a year to be built and marketed on modern "packaged-plans," James Twohy, Washington, D. C., Governor Federal Home Loan Bank System, told the mortgage bankers at their Annual Meeting and Conference on Post-War Planning last week that they would be financed "at a mortgage rate unprecedented in our history." He said the savings and loan associations are planning and preparing for the day when they can resume the financing of new homes for millions of would-be owners. Today these associations represent 7,000,000 savers and home owners who, in turn, represent more than 20,000,000 Americans. But he warned: "There is a struggle ahead of us—more important even than saving and strengthening our business. It is to work out relationships between the State and Federal Governments, and between government and private business which will meet our economic necessities and, at the same time, preserve and guard our precious traditions and beliefs. It will be a mighty struggle and will call for all our cooperation, mutual respect and capacity to work together. Our generation is living through a world revolution of which the war is but the cutting edge."

James Twohy

Empire Sheet & Tin Plate Situation Attractive

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

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.

New Soviet Envoy Sees United States-Russian Ties Lasting

In presenting his credentials to President Roosevelt on Oct. 4, Andrei A. Gromyko, the new Soviet Ambassador, declared that the Soviet Union desires the maintenance and further development of friendly relations and closest collaboration with the United States in the post-war period.

Mr. Gromyko, who formerly was Counselor and Charge d'Affaires of the Washington Embassy, replaces Maxim Litvinoff.

The President, in reply, said he was deeply gratified at Mr. Gromyko's expressed desire and fully shared his confidence "that the unity of purpose which binds our peoples and countries together in the prosecution of the war will be translated into a close and lasting collaboration, together with other like-minded countries, in the establshment of a just and enduring peace."

The recall of Mr. Litvinoff was noted in these column August 26, page 784.

What Is A War Baby?

Following the rather hysterical uprush of war beneficiary issues at the outbreak of hostilities in September 1939, "war stocks" as a class have turned in a materially poorer performance than "peace stocks." This discrepancy has become much more marked during the recovery from the April, 1942, lows. . . .

Granting that the ultimate test of the desirability of a security is its outlook over what we hope will be a long peace-time era rather than its earnings and prospects during what remains of the war, **it seems to us highly probable that the pendulum of public opinion has swung too far.**

Distinctions too Sharp

Basically, we question seriously the validity of the arbitrary labeling of many industries as either "peace" or "war." It is generally believed—and in this belief we heartily concur—that the various branches of the automotive industry may confidently expect high activity and good earnings for a considerable number of years after peace comes. The automotive stocks have responded marketwise to this line of thought, and deservedly so. We think there is still substantial prospect of appreciation in properly selected automotive issues. But the investing public which has bought the auto stocks, by and large, can see nothing good in the steels or coppers. **And yet it is hard to see how five or six million automobiles can be built annually without substantial business going to the producers of the very raw materials that make up the bulk of those cars.** The favored building material group cannot enjoy its expected prosperity without consuming large quantities of the same metals.

One of the strangest manifestations of public psychology is the state of mind which is convinced that our industrial companies will do a large post-war volume of business both at home and abroad and yet thinks that railroad securities have no peacetime future. **Who is going to carry all these goods that are to be made and shipped, and what other branch of industry has made such giant strides in the improvement of its financial standing during the course of the conflict?**

Of course, there are phases of industry whose current prosperity cannot be expected to survive the war. Those companies which make only munitions, the shipbuilders and, perhaps, the manufacturers of standard machine tools are instances, although, as to the latter, there are many who believe that export demand and obsolescence will provide a reasonably satisfactory, even if materially reduced, volume of business. As to most of the rest of the so-called war babies, however, we think they have been baptized at the wrong font, if to call them war babies means that their earning power will cease with the war.

Prices and Prospects

As a result of this drastic segregation of stocks into sheep and goats, many issues in the peace category are selling from fifteen to twenty-five times their current earnings, whereas railroad, steel, non-ferrous metal and aircraft manufacturing stocks, among others, may be bought not only at from one to six or seven times their present net, but also at prices which, in many instances, look low compared with both their pre-war earnings and their pre-war price levels.

Peace issues must show post-war earnings larger than today's to make current prices attractive —and, speaking generally, we are confident that they will. **On the other hand, at today's prices many currently neglected stocks are cheap if they are to earn one-half, one-quarter or even one-eighth of their wartime net profits.** They seem to offer little risk on the one hand and the possibility of materially greater-than-average appreciation on the other.

Diversify for Greater Profits

We are not suggesting that common stock portfolios be completely devoted to war stocks, but we do think that the current tendency to concentrate holdings in the peace issues means that investors are overlooking opportunities for some very worthwhile profits. — *From "The New York Letter" issued by Hugh W. Long & Co.*

Samuel D. Boggs With The Illinois Company

CHICAGO, ILL. — Samuel D. Boggs is now associated with The Illinois Company of Chicago, 231 South La Salle Street, members of the Chicago Stock Exchange. Mr. Boggs returns to La Salle Street after having been with the National Paper Board Association for the past two years. He originally entered the investment securities business in 1916 with the Central Trust Company, and later was with Eastman, Dillon & Co., Harris, Upham & Co. and Paul H. Davis & Co.

Railroad Securities

There has been a pronounced quickening of speculative and investment buying interest recently in the various bond issues of Baltimore & Ohio, attributed in some quarters to expectations that the company may again issue invitations for tenders late this year or early in 1944. When it was announced that the bonds acquired in the earlier 1943 tender operation had been turned over to a wholly owned subsidiary it was pointed out by the management that these bonds would thereby be made available to meet future sinking funds. At that time the statement was taken as a strong intimation that the company had completed all it intended to do towards reduction of publicity held debt for some time to come.

The continuing upward surge of earnings in recent months and the strong financial position of the Baltimore & Ohio have now caused a modification of that view. It certainly would appear as a logical procedure to continue reducing debt outstanding with the public while the funds are available and the bonds can still be acquired in the open market at very substantial discounts. As a measure of the company's ability to further this program, net operating income for the eight months through August amounted to \$46,868,557 or just short of \$10,000,000 above the level of a year ago. Of course the company will not have the benefit of the large tax credit that accrued late last year from bankruptcy of a subsidiary (Alton) but even at that net results for the full year 1943 should not fall much below the performance of 1942. The balance sheet as of the end of July showed cash items of roundly \$58,000,000, up \$27,268,000 from the like 1942 date and net working capital of \$44,873,000 showed an increase of more than \$20,000,000. The financial position should be further materially bolstered by operations during the final five months of the year.

In the two tender operations earlier this year a total of \$68,519,000 face value of bonds was acquired, covering virtually every system obligation with the exception of equipments and the Debenture $4\frac{1}{2}$s, 1960. Through these operations, and assuming that there have been no other debt reductions through open market purchases, total charges on publicly held debt have been reduced by \$3,311,772. In comparison, total fixed and contingent charges accrued last year amounted to \$31,219,819. Similarly, fixed charges as constituted under the Chandler Act readjustment have been reduced by approximately \$1,650,000 to below \$18,200,000. Such a level of charges may be considered well nigh depression proof. Therefore, even if the company does have to undergo another voluntary readjustment it seems safe to assume that the interest adjustment will, at worst, not be any more drastic than that now in effect. If, as is expected in many quarters, additional debt is to be acquired within the next six months, a renewed voluntary readjustment might well be a little more liberal than the present plan.

It seems quite possible that a new voluntary readjustment plan may be worked out by the middle of next year, mainly designed to rearrange the bond maturity schedule. The most pressing problems are the large RFC loans and the Secured 4s falling due next year. Extension of the RFC loans should be possible without much trouble. There were \$48,726,000 of the Notes outstanding as of the end of last year. Of this amount, \$4,727,000 were acquired on tenders and about \$14,000,000 are held by the RFC, leaving a maximum of around \$30,000,000 still outstanding with the public. The company could presumably pay off this balance readily.

After 1944, however, the road would be faced with aggregate maturities of some \$220,000,000 of mortgage bonds within the following seven years. There could hardly be serious hopes that the company could hurdle such a barrier, and some time during that period a series of voluntary extensions appears inevitable. There is considerable opinion that the whole question of extensions might just as well be ironed out next year when the RFC loans and Secured 4s come due. Giving strength to this opinion is the fact that the company will have the benefit of the McLaughlin Act designed to facilitate such readjustments and this Act expires in 1945 with no assurance of its extension.

Pennsylvania Brevities

PTC Appeals Valuation Order

The **Philadelphia Transportation Company** has appealed to the State Superior Court a Public Utility Commission order fixing the fair value of PTC property at $77,000,000 and its fair return at 6%.

Foreseeing an ultimate end of the war and a lessening of the present over-strain on transportation facilities, PTC is setting the stage for a renewal of its plea for higher fares. Two years ago, faced with wage increases and higher operating costs, the company sought to obtain a compensating fare increase. After booting the matter about in a series of hearings extending over many months, the Public Utility Commission denied the petition for fare increases and slapped the $77,000,000 valuation on the street railway properties. The company sought to establish a valuation of $110,000,000.

Because of the war-stimulated increase in business, the company has made out very well on the present schedule of fares but the management is well aware that prevailing conditions cannot be expected to continue indefinitely. PTC attorneys claim that the company "must know and has the right to know its value and fair return," adding:

"In these changing times when the need for actual relief comes, it comes quickly. We cannot expect again to be able to wait two years."

Pittsburgh Railways Co.

A glut of earnings and an accumulation of cash (and Government securities) now reported to be over $11,500,000 is actually proving a stumbling block in the pending reorganization of the **Pittsburgh Railways Company**, one of the few urban transportation systems whose corporate structure remains as antiquated as the horse-car days from which it sprang.

Minority holders of publicly-owned securities will have no part of the niggardly distributions provided for in the present plan, now admittedly inappropriate and impracticable.

If neither the **Philadelphia Company**, owner of the equity, nor **Standard Gas & Electric**, in the "grandfather" role, are disposed to straighten out the railways' tangled but not insuperably difficult affairs, public holders feel they have nothing to lose by waiting. Money talks and the line forms on the right. Owners of the underlying liens are up in front and don't propose to be lightly thrust aside. If the weight of cash is going to topple the plan, resulting in full pay-

(Continued on page 1403)

Geo. J. Muller Named Pres. By Phila. Traders

PHILADELPHIA, PA.—The Philadelphia Investment Traders Association, at its annual meeting on Oct. 1, elected the following officers for the ensuing fiscal year: President, George J. Muller, Janney & Co.; First Vice-President, Russell M. Dotts, Bioren & Co.; Second Vice-President, Edmund J. Davis, Rambo, Keen, Close & Kerner; Treasurer, John M. Hudson, Thayer, Baker & Co.; Secretary, Frederick S. Fischer, Hendricks & Eastwood.

George J. Muller

The following were elected to the Board of Governors: James T. McAtee, Butcher & Sherred; James J. Morrissey, Hecker & Co.; Joseph McNamee, Hornblower & Weeks; Carl Lachman, Eastman, Dillon & Co.; Floyd E. Justice, Kidder, Peabody & Co.; Albert Tryder, H. T. Greenwood & Co., and Richard W. Heward, Boenning & Co.

McGarvey Associated With Reynolds & Co.

PHILADELPHIA, PA.—Robt. N. McGarvey has become associated with Reynolds & Co., 1500 Walnut Street, it is announced by John A. Murphy, resident partner of the firm. Mr. McGarvey has been in the investment business in Philadelphia for many years, having been connected with Parris & Co. for the past twenty-two years.

Reynolds & Co. are members of the New York and Philadelphia Stock Exchanges and other leading national exchanges.

The Philadelphia Financial Story

RUSSELL M. ERGOOD, Jr.

During the Revolutionary War, Philadelphia was the arsenal of the Colonies, turning out many implements of war for the Continental Army. Today it is still one of the leaders in industrial production for our nation and its Allies.

Philadelphia, the third largest of American cities, the nation's birthplace and its first citadel of high finance, is today a sprawling industrial giant that William Penn would never recognize as his "Greene Countrie Towne." The heights to which Philadelphia commerce and industry have risen in the last 250 years may be directly traced to the active experience gained by generation after generation of her people in the management of their city, and the promotion of its business affairs. Within its 130 square miles of territory the "City of Brotherly Love" embraces, as do all other large cities, a number of smaller communities, many of which were formerly independent and still possess their own shopping centers, business enterprises and distinctive characteristics.

The City of Philadelphia is an important seaport and distributing center, being located on the highly navigable Delaware River. The city is one of the world's greatest workshops. It contains over 4,500 separate manufacturing places, employing hundreds of thousands. Manufacturing is the chief industry and includes textiles, metals, electrical supplies, chemicals and allied products, locomotives, airplanes, shipbuilding and various other industries. Because her industries cover a range of several hundred lines of employment, the city's prosperity does not depend upon mass production of a limited number of products, as in most great manufacturing centers. This fact alone should be very helpful during the period of transition after the war.

The city owns and operates its water works system, sewage disposal plant, public markets, shipping piers and airport. It also owns certain street railways and its gas works, which are operated under lease agreements.

Excellent progress has been made in the last few years by the city toward a sound financial structure. For many years the budget of the city remained unbalanced. It was necessary to take drastic economic measures. Let us take a look at the record.

In May, 1939, the rentals of the municipality owned gas works were assigned by the city to a trust for an initial period of 18 years. Against this $41,000,000 Gas Revenue Trust Certificates were issued. These funds enabled the city to balance the budget for the first time in years.

To keep this budget balanced it was necessary to find additional annual revenues. The angel this time came in the form of a Gross Income (Wage) Tax. On January 1, 1940, a 1½% tax on wages, salaries and commissions became effective. The levy is specifically on earned income, exempting income from investment. The tax is collectible at the source and employers are required to make payments monthly. This tax has netted the city as follows:

1940	$16,283,820
1941	18,377,900
1942	24,762,041

This wage tax in 1942 was 27.76% of total current receipts. In December, 1942, City Council realized that it was not necessary to have a 1½% rate and so it was reduced to 1%, effective January 1, 1943.

The 1943 City Budget Estimate for the Wage Tax was $18,666,666. This will no doubt be exceeded. The receipts for the first eight months 1943 were $14,205,000 against the same period last year at the old rate of 1½% of $16,413,000. If the wage tax receipts for the last third of the year remain in line with the first two-thirds, and there is no reason why they should not, the wage tax return for 1943 will be almost three million above the estimates in the 1943 budget.

The next outstanding economic measure taken was the large reduction in future debt service requirements. This was made possible by unique voluntary refunding plans.

On June 11, 1941, the 1941 Refunding Plan or Offer of Bond Exchange came into existence. A banking group headed by Drexel & Co. and Lehman Bros. offered holders of $131,064,000 bonds of the City of Philadelphia to ex-

(Continued on page 1403)

W. H. Fries Joins Bankers Sec. Corp.

PHILADELPHIA, PA.—Albert M. Greenfield, Chairman of the Board of the Bankers Securities Corporation of Philadelphia, 1315 Walnut Street, has announced that Waldemar H. Fries has become associated with their company.

Mr. Fries, before accepting his new post in the Bankers Securities Corp. was Civilian Administrative officer of the U. S. Signal Corps in their Contract and Overall Renegotiations Division in New York City.

He was formerly Vice President of the Tradesmen's National Bank and Trust Company of Philadelphia in charge of its Germantown office, having begun his banking career with the Chase National Bank in New York. He later became a member of the firm of Lewis, Snyder and Lewis, investment bankers of Philadelphia.

In 1933 Mr. Fries joined the staff of the Reconstruction Finance Corporation as a special examiner in the Philadelphia Loan Agency of the Federal Deposit Insurance Corporation, specializing in reorganization plans for closed national banks. Subsequently, he was President of the New Brunswick Trust Company of New Brunswick, N. J. and later became Treasurer of the Commercial Banking Corporation of Philadelphia.

Pennsylvania Brevities

(Continued from page 1402)

ment of arrears and resumption of interest and dividends, who's complaining?

Pennsylvania Turnpike

Steady earnings from truck traffic throughout the period of drastic gasoline rationing indicate the importance of the Pennsylvania Turnpike in the transportation of war material. Passenger traffic and revenues, quickly responding to more liberal rationing conditions, confirm the eagerness of passenger car drivers to use this highway when conditions permit. The following figures are illustrative:

	No. of vehicles		Revenues	
1943—	Passenger	Trucks & Buses	Passenger	Trucks & Buses
June	38,427	26,593	$27,564	$110,161
July	48,607	28,629	34,961	116,842
August	63,607	29,596	45,336	118,175

The **Philadelphia & Reading Coal and Iron Co.**, now in the process of reorganization, has petitioned the U. S. District Court for permission to purchase the Westwood Colliery in Schuylkill County. Reading says that it owns several culm banks near Westwood and that engineers estimate four of these banks contain upward of 800,000 tons of high-grade raw coal. Hearings have been set for Oct. 11.

PTC security holders have been notified that scrip certificates for fractions of preferred and common and dollar amounts of Philadelphia Transportation 3-6s, 2039, of less than $100 face value will expire on Dec. 31. Prior to this date, fractions must be combined and exchanged for round amounts.

Gross revenue of the **Lehigh Valley Railroad** for September will approximate $7,800,000, comparing with a gross of $7,200,000 in September, 1942, according to **R. W. Brown, President.** Acquisition of 15 new locomotives, ordered about a year ago and delivery of which is expected this month, will put Lehigh Valley's equipment in good condition, Mr. Brown said.

Operation of a $45,845 Sinking Fund, on Sept. 16, applied to the purchase of shares of Warner Company First Preferred Stock, resulted in the cancellation of approximately 1,400 shares. Dividend arrears on this issue will aggregate $28 per share on Jan. 1, 1944. Earnings of approximately $38 per share were reported in 1942. The Company is reported to be considering plans for a reclassification of this issue which will permit an equitable distribution of present satisfactory earnings.

Autocar Company

A provision of this company's $15,000,000 "V" loan stipulates that not more than 50% of earnings may be paid out in dividends. Thus the results of each quarter must be accurately determined before any distribution may be made in respect to that quarter's earnings. This procedure has resulted in a three-months' "lag" in the declaration of dividends and while indications are that the $2 annual dividend rate will be amply supported by 1943 earnings, the final quarter's dividend cannot be declared or paid until the first quarter of 1944.

Deliveries of war materials are continuing at a high level and it is understood that unfilled orders are sufficient to maintain present production schedules well into next year. Moreover the company has received permission to manufacture a quantity of trucks for civilian account, the production of which will entail no problems of reconversion. Substantially higher profit margins should prevail on these items.

Personals

The first fall luncheon of Philadelphia Securities Association will be held Oct. 8 at the University Club. The guest speaker will be Harold B. Dorsey, President and Economist of Argus Research Corporation.

Brokers are traditional gourmets. In these days when cereals, salads and fingerling sandwiches constitute the principal items on most restaurant menus, the boys in the Street are disposed to trade a day's "take" for a three-inch steak. Being for the most part an alert and discerning group, if good food is to be had, they'll sniff it out. At noon the trenchermen are well represented at **Billy Greenwood's Bellevue Court** and, by way of a changed locale for dinner, at **Jimmy Duffy's Walnut St. Cafe.** The wassail is excellent at both places.

Saturday will find at least three Philadelphia bond men, who are old enough to know better, on their adventurous way to the Penn State-Colgate Homecoming football game at State College. The Siwash-minded gentlemen are **George H. (Doc) Williams**, Kennedy & Co., **William Schreiner**, Newberger & Hano, and **Walter D. Fixter**, Buckley Brothers. Last year on a similar junket, State-Rooter Fixter, after the game, wandered inadvertently into the Colgate showers, blindly congratulating his Alma Mater's opponents on their excellent showing.

Alfred J. Willis, H. M. Byllesby & Co., who knows all the best bistros and bass ponds on the Jersey side, came home last week with a 4-pound Big Mouth, snaked out of a puddle scarcely big enough for the big fellow to turn around in—Alfy, not the fish.

Miss Marie Zavorski is cutting short a belated vacation spent at, on or in the vicinity of Parris Island, in order to appear as a likely candidate for the title of **"Miss Buckley Brothers"** at the Philadelphia firm's outing to be held Oct. 11 at the Manufacturer's Country Club.

The Philadelphia Financial Story

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change their bonds for a like amount of Refunding Bonds of 1941. These holdings consisted of bonds callable from 1942 to 1947. The maturity dates of the new bonds, except for one issue of $643,000 were shortened; and the new bonds were made callable at par after an interval of some years. The interest rates on the new bonds continued the same to the call dates on the old bonds but were reduced thereafter. Of the $131,064,000 refunding authorization, $83,389,200 or 63.6% had been exchanged at the termination of the refunding agreement on June 15, 1942. The approximate saving to the City by the 1941 refunding was estimated at $18,100,000.

Due to the success of the Refunding Plan of 1941 the Philadelphia City Council and the same banking group entered into an agreement on Nov. 16, 1942 to exchange additional Philadelphia bonds with longer option dates. This was the birth of the Refunding Plan of 1942. The general features correspond to the 1941 plan. There are $204,411,500 outstanding bonds eligible for exchange, but the amount to be exchanged is limited to $162,296,000, and the opportunity to exchange will continue only so long as applicable refunding bonds of 1942 remain available for exchange. The outstanding bonds eligible for exchange are callable from 1944 to 1953 inclusive and bear interest at rates ranging from 4% to 5%. The new refunding bonds all bear interest at the rate of 3¼% from the first call date (old rate to the first call) and with the exception of one issue all mature either in 1965 or 1975 with various call dates according to the series. The holder making the exchange has a choice of bonds maturing in 1965 or 1975.

While call dates are being extended under this plan, the average final maturity is being materially shortened. Assuming the completion of the exchange, it is estimated that the total debt service savings will approximate $45,000,000, based on charges to the final maturity of both sets of obligations.

The agreement of the Refunding Plan of 1942 was effective to May 1, 1943, but has been extended by mutual consent to Oct. 30, 1943.

At the current writing, exchanges amount to approximately $70,300,000. Also series "DD", "EE" and "II" have been closed. As this plan nears its expiration there are still many holders who should exchange or sell their holdings. They have advantageous opportunities due to the abnormal market conditions existing at this time. Prices ranging from a negative basis to a 1.70% basis to the call dates will be paid.

Collections of city revenue have been excellent so far this year, and the city is in a splendid cash position. The current real estate tax receipts for the first eight months are about a million dollars above the corresponding period of 1942. Receipts for the first eight months from the Philadelphia Transportation Co. are about a half million over corresponding period of last year. All indications point to the city exceeding their 1943 Budget estimate by approximately five million dollars.

Today the City of Philadelphia is in excess of its constitutional borrowing capacity by about $11,000,000. It is my humble opinion that this over-extension will be wiped out and the City of Philadelphia will have a borrowing capacity of around fifteen to twenty million dollars by the end of 1942.

Name Slate For IBA Eastern Penn. Group

PHILADELPHIA, PA.—Edward Hopkinson, Jr., Drexel & Co., has again been nominated for chairmanship of Eastern Pennsylvania

Edw. Hopkinson, Jr.

Group, Investment Bankers Association, for the year 1943-44. Others placed on the regular slate are: Sydney P. Clark, E. W. Clark & Co., Vice Chairman, and Albert R. Thayer, Thayer, Baker & Co., Secretary-Treasurer. In addition, following have been nominated for three-year terms on the Executive Committee: John Bunn, Bioren & Co.; Philip L. Lee, Wurts, Dulles & Co.; Arthur Peck, Harper & Turner, and Albert J. Williams, Boenning & Co.

Pittsburgh Bond Club To Hold Fall Outing

PITTSBURGH, PA.—The Bond Club of Pittsburgh will hold its fall outing on Oct. 11 at the Shannopin Country Club.

Features of the day will be golf (greens fee, two dollars), with the Bankers Club in competition; Le Bocci; tennis. Dinner, at 7:30 p.m. is free to members; guests, three dollars. Reservations should be made with H. S. Parker of Kay, Richards & Co.

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.

E. J. Rung To Manage Devine Cleve. Branch

CLEVELAND, OHIO—Edmund J. Rung will be resident manager of the recently opened Cleveland office of C. J. Devine & Co. in the Union Commerce Building. Mr. Rung, who is well-known in eastern financial circles, has been with the New York office of the company for the past ten years.

Opening of the Cleveland office was previously reported in the Financial Chronicle of Sept. 9. C. J. Devine & Co., specialists in U. S. Government securities, also have offices in Chicago, Philadelphia, Cincinnati, Pittsburgh, Boston, St. Louis, and San Francisco.

Real Estate Securities

Equity Ownership Of Real Estate Is Obtainable In New York Title And Mortgage Company Series BK Certificates

Sales Activity And Higher Percentage Of Occupancy Of Apartment Dwellings Should Cause Enhanced Value

The New York Title and Mortgage BK certificates are in a unique position to benefit from the upturn in real estate.

Out of a total of 137 units, which are the collateral security behind this issue, 94 are properties directly owned, from which all income can be applied after operating expenses to interest payments. Operating income has increased because of improved renting conditions.

Many apartment buildings in New York City have been fully occupied for a long time, and there is a scarcity of good medium-priced apartments. Furthermore, many investment purchases of properties are being made by investors in real estate, either by means of all cash payment or a combination of cash and purchase money mortgages with interest rates of from 4% to 5% plus amortization payments from 1% to 3%.

The other 43 units are first mortgages. The real estate directly owned or securing these mortgages are all located in New York City. There were originally 170 mortgages and properties in the trust estate. The 137 properties and mortgages are divided into the following classifications:

	Description	Amount	% of Total
6	story elevator apartment buildings	$6,496,034.00	54%
4	story walkup apartment buildings	1,944,995.00	16
15	story apartment hotel, Manhattan	783,300.00	6¼
5½	story walkup apartment buildings	731,973.00	6
5	story walkup apartment buildings	488,282.00	4
9	story apartment building, Brooklyn	398,893.00	3
	One to four family dwellings	401,446.00	3
6	story walkup apartment buildings	269,925.00	2
15	story apartment building, Manhattan	170,000.00	1½
3	story apartment building	31,750.00	¼
	Miscellaneous	489,881.81	4

The total book investment of properties owned and mortgages held was $12,056,881 as of Dec. 31, 1942, against which certificates in the amount of $11,940,885 were publicly held.

The BK certificates are in registered form and are participating interests in the first mortgages and real estate owned. Interest at an annual rate of 4% payable semi-annually has been distributed since December, 1936, and in addition a total of 9% principal has been paid. Under the present income tax laws, part of the interest may be deducted on account of depreciation, which is charged against the earnings of the properties owned. In 1942 certificate holders received $37.55, which was 4% on the outstanding principal of each original $1,000 certificate, but only $27.48 would have been reported in one's income tax.

The management of this liquidating real estate trust, for so it may be described, is by three trustees appointed by the New York Supreme Court. Their administration of the trust estate is under the supervision and subject to the approval of the court. These gentlemen are P. Walker Morrison, Vice-President of Cruikshank Co., which is one of the oldest real estate management and brokerage organizations in New York City; Lazarus Joseph, New York State Senator and lawyer; Leon Leighton, lawyer.

Because of the prospect for increased earnings, the interest payment of 4% seems secured, with a good possibility of its being increased. The income in 1942 from all sources, including interest on mortgages of $178,945.86 and net earnings of $445,023.58 from real estate owned, was $639,603.71. After Trustees' fees, administration and other expenses the balance available for distribution was $557,087.85. After the 4% income distribution, there was a balance of $63,074.38, which would have permitted an additional distribution of ½%. The Trustees estimated that there would be available in 1943 $552,578.36 for distribution to certificate holders and Trustees' fees. They had estimated the 1942 income as $489,378.17, but it actually was $595,148.80, or $105,770.63 greater. As their figures are generally conservative, it is very likely that the 1943 income will also be higher. The reason for the formation of the trust estate was to effect a liquidation of its assets. As mentioned before, 9% has already been paid to certificate holders. There is a strong likelihood that sales of the properties owned may be put through at a faster rate, which should permit additional principal payments.

The current market price of these certificates is 55½%, which affords a return of 7.20% without taking principal payments into consideration. The price is quoted flat and the next distribution will be Dec. 31, 1943, so that there is at this time an accrual of three months' income, of which the present purchasers would obtain the benefits.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Current market action cancels a lot of recent good work. Think overhead offerings too big an obstacle to overcome.

Monday's market got the tax news right in its face, and acting as if it were all a great big surprise, froze in its tracks and began to backslide. At least the tax news was given as the reason for the inability of the market to move ahead. In don't minimize the tax, if you have to pay it you know very well you can't minimize it. But if the market isn't acting as well as I should like, I don't think the new Morgenthau plans have anything to do with it.

* * *

Two weeks ago I wrote that the advance had carried stocks up to where they were either within reaching distance of old offerings which had stopped the advance in the past, though some stocks were through these offerings. I interpreted this action as a good sign. But to offset this, the market itself was in a po-

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St. Louis Traders Announce 1943-4 Slate

ST. LOUIS, MO.—The Nominating Committee of the Security Traders Club, composed of H. L. Brocksmith, Stifel Nicolaus & Co., Chairman; B. L. Schlueter, Newhard Cook & Co. and Lowell Newcomb, St. Louis Union Trust Co., nominated the following for the year beginning Nov. 1, 1943 to Nov. 1, 1944. The annual election will be on Nov. 10.

President, Emmet J. Brennan, Brennan Kinsella & Co.; First Vice President, Jos. G. Petersen, Eckhardt-Petersen & Co.; Second Vice President, Ray Bond, Bankers Bond & Securities Co.; Third Vice President, James Canavan, Smith Moore & Co.; Secretary, Elmer Barkau, Taussig-Day & Co.; Treasurer, Rudy Graf, G. H. Walker & Co.; National Committeeman, Bert Horning, Stifel Nicolaus & Co.

NASD Fines Hearings Postponed By SEC

The oral argument scheduled on the propriety of fines imposed by the National Association of Securities Dealers, Inc., on a number of its members whom it adjudged guilty of violating the association's fair practice rules, was postponed by the Securities and Exchange Commission. Although no date has been set for the argument, it is understood that it will be heard about mid-October.

It was charged that the selling group had violated a price maintenance agreement in the original distribution of the $38,000,000 bond issue of Public Service Co. of Indiana four years ago. During hearings before a trial examiner for the SEC, which took the matter under review on its own motion, more than twenty-three hundred pages of testimony was taken.

Notice of the hearing was reported in the Financial Chronicle of Sept. 30.

Public Utility Securities

Effect Of A 50% Fed. Income Tax On Utility Earnings

The Treasury Department is expected to submit a program to the House Committee within the next few days for additional taxes to raise approximately $10,000,000,000 new revenue. According to advance reports, the program will include an increase in the Federal normal-plus-surtax rate on corporate incomes from 40% to 50%.

It will be recalled that early in 1943 Secretary Morgenthau proposed a 55% normal tax. Congress held the rate to only 40%, but the excess profits tax was jumped to 81% (90% currently, less a 10% postwar credit, available immediately for debt reduction, etc.). The original 55% proposal had a disastrous effect on the market for utility equities, particularly the junior securities of holding companies, many of which dropped to all-time lows. The subsequent action of Congress, plus other favorable factors, have resulted in a sharp come-back for these securities, many of which are currently selling at the best prices of 1942-3.

How will the new tax proposal affect utilities? Thus far there has been little effect, apparently on the assumption that Congress will temper the tax program to the "shorn lamb"—the utilities. Last year the electric light and power companies paid out in taxes some $628,000,000—nearly $20 for each customer served, and about $2,500 for each employee. Taxes took one-quarter of every dollar received by the utilities; and out of every dollar available for taxes, improvements, common dividends and surplus taxes took 63 cents. Local taxes, which amounted to 36% of the total tax load, have increased very little in recent years, but the Federal levy on the industry has quadrupled since 1937. Net income in 1942 was only 19% of gross, probably the lowest ratio in utility history, comparing with 28% in the so-called normal year 1926 and nearly 30% in the depression year 1932.

An increase in the income tax rate to 50% would cut substantially into share earnings, as illustrated by the estimates in the accompanying table. Some companies, such as Consolidated Edison, might have to reduce their dividend rates. It is to be hoped, therefore, that Congress will modify the proposal, at least in its application to the utilities.

	Federal Income Tax (000)	Est. Incr. in tax at 50% rate (000)	Est. Amount per share	Earnings per Share: 12 mos. ended	Earnings per Share: Amount Earned	Earnings per Share: Est. Bal. after Tax Increase
Operating Companies—						
Commonwealth Edison	$13,971	$3,493	$.35	June	$1.83	$1.48
Consolidated Edison N. Y.	*16,840	4,210	.37	June	1.75	1.38
Detroit Edison	2,810	703	.11	August	1.34	1.23
Indianapolis P. & L.	1,557	389	.39	June	2.17	1.78
Public Service of Indiana	1,576	394	.36	July	1.96	1.60
El Paso Natural Gas	978	245	.41	July	3.51	3.10
Peoples Gas Lt. & Coke	2,282	571	.87	June	6.46	5.59
Southern Natural Gas	1,358	340	.24	June	1.85	1.61
General Telephone Co.	1,669	417	.66	June	2.18	1.52
Holding Companies—						
American Gas & Elec.	7,529	1,882	.42	July	2.26	1.84
Columbia G. & E. (1st pfd.)	4,877	1,219	1.35	June	12.99	11.64
Commonwealth & Southern (pfd.)	8,933	2,233	1.51	July	9.33	7.82
Engineers Public Service	4,154	1,039	.54	July	1.45	.91
Federal Lt. & Traction	770	193	.37	June	1.79	1.42
†Middle West Corp.	3,009	752	.23	†June	.59	.36
Niagara Hudson Power	6,384	1,596	.17	June	.33	.16
North American Co.	12,411	3,103	.36	June	1.72	1.36
Nor. States Pwr. (Del.) Class A	3,913	978	1.25	June	6.42	5.17
Public Serv. of N. J.	13,860	3,465	.63	June	1.26	.63
Standard G. & E. (pr. pfd.)	7,749	1,937	4.13	June	12.92	8.79

*For calendar year 1942; figures not available in interim report. †6 months.

Seaboard Air Line Plan

L. H. Rothchild & Co., 120 Broadway, New York City, have prepared an interesting study of Special Master Taylor's plan of Reorganization for the Seaboard Air Lines; some of the ideas suggested in this study are to be decided by the court at the hearing at Norfolk on Oct. 18. Copies of the L. H. Rothchild study of the Plan may be obtained from the firm upon request.

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.

"Allied Military Currencies"

Dr. Walter E. Spahr Presents Analysis Of Issuance And Uses Of Such "Currencies" As Given In Treasury Explanations

"Allied Military Currency—Some Queries and Observations," by Walter E. Spahr, Professor of Economics at New York University, is the subject of a pamphlet published and distributed by the Economists National Committee on Monetary Policy, of which Doctor Spahr is Secretary. The pamphlet bears primarily on the explanations of the Treasury and War Departments respecting the issuance of this special currency, and "the apparent position of the Treasury" in issuing it. According to Dr. Spahr, "the joint explanations given by the United States Treasury and War Department in Treasury Press Service releases, No. 37-85, Aug. 2, and No. 38-10, Aug. 17, 1943, of the uses of special currencies in the African and European war areas and of their prospective uses in other countries leave many questions unanswered and raise issues calling for the closest attention and thorough understanding on the part of Congress."

Dr. Walter E. Spahr

As to the purposes of the pamphlet it is stated therein:

The purposes of the analysis made here of the accounts of the issuance and uses of these special currencies, as given in the Treasury releases, are:

1. To examine the question of whether the responsibility for the issuance of this currency rests with the military authorities or the Treasury;
2. To describe the currencies included in "Allied Military Currency," insofar as our Treasury is involved, as well as the circumstances surrounding their issuance, as revealed by the Treasury-War Congressional authorization.
3. To raise questions which it seems should be, and can properly be, answered by the Treasury;
4. To ask some questions regarding the possible or probable consequences of using these currencies; and
5. To focus attention upon the question of the power of the Treasury to issue them without Congressional authorization.

In discussing "the question of the Treasury's authority to issue this invasion currency," Dr. Spahr has the following to say in the pamphlet:

The Question of the Treasury's Authority to Issue This Invasion Money

When Congress appropriated money for the War Department, it provided that the Treasury should raise the funds by taxation and borrowing; it did not authorize the Treasury to pay war expenses, and to issue money outside war appropriations, by the printing of fiat money.

The reasons stated by the Treasury for providing the special currency of class (2) to occupied countries whose supplies of money may have been destroyed or stolen seem to be thoroughly defensible, *aside from the question of lack of Congressional authority*, provided our Treasury representatives in those countries can determine with approximate accuracy the proper amounts to issue and the appropriate rates of exchange, and provided local taxation and redemption devices can be and are established and this currency soon converted into something considerably better that pure fiat money.

The reasons given by the Treasury for issuing fiat currency instead of using legitimate spearhead money "for pay of troops, supplies and other expenditures that would normally be charged to its [War Department] appropriation" (item 6) are not impressive; indeed, they provide grounds for serious questions.

Quite apart from the economic considerations involved, the very important issue arises as to whether the Treasury has the power to issue this occupation currency without specific authorization from Congress.

The Treasury claims, in its release of August 17 (items 15-16) that the authority for the issuance of occupation currency is found in

" . . . the law of nations as established by international agreement and the usage of the world. Under international law, The Hague Conventions and the decisions of the Supreme Court of the United States, the Military Commander in areas occupied by the Forces under his command has all the powers necessary for the carrying out of governmental functions.

"These powers include the right to provide for the currency needs of the area occupied. . . ."

Of course what the Treasury actually says is that this international law gives this power to the military authorities within the area under occupation. Then the argument seems to follow that since they have this authority the Treasury must, or has the power to, issue the desired currency without going to Congress. Thus we reach these considerations:

1. The Treasury is either claiming that it gets its power, independent of Congress, from this international law, or
2. The Treasury is accepting a military dictatorship over the issuance of military currency.

The simple fact of the matter is that the Treasury acted either voluntarily or involuntarily under the assumed shelter of this international "law."

The important consideration here would seem to be that if such international law is controlling, the Treasury has the power to issue any amount of fiat money it pleases in the war areas—enough to impair or destroy our reserve structure if such money should be permitted to constitute claims against our gold—while Congress is compelled to sit by, unable to give the American people any protection whatever or to control in any way the supply of fiat money being provided the occupied countries by our Treasury. This is not an issue involving a questioning of the good intentions of our Treasury. These, as outlined by the Treasury in its releases, may be taken for granted. It is a question of where reside the legal authority and responsibility for the issuance of this currency.

The notion that some international agreement or "law" is superior to some provision of our Constitution which specifically lodges certain powers and responsibilities in one of our designated government bodies, as the powers and responsibilities for our money are reposed in Congress, seems clearly open to challenge and probably cannot be supported. Decisions of the United States Supreme Court, and interpretations of *Corpus Juris* of them, would seem to uphold the view that this power of Congress over our money cannot constitutionally be impaired or overridden by any international agreement so long as our Constitution remains in its present form.

It would seem to be very important that Congress request the Treasury to specify the international law and Supreme Court decisions on which it is relying for its authority to issue this invasion money without specific authorization by Congress. Thereafter Congress should explore the legal support for the contrary point of view and consider, above all, the implications involved in whatever is the assumption of the Treasury as to its powers and responsibilities under international "law"—either that it must respond to the demands of the military authorities or that it can do what it pleases in the issuance of invasion currency despite any contrary wishes of Congress in respect to the matter.

Was There Any Valid Reason Why the Treasury Should Not Have Consulted With Congress and Obtained Congressional Authorization to Issue Such Money?

Neither the circumstances related in the Treasury releases nor the considerations of military secrecy and international diplomacy seem to justify any contention that the program for the issuance of this currency could not, and should not, have been presented to Congress.

The absence of any contact with Congress appears to be borne out by a paragraph in the Treasury's release of August 2 which reads:

"No inkling of the project ever was put in writing, no word of it spoken over a telephone, and no discussions of it carried outside the conference rooms." (item 23.)

All this planning and secret work took place while Congress was still in session, and apparently many people were involved, possibly nearly as many as there are in Congress. Officials of the British Government and of our Departments of War, Navy, State, and Treasury were consulted, but apparently not Congress. The Treasury release of August 2 says (item 22):

"The planning of the job goes back some 4 months, when high officials of the Treasury, the War and Navy Departments, the Department of State, and officials of the British Government laid the groundwork in a series of extraordinary conferences held in utmost secrecy."

Although the dramatic aspects of this enterprise were stressed in the Treasury release of August 2, nothing in either release indicates that the Treasury recognized any responsibility to Congress in the matter. The following will serve as an example of the dramatic portrayal of the printing and issuance of this currency (item 21 of the release of August 2):

"The preparation of this military currency and postage in advance of the invasion of Italy is itself an amazing chapter in the story of the gigantic and minutely-detailed planning that preceded the expedition, a story that must, for the most part, remain untold until after the war. . . . Presses of the Bureau of Engraving and Printing worked 24 hours a day, not even pausing for meal periods, for weeks. . . ."

Furthermore, had Congress been consulted, perhaps someone in that body might have persuaded the

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The Theories Of The New Deal Economists

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in the fact that since 1930 much of the thought of economists has been directed toward remedies for unemployment and overburdened markets. The second appears in the way that men have increasingly turned toward the machinery of government, and have relied upon the power of the state in order to protect themselves from one another—to preserve "order." The individual has become more and more subordinate to the state. Thus organized labor looks to the NLRB or WLB for protection, and the farmer to the AAA. State and local governments seek to have Washington assume their burdens.

In this country, from 1930 down to 1940, when the "defense program" administered a powerful stimulant, great depression prevailed most of the time, and there was an abnormal amount of unemployment and idle capital. At such times in the past, there has always been a tendency to react against the thought and institutions of the preceding period, which are assumed to have caused the depression. The present has been no exception to this tendency, as is shown by the opposition of the New Deal Economics to Capitalism and the profits system. Capitalism and the profits system relied upon freedom of individual choices and upon free competition, to determine both what shall be produced and what prices shall be paid for goods and for labor. They required a monetary system based upon an objective standard of value such as the gold standard. Accordingly, the New Deal Economics reacts against these, and proposes to substitute "social planning" and a "managed currency."

At such times, too, want always appears in the midst of plenty, and many people are ill-fed, ill-clothed, and ill-housed, although surpluses exist. Accordingly, there is a tendency to minimize the problems of production, and to emphasize consumption. Why not consume without producing, men ask. Why not distribute surplus cotton and food products, while paying farmers for not producing? It becomes plausible to argue that underconsumption caused the current depression, and to propose that money be given to consumers on the basis of their "needs," rather than their productivity or their earned ability to pay.

When an economist starts from such notions, it is easy for him to become a wish-thinker. Regardless of experience, he mixes his theories with idealistic hopes that he may be able to formulate policies which will establish a better social order. Consequently, in its earlier, and probably its more idealistic phases, the "social planning" of the New Deal showed a Utopian reliance upon legislation and new institutions such as the NRA.

Such a condition often causes a sort of "depression complex," which is like the inferiority complex of an individual. It finds expression in pessimistic talk about what has been called "the mature economy." The Classical economist's "stationary state" and the New Deal economist's "mature economy" have much in common, for both regard a state of society in which the limits of expansion in some human activity have been reached. Both emphasize "technological unemployment," and think of wages as being paid out of some "fund" other than the product of labor. Both regard interest rates as being headed toward a near-zero level.

The difference is that the typical New Deal economist is an extreme idealist, or wish-thinker, and therefore, instead of yielding to pessimism as the old economists did, he seeks an "escape." Before the war, he saw large surpluses of some goods around him; so he reasoned optimistically that production is no longer a problem, and proceeded to devise a system of economic theory which is founded upon the assumption that production does not have to be motivated and governed by prices, and that supplies of goods may therefore be taken for granted.

Accordingly, the costs of production are either forgotten or covered up by government spending. The depression-complex thinker particularly stresses the large supply of capital goods which he finds available, and he proceeds to assume that these capital goods will be automatically replaced. Thus he is led in his theory to evade the problem of compensating savers and investors for their costs, or rewarding them for their services, and argues that interest rates may be reduced "nearly" to zero. Of course, in such a "mature economy," with investment problems assumed to be settled and with "the government" in control, private enterprise may be belittled, and profits be considered as a sign of imperfection.

In such periods as this, Nationalism is apt to prevail in economic thought. It did in the Germany of the early 19th century. It did when the first Utopia was written in England, back in 1515. In great depressions, many people become "frustrated." Disappointed and baffled, they seek an "escape," which they find in identifying themselves with "the group." If the group be merely a trade union or a Townsend Club, the frustrated individual becomes somewhat elated. If, however, he is able to identify himself with the nation as a whole, he actually feels delusions of grandeur. And if he be an economist, he then proceeds to develop controls for all economic life, according to some scheme of collectivism, thus becoming a social planner and national thinker.

Thus in 1933, in a great post-war depression, with the world headed for Nationalism, there came a government in the United States that sought to equip itself with a system of group economics suitable for application by a centralized national authority in a stationary or mature economy.

The New Deal first took up with Dr. Rexford Tugwell and his "Institutional Economics," which sprang from the thought of Veblen. This was "the experimental approach"—try anything once—no economic laws. This lasted through the AAA-NRA phase.

Then the system of J. M. Keynes was adopted—the system of "pump-priming," easy-money policy, and managed currency.

After this, following the depression of 1937-38, came the vogue of the "monopolistic-competition" approach of Professor E. Chamberlin which was added to the Keynesian theories. This is notable for its abstract and unreal assumptions, which have encouraged the New Deal economic theorist to take "demand" for granted, and to ignore differences in the costs of different producers at a given time, thus freeing his urge to tinker with the price system.

And little if any later, at about the time when Stalin became actively involved in the war, and Stuart Chase's name began to appear in connection with New Deal schemes and the TNEC hearings, an increased infiltration of Socialistic economic thought became apparent. The negatively Communistic influence of Keynes' theories was supplemented by various Socialistic "economists" trained in the London School of Economics, some of whom have been employed by Federal Government bureaus. Roll's "History of Economic Thought," which as a whole is little better than an elaborate Marxian tract, appeared, and the author (apparently a British citizen) soon found a job in Washington. The Socialist or Communist influence centered on the doctrine of "full employment," to be furnished by the state. This doctrine, however, is used chiefly as the spearhead for the "socialization" of property in the instruments of production, and for the glorification of labor.

Finally, before the futility of this hybrid technique of "managed economy" could be demonstrated, came the second World War. Now a "war economy" has all but replaced a free economy. This brings to a fitting climax the economics of depression and Nationalism. The frustrated individual can now "escape" into the army, or other "war work." The frustrated economist can now turn to price-fixing, priorities, rationing and subsidies. Collectivism is assured "for the duration," and "post-war planning" holds out hope of its indefinite prolongation.

The New Deal Economics is not Communism. (Indeed, in several respects it more nearly resembles the Romanticist Nationalism of Nazi thought.) It is an attempt to implement the New Deal political machine with a "theory" and give a semblance of consistency to its shifting expedients—to give it the prestige that attends a show of "science." Its "economists" are apt to have some academic standing, and to give advice "ex cathedra" as "doctors" or "professors." Thus it is to be understood only when viewed as an attempt to establish a consistent body of doctrine, adopting the language and gestures of true social science.

But, as the political experiments which the abstract New Deal economic theories have been used to justify, have failed, the trend has been toward Communism. As the managed currency, pump-priming, and work relief have failed to stimulate industry and cure unemployment, the resort has more and more been to the radical labor policies which are characteristic of "revisionist" socialism. The trend has been toward the practical devices of socialistic reformers who scorn academic theory. These seek to destroy capitalism, and its monetary system, and to introduce more and more arbitrary central control over production and distribution. Accordingly, as already noted, Communists and Socialists from abroad as well as from the ranks of radical labor organizations, have come to play a larger part in guiding New Deal action. It now seems possible that the New Deal economic theory here analyzed may either be passing or be in process of merging with Communist propaganda. This may be the significance of the teaming up of such ideologically different "economists" as the abstract mathematical thinker, Ezekiel, and the popular literary propagandist, Chase.

II.

Since it finds expression in a political program, the New Deal Economics naturally has its slogans. It is by putting these slogans together that one can best understand it, and this makes it necessary to consider carefully what lies behind each one. The five main slogans are: "National Thinking," "Full Employment," "Social Security," "Social Planning" (including "post-war planning"), and "The Mature Economy." The war-time "anti-inflation program" merely seeks to make effective one or more of these main slogans.

1. The first point to grasp is the fact that **"National Thinking,"** which is much the same thing as Nationalism, implies a philosophy of collectivism — a tendency to make the individual exist for the nation, rather than the nation for the individual. Since it would subordinate individuals to the state, and make their necessarily different functions depend upon the decision of central authority, this national-thinking theory tends to oppose the old idea that all men are born free and equal.

It is much like a family in which the children are widely different in character, capacity, and taste. The parent may accept the fact of individual differences among the children, and allow self-expression, merely trying to educate and guide each child to make the best of its own characteristics. If he takes this course, he will recognize that each child will get different results. But the parent may take the other course and treat his family as a group, demanding that all the children think as a group — "family thinking," he might call it. In this case, he must either try to eliminate the differences among the children by education and training; or he must assign to each child a specialized part in the family economy, and force him to accept and perform his assigned function in a regimented way. This would be paternalism.

Just so, the typical New Deal economic theory, while seeking greater equality, has come to hold that individuals are by nature essentially different, and unequal in importance or social significance. This assumption emerged in the "brain trust" notion. It may be seen in the emphasis on paternalistic leadership. It appears in the ready acceptance of general "objectives," "goals," and "plans" proposed by the government. Even the tendency to accept class conflict may show it, by regarding "labor" as inherently superior to other factors of production.

Perhaps the best illustration of the collectivist significance of "National Thinking," however, is the New Deal economist's usual assumption that schedules of individual demand-prices, or bids for goods, need not be considered in determining values and prices. This is shown by his practice of deciding upon economic policies, not by learning what people as individuals desire with sufficient intensity to be willing to buy at the market price; but either by finding out what a majority can be induced by political leadership to vote for, or by his own intuition as to what is good for them in the mass.

Whether or not the economist is conscious of all this, makes no difference. The fact is that his whole economic theory is based upon the assumption that most individual desires are not of primary importance, and that there are certain individuals who "know best." This assumption leads him to neglect individual "marginal utilities" or subjective valuations, and individual fatigues, sacrifices, or risks, so that he fails to consider them in analyzing markets and explaining how demand and supply are determined. Accordingly, the typical New Deal economist starts his theory with existing prices, or with some assumed prices, and makes demand and supply depend upon them. Apparently, he thinks he knows what the price should be. At least he knows no reason why it shouldn't be what he wishes. Consequently, he takes to war price-fixing as a duck takes to water.

What about the differences in individual tastes and capacities? The answer, **for the present,** is that the New Deal economist apparently is assuming that some more or less democratic process can be used to educate his fellow citizens, so that they will voluntarily support his policies. Perhaps he idealistically hopes that a little propaganda on the air, and the establishment of suitable "institutions," will bring unity through similarity. (Or is it government spending that he relies upon?) In any case, his economic theories deal with so-called "overall" conditions—with "the average man," "average revenue," and "average cost," as if our individual differences were already eliminated.

The time may come, however, when any attempt to eliminate or iron out differences among us individuals will be abandoned. Then the "leaders" might accept the different capacities of the citizens as the basis for permanent class distinctions, thus establishing some such coercive regimentation of the national society as has developed under the Nazi or Fascist regimes.

The New Deal economist's tendency to disregard individual desires as the basis of values and prices, and to regiment business concerns so that they can be dealt with as an average, is closely related to another paternalistic assumption—the assumption that something which he calls "the economy" should care for "the real needs" of the people. But what is "the economy"? What are "the real needs" of the people? In the New Deal Economics, an "economy" is simply a nation. It is the government. Thus economics and politics are inseparably mixed. And accordingly, since the New Deal economists are government economists, advising or even guiding the "leader," they tend to assume a responsibility, to say nothing of power and prescience, not usually associated with scientific thinking. It is as if their major premise were **L'etat c'est moi!**

As to the "real needs," these are the things which the government, according to the advice of economic counsel, decides are "good" for the people. These may not be the things which the people themselves want; but why worry about individual tastes or preferences, as long as "the economy" is providing!

Another offspring of "national thinking" is the doctrine that it makes no difference how big the public debt if it be floated among the nation's own citizens. The notion is that then "we owe it to ourselves," and that therefore we really do not have to pay it. This sort of reasoning is based on the assumption that the State as debtor, and its citizens as bondholding creditors, are the same. Either the nation and the people are considered to be identical, or else the nation is held to dominate the people. In any case, the people are considered either as one solid mass or as identical individual units represented by one average, and as subordinate to the whole which is the State. Differences among individuals, including those which make their bond holdings different, are ignored. The individual is lost in the nation.

2. In place of the concept of market demand, arising from the varied and changing desires of the individuals who are the people, the New Deal economist sets up an absolute test of what "the economy" should do. This test he declares in the second slogan, **"Full Employment,"** which expresses his opinion that the government should do anything required to put everybody to work. The idea suggests a family in which the sons are given "allowances," and, because of this, are incidentally compelled to do some chores around the place, so that everybody will "have something to do."

This theory is definitely based upon the Socialistic assumption that labor is just "a way of life," and that it need not be productive in the sense of making things that people want and are willing to pay for. Apparently, it is reasoned that a man must live, and that a living must be given to him regardless of what he produces; therefore, if he happens to be classed as a "laborer," he may be asisgned something to do, and the money given to him may be called wages.

A corollary, much stressed by the New Deal economist, is that any "willing worker" can be given "employment" by the government. This is associated with an assumption that "full employment" is one of the main aims of government. "Employment," however, is taken to mean almost any work "project," without regard to its productivity either in terms of efficiency or in terms of value of products. From this idea have come the attempts to justify such W. P. A. projects as were popularly known as "leaf raking" or "boondoggling," and a considerable part of the "public works" program.

As to the willingness of the worker, one may well ask, What if there be no demand for that which the particular worker wants to do? What about the unwilling workers?

That this whole idea has much in common with Socialism, is plainly shown by comparison with a recent Marxian Socialist pamphlet. Here it is proclaimed that "when labor is no longer the means to live, but is itself the first of vital needs; . . . the labor embodied in the laborers' products will then no longer manifest itself as the value of their products. In short, there will not be any wage to be regulated, because there will no longer be any wage-labor." This Socialist pamphlet goes on to attack the slogan, "A fair day's wage for a fair day's labor."

Such an attitude enables one better to understand a proclamation sometimes issued from New Deal quarters: If business can't find productive employment for a man, the government will put him on its payrolls.

But, if there be no valuable product, with what will the worker be paid according to his needs? Here comes one of the main New Deal economic doctrines. The government, it is argued, can create purchasing power, independently of the production of economic goods: in advance of production, it can create and spend a "national income" of billions of dollars so as to give full employment to all. An essential part of this idea, is the assumption that the national income is to be measured in money, not in goods; and when asked about the purchasing power of the money, or the cost of living, the New Deal economist assumes further that prices will not change. He thus tacitly commits himself to price control, although no way to control prices, short of complete collectivism, is known to him or to any economist.

Even on these assumptions, however, can the issuance of currency, and the spending, come before production? What is to insure that there will be goods available to buy of the desired sort and quantity? What is to make consumer goods available, if the government distributes the "created" currency among persons who are "employed" in merely digging non-revenue-yielding ditches and the like? The answer is that few public works can be eaten, worn, or lived in. Unless a large part of the "full employment" of the citizens be such as to result in the production of those scarce goods which they desire as individuals, there must eventually be want, no matter how much plenty at the start. Surely no one imagines that along with the foregoing theories we shall always have with us the rich, so that they may be "soaked"!

In order to evade this logical dificulty, one leading government economist argues that **business** does not produce goods except for sale; and that therefore buyers must exist first. He appears to think that this statement warrants **government** borrowing and spending. But, in the first place, even in business a buyer must have the means of paying, and in a business world most buyers first have to earn that by real production. (Nobody gives them currency for unsalable work.) In the second place, **business** produces only those goods which we individuals desire and are willing to work for. Only the making of such goods is called "production."

Karl Marx had a name for it—for all this concept of full employment, and related ideas: he called it "socially necessary labor time." If this phrase does not imply that all members of society should be kept busy doing things decided upon by some sort of dictator, what does it mean?

3. This question brings one to a pair of slogans which have played a great part in New Deal policies: **"Social Security"** and **"Social Planning."** These may be called the social-process slogans.

Underlying these slogans, is an idea that has appeared in much of the criticism of Capitalism, from the day of Proudhon, to these days of Gesell and Keynes. Probably it is the most-seriously-entertained theory of the New Deal Economics. It is the old idea that **private saving is bad.** Karl Marx called private saving for productive purposes "robbery." The typical New Deal economist does not go that far, but he does regard it as a social evil. The argument is that private saving leads to concentration of wealth, and to under-consumption or **oversaving,** which reduces the demand for goods, and thereby causes unemployment. Accordingly, it is claimed that the government must intervene, either to check private saving, or to "offset" it by public spending.

This claim seems to be based in part upon a mere assumption that "**public** saving" may be good, because it involves what Marx would have called a "social process." (One may well note, in passing, the inconsistency in assuming, first that private saving by a group of individuals is bad, and then that the "public saving" of the same individuals, forced by taxes or direct government control over consumption and production, will be good.) In part, the claim may rest upon the desire for the great centralization of political and financial power which comes to the paternalistic provider of "full employment." Be that as it may, the process of "public saving," whether for old age and unemployment "reserves," commodity credits, home loans, or "public works," is found to involve so much coercion and taxation of individuals that the politicians join its idealistic advocates in trying to gloss it over with the high-sounding and question-begging name of "Social Security."

Once the saving has occurred, however, in what way shall the savings be used? Shall government spending all go for "relief" first through the WPA and NYA, then through bonuses to the returning "boys" in the army? At once, the second of the two social-process slogans comes into play—"Social Planning." Starting with the idea that individuals should not do their own **saving,** the New Deal theorist goes on to argue that the government should attend to their **investments** for them. One result has been the SEC, the RFC, the HOLC, the TVA, and the PWA, all of which and others have stood for directing the investment of individual savings by the government. To paraphrase a statement often heard in New Deal quarters, "If the business man won't invest, the government will."

Thus some two years ago one of the leading New Deal economists assumed that the total annual sum of the savings of a nation is 40 billion dollars. He assumed these savings to be only partly "offset" by private spending of 30 billion dollars annually for capital goods, residences, consumer credit, and net imports. This lack of balance, he assumed, leaves an "offset" of 10 billion dollars a year to be supplied by government spending, which he claimed is necessary to prevent private oversaving. With inflation, these figures have grown larger, but the proportions and the

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conclusions drawn, remain the same.

It should be noted at once that in this statement such items as residences and consumer credit are mixed with capital goods, a treatment based upon the idea that there is no essential difference between (1) spending for investment in capital goods and (2) spending directly for consumption. Having begun by assuming that anything the government regards as useful is "production" and gives "employment," thus denying the importance of the test of exchange value, this economist seems to think that he is warranted in overlooking the peculiar significance of the means of production, or producers' goods, such as machinery and business inventories.

Accordingly, he attaches no importance to "investment" as a special process by means of which savings become embodied in the form of productive instruments that we call capital goods—machinery, plant, and equipment. Thus the "economy" is treated as just a matter of "saving" versus "spending," investment being regarded as merely that part of spending which goes into durable goods whether these are used in production or not.

This over-simplification rests upon the assumption that there is no doubt about the adequacy of production, and that supplies of both consumer goods and capital goods will somehow or other always be forthcoming. In theory, therefore, no problem of compensating individual producers for their costs, or of rewarding them for their specific productivities, has to be solved. Why worry about the time-preferences, or costs of saving and waiting, experienced by the individual saver or investor? Why bother with his risks? If more capital goods are to be produced—as is not contemplated in a "mature economy"—it should be by a "social process" of diverting more of the nation's labor force into employment in the so-called "durable goods"* industries. This involves complete social planning to correlate the total production and consumption.

As already observed, an unproductive "full employment" must, in the last analysis, be paid for in fiat currency. Just so, a "social planning" that undertakes to ignore the desires and aversions of individual producers and the psychological and technological problems of investment, must have recourse to such abstract, unreal assumptions as that capital is merely a sum of money. Then saving may be assumed to be all that is required, and the process of saving may be "socialized." When money (and the New Deal economist when he says "money" usually means "credit") is treated as the one great reality, everything in theory reduces to (1) spending and (2) not-spending, and **investment becomes a mere phase of spending.** Replacement is automatic; capital is permanent; interest shall be no more.

4. The fifth and last of the main slogans that reveal the theories of the New Deal economist, is **"The Mature Economy."** (The talk about a "war economy" merely replaces this temporarily.)

This blase notion has many angles. It crops out in the assumption that our times are very different from the pioneer days which have gone before. It is directly related to the contention that we no longer need any total net saving, and that the state should therefore "offset" private thrift by public spending, as if this were needed in the aged body politic in order to maintain artificial circulation. It leads to paternalism.

The theoretically important point in the mature-economy notion, however, is **the concept of a total value** that much resembles the position to which Marx retreated when his labor-cost theory of value collapsed. Marx attempted to explain that by value he meant not the value of anything in particular, but "total value,"—an unreal and meaningless concept. Just so, the New Deal economist attempts to set up a concept of total national income, and to assume that it equals the total or "overall" national production. This requires that the total income be all spent, or exchanged for all products, which, in turn, compels the thinker to assume that there is no net "saving"—a perfect equation of exchange.

With freedom, this "equation of exchange" in a mature economy can be made to seem plausible only when the assumption is made that the nation is "through growing and saving, and has settled down to a sort of stationary state or condition of profitless prosperity. This means a closed-system theory. But if the ideals of free individual enterprise and private saving are abandoned, the "mature economy" can be kept going only by government control over the equation of exchange. That means government spending, backed by a continuous government borrowing which is facilitated by the easy-money policy for reducing interest rates on government debt.

As already explained, this sort of thing leads the economist to shift from a consideration of real goods, real wages, and real income, to mere money measurements, a shift that enables him to conceal the true relation between production and consumption. Thus one finds a prominent New Deal economist talking of the "national income" in any given year as being the same as the sum of the prices of all goods produced in that year. But will the steel, automobiles, houses, coats, and locomotives produced in 1943 all be consumed or even shipped to consumers, in the same year? Even if they were, would there be any assurance that they would equal our real income as consumers? Really the **prices** of goods produced can not be taken to represent consumer income in any sense.

Under cover of this juggling with the elusive concept of a total national income in billions of dollars, the New Deal economist is enabled to slip in the assumption that the total sum of money spent by the government and its citizens in a year, is equal to the national income of that year. On this unreal assumption, and with the aid of mature-economy mirrors, he then shows that the sum of the prices of all the goods produced in a year is also equal to the annual spending, public and private. Thus he concludes that total spending equals total production. From there on, the moves are fast: production is said to depend upon spending, and the more the government spends, the larger the quantity of products available. One might suppose that neither saving nor waste ever occurs, and that people always get exactly "their money's worth."

The foregoing theory rests upon the mathematical technique of "the equation of exchange." The New Deal theorist merely puts "total spending" in the place of total currency multiplied by its velocity (MV + M'V' in the formula), and "national income" in the place of total goods multiplied by their prices (PT). Then he treats the two as identical. But the equation of exchange is an extremely theoretical formula, based upon unreal assumptions. Without explanation, it assumes the existence of given quantities of currency and goods. It throws little light upon the costs of producing goods, and none upon the desires of consumers for them. It recognizes no variation in the **quality** of money, and assumes that currency has an inherent value. Few economists now regard the formula as explaining value, or as being anything more than a truism, such as the statement that the quantity of goods sold equals the quantity of goods bought.

In much the same way, in his formula, national spending equals national income, the New Deal economist assumes that goods of all kinds, both consumer goods and capital goods, exist, and that their continued existence may be taken for granted. **In theory, the problems of compensating individuals for costs of producing goods are thus evaded.**

He then assumes that "money" and "credit" always have value, and that all money and credit currency in existence must be and are actually used in exchange for all goods. This involves assuming that individuals actually desire all the particular goods available for exchange in any given period, or at least that they actually buy them. If they do not—and prior to the recent war boom they were not doing so —"the government" spends and buys them for us, as for example it has bought and held millions of bales of cotton and thousands of homes.

In their writings, the Communistically-inclined among the New Dealers have become almost lyrical about the existence of abundant supplies of producers' goods — plant and equipment. They exclaim about "our" great productive capacity, saying that it assures plenty for all forever.* But it soon appears that what they mean is that Henry Ford has invested in a great bomber plant, and many other individuals have done similarly in other plants. The only way that "we" have these plants, is through the thrift and the enterprise of these many individuals; and the only way that "we" can count upon their continued productive use, is through a system of prices, wages, interest and profits, which will compensate individual laborers, investors, and enterprisers for their several costs, and reward them for using any superior abilities to the full. Neither the nation, nor society, nor a wishful "we," owns Ford's Willow Run plant, and can not unless the plant is either seized by the state, or is purchased and paid for in real money. And even then, the complex total of all the plants and equipment in the nation has to be replaced, added to, bettered, or scrapped, as the case may be. Which will be required will depend upon (1) the growth, decrease, or change in the demands of consumers, and (2) the development of the technique of production. Even the unreal assumption of a "mature economy," with plant and equipment all "socialized," does not provide for wear and tear, obsolescence, changes in demand, and changes in the relative importance of the several factors of production. For example, reserves for depreciation still have to be maintained, and as they accumulate may have to be shifted into some form of investment other than the original one.

Ford won't keep up his Willow Run plant long if it proves to be unprofitable. Why should "we"?

What the Socialist forgets is, first, that any existing plant and equipment originated in individual saving, investment, and enterprise; second, that in a living society there can be no **closed** economy in which change and risk are absent. Even a "mature economy" is alive.*

The foregoing scheme of an equation of exchange, maintained in a "mature economy" by government spending to "offset" private saving, may well bring to mind the case of an isolated farm family, which would also represent a "closed economy." In the first year of this family's pioneer settlement in a remote wilderness, it may be assumed that they have nothing to consume except what they produce; therefore production must come first. Furthermore, they either have no currency to spend; or, if they have brought some with them, it is now useless, since there is nothing to buy. Thus there can be no mysterious "creation of purchasing power," or spending to make family income; the only purchasing power is their productive energy, and the only income lies in the goods they consume.

Now suppose that the second year finds a growing family. One's first thought is likely to be that the group starts the new year with some surplus resulting from saving. But what if the **pater familias** believes that individual saving is bad, and goes on the theory that everything that is produced is income? Then he will have prohibited all saving. There would be no "savings." The family would be where it started.

Or suppose that the father gets the anti-saving notion during the first year, and applies it only in the second. In this case, what happens in the first year is that some of the older boys have seed and livestock, and invest overtime work in tools, hoping to start

*It seems quite possible that the unfortunate emphasis of the distinction between "durable" and other goods has served as a red herring unwittingly drawn by conservative economists across the trail of those who seek to destroy private property in capital goods.

*Chase, S., "Economy of Abundance," in *This Is My Best*, edited by Whit Burnett, 1942, p. 1070.

*While Socialists such as Chase are prone to go to the other extreme from the managed-currency and equation-of-exchange economists of the Keynes brand, and to eliminate money from their schemes, the apparent difference is insignificant; for, after all, a "managed currency" means fiat, and affords no standard of value. Both approaches require a managed economy which can be thought of as working only in the closed system of a "mature economy."

farms of their own. Then in the second year "the old man" steps in and seizes their savings under the guise of a tax. He makes all share equally, constantly saying: "The family income equals the family production."

As to the "spending" idea, the father may estimate the labor-time required to produce the seed and tools, and issue labor-time tickets to the sons whose savings he has expropriated. Or he may just give them non-interest-bearing notes. Whatever the currency, it adds nothing to the wealth or real income of the family. If the brothers who receive the currency can use it to induce others to work for them, they may "retire"; but this would mean a smaller total production, and the quantity of goods available as real income would have no direct relation to the amount of currency floated among the members of the family.

Now how much better off are the members of this family? One result of the foregoing policy is that some of the weaker children get the idea that they can live on the savings taken from their big brothers, and they do less productive work. Another result is that, with the knowledge that more seed and tools exist, desires expand, and the family thus comes to consider the larger supply of capital goods as necessary, so that the process of saving and investing must be repeated and continued. Of course, the thrifty sons who did the saving and investing, if they stick by the family, are likely to be deprived of hope, so that they do less work than before. As a result, it is even possible that the total production of the family may fall below the level of the first year.

The gist of all the foregoing analysis of the theories of the typical New Deal economists is that they base their thought upon an extensive set of unreal assumptions which could seem plausible only in a period of depression. Since their theory, running in terms of credit currency, neglects real costs and individual differences, it is readily adopted by a government which, under the guise of extremely idealistic reforms, seeks through spending to gain control over the economic life of the nation.

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

"Allied Military Currencies"

(Continued from page 1405)

Treasury to be somewhat more judicious with respect to what might be a safe and appropriate legend on a money subject, partly because of its fiat nature, to so many uncertainties in the future.

If the view be correct that Congress is the only governmental body in this country which has Constitutional power to authorize the issuance of currency by the Treasury, then the acts of the Treasury, in withholding from Congress all knowledge of this program of printing and issuing this new paper money, and in not seeking and obtaining from Congress authorization for its issuance, would seem to raise questions of the gravest import both to Congress and the American people.

Reference to the joint statement of the Treasury-War Department appeared in our issue of August 12, page 603; other references in the matter will be found in these columns August 5, page 516; August 12, page 604 and August 19, page 711.

Military Alliance Does Not Mean Peaceful World: Landon

(Continued from first page)

vital post-war world problems "prepares the seed bed for the next war—force or no international force." Mr. Landon asked this question: Which is the worse—keeping still and misleading our allies as to the real sentiment in America, or speaking out in the hope that the world will realize that American public opinion will not in the end support the global programs of the "spenders"?

Mr. Landon's address, entitled "Speak Up America," follows:

It is now time for plain talk in view of the obvious attempt to present to the American people an alliance with Great Britain as an accomplished fact. Also considering that the President's message to Congress is tantamount to suggesting a blank check for his future handling of foreign affairs.

The American people know what they want, but are not sure of the best way to get it.

We are all one in fighting the war. Outside of a little fringe of extreme internationalist and extreme isolationist, the bulk of us are trying to make it plain that we are prepared to do our part and more in helping maintain peace in the post-war world.

Most Americans are willing to do that, but only if the post-war world we are asked to guarantee collaborates with us in helping remove the seeds of another war.

Unlike our Vice President I reject, with considerable feeling, the idea that America is most likely to do any "double crossing."

Now is the time to make sure of our basic principles in post-war international policies. There never has been and never will be any integrity in power politics.

By making a military alliance, however temporary, with one country, America abandons her traditional impartial role of peace-maker and becomes a partner in the imperialism of Great Britain. Before doing that we have a right to know what Britain's future plans are beyond the fact that she "intends to hold her own."

We want to work with Russia and Great Britain.

What is more important we must work with them. But also it is just as vital to them—if not more so—that they work with us.

We should use our admitted power and influence to restrain imperialism. But how can we talk to Russia about the rights of small nations while we are talking about a partnership with imperialistic Britain?

If the British-American Alliance were to continue "for a good many years" as Churchill suggests, how are you going to unscramble the eggs when, if ever, it ends?

We should push the permanent settlement of the Jewish problem. It is not a Jewish problem alone. It is not one for Britain alone. It is a world problem in building the foundation for a lasting peace.

We should uphold the rights of China. It is not a simple question between the Chinese and the British, but a question of removing the dragon's teeth of another war.

How India's longing for self-government is met will be evidence to all the world of the effective sincerity of the Atlantic Charter.

We must insist on "open covenants openly arrived at" regarding the whole colonial question with Holland and Great Britain.

We must support the rebuilding of a powerful France. Before we underwrite the British Empire "as is," we must know more about the British plans for a fair and reasonable settlement regarding the future of the native populations—not only in the British Empire—but others that she may be seeking to acquire.

If we are to help establish a peaceful world, colonies must not be mandated to one nation, but a committee of nations, and that committee should consist not simply of the great powers alone. Small nations such as Sweden should be a part of it.

In other words, no military alliance with one country simply maintaining the colonial status quo means a peaceful world. It must be fair, just, and mutually beneficial to Asiatics, Slavs, Latins, Jews, and Teutons, if you please, as well as Anglo-Saxons.

If it isn't that, we will never do away with war very long.

There are conclusive signs that China and Britain and Russia do not see alike on highly important post-war questions.

Stalin is giving rather conclusive signs that Russia is going its own way.

I believe that now is the time for America to be hard-headed, realistic, fair and plain spoken if a lasting peace is to be established.

But our efforts are being weakened both at home and abroad by the President's mismanagement of our foreign affairs and by the hallelujah policy that America will clothe, feed, educate, and rebuild the world.

Any administration with a record so unsympathetic to democratic processes and customs as Mr. Roosevelt's has been in domestic affairs must not be trusted with any more blank checks either at home or in foreign policies.

Mr. Roosevelt has a long record of irregular governmental short cuts. He has attempted to eliminate Congress from its constitutional place in our Government. Time and time again the President has either ignored the clear mandate of our legislative branch, or expanded legislation beyond the manifest intent of Congress. He has subsequently ignored his own statements or the statements of his representatives to the Congress and to the country at the time the legislation was being debated.

In view of Candidate Roosevelt's record, hailed by neurotic liberals as the acme of responsible statesmanship—in view of Mr. Churchill's suggestions for a common citizenship, which certainly implies generations rather than years—in view of the Treasury's plan which surrenders America's financial post-war leadership to Great Britain—in view of the universal bewilderment regarding the administration's foreign policy—in view of all these facts, I fear the mind of the American people is being "conditioned" as the bureaucratic New Dealers cynically put it—for the old-fashioned balance of power alliance that will hang like a millstone around the neck of generations yet unborn.

In further reply to the President's hint for another blank check let us take a brief look again at the record. We have had the B. E. W., the O. W. I., the O. F. R. and R., the Lease-Lend, etc., etc., all carrying on a bitter political fight behind the battle front. We have the President carrying on important conversations, if not actually making agreements without the knowledge of our Secretary of State.

When the State Department should be running the whole show, we have had the leftist-rightist fight going on behind the battle front. I hope the recent reorganization of conflicting agencies will clear up the confusion. But our past experiences with the many reorganizations so characteristic of this administration does not warrant our confidence in beneficial results. Politics between the New Deal bureaucrats has not ended at the water's edge.

Who speaks for America? This babble of voices is making us a laughing stock before the world.

Thank God, regardless of all the administration's bureaucrats' confusion and bickering behind the battle front, we have the Army and Navy doing America's job on the battle front, and doing it magnificently.

The mad world we are living in calls for sound planning and commonsense thinking similar to that our forefathers used building this great nation.

When the American taxpayer realizes that the world expects lease-lend to be continued for years after the longed-for peace comes, he is likely to put his hands in his pockets and walk off from a lot of world chores that could and should be done—especially so when he realizes that lease-lend means an outright gift.

The British are confidently counting on our newly built merchant marine ships being shared with them on a lease-lend basis. They also expect that we will make agreements with them sharing world trade and world business on a cartel basis.

Now if anyone raises these skeletons of European empires or American post-war donations at the feast of post-war planning a few may accuse him of playing Hitler's game of dividing our victorious war coalition.

But no one can rightly claim that the hush-hush policy is clearing the atmosphere of distrust between Russia, Britain, China, and America. Furthermore the administration's evident approval of the post-war British-American military alliance forces the discussion of empires and donations.

Which is the worse—keeping still and misleading our allies as to the real sentiment in America, or speaking out in the hope that the world will realize that American public opinion will not in the end support the global programs of the "spenders"?

We must not allow the "spenders" to give away everything around the home place or do us the injustice of giving the impression that we will stand for a permanent policy of "give away."

Recently a member speaking in the English Parliament voiced his alarm—and rightly so—that England might not be so fortunate as to have Roosevelt and Wallace to

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Effect Of Stored Up Purchasing Power On Our Post-War Economy

(Continued from first page)

point, for the war is not over and there will be changes.

The approach to an approximation of post-war demand for goods is from two directions. One—what is the accumulated deficiency of goods and services; two—how much money is available to purchase them? These may produce two very different results.

The answer to the first—the accumulated demand—was given by Prof. Schlichter last Fall in the Harvard Business Review. I commend it to you as a most excellent contribution on a very complex subject.

As to accumulated funds, there are no really good summaries. We know that currency in circulation is up some $11,000,000,000 or $12,000,000,000 since the war in Europe started. Considering the small fluctuations of the amount of currency over many pre-war years, this is a very significant increase.

Bank deposits have increased in the past four years by $30,000,000,000. Savings banks have very little of this increase. While there are no actual figures available, a fair estimate would place at least 75% of this increase in commercial accounts, leaving only 25% to individual accounts. Commercial accounts are swollen by large requirements for working capital to carry on the enormous war program of production. Then there has been some construction for war demands with corporation funds, and this bears accelerated depreciation, which funds must be conserved until construction materials and labor is released for rehabilitation. There may be unusual cases of liquidated inventory, but on balance it is questionable if this contributes greatly to bank deposits. One thing certain, there has been little or no profit finding its way to the bank accounts of corporations.

As to the increase in individual accounts, more data as to its whereabouts would be informative. Part may be due to saving for tax payments. I suspect a larger part is in banks in centers of active employment and in agricultural districts, particularly the latter.

War bonds are essentially demand obligations. There are up to the present third loan some $116,000,000,000 outstanding. The Government, insurance companies, and banks hold more than 70% of them; corporations and individuals somewhat less than 30%. About 30% of all issued are under 1-year maturity, and the corporate and individual holdings amount to nearly 40% of the short term issues.

Just over 40% of the total issue mature in 1 to 10 years, the distribution being the same for the two classes of holders. Of the maturities over 10 years, both classes of holders seem to have the same percentage preference.

One can reason from the above rather incomplete figures on distribution, that corporations and individuals hold approximately $33,000,000,000 of these bonds, and of this, the E savings bonds seem to be around $12,000,000,000 up to the third issue drive. Some part of the $10,000,000,000 to $12,000,000,000 of 1-10-year maturity are also held by individuals, but probably not over half.

Finally there is the question of consumer credit. This has been as high as $10,000,000,000, but now is below $5,000,000,000 and falling very rapidly. Will it be restored to pre-war level or even above? I think this credit institution is with us to stay and will be revived as soon as suitable goods come on the market. It should be included in our totals.

I know these figures are not precise but they do indicate that there are savings and potential credit in the hands of individuals of at least $35,000,000,000 or $40,000,000,000 and growing rapidly. Who has it? Who will control the spending?

Agriculture has been an enormous beneficiary of this cockeyed economic program of ours. Farm cash incomes in the boom pre-depression years totaled $10,000,000,000 gross and possibly $2,000,000,000 net. In 1940 the farm net after all expenses was over $5,000,000,000; in 1941, $7,500,000,000; in 1942 this net had increased to $11,000,000,000; the net for 1943 is estimated at $14,000,000,000. That is, the farmer in four years has had a net income of nearly $40,000,000,000. His long term debt was $6,500,000,000, and he has shown no attempt to date of accelerating its reduction.

This net of the farm is greater than the minimum total above, but that is due to not including some farm net with the business groups, for many agricultural projects really belong there.

Very little of these increased accumulations reside in the upper income tax group. At the time of the last tax argument in Congress it was well demonstrated that if all incomes above $10,000 were confiscated the Government would receive a relatively small fraction of its needs. We know that the tax laws bear heavily on these upper bracket incomes—also on the white collar class. I have no figures on what portion of this accumulated savings belongs to these classes, but would guess that less than $2,000,000,000 would cover these upper brackets and white collar surpluses. Their incomes have been taxed to where nothing is left after living costs are met, and the future looks even worse.

Second only to agriculture is the wage-earner. Here again we have no good statistics.

Certainly the take home of the family unit is double what it has ever been in the past. We who operate know how much our labor cost per unit of production has increased, despite the phony method of presentation of statistics by the War Labor Board. Theirs is probably the most horrible example of distorted presentation of simple fact to which an intelligent public has ever been subjected. The total wage payments divided by the much disputed number of wage-earners gives a rather crude figure, but it indicates that wage-earners are accumulating from $10,000,000,000 to $20,000,000,000 a year over and above official costs of living. Which all sums up to the fact that there is ample qualitative indications that agriculture and labor hold very much the lion's share of these accumulated savings of individuals.

The questions that interest us all is how much of this money will be spent and what will it be spent for?

At the present time there is a conflict between two schools of thought. One of them is that post-war spending will be reckless. The pent-up desire for goods will be so great that people will buy recklessly and irrespective of real needs. The other school feels that spending will be on a most conservative basis, and that there will be a wave of economy and that only the most pressing needs will be filled. Up until a few months ago the pattern which the individual adopted was that set by the Government, and everyone is familiar with the reckless abandon with which the Government has distributed money. It was natural to assume that people would be most likely to follow this pattern. But Congress went home, and as far as a poll can establish, economy now is coming only to reform of certain Government bureaus in the minds of the public. If we should have real economy emanating from Congress there is no doubt but that this will be reflected in the habits of the people.

Then again the seriousness of plant conversion and its effect on their immediate future is troubling the workers. This too will lead to a more prudent expenditure of savings, even to the possible point of hoarding.

Undoubtedly some median between these extremes will be adopted, and it is not at all safe to assume that most of the war bonds will be cashed for spending money. With the more settled future some of the cash circulating money is very likely to find its way to the banks, where it may stay for some little time.

Taxes will have a great influence upon the spending of these savings. A new tax bill is in the making. It is pretty evident that greater weight is going to be placed upon excise taxes, possibly even a sales tax. These taxes are going to fall chiefly, though unfairly, upon manufactured goods. This will deter buying.

This future tax program will have weighty influence in several directions. Political expediency is going to lighten the burden on the wage-earner. It never has touched the farm income. The theory that the income tax is a natural—the ability to pay—is going to receive a serious shock if politics is the guiding motive in the near future.

One of our highest tax officials tells us that national taxes must be at a rate of $20,000,000,000 a year for 10 years. Add State and local taxes and this becomes $30,000,000,000. There is some percentage of national income beyond which taxes destroy. Applied to any such tax take as this, one sees the necessity of a national income far above any possible ability to produce; that means only one thing—inflated prices and costs, to establish the arithmetic equilibrium.

While the conversion of the national economy is in the making income tax yields will fall and excise taxes will rise. We thus get into a very complex economic disequilibrium, all through political and unsound approach to the solution of the problem of carrying the national debt.

Our past history following four major wars, records that our tax authority mentioned above was following precedent very closely. After these wars, taxes did rise 2½ and 3 times the pre-war level and stayed there. This $30,000,000,000 of taxes falls within those ratios. But history also tells us that prices were also up 2-3 times pre-war and stayed up for a number of years, coming down slowly only as industry could adjust itself and resume its normal course of improving efficiencies. All of which seems to indicate to me that people will conserve their savings and not go on a spending spree.

We are all interested in this post-war price level. When the Government borrows from the banks and creates deposit credits, another word for paper currency to most of us, this normally resolves into a rise of prices—monetary inflation if you will. Controls can be thrown around price rises—they can be restrained as it were temporarily—but they cannot be stopped dead so long as this paper money is being created.

Now most people think that inflation is characterized by what occurred in Germany in 1919-1923. This was a hyper-inflation, and such will not occur here for many reasons. But there are lesser degrees, and they too can cause dislocation.

Hogs at $15 per hundred is much above the average that prevailed in the 1920 to 1930 decade, many times the average of the next decade. Before the Government started borrowing in 1930 the widow could buy an annual income of $50 with $1,000 of capital funds; now it takes $2,000 to buy that same income from equally sound securities. There are plenty of like examples—everything is increasing—wages, for I have heard of no reductions coming from the Labor Board; goods—price control seems to op-

The 'Road Ahead' In Distribution

(Continued from page 1398)

post-war years will be to keep the road ahead from going too steeply upward," Dr. Dewhurst explained that the government alone cannot be expected to solve it but "that business, and particularly the distribution system, will have to assume a large share of the responsibility for avoiding an explosive boom and thus ensuring a long period of healthy activity."

He warned that "the chief threat to private enterprise does not come from its open and vocal opponents, but from some of its most devout adherents." "Most of all," he said, "it comes from those who, when they are hard pressed in the competitive battle, seek to enlist the government as their ally in the struggle with their competitors. It is these groups, not the soap-box orators, who, though wholly unintentionally, constitute the real threat to the competitive system, for in the long run unless free competition is allowed to be really free and to play its role, government regulation will have to take its place."

Dr. Dewhurst predicted a post-war "revolution" in the field of distribution, pointing out that trends "in the direction of more efficient distribution and lower costs which were already evident before the war have been accentuated by war necessities."

His address follows:

One of the most interesting and significant differences between this World War and the war that ended just 25 years ago is the fact that an organization like the Federal Wholesale Druggists' Association is holding a series of conferences on the "Road Ahead" while the war is still going on. The very title of these conferences is proof of the fact that almost everyone expects the Road Ahead to be a different road than the one we were travelling when the war broke out and that the post-war world will be a different world than the pre-war world.

At the corresponding period in the last World War—say the spring of 1918—it is safe to say that hardly anyone expected the war to bring profound internal changes in our domestic economy and ways of doing business. The war was regarded as merely a brief and unpleasant interruption to our normal life. The important thing then was to get the disagreeable business over with as soon as possible and to get back home, back to life as usual, to business as usual, "back to normalcy."

Of course we did not get back to normalcy after the last war ended. After a few months of hesitation we entered a short-lived boom during which inventories rose, and prices sky-rocketed faster and farther than at any time during the war itself. Then we took a nose-dive into the 1921 depression, and about the time we concluded that that depression was going to last for years and years we emerged from it into the longest period of uninterrupted prosperity and full employment in the history of the country.

It is hard to realize now how much we accomplished during that decade—just through the free play of free enterprise. We expanded and modernized our productive plant and equipment and brought the benefits and economies of mass production to our entire population. When the war ended we were still literally in the mud road and horse-and-buggy era. By the end of the post-war decade the horse had become almost a curiosity; we had hard-surfaced our highways and supplied the majority of American families with their own automobiles. The radio was a mechanical toy in 1920; by 1930 it had become a household necessity. Prohibition closed the saloons, but we opened up movie houses and chain stores in almost every city and village in the country.

Through it all we held prices and the cost of living steady—not through government price controls, but through the free play of competition. At the same time we raised wage rates steadily and substantially, while hours of labor were progressively shortened. Nobody talked about "full employment" then, because we had full employment, except for a short period in the 1921 depression.

But the prosperity of the 20's did not last forever, and about the time we had convinced ourselves that it was going to last forever, it ended with the sickening slide into the long depression of the 30's. Recovery turned out to be not "just around the corner," or at least the corner was a long ways off, for we did not get back to the full employment level of the 1920's until after Pearl Harbor. And now, 25 years after the "war to end war" came to an end, we are two years deep in a second World War whose costs and effects on our economy promise to be vastly greater than those of the first World War.

That was the "Road Ahead" in 1918, but it is safe to say that anyone who had predicted it then would have been regarded as a lunatic and a menace to society. In fact, all we can be sure of is that anyone who attempts to play the role of soothsayer about the future is bound to be wrong—certainly in details and quite possibly in the main outlines of his prediction.

One reason for this difficulty is that the road ahead is never a single road, fatalistically mapped out for us, and which we are compelled to travel whether we want to or not. Actually we always face a choice of directions and we choose our route as we go along, although often without being aware that we are making a choice.

What are the possible directions of the "road ahead" for American business and distribution as we try to look beyond the year 1943—not through the next 25 years, but say from the time we win the war until the end of the present decade? Will it lead steeply upward into a dangerous speculative spree and an uncontrolled inflationary price spiral, to be followed by a disastrous collapse? Or will it lead directly downhill into the depths of the 1930's, with its accompaniment of depression and unemployment and public relief and government spending? Or can we avoid both of these extremes and bring about a reasonably smooth transition during the years immediately after the war?

Trying to answer these questions involves making certain assumptions which may turn out to be wide of the mark. One assumption which seems reasonable to me is that the war will continue at least for another year, but not beyond the end of 1945, with Germany defeated sometime in 1944, and Japan's defeat coming a year later. Another assumption is that rationing and price controls will continue to be reasonably effective during the remainder of the war, with further price increases held to a slower rate than those occurring thus far. If these assumptions are not too far from the truth it seems reasonable to expect that we shall reach a peak—or rather a plateau—in the war effort next year, with total employment, counting those in the armed forces, of nearly 65,000,000, or 10,000,000 more than the normal working force.

With such an abnormally high-employment level extending over the next year or two and with the resultant large volume of individual earnings, on the one hand, and with growing shortages of civilian goods and reasonably effective price controls, on the other, we can expect a still more rapid accumulation of liquid spendable funds in the hands of consumers than has occurred during the past three years. A recent report of the Securities and Exchange Commission shows that liquid savings of individuals, in the form of currency and bank deposits, savings and insurance, government bond purchases, etc., rose from $4,000,000,000 in 1940 to $10,000,000,000 in 1941, and to $29,000,000,000 in 1942, with the rate for the present year running to more than $36,000,000,000. Thus, if we assume the 1940 volume as normal, individuals will by the end of 1943 have accumulated **surplus purchasing power** of well over $60,000,000,000. By the end of the war even with a further increase in taxes it is reasonable to expect that the total **surplus funds** in hands of individuals may be twice as large, or as much as $120,000,000,000. That would mean that the average family will have available at the end of the war

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erate only one way quality included, except for the odd political gesture at intervals, and it is only a gesture if closely examined.

Therefore, there will be higher prices ahead—possibly if controls are not wisely released, much too high. In other words this will discount the purchasing value of these savings to a marked degree. They may not buy so much.

This may affect further costs of production indirectly, as so many units less will be demanded. That is one reason why the high post-war level stays up so long.

I might sum up in a few words. There is a very considerable stock of money and potential credit in the hands of our people, mostly because goods are not now available; partly because people are not in a situation where they would desire to buy until geographical redistribution of our workers, following the closing down of the war plants, has taken place. A prudent judgment, that there may be some difficult times ahead and it would be well to conserve for the rainy day, will govern.

We face taxes or taxation of about 2½ to 3 times our pre-war levels, and may have to change our base of taxation to throw more weight on sales and excise taxes. This will tend to discourage spending in the post-war period. There will undoubtedly be the slow pressure of natural economic forces at work tending to increase prices commensurate with the vast stocks of money created by Government borrowing from banks. We have experienced these inflationary price rises following our past wars and this will be no exception. It is not unlikely that we will reach about the same price levels as produced by the Civil War and World War I. This will temporarily restrict the units of volume of goods sold.

On the other side some of this purchasing power will rest with corporations who will spend for rehabilitation. I do not believe this will be as great as many people think, and it, of course, will be of rather individualistic character.

The great bulk of stored up purchasing power will lie with agriculture and with the wage-earner, and such as is spent will be for the goods which these groups are naturally accustomed to buy. To a considerable extent, these will be replacements for worn out agricultural and household implements, and transportation units of the lower priced categories. I am not too optimistic that they will spread far beyond these so-called necessities to any marked extent until some settled pattern of post-war economy has established itself. I believe industry will be well able to cope with the demands without undue dislocation of the economy, if wise removal of present controls govern.

Our future lies more than ever before on the elimination of political expediency as the directing and controlling motive of government, and a return to the wise principles set up by the Founding Fathers in this pioneer experiment in democratic governmnets.

Canadian Securities

By BRUCE WILLIAMS

In following the current Brazilian debt negotiations it is highly illuminating to contrast Canada's debt record with that of the Latin American countries in general. The Dominion of Canada, despite all vicissitudes, has always met promptly when due the full face amount of principal and interest on both its direct and guaranteed obligations. This is in marked contrast to the debt situation of some of our southern neighbors.

It is remarkable, however, although Canada's growing prominence in world affairs has resulted to some degree in increased interest in Canadian securities in this country, that such interest is not more widely spread; this state of comparative apathy is especially noticeable in the case of the banking community, which, it is logical to suppose, should be as well-posted as any on such an outstanding situation.

With regard to the market during the past week, there was a certain increase in activity, and the firm undertone which developed recently, persisted to such a degree, that despite the clouding influence of the War Loan drive, certain sections of the markets registered higher prices. Direct Dominions were practically unchanged but Nationals were definitely better. The 4½s of 1957 were 117⅛ bid as against their recent low point of 116⅞ offered. Ontarios and Quebecs were in demand but trading was restricted by scarcity of supply. Moderate activity continued in Nova Scotias, and the long term bonds were quoted on 3.30% yield basis. The market supply of New Brunswicks was absorbed, but with the demand unsatisfied, the long bonds improved from a 3.75% offered to a 3.70% basis bid; there is little doubt that the exaggerated differential between the bonds of this province and those of Nova Scotia will narrow still further. British Columbias were steady with prices unchanged.

The financial results for the past fiscal year of the Province of Manitoba which were announced during the week gave further evidence that the excellent financial record of this province for the past few years is being well maintained. A record surplus was shown of $2,182,097.15, and a further debt reduction of $1,337,706.06 was made. In the three year period ending April 30, 1943, the Provincial Government paid off debt to the amount of $7,071,261.86. It was also stated that further reductions in Provincial debt would be made in the present fiscal year.

Market quotations of Manitoba bonds have reflected to some degree the steady improvement in this situation, but it would appear that there is scope for further movement in this direction, and there is every reason to believe that the longer term bonds which yield 4% will be readily absorbed in the near future. A recent factor which should have a favorable bearing on the situations of the prairie provinces generally is the increase in price from 90 cents to $1.25 per bushel paid to the Canadian farmers for wheat. Saskatchewans, however, were inactive and unchanged, but there was an increased turnover in Albertas and it would seem that the bonds of this province have reached a resistance level after their recent decline.

Internal bonds were slightly weaker as anticipated, and as previously mentioned, it should be possible to make attractive purchases until the special supply of free exchange resulting from Dominion bonds called for payment Oct. 15 is absorbed. It is then to be foreseen that the free rate will again improve to the point where the Foreign Exchange Control Board will be called upon once more to supply exchange.

Canada's Fifth Victory Loan drive will open Oct. 18 with a minimum objective of $1,200,000,000 and the offering will include a 3% 15-year bond and a short term 3½-year 1¾% issue. It is still thought that the offerings of external bonds in connection with the drive will not be large and on their anticipated ready absorption the market generally should definitely improve.

The 'Road Ahead' In Distribution

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surplus funds equal to the total amount it would normally spend for consumer's goods over the period of a year to a year and a half. This accumulation of "hot money" in the hands of consumers is something wholly unprecedented in our economic history. Paralleled as it is by a pent-up demand for goods unobtainable during the war, it is one of the most potent influences for good or evil during the immediate post-war years. If this surplus purchasing power pours suddenly into a market denuded of goods and unrestricted by price or rationing controls, it could easily dissipate itself in a disastrous inflationary boom followed by an equally disastrous collapse. But if producers and distributors are able and willing to hold down their costs and keep prices within reasonable bounds, and if industry can reconvert promptly to the production of civilian goods, the more gradual spending of this vast sum could ensure a high level of prosperity over a period of several years.

There are some who contend, of course, that consumers will hold on to their money when the war ends, that their fear of depression and unemployment will offset the pressure of accumulated purchasing power and deferred demand for goods which were unavailable during the war. This is a possibility that cannot be overlooked, but my own opinion is that the chief problem of the immediate post-war years will be to keep the road ahead from going too steeply upward. This is a problem which government alone cannot be expected to solve, for it goes without saying that there will be no great popular enthusiasm for, or cooperation in, the retention of price and rationing controls after the war ends. This means that business, and particularly the distribution system, will have to assume a large share of the responsibility for avoiding an explosive boom and thus ensuring a long period of healthy activity.

Another question that is easier to ask than to answer about the road ahead is whether it will turn, or move further, toward the left, or veer toward the right, or maintain a middle course. By "left," I mean, for want of a better word, in the direction of a greater degree of government regulation, control and regimentation, and by "right," toward greater freedom for private enterprise and a greater reliance on free competition and the profit system. Here again it seems to me there is no inexorable and inevitable route that we **must** travel, but rather a choice of directions among which we can choose.

Consciously there can be no question about the route we would choose. American businessmen would be unanimous, and American consumers almost equally so, in preferring our own system, which relies primarily on free enterprise and the profit motive, to one which is based on government planning and regulation.

The best evidence of the superiority of our own system of democracy and free enterprise is that in three short years, starting from scratch, we have already achieved an industrial potential which surpasses the combined strength of the Axis powers. Only a microscopic—though a highly vocal—minority of American public opinion openly advocates a departure from a system which, whatever its defects, has proved its worth in a century and a half of American progress.

The chief threat to private enterprise does not come from its open and vocal opponents, but from some of its most devout adherents. It comes from those who accept the profit system, but who fail to recognize that the profit system is really a profit-and-loss system, and that the losses are just as necessary to its vigorous functioning as the profits.

It comes from those who believe in competition so long as they are doing the competing, but who don't like the other fellow's competition. It comes from those who want to eat their cake of profits, and have their cake of security and protection against losses.

Most of all it comes from those who, when they are hard pressed in the competitive battle, seek to enlist the government as their ally in the struggle with their competitors. It is these groups—not the soap-box orators—who, though wholly unintentionally, constitute the real threat to the competitive system, for in the long run unless free competition is allowed to be really free and to play its role, government regulation will have to take its place.

The field of distribution, in which competition has waxed furiously during recent years, offers plenty of examples of what seems to me a dangerous tendency on the part of certain groups of competitors to seek government aid in the competitive struggle.

The attack on the chain stores which led to the passage of heavy and discriminatory taxes in a majority of the states of the Union is one conspicuous illustration. The great variety of state laws taxing and restricting the free movement of goods between the states provides another. Much of the state legislation forbidding sales below cost and the state and Federal legislation permitting resale price maintenance seem to me to be leading inevitably away from free competition and in the direction of ultimate government intervention and regulation. This is not to say that the competitive system or any other economic system can possibly function without a considerable measure of government regulation. Government vigilance is necessary for instance to enforce competition and prevent monopoly, to protect the consumer with such measures as pure food and drug laws, to enforce contracts, to prevent unethical and discriminatory practices and for many other purposes.

But government aid merely for the purpose of protecting high-cost distributors and traditional methods against the threat of newer and better and more economical methods—whether chain stores, mail order, self-service, or super-markets—seems to me contrary to the best interests of consumers and to the long-run interests of the very groups it seeks to aid, as well as to the private enterprise system as a whole. It is the quickest way to convert our free competitive system into a system of government regimentation. It is choosing the road ahead that turns to the left rather than the one that veers toward the right.

The choice we make will be of special pertinence in the immediate post-war period, because the necessities of war have thrown the distributive system into a state of flux. Many distributors have been forced out of business as entire lines of goods have disappeared from the market. Traditional types of outlets have "invaded" the territory of other trades and taken on new lines of goods in the effort to maintain volume. Man power and material shortages have brought the long-overdue elimination of many costly services and the adoption of economies in the form of reduced deliveries, simplification of billing systems, standardization of credit terms, adoption of the principle of minimum orders. In the retail field the consumer has learned to do without or perform for himself many of the costly services he formerly expected from the retail dealer. Self-service has become increasingly popular and has been extended to many new lines of goods. The customer has found out that it is often not only cheaper, but also easier and more agreeable, to help himself than to submit to the excessive solicitude of the sales clerk.

Many of these war measures are temporary inconveniences which will disappear as soon as the war ends. It would be foolish to contend that the wartime pattern of distribution will carry over unchanged into the peace. But it would be equally foolish to contend that when peace comes we shall or should return to the exact pre-war pattern.

The last war brought far-reaching and beneficial changes in manufacturing methods. Mass-production and assembly line methods which received their great impetus during the war spread rapidly throughout American industry in the post-war years, bringing lower prices and higher consumption to consumers, higher profits to business, and larger earnings to labor. The stage is set for a similar revolution in the field of distribution, and the trends pointing in the direction of more efficient distribution and lower costs which were already evident before the war have been accentuated by war necessities. A few years before the war a study made by the Twentieth Century Fund showed that 59 cents of the consumer's dollar went to pay the costs of distributing goods, as compared with only 41 cents for producing them. Although statistics are not available to prove the point, I am sure that a study made at the present time would show an appreciable lessening in the ratio of distribution costs to production costs. If these trends are permitted and encouraged to carry forward into the post-war period, the results may be temporarily painful to some groups of distributors, but in the long run they will be to the common advantage of consumers and the distribution system as a whole.

Military Alliance Not Peace Guarantee

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deal with after the next election in "divying" up our merchant marine. Therefore this member of Parliament urged that the "divying" up should be done immediately.

If the world is planning for us to be its post-war sugar daddy with lease-lend, W. P. A., Relief and Rehabilitation, etc. etc., it is evident that America is likely to turn in revolt not only on the hallelujah program, but along with it, on the program highly necessary on the whole of reasonable world collaboration and cooperation.

Do we want a part in creating another war a generation hence by hush-hushing these unpalatable questions I have been talking about?

Especially are we concerned when it is proposed that we become a partner with a highly imperialistic nation. It is a tragic "mistake not to face the difficulties, as they actually exist and try to work something out on a practical basis."

Britain's, and also Russia's, intentions toward China, India, North Africa, Poland, Palestine, France, are vital questions that must be settled in fairness and justice before there is any hope of any international cooperation succeeding permanently in establishing peace—especially by way of the proposed military alliance with one country.

The failure to meet these highly important and inflammatory questions prepares the seed bed for the next war—force or no international force.

We must help rebuild a world worthy of our sacrifices. The goal of America is a stable and peaceful world. We can and must work to that end without expecting to right all the wrongs of the world in one treaty. But we at least must get started in the right direction—in the direction of Woodrow Wilson's 14 points which have been given only lip service by our allies. Before we make post-war commitments is the time to reanimate these points. The groundwork for a peaceful world must be laid now by removing some of the causes of war.

Let there be no easing up in the war efforts of our mighty and victorious coalition. Plain talk will help clear the air of suspicion, and it will strengthen rather than weaken the natural association of England and America and the solidarity of the allies, not only for the present, but in the future.

It will help us bring about the more decent world on which lasting peace depends.

Municipal News & Notes

Drexel & Co., Philadelphia, and Lehman Bros., New York, joint managers of the Philadelphia, Pa., bond exchange syndicate, announced on Tuesday of this week that the exchange offer is due to terminate on Oct. 30, next, and will not be further extended. The bankers also disclosed that more than $70,000,000 bonds have already been exchanged for new refunding bonds, containing extended call dates, under the Refunding Plan of 1942, making total exchanges under the 1941 and 1942 plans more than $153,000,000.

"Holders desiring to exchange eligible City of Philadelphia bonds must have exchange agreements accepted by a member of the group account before the close of business Oct. 30, 1943," announcement of the account managers said.

Representing the largest municipal refinancing operation of its kind on record, the 1942 refunding plan was adopted by the city in November of last year shortly after the completion of the Refunding Plan of 1941.

The 1942 plan was originally scheduled for termination on May 1, of this year, but by action of the City Council was extended to October 30. The plan of exchange applies to certain issues of the city's bonds optional for redemption between 1944 and 1953 and totalling $162,296,000 of which $140,582,000 eligible for such exchange were in the hands of the public.

The bonds being offered in exchange, where redeemable, have extended callable dates but bear the same rates of interest to the original callable dates as the outstanding bonds to be exchanged. Thereafter all refunding bonds bear interest at 3¼%.

A nationwide group comprising 39 leading investment firms and banks is handling the present refunding operation.

Blyth & Co. Group Offers Imperial District Bonds

A nationwide banking group headed by Blyth & Co., Inc., Kaiser & Co., and John Nuveen & Co., made public offering on Monday of $6,000,000 Imperial Irrigation District, Calif., electric revenue, 8th issue bonds, bearing various interest rates. The bonds, dated Oct. 1, 1943 and due on July 1, from 1945 to 1973, incl., were acquired by the syndicate at competitive sale on Sept. 17, but reoffering was deferred until completion of the Third War Loan drive.

The 3½% bonds, totaling $1,390,000, due 1945 to 1954, are being offered to yield from 1% on the 1945 maturity to 2.60% on the 1954 maturity. The 3¼% bonds, totaling $3,510,000, due 1955 to 1970, are priced to yield from 2.70% to 3.05%, and the 3% bonds, amounting to $1,100,000, due 1970 to 1973, are being offered at par.

The bonds were issued by the Imperial Irrigation District to finance the acquistion of the electric power system of the California Electric Power Co. in the Imperial Valley and in that part of Coachella Valley in Riverside County which is irrigated by water from the All-American Canal.

Bill Provides Federal Aid For City Rebuilding

Senate Bill No. 1163, introduced by Senator Robert F. Wagner of New York City, establishes a formula for granting cities and towns the use of Federal credit for the purpose of redevelopment of urban areas, it is disclosed by the Urban Land Institute, Washington, D. C. The measure, the institute reports, is designed to encourage rebuilding of such areas by private enterprise and, moreover, the underlying purpose of the proposal is that redevelopment projects shall be self-liquidating. "This would be accomplished," the institute says, "through the establishment of local land commissions, which would acquire through condemnation, land in blighted areas for redevelopment and sell or lease the land so acquired to provide capital for rebuilding."

The bill is the outgrowth of the activities and extensive studies made by the Urban Land Institute, which is a national organization, established several years ago by a group of outstanding realtors and other business men, to study the causes of creeping blight which has overtaken the cities of our country, and to study and suggest measures to check the blight of the deteriorated areas through intelligent planning for redevelopment.

The subject of rebuilding of cities, with particular emphasis on the problem of blight, "which has overtaken one-fourth of urban America," will be discussed by Albert M. Greenfield of Philadelphia, Chairman of the Executive Committee of the Urban Land Institute, before members of the Newark, N. J., City Planning Commission, Newark Real Estate Board, officials of insurance and mortgage companies and other business representatives. The meeting will be held in Newark on Oct. 8.

Boston, Mass., Seen Trans-Ocean Air Terminal

Possibility that Boston, Mass., which opens bids today on an offering of $1,550,000 various municipal issues, will be the post-war terminal for trans-ocean passenger and freight planes, was advanced recently by Capt. Otis W. Bryan, veteran pilot and Vice-President in charge of war projects for TWA. Speaking at a luncheon meeting in the Hub City, Capt. Bryan pointed out that the 200 miles by which Boston is nearer to airports of Europe means that ocean-going planes can carry an appreciably greater pay-load if they leave from the Massachusetts metropolis. He illustrated his point by observing that the plane in which he flew to Boston could carry approximately 1,200 pounds more useful load to Europe if it left from Boston, rather than from New York City.

The Commonwealth of Massachusets is well cognizant of the strategic position enjoyed by its principal city and the opportunity thus offered to challenge the nation for post-war leadership in international aviation. With this in mind, it has already set in motion plans for large-scale expansion of the Commonwealth Airport at East Boston. The program calls for the conversion of mud flats in the East Boston - Winthrop area into a solid extension that will enlarge the airfield from 270 to about 1,200 acres.

The basic fill will cover enough area for four runways, three of which will be 7,000 feet long and suited for the take-offs of heavily-loaded transatlantic planes; and a fourth will be 5,000 feet.

Powell M. Cabot, Chairman of the Massachusetts Development and Industrial Commission, stated that the blueprint for the new airport provides for ultimate construction of dual hard-surfaced runways 200 feet wide and 10,000, 8,000 and 7,000 feet in length.

In addition, it allocates space for taxi-strips, to enable planes to leave the runways to approach projected loading platforms, for areas suitable for the landing and take-off of helicopters, and a base for hydroplanes.

First phase of the development of the airport under an initial $4,750,000 legislative appropriation, Mr. Cabot said, will be construction of 20,000 feet of runways, adapted to planes of gross loads up to 300,000 pounds.

Advantageous for the shipment of freight by air, he added, will be the direct communications between the expanded airport and three railways, the modern warehouses which will be erected to meet the needs of commercial shippers, and a new wide thoroughfare to facilitate the flow of traffic between the air base and Sumner tunnel.

While the use of present facilities at the airport is confined commercially to two airlines, Mr. Cabot said, practically every airline in the nation is evincing lively interest in the new development.

One of the two now at the airport, Northeast Airlines, Inc., already has pending an application for extension of its service to European cities as distant as Moscow. It plans East Boston as its western terminus.

The design of the new project, which has the approval of the State Aeronautics Board and the Governor, takes into consideration the importance of wind directions and velocities and is so arranged as to avoid any of the disadvantages of the topography of the area.

All facilities, including those for instrument landing, construction of runways, field lighting, control tower and buildings, will conform to requirements of the Civil Aeronautics Administration, he said.

Facilities for instrument landing, he added, will enable planes to land in perfect safety in fog or without field lights. Adequate accommodations will be provided for 24-hour operating schedules and for all forms of business activity that logically would be located at a first-class passenger and express terminal.

A hydroplane base will be placed at the northeasterly portion of the area to be built up, but the space for helicopters will be located at another point, safe from runways used by other types of planes.

W. E. Burnside Co. Formed

Willis E. Burnside and William J. Tetmeyer have formed Willis E. Burnside & Company, 30 Pine Street, New York City. Mr. Burnside and Mr. Tetmeyer were formerly officers of Burnside, Cooper & Co., Ltd.

"Our Reporter On Governments"

By S. F. PORTER

Secretary Morgenthau's announcement that the bank offering would total only $3,000,000,000—divided equally between the 10-year 2s and the ⅞s—came as a bit of a surprise to dealers convinced the deal would amount to $4,000,000,000. . . . Heavy oversubscription of flotation, which opened yesterday, presumably closes tonight or tomorrow morning, is generally anticipated. . . . Banks need bonds, have been waiting for weeks and weeks to get hold of some intermediate 2s at par. . . .

Even if the offering had totaled $4,000,000,000, an oversubscription would have been probable. . . . Now more is anticipated. . . .

Anyway, buy as many as you can. . . . These 2s are good. . . . As this observer has been writing for months now, this loan is the best of all. . . . The public has bought it and now the banks may. . . . And round out your position in the open market as quickly as possible, before the premium gets too high. . . .

SPURT IN ORDERS

The reason for the spurt in bond subscriptions during the last few days of the drive was that many professional investors and hundreds of ordinary buyers held off until the last minute in placing their orders. . . . Some by "direction" from the top. . . . Some because of their desire to hold other securities during the early weeks of September and to switch into the new 2s and 2½s only when absolutely essential. . . . Some because they wanted to wait and make sure that the campaign would be a success and that a premium plus safety would be there. . . . This is not patriotism we're talking. . . . This is plain, hard-boiled market stuff. . . . And thus the hold-outs may be discussed without emotionalism. . . .

As for the "direction," which makes one of the more interesting sidelight reports of the drive, the tale here is that the Treasury actually has wanted the subscriptions to come in slowly and gradually and in a way to inspire little fellows to greater effort. . . . One dealer reports he was told to hold off on subscribing until the last few days. . . . Not by a Government official but by an authoritative source. . . . Another says this was discounted by the Washington figure-makers and therefore, was counted in on the day-to-day reports made of possible totals. . . . None of it appeared in print, of course, and none of it was reflected in the subscriptions disclosed to the newspapers but that doesn't mean this situation hasn't existed. . . .

So, in figuring up possible totals from now on, take this "direction" into consideration. . . . Make your estimates on the basis of what you hear from the inside and on the basis of what you see in your own community rather than in terms of the newspaper sums. . . . You'll be more accurate in the end. . . .

THE 3¼s

The Treasury 3¼s of Oct. 15, go out of the market this week. . . . Refunding of the bonds was announced in mid-summer, is taking place at the last minute. . . . Bonds now are in the portfolios of big banks and dealers interested more in the exchange than in any other factor and situation is entirely technical. . . .

There are two important points about the 3¼s, however, which deserve final emphasis:

(1) These bonds are telling us the opening price on the new 2s of 1953/51. . . . Price as of this writing is 100.9 bid, 100.11 offered, up several 32nds just in the last few weeks. . . . Yield is minus 7/32. . . .

Indicating opening price on the new 2s will be at least 7/32 premium. . . . These go into the new 2s and therefore, 7/32 is the price traders are placing on the privilege of an exchange on a bond-for-bond basis. . . .

Incidentally, story around over the week-end was that a large bid of 100.12 was around for a block of the 3¼s. . . . Buyer said to be willing to pay the offer price on a lot, presumably amounting to at least $1,000,000. . . . Another sign of the importance of the refund-

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Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

The recent action of the directors of the Chase National Bank in increasing the bank's surplus account, calls attention once again to the question of adequate bank capitalization and of a rational ratio of capital funds to deposits.

On June 30, 1943, Chase's capital was $100,270,000; surplus was also $100,270,000, and had been for many years; undivided profits were $49,842,000 and total capital funds $250,382,000. As of Sept. 30, 1943, the figures are as follows: Capital, $100,270,000; surplus, $121,730,000; undivided profits, $43,000,000 and total capital funds, $265,000,000. Aside from the reduction in undivided profits, the increase in surplus resulted from improved operating earnings, profits from the sale of securities and from recoveries.

There have been a few other increases of capital funds by New York City banks in recent months. For example, New York Trust Company, last April, increased its capital by $2,500,000 from $12,500,000 to $15,000,000, and its surplus by $5,000,000, through the sale of new stock. On June 9, 1943, National City Bank of New York increased its surplus by $7,500,000 from $77,500,000 to $85,000,000. The increase resulted from receipt by the bank from the City Company of New York, Inc., which is in dissolution, of proceeds from the sale by that company of its stock holdings in West Indies Sugar Corp.

A third increase was by Bankers Trust Company, whose directors, on June 14, 1943, voted to transfer $25,000,000 from undivided profits to surplus, increasing the latter from $50,000,000 to $75,000,000, while at the same time they transferred $7,000,000 from general reserves to undivided profits. All these moves are constructive and, when considered in conjunction with the conservative dividend policy pursued by the banks, indicate that bank management is fully aware of the necessity for building up capital funds in order to be prepared for post-war business.

The Federal Deposit Insurance Corporation, in its annual report recently released, urged the banks of the country to increase their capital funds through the retention of a large proportion of their present high rate of earnings, and at the same time asserted that the "survival of our present banking system depends largely upon the intelligent and resourceful leadership of bankers themselves in providing sufficient capital and managerial skill to enable the banks to bear the risks of credit extension in a manner which will justify the maintenance of our private banking system." Since extension of credit to industry, commerce and trade, as well as to governments, has been the chief function of the private banking profession in America since George Washington's day, such a word of warning from the FDIC would hardly appear to be necessary.

In another part of the report, the FDIC discusses the recent rapid growth in assets and liabilities without a commensurate increase in capital funds, and remarks that "the question is not whether a bank has enough capital for the type of assets it now holds", (mostly Government bonds) but "whether it has enough capital to assume the proper and reasonable risks of participation in the financing of business enterprise".

There is nothing either sacred or scientific about the old orthodox one-to-ten ratio. Under present conditions of Government war-financing such a ratio cannot be maintained, neither is it necessary. Actually, after cash and Governments are subtracted from total assets, the remaining "risk assets" are considerably smaller than normal and a very moderate ratio in relation to capital funds prevails. When, however, commercial loans assume normal proportions after the war, the relation of "risk assets" to total assets will increase and their ratio with respect to capital funds will rise. But even so, the quality and character of these "risk assets" will be of greater moment than some arbitrary ratio, be it one-to-five, one-to-ten or one-to-twenty. Unless some legislative enactment should meanwhile prescribe an arbitrary ratio, the question is one that may well be left to the "intelligent and resourceful leadership of bankers".

Meanwhile capital funds are being slowly and surely built up from improved operating earnings, recoveries and profits from the sale of securities. This method may not provide all of the new capital funds that will be required, and some banks may find it necessary, as in the case of New York Trust Company, to raise new capital in the open market. Incidentally, it is pertinent to note that second quarter earnings in 1943 of New York Trust were $1.41 on 600,000 shares, compared with $1.23 on 500,000 shares for the second quarter in 1942. In other words, the additional capital is more than earning its keep.

It is now of interest to present a table which shows the growth in capital funds which leading New York City banks have achieved since the start of the war in Europe in 1939.

	12-31-39			6-30-43		
	Capital	Surplus & Und. Profits	Total	Capital	Surplus & Und. Profits	Total
			($000) omitted)			
Bank of Manhattan	$20,000	$26,513	$46,513	$20,000	$29,084	$49,084
Bank of New York	6,000	13,931	19,931	6,000	15,216	21,216
Bankers Trust	25,000	81,048	106,048	25,000	97,515	122,515
Central Hanover	21,000	72,746	93,746	21,000	80,240	101,240
Chase National	100,270	133.292	233.562	100,270	150,112	250,382
Chemical	20,000	56,744	76,744	20,000	61,288	81,288
Commercial Nat.	7,000	8,525	15,525	7,000	9,764	16,764
Continental B. & T.	4,000	4.410	8,410	4.000	4,950	8,950
Corn Exchange	15,000	19,065	34,065	15,000	21,519	36,519
First National	10.000	109,480	119,480	10,000	113,028	123,028
Guaranty	90,000	184,702	274,702	90,000	195,453	285,453
Irving	50,000	53,189	103,189	50,000	55,340	105,340
Manufacturers	*42,227	39,241	81,468	*41,300	46,256	87,556
National City	77,500	61,343	138.843	77,500	111,852	189,352
New York Trust	12,500	29,939	42,439	15.000	35,102	50,102
Public National	7,000	9,769	16,769	7,000	11,906	18,906
Totals	$507,497	$903,937	$1,411,434	$509,070	$1,038,625	$1,547,695

*Includes preferred stock.

Total increase in capital funds over the period is $136,261,000, equivalent to nearly 10%. National City shows the greatest increase with a gain of $50,511,000 equivalent to 36%, while Irving Trust records the lowest percentage gain of 2%.

Deny Rumors Which Have Caused Sharp Rise In Colorado & Southern Ry. Issues

Emil Schram, President of the New York Stock Exchange, yesterday made the following statement:

"The New York Stock Exchange has inquired into the circumstances attending the recent advance in the market prices of the securities of the Colorado & Southern Railway Company which prompted Mr. Ralph Budd, its President, to send the following telegram to the Exchange:

" 'Mr. Emil Schram, President New York Stock Exchange, N. Y. C.

Sept. 25, 1943.

" 'My attention has been called to the recent spectacular rise in Colorado & Southern Railway security prices, coupled with rumors which are false. It is not true that any dividend is in prospect on any class of C. & S. stock. It is not true that the plan of adjustment is to be terminated so that earnings can be used for dividends rather than debt reduction. We are about to ask the Special Court which has jurisdiction of the plan of adjustment to approve the use of $1,400,000 Fort Worth & Denver City Railway funds to purchase C. & S. bonds by inviting tenders of general mortgage bonds at 48 and interest. If enough of those bonds are not obtained at that price, the balance of the available funds would be used to retire senior mortgage bonds at par. I am making public this statement.

" 'RALPH BUDD.'

"Our inquiry disclosed that, on September 9, a member firm distributed an analysis of the 4½% bonds of this company, and that, on September 22, another member firm distributed information with respect to the bonds and stocks of the company. The information contained in those communications was obtained by these member firms from sources believed by them to be reliable. The opinions which these communications contained were presented in good faith and were based upon information which the member firms feel came from reliable sources.

"The Exchange has discovered no information tending to indicate that anyone connected with a member firm has circulated false rumors with respect to Colorado & Southern Railway Company. It is realized, of course, that it is always difficult to trace rumors unless they have been reduced to writing. We have advised Mr. Budd that, if he has any additional information on the subject, we would welcome it.

"We have told Mr. Budd that, where the prices of securities may have been affected unwarrantably by the circulation of rumors, the best course is to deny such rumors publicly, as he has done. As a further aid in clarifying the particular situation which occasioned this complaint, we have suggested that he may wish to consider the advisability of issuing a further statement dealing with the debt situation of Colorado & Southern Railway Company and the total purchase of its bonds thus far made."

Visit N. Y. Stock Exchange

Prince Amir Faisal, Foreign Minister of Saudi Arabia, son of King Abdul Aziz Ibn Saud, his brother, Prince Amir Khalid, and Shaikh Hafiz Wahba, Saudi Arabian Minister to London, visited the New York Stock Exchange, accompanied by Floyd G. Blair, Vice-President of the National City Bank, and were welcomed by Emil Schram, President, and John A. Coleman, Chairman of the Board.

Greeted by applause from the members and employees on the trading floor as they entered the gallery, the guests also inspected the Board of Governors' room and the ticker control department where security transactions which take place on the floor are recorded on the Stock Exchange ticker tape. The party remained in the Exchange three-quarters of an hour.

American Shipping Will Continue To Expand After The War Says Rear Admiral Vickery

Rear Admiral Howard L. Vickery, Vice-Chairman of the Maritime Commission, at a press conference on Oct. 4 said that the great expansion of American shipping all over the world which has resulted from the war will be continued after the war, whether other nations want to "co-operate," according to John Chabot Smith, in the New York "Herald Tribune" of Oct. 5, who added:

Admiral Vickery said he had told the British shipping operators "that we have become a maritime nation and we intend to stay one—that we could do it by co-operation and if they didn't intend to co-operate we would be one anyhow."

Preliminary discussions of post-war shipping and this country's part in it were held during his trip to England, Admiral Vickery said, and suggestions were made by both sides. These will be followed up immediately, he added, but he did not know exactly how it would be handled. "That is the State Department's business," he said.

Admiral Emory S. Land, Chairman of the Commission, revealed last week that the United States will end the war with more than enough ships afloat to supply a merchant marine of from 15,000,000 to 20,000,000 tons, compared with 10,500,000 tons before the war. The disposition of the surplus ships, Admiral Land said, would be a matter for international agreement.

Sees Inflation Forcing Stock Prices Up

Except for a relatively short period of strength, the market has continued to be a dull affair during the past fortnight. On the whole, however, activity has tended to favor the advance and leadership has been encouraging. The same powerful underlying forces continue to operate in the domestic economy, and it seems only a question of time until a renewed, vigorous advance gets under way. Dynamic action can be the only logical outcome of uninterrupted, wholesale credit expansion. Over the coming months the nation will undoubtedly be made increasingly conscious of the expansion of Federal credit as its effects become cumulative.—*E. L. Elliott, Van Alstyne, Noel & Co.*

The Securities Salesman's Corner

Here's An Opportunity To Build Up Prospects, Sales And Good Will

Every once in a great while a piece of "selling literature" makes its appearance and the moment you see it you say to yourself, "that's something worthwhile." The National Board of Fire Underwriters has just issued a booklet entitled "Ashes Make Poor Gunpowder." It describes the work of the nation's Stock Fire Insurance Companies in wartime. We were so much impressed with the excellent material and the compelling and interesting manner in which it was presented that we asked the National Board of Fire Underwriters if investment dealers might obtain copies for distribution among their clients. They have consented to do this and interested dealers should write to their New York office, located at 85 John St., New York City.

Now let's have a brief look at the booklet itself, and also a suggested plan for using it to advantage in creating new accounts and opening up leads for the sales force.

Here are a few excerpts from the booklet. Notice the dramatic manner in which this story of fire insurance is handled. From the preface: "There are no welders, riveters, machinists, mechanics . . . . in the fire insurance business. No assembly lines loaded with tanks, airplanes or guns move through its buildings. Its companies process no food, run no turbines, build no ships. Yet, they're in the war. How? What have they done . . . . what are they doing? How the business helps . . . . what this help means to America, to you . . . . is told in the following pages."

Then it goes on and explains what THE PROMISE TO PAY is doing for the war effort; again we quote: "But what of this promise to pay? What of it in time of war? You can't eat it. You can't ride in it. Or fly it. Or shoot it. What does it mean to the war? What does it mean to me?" And then with pictures and pungent paragraphs like the following it tells what it means.

Quote again: "HERE'S WHAT IT MEANS. This worker's house and that fighter's house, and millions of houses like them throughout the country were built with money borrowed from banks and other lending institutions. This money for the building of these American homes was readily available because insurance companies guaranteed that the banks' investments couldn't be wiped out by fire or other perils assumed by fire insurance companies."

Or another sample like this, quote: "MONEY . . . Your fire insurance premium dollars are not idle. While waiting to pay losses these dollars are helping to buy the planes, the guns and the tanks needed to fight this war . . . . through the purchase of United States Government bonds. Here are the figures. As of January 1, 1943, total funds held for the protection of policyholders and invested in U. S. Government bonds by 346 capital stock fire insurance companies amounted to $740,631,191. Enough to buy an armada of 1,645 four-motor bombers, or 6,600 fighter planes, or 8,229 General Sherman tanks, or a Garand rifle for every man in an army of more than 9,250,000 men.

"Engineering service—how it operates—how fire protection engineers have helped the Army, the Navy, the Coast Guard, and in Civilian Defense. Or how the research activities of the Underwriters' Laboratory (that great service institution sponsored by the fire insurance business) has contributed to the development of such vital necessities as fire hose built of emergency specifications which will give suitable service for the duration when rubber is needed for life rafts. Or the "Victory" fire extinguishers now being manufactured for the Army, and which use no brass, copper, tin or stainless steel."

This is just a small sample and certainly it does not do justice to the layout, presentation, illustrated material or the text of the completed effort. You'll have to read it for yourself.

The way we would go about using this as a sales producer, would be to procure a supply and send them out to a selected mailing list. A strong letter about fire insurance stocks and why they are one of the finest investments in the country today should be sent along with this brochure. The letter should be short—not over four paragraphs—and boiled down to three would be even better. One paragraph might well relate the records of some of our leading fire insurance companies when it comes to consistent dividend payments—such records running for 25, 50 and over 100 years cannot be duplicated by companies in any other line of industry. A self-addressed, postage paid, return card should also be included which the recipient could use to ask for further information.

All in all this looks to us like an opportunity to procure one of the most emphatic, interesting and compelling pieces of selling literature about a great American industry that has come off the press in many a day. If you're interested, write to the National Board of Fire Underwriters, 85 John St., New York City.

Veterans Of Foreign Wars Opposed To "World Govt." That Would Surrender Sovereignty of U.S.

Three thousand five hundred delegates at the closing session of the forty-fourth encampment of the Veterans of Foreign Wars, at the Hotel Commodore, in New York City, on Sept. 30, unalterably were opposed to any "world government or superstate" in which the United States would "surrender its sovereignty," said the New York "Journal American," on Sept. 30, which gave part of the resolution opposing the world government as follows:

"Whereas various individuals and organizations are engaged in advocating the scheme whereby the United States would be amalgamated into a world government or superstate without right of secession therefrom, and whereby the United States would be required to surrender to such world government or superstate many essential and fundamental sovereign powers, therefore be it resolved that the Veterans of Foreign Wars urge our national commander to make an emphatic and unequivocal statement reiterating our unalterable opposition to any and all such schemes."

The resolution also insisted that "any and all agreements for post-war co-operation with any other nation shall not involve any dilution of our national sovereignty."

In its resolution on the Four Freedoms flag, the veterans declared:

"Whereas a new flag is being projected called the Four Freedoms flag . . . and whereas under date of June 14, 1777, Congress of the United States officially chose our flag, the Stars and Stripes, as our standard, which has been flown in every war, now be it therefore resolved that the said Four Freedoms flag is hereby repudiated and forbidden to be flown beside, above, below or in connection with the Stars and Stripes."

Treasury Asks $10.5 Billion In New Taxes

A program to increase Federal revenue collections by approximately $10,500,000,000 was presented to the House Ways and Means Committee on Oct. 4 by Secretary of the Treasury Morgenthau. The proposed schedule calls for $6,500,000,000 in additional individual income; increased corporation taxes to raise $1,100,000,000 more; higher estate and gift tax rates to yield $400,000,000, and increased and new excise tax rates amounting to $2,500,000,000.

After hearing the Administration's plan, Representative Doughton, (Dem., N. C.) Chairman of the Committee, issued a statement saying hat he felt it would be too much to expect the people "to carry so heavy an additional burden as recommended by the Treasury."

On Oct. 5 Representative Taber (Rep., N. Y.), ranking minority member of the House Appropriations group, proposed savings of $4,658,000,000 in Government expenses to reduce the need for increased taxes.

For the individual, Mr. Morgenthau's $10,500,000,000 tax program meant, according to Associated Press accounts:

1. Repeal of the 5% Victory tax, which would eliminate about 9,000,000 persons from income tax payments; repeal the 10% earned income credit.

2. Reduce exemptions for married persons and heads of families from $1,200 to $1,100; lower the dependents' credit from $350 to $300; leave the single person exemption at $500.

3. Leave the normal income tax rate at 6%, but increase surtaxes throughout the scale, beginning with a jump from 13 to 21% on the first taxable dollar and reaching 90% on amounts exceeding $100,000, as compared with the 79% now applicable at that level.

4. Extend application of the withholding tax, now at 20% of the taxable portion of wages and salaries, on a graduated scale so as to collect substantially the full liability in the higher salary and wage brackets.

5. A post-war credit to apply primarily at the lower levels of income. One suggestion is to refund $2,270,000,000; another to refund $3,519,000,000.

Mr. Morgenthau's other recommendations included:

1. Corporation income—Increase surtax rates, the combined normal and surtax rate reaching a maximum of 50% as compared with the present maximum of 40% on corporations with income in excess of $50,000.

2. Estate and gift taxes—Increase estate tax rates; reduce specific exemptions from $60,000 to $40,000, and increase gift tax rates to three-quarters of the new and higher estate tax rates.

3. Excise—An increase all along the line, and new taxes on soft drinks and gum, estimated to yield $2,490,000,000.

The Treasury Secretary also urged that Congress amplify and extend the social security program.

Wyeth Co. Now Partnership

LOS ANGELES, CALIF.—Wyeth & Co., 647 South Spring Street, a partnership, will succeed to the investment business of Wyeth & Co., a corporation. Partners are Harry B. Wyeth, Jr., Thomas H. Heller, and Carl L. Barnes, all previously officers of the corporation. The firm holds membership in the Los Angeles Stock Exchange.

Investment Trusts

The Pot Is Boiling

Further evidence comes to light this week to confirm the fact that things are happening fast in the mutual fund field. Activity is directed mainly toward preparing to meet realistically the conditions that will confront investors as the war reaches its climactic end and attention is turned to the problems of a post-war world.

Deserving of top billing this week is a new booklet, "Undervalued Groups," which is highly revealing of the investment management and sales policies developed by Distributors Group, sponsor of Group Securities, Inc.

Following are excerpts from the letter introducing this booklet to cooperating dealers:

"The enclosed booklet, 'Undervalued Groups,' describes what we believe to be the most advanced development in mutual fund management and sponsorship. It is a brief statement of the investment management and sales policies which **are being applied to Group Securities today.**

"These policies are the result of 10 years' experience with the Fund. In their present form they have already been in successful operation for over two years. We think you will agree that they represent not only the **soundest** investment approach, but also the **biggest sales story** in the mutual fund field.

"Dealer sales of Group Securities were larger last year than in any previous year. So far in 1943, dealer sales have more than doubled the total for 1942!"

* * *

Lord, Abbett has issued the following "Important Notice" as of Oct. 1, 1943:

"The total sales load for Union Bond Fund 'A' is reduced, effective immediately, from 8½% to 3% of the offering price.

"This reduction, which applies only to UBA, and not to any other Union class, will, it is believed, open to you new and important business possibilities.

"Of the total UBA load of 3%, two-thirds, or 2% of the offering price will constitute your concession. This memorandum should be regarded as an amendment of your distribution agreement now in effect covering the distribution of Union Trusteed Funds, Inc. The enclosed 'Supplemental Information' sheet should hereafter be added to the Union Prospectus—quantities are available upon request."

* * *

Keystone Corporation has announced the following with respect to Keystone Investment Bond Fund "B1":

"Boston Fiduciary and Research Associates, Investment Counsel, has recommended that U. S. Government obligations be included in the portfolio of Keystone Investment Bond Fund 'B1' to the extent of approximately 50% of the capital of this Fund. It is expected that this recommendation will be reflected in the portfolio of the Fund about Nov. 1, 1943, to show the following approximate position:

High-grade bonds (currently U. S. Gov'ts) 50%
Good-grade bonds (30 issues) .. 50%

"In the opinion of Boston Fiduciary and Research Associates, this portfolio should provide a stability equal to or slightly better than that of long-term, high-grade money-rate bonds as a class.

"The indicated rate of return in the above combined portfolio is estimated at 3-3½%, as compared with the former rate of 4-4½%.

"By Resolution of the Board of Directors of Keystone Custodian Funds, Inc., the portion of the portfolio consisting of obligations of the U. S. Government will be excluded from the asset value in the computation of sales commissions, recurring charges and management fees, to the end that the investor will pay no sales charge, no recurring charge and no management fee for the portion of the

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Government Accused Of Attempt To Control Insurance Business

Urges Petitioning Of Congress To Free Insurance Business From Provisions Of Anti-Trust Laws

W. Ellery Allyn, Insurance Commissioner of the State of Connecticut, in an address before the Bridgeport Life Insurance Association the latter part of month, made reference to the recent action by the Federal Government charging a group of insurance companies and individuals with violating the Anti-Trust Laws in rate-making. He also stated:

W. Ellery Allyn

"It is foolish to pretend, as some do, that inflation hasn't come as yet. It is here to some extent already and is bound to be here in an even greater extent, but there is no need of letting it engulf us, and I feel sure that such a catastrophe can be prevented. I think you men in the life insurance business are doing a real job in holding inflation down."

Besides talking about the manpower problem in the insurance business occasioned by the war he gave it as his opinion that the length of time the war may continue is unpredictable and that on looking back he wondered "who dares to say where we will be fighting next year and what size army we will need? One newspaper columnist just last week suggested we might be shooting Japs out of cocoanut trees for 20 years."

Apropos of the charge that the Federal Government was attempting to control the insurance business, Mr. Allyn's remarks follow in full:

"You agents at home have a fight to make too. This fight is to save your business for yourselves and those who will return. The appeal to the Supreme Court by the Department of Justice from the decision of Judge Underwood in the U. S. District Court at Atlanta in the action against fire insurance companies indicates plainly the determination to remove insurance from its present management and put it under the control of Federal bureaus. Such action will result in immediate chaos in the insurance business. You may be assured that life insurance will be immediately involved. It behooves each one of you to invoke the support of members of Congress for the legislation eliminating insurance from the provision of the Sherman Anti-Trust Act. It is of the utmost importance to your future.

It seems appropriate that men who have been engaged in the job of restoring freedom and happiness in the world should, when they return to civil life, engage in the business of guaranteeing freedom and happiness to widows and orphans, and to everyone in their years of retirement. Paul Clark said last week that under today's conditions a man of moderate means cannot accumulate even a modest competence except through life insurance. And let us all hope that they will not only apply to the purusit of the insurance business things which they learned in a world conflict but that both we and they will apply in world affairs things which they learn in the insurance business."

Attractive Situation

Gisholt Machine Co. and Stromberg-Carlson, 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 1400)

interests. The Commission has in its hands exhaustive briefs filed by both proponents and opponents of the proposal.

Accordingly, there is always the possibility that Southern's projected undertakings may be held in abeyance pending the outcome of such hearings. But the refinancing is definitely in the "works" nevertheless.

Propitious Start

With the Third War Loan Drive terminated the new issue market was revived with a distinctly satisfactory touch by response accorded the first corporate offering to reach market this week.

The $20,000,000 of 3% 20-year debentures offered by bankers for P. Lorillard Co. on Tuesday was one of those "out-the-window" deals which bankers and issuer alike cherish.

Within a brief time of the opening of the books the debentures had been oversold and moved ahead to rule at a slight premium in "when-issued" trading.

Wide Demand Noted

Bankers were not only pleased with the substantial proportions of the demand which greeted the issue, but the more so with the broad and general character of the buying which absorbed the offering.

Enjoying a generous sinking fund, and priced to yield slightly less than 3%, the bonds proved attractive to institutions and trust funds as well as individual investors.

One of the larger life insurance companies was reported among those entering sizeable subscriptions, while inquiry from smaller out-of-town life firms was also active.

Pending Issues

The Securities and Exchange Commission having approved the plan of the Atlanta Gas Light Co. calling for the sale through competitive bidding of $7,500,000 of first mortgage bonds, that issue now shapes up as the next utility likely to come on the market.

Two or three groups are expected to bid for the bonds on which a coupon not to exceed 3½% is specified. Bids must be in the hands of the company by Oct. 13.

Meanwhile Central Power & Light Co.'s proposed refinancing calling for the sale of $25,000,000 of first mortgage bonds due in 30 years has been set back at least for a time.

The Commission has set a hearing for Oct. 21 on this undertaking, and thereafter the necessary period of 10 days must expire unless shortened by the agency.

Kneeland Co. Partnership

CHICAGO, ILL.—Kneeland & Co., formerly Kneeland & Co., Inc., is now being conducted as a partnership. Partners in the firm are J. Patrick Lannan, Francis C. Woolard, and Edward L. Kent, all of whom were officers of the corporation. Offices of the firm are located at 141 West Jackson Boulevard.

Peace And Security Prices

(Continued from page 1398)

cap business much more severely. Taxes would be increased even beyond present levels, and if the war lasted long enough, taxes and forced loans would amount to confiscation. A long war would increase the difficulty of converting plants back to normal production. Lack of proper repairs and replacements would reduce the country's capacity to produce normal types of goods to a level that would mean a lower standard of living for a long time after the close of the war. Dislocations of other sorts, such as those now evident in agriculture, would be exaggerated by a long continuation of the war. To say that the removal of these dangers is an unfavorable development in any but a shorter range in a temporary sense is ridiculous.

The idea that peace will produce a collapse in security values has no historical foundation. . . . The practical invariable pattern has been for business activity to contract for a few months (the severity of the decline generally being about in proportion to the duration of the war) and then to expand. The decline in security prices has usually been small relative to the decline in business activity, and after this temporary readjustment security prices have advanced.

* * *

There are a number of influences which normally bring about an improvement in business and security prices immediately or a few months after the ending of a war. There are other favorable factors that would begin to operate with peace that are particular to the present situation.

During a war shortages of goods develop and part or all of these are usually made up in the post-war period. Inventions developed during the war are applied to the production of new types of goods or the improvement of old types. The release from the dangers and arbitrary controls of war has a stimulating effect upon business initiative. Sometimes some of the inflationary forces accumulated during the war continue to operate in the post-war period and this rise in commodity prices stimulates business activity and tends to raise security prices.

At the present time the war accumulation of shortages appears to be particularly substantial. It is much greater, for example, than during the last war. Unlike some of the shortages that were believed to have prevailed during the early 1930's, but which did not result in immediate active demand for goods, many of the present war accumulated shortages would almost certainly produce an immediate substantial demand. Tires, automobiles and various items of household equipment are examples.

More than the usual amount of inflationary force has developed during the war, and in the decade preceding the war. These inflationary forces are likely to come into play actively in the post-war period. Money is likely to continue to be extremely plentiful so that business will have the additional stimulation of low money rates. During the past dozen years business has labored under the serious handicap of the domestic political situation and serious international dangers. The ending of the war will certainly remove the international danger and it is entirely possible that the international situation will be better than at any time in the twentieth century. There are also indications that a more conservative political situation may develop. These influences might not have a great effect upon business and security values immediately after the war but it is not at all improbable that they will soon begin to have some influence.

Another factor peculiar to the present situation is the level of stock prices. At the end of wars in the past stock prices have often been at a relatively high level, and even the moderate and short post-war decline that has occurred has left them well above average levels in the past. In the present instance, however, there was no war boom in common stocks and the average level is relatively rather low. It is interesting to contrast the present level of stock prices relative to that in the months immediately following the outbreak of the war with the level at the close of 1918 relative to 1914 or the level in 1865 relative to that in 1860.

The weight of both reason and historic example is thus very heavily on the side of peace being a strongly favorable development in the longer-range security outlook. The immediate effect of peace upon security prices is, of course, a different question but there is no historical precedent for a severe decline in security prices following the ending of a war and the unusual weight of the longer-range favorable factors may be expected to minimize any temporarily depressing influences that peace might have upon investment values. It should be remembered that in many instances in the past there was not even a temporary post-war decline in security prices, but that prices began to rise immediately. It seems reasonable to conclude therefore that peace, by itself, is not a serious investment danger and that if security prices decline severely at any time within the next year it will be for some other reason, such as unfavorable political developments in this country or unfavorable changes in the military situation that might prolong the war.

Farmer Co-operatives Council Opposes Use Of Consumer Subsidies

The use of consumer subsidies constitute "a political sleight of hand performance in which Peter is often robbed to pay Paul," said Ernest L. Wilkinson, General Counsel for the National Council of Farmer Co-operatives, according to an Associated Press dispatch from Washington on Oct. 5, which give other remarks of Mr. Wilkinson as follows:

"We are unalterably opposed to the payment of subsidies as a substitute for necessary prices in the market, or as means of rolling back the price of foods," Mr. Wilkinson told the House Banking Committee during a hearing on legislation to continue the Commodity Credit Corp. until July, 1945.

The co-operative council objected to the CCC's request for a $500,000,000 boost in its borrowing authority.

"If it be said that this request is for only a drop in the bucket, the answer is that once subsidies are approved no one can tell how much will be ultimately requested and used for that purpose," Mr. Wilkinson said.

He said the council accepted War Food Administrator Marvin Jones' statement that subsidies would be used "only in unusual situations," but added:

"We have no assurance as to how long Judge Jones will be in charge. And even if we had assurance that Judge Jones would remain to the end, we don't know what his powers are or will be, or which ones he will be permitted to exercise.

Mr. Wilkinson renewed the council's recommendation that the WFA be given the power to fix price ceilings now vested in the Office of Price Administration. Unless extended by Congress, the CCC will expire at the end of the year.

Investment Trusts

Continued from page 1415)

portfolio invested in obligations of the U. S. Government.

"Present holders of Certificates of Participation in this Fund who desire greater stability and reduced cost, resulting from the inclusion of U. S. Government obligations in the portfolio, will receive these benefits automatically. Holders of certificates who wish to do so may transfer half the present 'B1' Certificate to Keystone Bond Fund 'B2' at net asset value, without charge, prior to Jan. 1, 1944. In the opinion of Boston Fiduciary and Research Associates, this combination investment in 'B1' and 'B2' will provide a fluctuation characteristic close to that of good-grade bonds as a class and a combined rate of return estimated at 4-4½%."

* * *

In a penetrating discussion entitled, "What Is a War Baby?" Hugh W. Long & Co.'s **New York Letter** makes the point that distinctions have been too sharp and the pendulum has swung too far. We quote:

"As a result of this drastic segregation of stocks into sheep and goats, many issues in the peace category are selling from 15 to 25 times their current earnings, whereas railroad, steel, non-ferrous metal and aircraft manufacturing stocks, among others, may be bought not only at from one to six or seven times their present net, but also at prices which, in many instances, look low compared with both their pre-war earnings and their pre-war price levels.

"Peace issues must show post-war earnings larger than today's to make current prices attractive—and, speakig generally, we are confident that they will. **On the other hand, at today's prices, many currently neglected stocks are cheap if they are to earn one-half, one-quarter or even one-eighth of their wartime net profits.** They seem to offer little risk on the one hand and the possibility of materially greater-than-average appreciation on the other."

* * *

The current issue of **Investment Timing**, published by National Securities & Research Corp., deals with the effects of Government controls on interest rates. The following conclusion is reached: "Under present conditions, Government controls are the dominant influence on interest rates, and a higher general rate structure is not to be expected, despite a number of important factors that favor higher interest rates."

* * *

"In The National Interest," is the title of MIT's **Brevits**, discussing the recent article by Secretary of Commerce Jesse Jones on the subject of returning Government-owned plants and materials over to provide business after the war. We cannot recall any utterance by a Government official in the past 10 years that carries such heartening implications to private business as this statement by the Honorable Jesse Jones.

* * *

Lord, Abbett's **Union Dealer** of Oct. 1, 1943, elaborates on the lowering of the load on UBA and presents the move to dealers as "Opening a New Field for Your Union Business."

* * *

The latest issue of Keystone Corp.'s **Keynotes** itemizes the reasons why discount bonds are attractive in today's markets. "Dollars at a Discount" is the title of the bulletin.

* * *

A new leaflet, "How Important Are Your Investments to You?" has been published by Calvin Bullock. This little folder is designed to be used as a "stuffer" in a mailing campaign or to be left with the prospect at the end of a call.

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

COMMON STOCK

On September 28, 1943 a quarterly dividend of seventy-five cents per share was declared on the Common Stock of this Company, payable November 15, 1943, to Stockholders of record at the close of business October 22, 1943. Transfer books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., September 28, 1943.

The Board of Directors has this day declared a dividend of One Dollar and Fifty Cents ($1.50) per share, being Dividend No. 123, on the Common Capital Stock of this Company, payable December 1, 1943, to holders of said Common Capital Stock registered on the books of the Company at close of business October 29, 1943.

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

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a regular quarterly dividend of 50¢ per share on the outstanding Common Stock, payable on November 1, 1943 to stockholders of record on October 15, 1943. The transfer books will not close.

THOS. A. CLARK

September 23, 1943 TREASURER

VANADIUM CORPORATION OF AMERICA

420 Lexington Avenue, New York, N. Y.

September 27, 1943.

At a meeting of the Board of Directors held today, a dividend of twenty-five cents per share was declared, payable October 15, 1943, to stockholders of record at 3:00 o'clock p. m., October 8, 1943. Checks will be mailed.

B. O. BRAND, Secretary.

Debentures Of Lorillard Offered Publicly

Public offering of a new issue of $20,000,000 P. Lorillard Co. 20-year 3% debentures, due Oct. 1, 1963, was made Oct. 5 by a group of 56 underwriters headed by Lehman Brothers and Smith, Barney & Co. The offering price of the debentures is 101¾% and interest.

Coincident with the offering of the debentures, the company announced that 374,391 shares ($10 par) common stock are being offered to present stockholders as at the close of business on Oct. 4, at a price of $14 per share, on the basis of one share of the new common for each five shares held. The underwriting group for the debentures has agreed to purchase any new stock not purchased by the present shareholders, whose right to subscribe will expire at 3 p.m., October 15.

The company will use proceeds of the debenture issue for the payment of the principal with accrued interest to Oct. 1, 1944, of the $5,209,600 of 7% gold bonds upon presentation to the paying agent, the Central Hanover Bank & Trust Co. The balance of the proceeds from the debenture issue and the funds received from the sale of the new common stock will be used for payment or reduction of $19,000,000 short-term loans payable to banks. These loans were incurred to provide additional working capital required by the increased cost of tobacco and other materials and the large inventories necessitated by the company's expanded volume of business in the last 18 months.

Now Partnership

NEWARK, N. J.—Beginning Oct. 1, C. D. Robbins & Co. is doing business as a partnership in securities and not a corporation.

The partners are Charles D. Robbins, general partner; Helen W. Robbins, special partner, and also Helen W. Robbins in trust for John D. Robbins, special partner.

The firm will continue to maintain offices at 810 Broad Street, Newark, and 40 Grosvenor Road, Short Hills, N. J.

What About Future Of Interest Rates?

(Continued from first page)

Present Rates Too Low

Up to the time of the New Deal, economists considered the actual hard-earned savings of individuals as the primary source of capital. In the past, out of such accumulations were financed our railroads, public utilities and other great enterprises. The rate of interest depended upon the amount of such capital available at any given time and the faith of the owners thereof that it would promptly be paid back when due with money of equal value. In other words, upon the old law of supply and demand, we depended for interest rates. Now, under our "managed currency" system, the picture temporarily is changed.

Because of the large current supply of money, rates for commercial bank loans, for commercial paper and the yields on short-term, high-grade bonds are absurdly low. Dollars are being multiplied very rapidly through the expansion of bank credits. But the rapid rise in the quantity of dollars has been at the expense of their intrinsic value. If the Federal Reserve authorities should change their policy and tighten the supply of money, we could have sharply rising interest rates. This may become necessary in order to attract investors' funds to Government bonds and notes in any really substantial amount.

Are Economic Laws Changing?

Economic principles cannot always be depended upon to hold water consistently. Their course can be diverted to some extent by wars, legislation and perhaps by human nature. The **old** "quantity" theory of money is that increasing the amount of gold or silver money always causes higher commodity prices and/or lower interest rates. The **new** conception of the "quantity" theory of money is as follows: Any increase in its quantity, **however derived,** will lower rates; also that all forms of new bank credits, although perhaps basically dangerous, can be a real source of capital. In other words, these quantitative professors believe that the money market may be manipulated so it is no longer necessary to wait for individuals to accumulate or save capital.

Both the old and amended money theories assume that the faith of the lenders will remain 100% and constant. Loss of faith by the lenders will offset the effects of more available money and credit. If lenders come to believe that the money which they are to get five or ten years hence in payment of their loans will be poorer money and will have less purchasing power, then these lenders will demand a higher rate to compensate for this risk. Fearing this "loss of faith" factor is the reason why I expect higher interest rates after the Government takes off its control, which some day it must do.

What Is Capital?

All of us have some capital. It may be represented by the clothes we wear or the stocks, bonds and real estate which we own. Capital is primarily derived from work or production. It may consist of factory buildings, machinery, raw materials, farm produce, barns or inventories. Examples are almost inexhaustible. The principal sources of capital are (1) consumers' thrift; (2) direct capitalization of the product of labor; (3) governmental thrift or taxation for capital purposes, and (4) new bank money or a deposit credit resulting from a loan.

The first three of the above-mentioned sources of capital are absolutely sound. I am not so sold on the fourth, which is nothing more than borrowing. There is now too large an amount of borrowing or expanding bank credit against the purchase of Government securities. The size of this is far above the amount of brokers' loans preceding the 1929 stock market crash. And all this credit is being secured at a ridiculously low interest rate. I wonder how long the Federal Reserve System can go on buying, for its member banks, Government securities to the extent it has been doing and letting the banks expand their credits for this purpose.

Effect on Investors and Banks

As an inflation brake and to stop expanding bank credits, the Treasury Department is now endeavoring to get Government bonds into the hands of individuals rather than into banks. But to do this they must ultimately pay higher rates of interest on Government paper. If rates go up, investors' bond portfolios will shrink in value and there will be a general switching to equity stocks. This is another reason why I am bullish on the stock market and do not like high-priced, low-yield bonds.

Even a small rise in interest rates will help banks and their stockholders. Long-term, high-grade bonds held by banks will, of course, then slide off. However, rates for unsecured and for collateral loans, together with loans on real estate, should rise to swell the banks' gross income. Banks holding a large quantity of short-time investments in Governments, municipals and commercial paper will be in the best position. Such banks can jump back into the corporate bond market later on and pick up some bargains in discount bonds. Banks holding large quantities of long-term bonds may take a licking.

Chase Bank Surveys Conditions In Brazil

A survey of business and financial conditions in Brazil has just been published by the Chase National Bank, Pine Street, corner of Nassau, New York City, for distribution to customers of its Foreign Department. This survey includes an analysis of Brazil's trade relations with the United States, and a discussion of the country's impressive program of industrialization.

Stix Now Partnership

ST. LOUIS, MO.—Announcement is made of the formation of a partnership under the firm name of Stix & Co. to conduct the general investment business heretofore conducted by the corporation of the same name. Partners are Charles H. Stix, Frederic A. Arnstein, Edwin R. Waldemer, May S. Muench, Benjamin F. Frick, Jr., formerly officers of the corporation, and Edgar L. Roy, who has been associated with the firm for some time. Stix & Co. are members of the St. Louis Stock Exchange; offices are located at 509 Olive Street.

N. Y. Analysts To Hear

Morris A. Schapiro, of M. A. Schapiro & Co. will address the Oct. 8 luncheon meeting of the New York Society of Security Analysts, on the implications for banks of the rising trend of deposits.

Ernest R. Abrams, public utility consultant, will speak on Oct. 11 on the suspension of the death sentence.

On Oct. 18, John L. Collyer, President of the B. F. Goodrich Co., will speak on the rubber industry.

All meetings are held at 12:30 p.m. at 56 Broad Street, New York City.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1404)

sition where a top could well be in the making. So there were two handles to grasp. The first, affecting individual stocks was marked "up"; the second, affecting the entire market, was marked "caution." Of the two I chose the former and advised the purchase of selected issues at specific prices. But keeping the latter possibility in mind, I also advised that all purchases be accompanied by stops.

* * *

Meanwhile the market, in average terms, reacted from the 142 figure down to about 140 and the stocks advised here became available. In the interim, gloom began to seep into the Street and forecasts of how low they were going, began to be quite common. I wrote that any reaction would not exceed the 138 figure and advised recent purchasers to stick to their guns.

* * *

In the last week the averages began to show something else again. For some reason their ability to move ahead seemed to have been lost. This in itself is nothing to worry about. But if it's taken with an eye to the old offerings, still overhead, the overall picture is not conducive to a peace of mind.

* * *

Looking at the market action this morning—Tuesday—the future seems to point to either a break out on the upside before this week is over, or a suspicion that those old overhead offerings are too much for the market to take. If the latter is true discretion would seem the better part of valor. For if even individual stocks show an ability to go up, this ability will be dissipated in the face of a general market which seemed to want to move in the opposite direction.

* * *

There are two old axioms that come to mind. After a long decline, individual stock action points to a beginning of the upturn. After a long advance, or during it, it is unit market action which indicates the direction of the next phase. Of the two, the latter seems to apply today.

* * *

Two weeks ago this column advised the purchase of several stocks. Here is the position at this writing.

* * *

Alleghany - Ludlum Steel, bought at 27, with a stop at 26, is now at about 27. Get out now.

* * *

Allis Chalmers, bought at 38, with a stop at 36, is now about 37¾. Clear out of this one too.

* * *

Atlantic Refining, bought at 27, with a stop at 26, is currently at about 26¾. The stop being broken, you are now out of this one.

* * *

Commercial Solvents bought at 14½, stop at 13, is about 14¾. Its action has deteriorated in the past few days, so see no point in holding on.

* * *

U. S. Pipe & Fdry., bought at 34, stop at 32, is now about 33. I don't think it shows enough to hold on any longer.

* * *

The same thing applies to White Motors, bought at 21, with a stop at 19, and is now about 20½. White has everything in its favor, for that matter so do the other stocks mentioned above. But as fundamentals play a minor role in market action, my advice, based entirely on what the market tells me, is to clear decks now.

* * *

The last stock in the list is Youngstown Sheet & Tube, bought at 36, stop at 35, and now selling at about 37. You have a small profit but no matter how good its action, it too will come under the blight of general market performance.

* * *

I am aware that practically all the stocks I now advise to sell, are in the red, even though slightly. But one thing I have learned is, that if you want to make money in the market, you must be able to take losses. And the quicker you take them, the smaller they'll be.

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.*]

Government Finance And Money Rates

(Continued from page 1400)

(2) the belief exists that no adverse change in prices is likely as far ahead as one can easily see. All that is then necessary is that the prices of the particular bonds be relatively attractive when quality is considered. From this point of view, government bonds are already attractive. Bonds cannot be readily sold in volume in a gradually declining market, the bottom of which is unknown. If, therefore, interest rates were to be raised, prices lowered, and sales successfully resumed in volume, it would be necessary to firm money rates quickly by a given amount, to establish a new price level quickly, and successfully to sell the belief that the new level would be maintained more or less indefinitely. It is possible that sales at the new level might then exceed those at old level. This, however, is not certain; and the procedure of changing the price level involves a risk that cannot be measured in quantitative terms. It is a risk, furthermore, which need not be assumed so long as a large demand for capital for private use does not exist or can be successfully restrained by other means, for in the absence of a strong demand for capital for private purposes, there is no inflationary influence which can be restrained by higher money rates.

B. Certain Technical Aspects Of Our Financing Program

(1) The maintenance of low money rates involves the sale of bonds at high prices to banks. This raises a question as to the effect of any possible depreciation in bond prices upon the standing of our banks. Higher rates, it is argued, would permit the banks to buy at lower prices in the future, and to average down the cost of government bonds as holdings increase. But this procedure would not take care of any depreciation on bonds already held.

(2) It is also pointed out that a large portion of the government debt is payable on demand, and if suddenly presented in volume for payment, might force the sales of additional bonds to banks, thus contributing to further inflation. Higher money rates would not solve this problem, unless they produced much heavier purchases of long term issues in place of demand obligations. But there is no means of forecasting the size of the increases, if any, in the purchases of long bonds which would result from higher interest rates.

Higher money rates do not provide a certain solution to either of these technical problems under present conditions, but would have the disadvantages (outlined in A above) of increasing the deficit. It is, therefore, desirable to find a better solution, if possible, and it seems probable that such a solution could be found in a refunding program to be undertaken immediately after the peak of war and post-war expenditures has been passed, and, if possible, before the post-war demand for capital for private purposes has attained great size. There is, of course, a good deal of danger in endeavoring to be too specific so far in advance of the event. But such a program might embody the following general principles:

1. Refund as much of the government debt (including the demand obligations) not held by banks as is possible and practicable into a single very long term issue, to be serviced like the external debts of Argentina by a semi-annual charge to the Federal Budget which will be uniform throughout the life of the issue, will cover both interest and sinking fund, and will be large enough to retire the entire issue by maturity. Under this arrangement, the sinking fund in the first year is a small part of the uniform annual service charge, but as years roll on, the sinking fund becomes an ever larger portion of the total service charge, and the interest an ever smaller proportion of the total charge, until the issue is finally completely amortized.

If the maturity is far enough away, the absolute size of the sinking fund will, at the outset, also be small (say ½% to 1% depending on maturity and rate). This plan has the advantage of setting up a definite long term plan for amortizing a large portion of debt, and removes maturity problems with respect to this amortizable portion of the debt.

2. Such a refunding would have to be carried out by asking for voluntary exchanges. A suitable, but not uneconomical rate, and an appeal for cooperation in helping putting government finances on a sound permanent basis would be relied upon to induce the exchanges in volume. Banks would not be permitted to buy these bonds for several years.

3. Make an offer to each bank to exchange its entire portfolio of governments, 15 to 20% for bills and certificates maturing in one year or less and the balance into 1¼ to 11¼ year serials (a maturity to occur in every quarter-yearly period intervening) or offer partial exchanges which will leave each bank with some such distribution of maturities.

No set program of amortization of this portion of the government debt would be written into the terms of the obligations, and it would be expected that these issues would for some time be refunded in large part by similar issues, so that the financial structure would be supplied with an adequate, but not unwieldy, supply of well distributed maturities within the 11¼ year range, and its liquidity and stability thus assured.

4. Other well distributed maturities, in relatively small amounts, would be used to take up the slack represented by government obligations held by persons not cooperating with the exchange offers, and to finance any further deficits between the time of the refunding and the complete clearing up of the war expenditures.

The reasons for this program are obvious:

(1) To give assurance that the government cannot be embarrassed by the sudden presentation of tremendous volumes of obligations payable on demand and banks be forced to come to the rescue, thus augmenting inflation.

(2) To give assurance that the possible depreciation of bank portfolios will be small.

(3) To give assurance that the liquidity of the financial machinery of the country will be preserved through the provision of an adequate, but not unwieldy, supply of well distributed government maturities from 90 days to 11¼ years.

(4) To provide a fixed, but not overambitious, program for very gradual amortization of a large part of the government debt.

(5) To provide a degree of flexibility for real emergencies by not utilizing directly in the refunding program maturities between 11¼ years and the distant maturity of the amortizable issue.

(6) To reduce any further refunding requirements to such small size, that money rates may, thereafter, or within a reasonable time, thereafter, be dominated by usual peace time considerations and not by the exigencies of government finance.

It will be seen that this program does not concern itself exclusively with economy in borrowing (although the degree of economy over the years will be very good indeed) but takes into account also the requirements which must be met to preserve a liquid and sound private financial structure.

C. Keynesian Theory and Other Theories in Peace Time

Unfortunately it is necessary to prolong our discussion slightly because the program set forth provides for amortization of a large part of the debt over a long period which brings us afoul of more theory, and makes it necessary to answer the following questions:

(1) To what extent is the financing of government deficits by bororwing at banks helpful to business recovery or the maintenance of business activity?

(2) To what extent are low money rates helpful to business recovery, or the maintenance of business activity?

(3) In order to maintain a high degree of business activity, it is necessary that government debts continually increase, or can they be kept stable, or may they even be amortized?

1. Experience with very extreme deficit financing, in peace time, (French and German history) indicates that the stimulus from it is only temporary, and that larger and larger doses are required to prevent a relapse—until finally a terrific relapse comes anyway. In other words it is well known that **huge** deficit financing sets up no self actuating process in the business machinery such that business thereafter continues indefinitely to get better or even to stay active, after the deficit has ceased. In such extreme cases, business probably ceases to get more active or to stay active, not when the deficit **ceases**, but when the deficit ceases to grow continually larger. The process merely gives business a temporary fillip, at the expense of a distortion in underlying economic relationships which makes the fundamental situation worse. Since this has proved true of extreme deficit financing in peace time, why should we suppose that that same theory applied in moderate doses would have an effect which is different except in degree? Why should we expect this process to "prime the pump"? The mere fact that the money spent via deficit financing turns over more than once and, that therefore, a "multiplier" can be brought into the discussion, does not prove that any self-actuating process have been set up by the deficit financing. A multiplier could also be used in discussing the extreme cases of inflation.

Looking at the record rather than at theory, nothing appears in the history of the period from 1933 to the outbreak of war to indicate that the actual application of this theory produced a more rapid or more extensive recovery than has occurred in many other eras in which the theory was not applied. The answer depends in part in whose indexes you use. Some of them indicate a very subnormal recovery, which would tend to indicate that deficit financing at banks in moderate or small doses, as well as in large doses, has an adverse rather than a helpful effect in the end.

The best practical conclusion to be drawn from the record appears to be that if the deficit is small, deficit financing at banks doesn't have any effect striking enough to enable it to be segregated from the effect of other influences. But if deficit financing is extreme, the net result will ultimately be anything from unfavorable to disastrous, although a temporray upward fillip will be obtained at the cost of weakening the fundamental situation.

2. The ability to borrow cheaply is a mild stimulant to business recovery, but is obviously greatly outweighed by other considerations as is shown by the fact the demand for new capital for private purposes has been very small during the entire present period of record monetary ease, and has often been relatively far more intense when rates were higher. Obviously money rates should ordinarily be appropriate to the existing demand for capital for private use whatever that may be. Average rates are a cheerful indication of normal business vitality, and low rates over a period are a sure indication of a lack of vitality and vigor in business activities undertaken for private purposes.

3. Large government debts mean heavy fixed charges within the economy, and connote heavily graduated taxation. "Taxation based on ability to pay" can be just as accurately described as "taxation designed to penalize economic success." A cardinal philosophical, moral and economic policy of England and the United States has come to be the limitation of economic success by law and by competition rather than by competition alone. This policy extends to all industry the principle applied to the regulation of public service enterprises. Stripped of the beauties of vague legal theory, that principle is realistically simply this: "You shall not be allowed to make much when your public service enterprise is in its growth stage, but you shall take the loss when it goes the other way." Thus we find the early history of water companies, and the history of tractions and of railroads, to be records of losses to investors. This is now partially true of utilities. The prosperity at times realized by such enterprises was not the result of any monetary change in the theory of regulation, but of the cumbersomeness of legal processes, and of the speed of progress of the industries. By the time concessions could be enforced by legal process, these industries in their most vital eras had cut costs enough so that they could grant continual concessions, and still go ahead. But when continuous concessions could no longer be granted, the situation became one of losses. The application of a similar theory to all business and to all persons will have serious repercussions. Heavier debts mean heavier taxes especially upon those industries which are particularly prosperous, offer the best opportunity for growth, and are in a position to give impetus to progress. Large debts and heavy fixed charges indicate an inflexible financial structure. Can anyone doubt that the Government debt free condition of 1914 was more favorable to industrial growth than our present situation?

An increase in Government debts which is entirely out of proportion to any reasonable conception of the long term rate of growth of our business and production is obviously an unfavorable development. It generally connotes inflation and a great disruption of all normal economic relationships. Any rapid reduction of government debt once created, is impossible. But our objective should be to get very gradually back to the status of 1914. Pay as you go leads to wise expenditure; saves a tremendous interest charge; lowers fixed charges; reduces penalties on economic success; increases the flexibility of the business and financial machinery; augments its ability to withstand shock, and enlarges its ability to make the readjustments which are necessary from time to time, and to do so without protracted depression. The fact that such an objective can be attained only very gradually, should not deter us from aiming at it with perhaps small momentary interruptions. Here again the actual record clearly shows that our years of most rapid peace time industrial growth were years when the Federal Government had virtually no debt or the debts were declining. Attempts to make out that (1) increases in government debts are the key to sound business recovery; (2) a reasonable program to reduction in government indebtedness will prevent recovery, and (3) heavy government debts are not a handicap to industrial progress indicate a loss of perspective. They are a handicap with which we will have to struggle for years. This is not to say that we will not succeed, or that we will not get on rather well in spite of them, but it is not possible to say with realism that they are not a hindrance to normal economic progress.

It should be noted that this discussion has not been extended to cover such questions as the extent to which government deficits (and consequently the creation of government debts to finance them) may be necessary to finance war or relief, or to provide employment as a relief measure, even thought the final net effect may be to impede the growth of wealth, income and production. Nor is it to be inferred that the discussion is intended to oppose reasonable lease-lend aid to the initial rehabilitation of Europe, including Britain, or to oppose an attempt to time construction of public works so that it will eventuate in eras of depression; or to oppose the undertaking of any truly self sustaining enterprise, which, unless financed by government, would not be undertaken at all. But it does point out that our overall position would be better if such enterprises, to the extent that they are purely domestic, were financed more extensively by equity securities or directly out of savings without the intermediary of debts. The truly desirable solution of unemployment difficulties would be the discovery of enterprises which can be set up to be self sustaining, and which can be financed, even in depression, chiefly with equity securities, or directly from savings. If some one could find a way to do this successfully, upon an adequate scale, he would have discovered a true solution. The devising of enterprises which are only partially economic, their operation at a loss (if all usual corporate expenses are considered), and their financing wholly by government debts is not a solution, but a makeshift. The creation of unsound credits, or of debts which are uneconomic and unwieldly, is a measure of last resort rather than something desirable per se. It is necessary to consider whether the unsound credit or the heavy debt will obtain gains which are permanently desirable and which are thus worth the cost, or will merely produce a momentary advantage at a great future cost. If the creation of debts to provide employment produces a spiral of continuous inflation, it will ultimately fail to attain its objective. If it places such a burden on creative enterprise or so impairs the flexibility of the financial structure that enterprise ceases to grow or that its rate of growth is retarded, it will also ultimately fail to attain its objective.

E. Conclusion.

The Occidental mind, says Lin Yutang, is prone to follow a logical course of reasoning to an irrational extreme; but the Chinaman is likely to arrive at a very sensible conclusion by a very poor logic.

In "A" we see that recent economic theory has made a notable contribution to the practice of war finance; in "B" that pure economic theory may not work out in practice for certain practical reasons; in "C" that the logic of some modern economic theories carries us a bit beyond realities, and in "D" that certain extreme modern theories with regard to government debts extend logic into the realm of pure imagination. A sense of proper relativities or weights, and a sense of simple realism seems likely to give a saner and happier solution than a perfect logic which neglects the relativities or realism. JAMES A. HOWE.

Greenwich, Conn.
Oct. 5, 1943.

Probable Trend Of Interest Rates

(Continued from page 1399)
war effort the resulting surplus of income.

After the War

In the immediate post-war period the Treasury will be confronted with the necessity of refunding billions of dollars of maturing Government obligations each year, at interest rates as low as possible. The immense bank expansion that has taken place has created such vast sums of idle money that, even with the patriotic motive eliminated, the Treasury should be able to refund at—if any—only a slight increase in rates.

For some time after hostilities cease, the money market may be expected to continue to be dominated by the needs of the Treasury. Corporations to some extent may desire to convert holdings of Government securities into cash in order to help meet their post-war capital expenditures for reconstruction and expansion, and some individuals will want to redeem war bonds in order to buy goods and homes or tide themselves over a period of unemployment. With consumers' goods again freely available, there will be a considerable return flow of currency from circulation. This, tending to increase reserve balances of member banks, will also be a factor in preventing increases in interest rates.

The devaluation of the dollar, which was accompanied by a great increase in the production of gold, appears to have had a permanent effect on money rates. If, as seems probable, some form of metallic standard is established after the war, the huge monetary stock of gold accumulated in the world, accompanied by the inevitable increase in the output consequent upon the resumption of gold mining, is bound to have an important influence toward maintaining low interest rates.

Effect on Securities

Since high-grade corporate and municipal bonds to a degree compete with Governments — aside from where the dominant purchasing factor is patriotism — a continued low yield on Governments should help the maintenance of low yields on corporates and municipals. During any period of uncertainty in financial markets after the war any strengthening of the desire for safety on the part of investors should help high-grade bonds.

If normal prosperity develops after the war, the pressure for higher interest rates should become greater, since demand for funds in such periods is usually great compared to the supply and the patriotic motive for buying government at low yield will have declined, and the Government's ability to maintain such low interest rates may be somewhat curtailed. Thus somewhat higher yields on high-grade bonds generally would be a possibility not to be overlooked, although if there should be heavy retirement of governments, it would operate on the opposite side. In any event, high-grade bonds are now so high in price and low in yield that, whenever or to what degree it may happen, the only direction for a substantial change in prices is downward, even though the development to such a trend may be some years off.

For medium-grade and lower-grade bonds, where as a price factor earnings are more important than interest rates, in the event of post-war prosperity the outlook would be good, and in many cases prices higher than at present could be expected; it is possible to visualize a fall in high-grade bond prices, with the prices of lower-grade bonds maintained or even increased. A continuation of generally low interest rates would be favorable to stock prices if dividends remained liberal.

Conclusion

Under present conditions, Government controls are the dominant influence on interest rates, and a higher general rate structure is not to be expected, despite a number of important factors that favor higher interest rates. Both now and at least well into the post-war period such factors are likely to operate freely only where Government controls are not in effect. —From the September 30th issue of "Investment Timing," issued by the National Securities & Research Corp., New York City.

OPA Suspension Acts Held Unconstitutional

The Office of Price Administration's business suspension system is unconstitutional, it was ruled on Sept. 29 by Federal Judge W. H. Atwell in Dallas, in describing the administrator who issues suspension orders as "a modern instance of pure dictatorship."

The regional OPA said the decision would be appealed.

In reporting the decision, Associated Press Dallas advices, as given to the New York "Herald Tribune," said:

Judge Atwell held that the OPA had legal authority to ration gasoline and other commodities, but ruled that such authority did not include the power to suspend violators from their rights to deal in the rationed commodities.

He granted the petition of Amos F. and Foy O. Wilemon, operators of the Good Luck Service Co., for an injunction restraining the OPA from enforcing a two-weeks' shutdown order against their seven gasoline service stations.

Judge Atwell said the company was found by a hearing officer to have had, on April 8, in their possession 1,063 No. 6 Class A gasoline coupons accepted in exchange for gasoline prior to the effective date. The hearing officer ruled the violation was gross carelessness and ordered the shutdown.

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 St., New York City. Copies of this interesting study, which is available to dealers only, may be had upon request from T. J. Feibleman & Co.

Attractive Situation

The 4% non-cumulative income bonds of the New York Majestic Corp. offer an attractive situation according to an interesting descriptive circular prepared by Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York City. Copies of this circular may be had from the firm upon request.

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.

Calendar Of New Security Flotations

OFFERINGS

ARDEN FARMS CO.

Arden Farms Co. has filed a registration statement for 26,000 shares of $3 preferred stock, without par value.

Address—1900 West Slauson Avenue, Los Angeles, Cal.

Business—The buying and selling of ice cream, the processing of milk, and the general business of buying and selling milk, butter, cottage cheese, eggs and various related products at wholesale and retail in the States of Washington, Oregon and California.

Underwriting—There are no underwriters. Company proposes through certain of its employees and through security dealers to solicit the exercise of option warrants, and the company proposes to pay the expenses of such employees in connection with such solicitation. If all such shares are not sold company will reimburse security dealers for their out-of-pocket expenses. If all such shares are sold the company will instead pay such dealers $1 for each share sold through the exercise of warrants procured by such dealer.

Offering—Company has granted to holders of its preferred stock, rights to subscribe for shares of preferred stock now being registered at the rate of one share for each 2½ shares held. Subscription price will be filed by amendment. After the expiration of the warrants the company proposes to sell such of the shares of preferred as are not subscribed through the exercise of warrants, to the public at such price as may be fixed by the board.

Proceeds—Net proceeds will be applied to the prepayment, so far as they suffice, of the company's notes outstanding in the principal amount of $1,050,000.

Registration Statement No. 2-5166. Form S-1. (6-29-43).

Amendment filed July 20 fixing offering price to stock holders at $40 per share, unsubscribed portion to public at $40 per share or more as may be fixed by board of directors.

Registration statement effective 4:45 p.m. EWT on July 26, 1943, as of 5:30 p.m. EWT July 18, 1943.

Of the 26,000 shares registered 23,823 shares were subscribed for by stockholders at $40 per share leaving 2,177 shares to be sold publicly at $42 per share.

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).

In an amendment filed Sept. 25, 1943, the company lists the names of underwriters and the amounts underwritten by each as follows:

	Shares
J. G. White & Co., Inc., New York	13,064
Auchincloss, Parker & Redpath, Washington	11,613
Baker, Watts & Co., Baltimore	2,903
Alex. Brown & Sons, Baltimore	5,807
Brown, Goodwyn & Olds, Washington	968
Childs, Jeffries & Thorndike, Inc. Boston	484
G. H. Crawford Co., Inc., Columbia	484
Ferris, Exnicios & Co., Inc., Washington	1,936
Robert Garrett & Sons, Baltimore	3,387
Johnston, Lemon & Co., Washington	7,742
Robert C. Jones & Co., Washington	968
Kirchofer & Arnold, Inc., Raleigh	3,870
Merrill Lynch, Pierce, Fenner & Beane, New York	968
Milhous, Martin & McKnight, Inc., Atlanta	484
Robinson, Rohrbaugh & Lukens, Washington	2,419
Stein Bros. & Boyce, Baltimore	2,903

Offered Oct. 6, 1943 at $25 per share.

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).

In an amendment filed Sept. 28, 1943, to its registration statement, P. Lorillard Co. fixes the interest rate on its proposed issue of $20,000,000 20-year debentures, due Oct. 1, 1963, at 3%.

The names of the several underwriters, all of New York unless otherwise indicated, and the principal amount of the debentures and the percentage of the common stock offered and not subscribed by the holders of outstanding shares of common stock of the company which the underwriters respectively have agreed to purchase, are as follows:

Name—	Amount of Debentures	% of Unsubscribed Common Stock
Lehman Brothers	$1,800,000	9.00%
Smith, Barney & Co.	1,800,000	9.00
Adamex Securities Corp.	200,000	1.00
Bacon, Whipple & Co., Chicago	150,000	.75
Bear, Stearns & Co.	150,000	.75
A. G. Becker & Co., Inc.	400,000	2.00
Blair & Co., Inc.	200,000	1.00
Blyth & Co., Inc.	800,000	4.00
Alex. Brown & Sons, Baltimore	100,000	.50
Clark, Dodge & Co.	200,000	1.00
R. S. Dickson & Co., Inc., Charlotte	100,000	.50
Dominick & Dominick	200,000	1.00
Eastman, Dillon & Co.	400,000	2.00
Emanuel & Co.	100,000	.50
Estabrook & Co., Boston	200,000	1.00
Field, Richards & Co., Cincinnati	100,000	.50
The First Boston Corp.	800,000	4.00
Glore, Forgan & Co.	400,000	2.00
Goldman, Sachs & Co.	800,000	4.00
Granbery, Marache & Lord	150,000	.75
Hallgarten & Co.	400,000	2.00
Harriman Ripley & Co., Incorporated	800,000	4.00
Ira Haupt & Co.	100,000	.50
Hayden, Stone & Co.	200,000	1.00
Hemphill, Noyes & Co.	400,000	2.00
Hornblower & Weeks	400,000	2.00
Janney & Co., Philadelphia	150,000	.75
Kebbon, McCormick & Co., Chicago	150,000	.75
Kidder, Peabody & Co.	400,000	2.00
Kuhn, Loeb & Co.	1,000,000	5.00
Lazard Freres & Co.	400,000	2.00
Lee Higginson Corp.	400,000	2.00
Laurence M. Marks & Co.	200,000	1.00
Mellon Securities Corp., Pittsburgh	800,000	4.00
Merrill Lynch, Pierce, Fenner & Beane, N. Y.	450,000	2.25
F. S. Moseley & Co. Boston	200,000	1.00
Paine, Webber, Jackson & Curtis	400,000	2.00
Reynolds & Co.	200,000	1.00
Riter & Co.	150,000	.75
E. H. Rollins & Sons, Inc.	200,000	1.00
L. F. Rothschild & Co.	150,000	.75
Schoellkopf, Hutton & Pomeroy, Inc., Buffalo	200,000	1.00
Scott & Stringfellow, Richmond	400,000	2.00
Chas. W. Scranton & Co., New Haven	100,000	.50
Shields & Company	200,000	1.00
Stein Bros. & Boyce, Baltimore	100,000	.50
Stern Brothers & Co., Kansas City	100,000	.50
Stone & Webster and Blodgett, Inc.	400,000	2.00
Stroud & Co., Inc., Philadelphia	150,000	.75
Spencer Trask & Co.	200,000	1.00
Tucker, Anthony & Co.	200,000	1.00
Union Securities Corp.	400,000	2.00
G. H. Walker & Co., St. Louis	150,000	.75
Wertheim & Co.	400,000	2.00
White, Weld & Co.	200,000	1.00
The Wisconsin Co. Milwaukee	200,000	1.00

Offering—The debentures were offered Oct. 4, 1943 at 101¾ and interest.

The 374,391 shares of common stock are being offered by the company to the holders of outstanding shares of common stock of record Oct. 4, 1943, by the issuance of transferable subscription warrants evidencing rights to subscribe to shares of common stock, at the rate of one-fifth of one share for each share of common stock so held of record, at the price of $14 per share. No fractional share of common stock will be issued, but fractional share subscription warrants may be combined to permit subscription for one or more full shares. The subscription warrants will expire at 3:00 p.m. EWT on Oct. 15, 1943.

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).

In an amendment filed with the SEC the company listed the underwriters and the amount of debentures underwritten by each as follows: A. G. Becker & Co., $800,000; Lehman Brothers, $400,000; Glore, Forgan & Co., $400,000; Eastman, Dillon & Co., $250,000; Harris, Hall & Company, Inc., $250,000; Ladenburg, Thalmann & Co., $250,000; Merrill Lynch, Pierce, Fenner & Beane, $250,000; Carter H. Harrison & Co., $200,000; Loewi & Co., $100,000, and The Wisconsin Co., $100,000.

Offered Oct. 6, 1943 at 100½ and int.

(This list is incomplete this week)

Major Angas Bearish

Today few think any appreciable fall is possible, but in Major Angas' view the recent sharp rally may be offering a last chance to get out in the downward intermediate swing, and possibly in the cyclical swing also.

Statement of Ownership, Management, &c., required by the Acts of Congress of Aug. 24, 1912 and March 3, 1933 of the Commercial & Financial Chronicle, published two times a week on Thursday and Monday, at New York, N. Y., for Oct. 1, 1943.

State of New York, County of New York, ss.: Before me, a notary public, in and for the State and County aforesaid, personally appeared Herbert D. Seibert, who having been duly sworn according to law, deposes and says that he is the editor of the Commercial & Financial Chronicle and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management, &c., of the aforesaid publication for the date shown in the above caption, required by the Act of Aug. 24, 1912, as amended by the Act of March 3, 1933, embodied in Section 537, Postal Laws and Regulations, printed on the reverse side of this form, to wit:

(1) That the names and addresses of the publisher, editor, managing editor and business managers are:

Publisher, William B. Dana Company, 25 Spruce St., New York, N. Y.
Editor, Herbert D. Seibert, 25 Spruce St., New York, N. Y.
Managing Editor, Herbert D. Seibert, 25 Spruce St., New York, N. Y.
Business Manager, William D. Riggs, 25 Spruce St., New York, N. Y.

(2) That the owner is (if owned by a corporation, its name and address must be stated, and also immediately thereunder the names and addresses of stockholders owning or holding 1% or more of the total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address as well as those of each individual member must be given):

Owner, William B. Dana Company, 25 Spruce St., New York, N. Y.
Stockholders, Estate of Jacob Seibert, 25 Spruce St., New York, N. Y.

(3) That the known bondholders, mortgagees and other security holders owning or holding 1% or more of the total amount of bonds, mortgages or other securities are: (If there are none, so state.) None.

(4) That the two paragraphs next above, giving the names of the owners, stockholders and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner, and this affiant has no reason to believe that any other person, association or corporation has any interest, direct or indirect, in the said stock, bonds or other securities than as so stated by him.

(Signed) Herbert D. Seibert, Editor. Sworn to and subscribed before me this 29th day of Sept., 1943. Thomas A. Creegan, Notary Public, Kings County, New York, County Clerk's No. 555. New York County Register No. 326-C-5. (My commission expires March 30, 1945.)

Our Reporter On "Governments"

(Continued from page 1413)

ing privilege and an indication of the popularity-to-be of the new 2s. . . .

(2) The 3¼s represent the elimination of another $1,401,000,000 of tax-exempt bonds from the open market. . . . Exit of these serves to point up again the ever-decreasing totals of exempt bonds in an ever-rising tax setup. . . . Holders may not have felt as yet the significance of the retirement, but they will in a week or two when it becomes obvious that the institutions and individuals holding the 3¼s will want to shift into similarly favored exempts. . . . Naturally, most alert investors already have handled their switch. . . . They would be in a pretty tough situation had they not done so. . . .

But this observer has discovered, after years of study and analysis of this greatest of all markets, that despite all the warnings and expert advice, a large number of big investors still need to see a development right under their noses before they catch on completely. . . . And, to be specific, look for other tax-exempts to replace their called obligations. . . .

Indicating, to summarize, that the tax-exempts are in for another boost. . . .

FRESH MONEY

There's no point in hiding from the fact that a considerable amount of money placed in the September securities represented cash obtained from sale of outstanding bonds or notes. . . . We know many banks sold out some their longer-terms and intermediates to get cash to buy the new 2s when their turn came. . . . We know many insurance companies were busy switching around their positions in August and early September, so that they'd have the cash to move into larger-totals-than-expected during the drive. . . . And this writer knows personally of some smaller firms and individuals who followed the same switch policy so they could buy the 2s or 2½s and either get aboard the new bonds or make a good impression on their employees. . . .

Again, this is hard-boiled. . . . But it's common sense and accurate reporting. . . . And, therefore, it is essential to you. . . .

As for the meaning of this, the angle is that fresh money is coming into the market now and will come in during this month of October. . . . The institutions mentioned are the recipients of cash constantly. . . . Cash which must be invested in Governments. . . . They're not "bought up," by any means. . . . On the contrary, they're ready for the open market. . . .

Strength in the various 2% issues of 1951/49 during the last few days of the drive suggests lots of banks decided not to wait for their turn to subscribe and entered the lists for some intermediates selling at a decent price range. . . . The 1951/49 maturities range from 101.6 bid to 101.17 offered at the moment. . . . Also some buying of the 2s of 1952/50 reported. . . . These are now up to 100.20 bid. . . .

You may look forward to a good demand for the new 2s as soon as the bank drive is over and the banks discover how many issues they need to round out their positions. . . .

FORCED SAVINGS

You know and this column has been stating for weeks that while people in your acquaintance are buying to the limit, people both in and outside of your circle are falling down miserably. . . . They're just not coming through and the figures on the loan—which you may find in your daily paper right now—show that individuals generally failed to meet their quotas. . . .

Which plays right into the hands of the advocates of forced savings. . . . At present, the idea is being disguised in Washington under the name of a "refundable tax" but it's the same thing exactly. . . . A rose by any other name would smell as sweet. . . .

As for the effect on the Government market, that's too confused today to deserve detailed consideration. . . . But tax-exempt securities get the benefit of any increase in tax rates, no matter how disguised or conceived. . . .

INSIDE THE MARKET

Forget for now and probably for years any rumors you hear or have heard of elimination of the exemption on outstanding Federal Government or on State and local government securities. . . . The House Ways & Means Committee has voted to rule out even discussion of the issue at this time. . . . Simplicity of hearings and political factors are influencing their choice but to tax-exempt bond traders, the important thing is the subject won't get any publicity just now. . . .

Insurance companies went "allout" on this drive. . . . Purchases during campaign were almost 100% in Government bonds and they're not re-entering regular markets for another few days. . . .

Dealers generally bullish. . . . Expect new 2s to hit their temporary peak round the end of October, after opening at around the ¼ point mark. . . . Then to rally to higher level by the year-end. . . . That has been the usual action of new issues and the record size of this one should not militate against repetition. . . .

WLB Sued On Union Order—Montgomery Ward & Co. Puts Maintenance Decree Up To Court

Montgomery Ward & Co. sued in the District of Columbia Federal Court Oct. 5 to prevent enforcement of a National War Labor Board order directing it to grant maintenance of membership to a Congress of Industrial Organizations' union in retail stores in Denver, Detroit and New York.

The suit was directed against the W. L. B. and the Director of Economic Stabilization.

The company asserted the W. L. B. order violated the Constitution by denying the right to work to employees who resign from the union; that the W. L. B. violated the requirements imposed on it by Congress by denying the company a fair hearing, and that the W. L. B. was biased, took no evidence, denied the right to examine witnesses and assumed the truth of matters concerning which no evidence was introduced.

The company declared the Board's order was partly an attempt to penalize the firm for statements it had made concerning the case.

The W. L. B. on Aug. 20 ordered union security, voluntary dues check-off, arbitration of grievances and granting of maintenance of union membership, with a fifteen-day "escape" period during which union members might resign if they did not want to remain members as a condition of employment. The decision affected about 800 workers represented by the United Mail Order, Warehouse and Retail Employees' Union in the three cities.

The Board's decision rejected Montgomery Ward's contention that the Smith-Connally war labor disputes act was unconstitutional, and Wayne L. Morse, public member of the Board, asserted that a "take it or leave it" attitude on the part of employers in collective bargaining "is fast becoming passe."

Daniel F. Rice And F. S. Yantis Elected Cgo. Exch. Members

CHICAGO, ILL. — Daniel F. Rice, senior partner of Daniel F. Rice & Co., has been elected to membership in The Chicago Stock Exchange by the Executive Committee, it is announced.

Daniel F. Rice & Co. are members of the New York Stock Exchange and principal commodity exchanges in the country. The firm has four branch offices in Illinois and others in Fort Dodge, Iowa, and Miami, Florida. The main office is located at 141 West Jackson Boulevard, Chicago.

F. S. Yantis, President of F. S. Yantis & Co., Inc., has also been elected to membership in The Chicago Stock Exchange by the Board of Governors.

F. S. Yantis & Co., Inc., the seventh corporation to become a registered member corporation, have been established since Jan., 1933, and are primarily engaged in the investment securities business at 18 South LaSalle Street, Chicago.

Robt. Byfield A Member Of Chicago Board of Trade

Robert S. Byfield of Byfield & Co., 61 Broadway, New York City, memebrs of New York Stock Exchange, has been elected to membership on the Chicago Board of Trade.

Interesting Situation

Department Caldas, Colombia 7½s of 1946 offer an attractive situation according to a memorandum released by Cruttenden & Co., 209 South La Salle Street, Chicago, Ill., members of the New York and Chicago Stock Exchanges. Copies of this interesting memorandum may be obtained from the firm upon request.

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N. S. Dennis With Harbison & Gregory

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — N. Spencer Dennis has become associated with Harbison & Gregory, 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Dennis was previously with Dean Witter & Co., Post & Flagg, and E. A. Pierce & Co. In the past he was a partner in S. R. Livingstone & Co. of Detroit, with headquarters in Los Angeles.

Gillen Co. To Admit Wm. Kirk & Leon Allen

Gillen & Co., 120 Broadway, New York City, will admit William T. Kirk III and Leon B. Allen to partnership in the firm on Oct. 15. Mr. Kirk holds membership in the New York Stock Exchange and the firm will become Exchange members as of that date.

Mr. Kirk was previously a partner in Kirk & West and prior thereto did business as an individual floor broker.