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What Can The Government Do To Promote Postwar Re-employment?

A Memorial To The Senate Committee On Post-War Economic Planning

By BENJAMIN M. ANDERSON, Ph. D.

(Dr. Anderson is Professor of Economics at the University of California, Los Angeles. He was formerly Economist of The Chase National Bank of the City of New York. He is Consulting Economist of the Capital Research Company, Los Angeles, and is a member of the Executive Committee of the Economists' National Committee on Monetary Policy.—Editor.)

We are faced by the demand that there must always be full employment, and that if private industry does not give it the Government must take action to assure it. The demand is made on the Government to prevent any reaction in business or employment. There must never be any liquidation periods. There must never be any reduction in wages. To prevent these things, the Government must plan, the Government must direct the course of industry, the Government must spend money, the Government must increasingly take charge of the economic life of the country.

Benj. M. Anderson

Now, I may observe, first of all, that the Government of the United States has not yet demonstrated its ability, despite very heroic measures in governmental economic planning and a very heroic spending program, to prevent unemployment in peacetime. In the years 1933 to 1939 inclusive, despite all that the Government did (or, as I believe, because of much that the Government did), we had a volume of chronic unemployment unprecedented in our preceding history. The annual average figure for unemployment at its best did not get under 6¼ millions and, through most of the time, was over 9 millions. It was over 10 millions in three of these years. We had nothing like this in the old days when our economic life was unregulated by the Federal Government and when the Government was pursuing an economical course.

But, second, let me say that the demand for full employment all the time, the demand that there shall never be any reaction or liquidation, is an erroneous demand. Of course

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The Current Monetary Situation

Dr. Spahr Criticizes Expansion And Dilution Of Money And Credit—Condemns Federal Waste And Spending —Urges Conservation Of National Patrimony

Criticism of the manner in which our money and credit—the blood stream of industry and commerce—are being expanded and diluted in ways not generally understood by the public was voiced on Oct. 19 by Dr. Walter E. Spahr, Professor of Economics of New York University and Secretary of the Economists' National Committee on Monetary Policy.

Dr. Walter E. Spahr

Dr. Spahr addressed a dinner meeting of the Illinois Manufacturers Costs Association, at the Hotel La Salle in Chicago, on "The Current Monetary Situation." He referred particularly to the issuance of Federal Reserve bank notes "by the Treasury through a sleight-of-hand maneuver," the provision

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Industry Plans For the Future

Dr. Lyon Declares Industry's Ability To Provide Full Employment Dependent Upon Adoption Of Proper National Policies

Private industry can not make adequate plans for the post-war period until it knows what measures the government plans to adopt regarding taxes, the disposition of government-owned manufacturing facilities, the termination of war contracts, the removal of war-time controls, foreign trade, and other pressing economic and social problems, Dr. Leverett S. Lyon, Chief Executive Officer of the Chicago Association of Commerce, declared on Oct. 13 in an address at the second in a series of weekly conferences on post-war goals and economic reconstruction conducted by the New York University Institute on Post-War Reconstruction.

Leverett S. Lyon

Stating that "the best thinking in the country leans toward the view that business following the war will be very active," Dr. Lyon pointed out that "the conditions to which business men will need to adjust their own companies, including a boom or depression, will depend in large part on the national policies which are adopted concerning a series of matters which are outside of any one businessman's control."

"Of the conditions which will affect business prosperity after the war, none is more important than taxes," Dr. Lyon said. "While taxes cannot be avoided, they can be so designed as to vary in the stimulating or depressing effect they have upon the prospects of

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In This Issue

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

Connecticut, page 1610; Michigan, 1609; Missouri, 1608; Wisconsin, 1598.

For index see page 1612.

Sees U. S. Post-War Foreign Aid Comprising Direct Investments

The assistance which the United States will render the foreign nations in the post-war reconstruction and development of economically retarded areas will take the form of direct investments rather than long-term loans, according to a bulletin entitled "The Outlook For Post-War American Investments Abroad," issued Oct. 11 by Dean John T. Madden, Director of the Institute of International Finance of New York University.

Dean J. T. Madden

The bulletin states: "The war has brought about a great change in international investments. In contrast to the last war when a great many foreign loans were offered in the American markets and the United States Government extended interest-bearing loans to the allied and associated powers, practically no foreign private loans have been contracted during the present war. On the contrary, there has been a further rapid liquidation of outstanding foreign loans and investments. It is well known that large amounts of foreign securities previously held by investors in Great Britain have been repatriated by other members of the British Commonwealth of Nations, particularly South Africa, India, and Canada. In fact, it would not be surprising if some of the British investments in those countries are entirely liquidated by the end of the war. Repatriation has also occurred in the various Latin American countries. In addition, short-term loans have been repaid and a number of properties previously owned by American or British citizens in foreign countries have been sold to nationals of the lat-

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Enterprise in Post-War America

Leon Henderson Says Future of Free Enterprise Depends Upon Answer To A Dozen Major Questions Which He Raises

Must Be Resolved Before 1946 To Avoid Debacle—Sees Beginning Of Post-War Period Coinciding With 1944 Election

The beginning of the post-war period in America, if present military predictions come true, will coincide with the 1944 elections and will inaugurate a period of great uncertainty for American enterprise. Leon Henderson, Chairman of the Board of Editors of the Research Institute of America and former Federal Price Administrator, declared earlier this month. Mr. Henderson opened the second series of conferences of the New York University Institute of Post-War Reconstruction. More than 500 representatives of educational, labor, welfare, agricultural, health, religious, service and other groups attended. The address, on "Enterprise in Post-war America" served as a prologue to 14 weekly discussions on "Post-war Goals and Economic Reconstruction." Professor Arnold J. Zurcher, director of the Institute, presided.

Mr. Henderson reported that best informed opinion placed the defeat of Germany between June, 1944, and January, 1945, with the collapse of Japan about one year later.

"This will result in a decline of production of war goods of about 50%," Mr. Henderson said. "At present the production of war goods and civilian goods is about equal, and each is equal to the total national production for 1939." He added:

"The period of decline, after the collapse of Germany, will create tremendous changes in the national psychology, for it will bring about the first reduction in employment and affect national attitudes towards buying, saving, and national policies and politics.

"The beginning of the end of the war will coincide with the 1944 election and it will be one of the controlling elements that will produce a new situation in American history."

Mr. Henderson said that the

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Jerome Melniker Now NY Exchange Member

Jerome Melniker, partner in the Stock Exchange firm of Mervin Ash & Co., 61 Broadway, New York City, has acquired the Exchange membership of the late C. Hylan Jones. Mr. Melniker, on his return from World War I, became a runner in Wall Street and worked himself up to a partnership in Mervin Ash & Co. He will continue the association while a member of the Exchange.

Mr. Melniker was born in Bayonne, N. J., graduating from the local public schools. He later attended Reading Academy in Flemington and Cornell University, where he is a member of Pi Lambda Phi fraternity. During the first World War he served for a year and a half in France with the Fordham Hospital unit. He is a Past Exalted Ruler of the Bayonne Lodge of Elks and Past Chancellor Commander of Arion Lodge, No. 68, Knights of Pythias.

Marine Pilot Lectures To Be Given In N. Y.

Classes in Marine piloting and small boat operation and handling will again be conducted by the North River Power Squadron of the United States Power Squadron. The session, of about 10 lectures, will start on Monday night, Oct. 25, at 7:30 p.m. at the Downtown Athletic Club (19 West Street, New York City).

There is no charge for the classes and they are open to the public and members of the armed forces.

Thos. E. Adams Opens Office In Los Angeles

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Thomas E. Adams has opened offices at 215 West Seventh Street, to engage in a general securities business. Mr. Adams was formerly with Akin-Lambert Co. and in the past conducted his own investment business, Thomas E. Adams & Co.

Plastics—War & Post-War

The future of the plastics industry offers interesting possibilities according to a circular prepared by Ward & Co., 120 Broadway, New York City. A discussion of the outlook and possible lines of development for the industry and data on three leading plastics companies is contained in the circular, copies of which may had upon request from Ward & Co.

Outlook for Casualty Stocks

Laird, Bissell & Meeds, 120 Broadway, New York City, have prepared an interesting bulletin discussing the outlook for casualty insurance stocks. Copies of this bulletin may be had from the firm upon request.

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

Challenges Legality Of Price Control Act

In answers filed in the Federal Court, on Oct. 9, by two chain stores which had been accused of violating Maximum Price Regulation 330 by the Office of Price Administration, the constitutionality of the Emergency Price Control Act of 1942 and the validity of the regulations issued under it were challenged, according to the New York "Times" of Oct. 20, which also had the following to say:

The defendants were the McCrory Stores Corporation and J. J. Newberry Company.

Both answers denied any legal violations, and went on to attack the OPA rules themselves. The Emergency Price Control Act itself requires that the OPA Administrator consult with recognized members of the department store trade before issuing such a regulation as MPR 330, the Newberry answer asserted, and it charged that he had not done so, and that the regulation therefore was without legal force or effect.

The McCrory answer maintained that enforcement of MPR 330 would have the effect of stifling competition by denying some dealers the right to sell merchandise at price levels available to others who had started in business since the regulation was promulgated.

Lehigh Valley Interesting

Raymond & Co., 148 State St., Boston, Mass., have prepared an interesting new discussion of the Lehigh Valley 4s of 2003. Copies of this memorandum may be had upon request.

Patterson Calls For Legislation Clarifying Law On War Contracts

Under-Secretary of War Robert P. Patterson urged on October 15 the prompt enactment of legislation to clarify completely the power of procurement agencies in final negotiated settlements of terminated war contracts, and to provide interim financing for contractors.

Mr. Patterson told the House Military Affairs Committee that the War Department believes it now has the power of negotiated settlement under war power acts, but that Comptroller-General Lindsay Warren has questioned the Department's authority.

In Associated Press Washington advices, it was further reported:

In a 30-page prepared statement, Mr. Patterson told the Committee the War Department had two "principal objectives: First, the fair and final adjustment of cancelled contracts at the earliest moment consistent with adequate protection of the Government interest, and, second, the provision of adequate means for interim financing of contractors whose contracts have been terminated."

To speedily settle the contracts, he said, termination adjustments must be effected by negotiated agreements that are final and not subject to reopening by any other agency.

Russell Forbes With Otis & Co. In Denver

(Special to The Financial Chronicle)

DENVER, COLO. — Russell H. Forbes has become associated with Otis & Co., First National Bank Building. Mr. Forbes for many years conducted his own investment business in Denver under the name of Forbes & Co.

When-Issued Sales Ruling

Vilas & Hickey, 49 Wall St., New York City, members of the New York Stock and Curb Exchanges, have prepared an attractive brochure on the Commissioner's ruling on when-issued sales. Contained in the brochure are the text of the ruling, and a discussion of the scope of the ruling and certain questions arising from it. Copies of this interesting booklet, together with the October Rail Calendar, prepared by Vilas & Hickey, may be had from the firm upon request.

Collateral Record For N. Y. Title & Mtg. Series

Newburger, Loeb & Co., 40 Wall St., New York City, members New York Stock Exchange, have prepared a record of the collateral securing the Series BK and Series F-1 of New York Title & Mortgage Co. Copies of this compilation may be had upon request from the firm.

The Future of Savings

Supt. Bell Opposes View That Peace Time Economic Difficulties Were Due To "Over Savings"

Says Savings Bank Paying 1½% Interest In Right Location Will Attract Deposits As Surely As A 2% Bank—States That Operating Expenses of Savings Banks Have Increased 50% In Last Eight Years But Earnings Up Despite This Because Of Reduced Dividends

"Fortified with the largest holdings in cash and government securities in their history, the savings banks can play an important role in the post-war period," said Elliott V. Bell, New York Superintendent of Banks, in an address before the annual convention of the Savings Banks Association of the State of New York, at Lake Placid, N. Y., on Oct. 12.


Elliott V. Bell

Mr. Bell went on to say:

"Now, as never before, they are in a position to finance a large volume of building, such as will be needed when wartime restrictions are removed. Their capacity to meet this need has been strengthened by what has been done in the past ten years in requiring regular reductions in mortgage principal. In meeting the post-war opportunity, we must not repeat the mistakes of the over-optimistic 20s."

Mr. Bell dissented vigorously from that school of thought which ascribed the country's peacetime economic difficulties to "over savings.". If private savings in recent years had not flowed freely into productive investments, he said, the remedy was not for the Government to confiscate savings, but to remove the barriers that had been placed in the way of private investment.

According to Superintendent Bell, the flow of deposits is again running strongly toward the savings banks and the outlook is that the savings banks of New York State will have a larger gain in deposits this year than in any other year of their history.

Mr. Bell pointed out that in the

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Attack on New Jersey Securities Act

A case of more than passing interest to interstate dealers and brokers of securities is now pending in the New Jersey Court of Errors and Appeals, the case of Wilentz, Attorney General, vs. Clifford W. Edwards. The case is important because it involves the power of an Attorney General to compel the appearance of nonresidents for examination. The record and brief of the appellant, Mr. Edwards, were filed with the court in Trenton on Oct. 19. Mr. Edwards' appeal is being prosecuted by the Newark law firm of Kanter & Kanter, with Elias A. Kanter as counsel. David T. Wilentz, the Attorney General of New Jersey, and Andrew J. Markey, Assistant Attorney General in charge of the Securities Division, appear for the complainant.

It appears from the record that the New Jersey Attorney General sent a "subpoena" to Mr. Edwards of Toronto, Canada, directing him to appear in Newark to be examined under the New Jersey Securities Law. Mr. Edwards did not appear. While the Attorney General made no claim of fraud, he nevertheless brought a suit in the Court of Chancery of New Jersey in order to obtain a compulsory subpoena against Mr. Edwards and to enjoin Mr. Edwards from dealing with securities. On the filing of the Attorney General's complaint, the Court of Chancery issued an order, returnable in Newark, requiring Mr. Edwards, among other things, to show cause why a final decree should not be made against him in accordance with the Attorney General's request. That order to show cause was delivered by registered mail to Mr. Edwards in Toronto. Mr. Edwards

Continued on page 1610)

Free Dollar Proposed By Schram As Alternative To Keynes, White Currency Stabilization Plans

The establishment of a free dollar as soon after the end of the war as possible, the removal of all foreign exchange controls and the resumption of gold payments, was proposed by Emil Schram, President of the New York Stock Exchange, as an alternative to the Keynes and White plans, according to advices Oct. 19 to the "Wall Street Journal" from its London bureau, from which the following is also taken:

"Mr. Schram gave this opinion in an article appearing in the 'Financial Times' special supplement, entitled 'United States and World Affairs.'

"The Stock Exchange head believes all international transactions bi-lateral and multi-lateral, long-term or short-term, could be cleared on the basis of such a dollar, which would constitute 'sure anchorage for currencies of other nations and become a generally accepted international medium of exchange.'

"In his article, Mr. Schram forecast a post-war expansion of American investments abroad that would make the New York Stock Exchange list as diversified and international in character as those of London and Amsterdam.

"Mr. Schram visualizes the coming American generation as avid for promising risks in new romantic lands in a society disposed to reward rather than hinder the risk-taker. He foresees formation by American investment bankers of foreign corporations having names like United China Stores, Queensland Packing, Asiatic Rubber, International Tin and African Copper."

San Francisco Traders Choose New Officers

SAN FRANCISCO, CALIF.—A Nominating Committee appointed by T. W. Price, President, consisting of Elmer L. Weir, Chairman; Anthony Bottari, and Jackson Palmer has chosen the following for officers of the San Francisco Bond Traders' Association for the ensuing year:

F. A. Baker, Jr.

F. A. Baker, Jr., Dean Witter & Co., President; George G. Kammerer, J. S. Strauss & Co., Vice-President; John F. Sullivan, Bankamerica Co., Secretary & Treasurer, and for the Board of Directors: Collins W. MacRae, Wulff Hansen & Co,; Conrad O. Shafft, Shafft, Snook & Cahn; Walter F. Schag, Geo. H. Grant & Co.; Harold E. Work, Wells Fargo Bank & Union Trust Co.

Installation of the new officers will be held Friday, October 29th, 1943 at 5 p.m., at the Fairmont Hotel.

Scott, Horner Firm Adds Clarence Taylor

LYNCHBURG, VA.—Scott, Horner & Mason, Inc., Law Building, announce that Clarence E. Taylor, local manager of Thomson & McKinnon for a number of years, is now associated with them on the unlisted stock trading department.

STANY To Hold Special Meeting On By-Laws

The Security Traders Association of New York, Inc., announces a special meeting to be held at the Produce Exchange Luncheon Club on Friday, Oct. 22, at 4:30 p. m. The subject will be proposed changes, recommended by the Board of Directors, to bring the Association's by-laws up-to-date. All members are urged to be present.

Interesting Market Outlook

The outlook for the common stock of the Magnavox Company offers attractive possibilities, according to a study of the situation prepared by Cruttenden & Co., 209 South La Salle St., Chicago, Ill., members of the New York and Chicago Stock Exchanges. Copies of the study, discussing the situation in detail, may be had from Cruttenden & Co. upon request.

Tomorrow's Markets Walter Whyte Says—

Action now looks bullish but watch out for news developments. Steels and airplane stocks appear as next likely leaders.

By WALTER WHYTE

Last week the market showed signs that the stock overhead was too great for it to take, or that the market, if it intended to take it, wasn't ready. The first point of resistance on the up-side was approximately 138 in the averages. On the other side of the market picture, the 135 figure, which the market seemed to hug uncomfortably close, seemed in imminent danger of breaking. Up to this writing the 135 point is still inviolate while the 138 point is slowly being eaten into. Technically speaking, such action usually leads to more strength than weakness. But the whole structure is so weak, or rather, gives the appearance of weakness, that to enter into the market wholeheartedly is far from advisable.

* * *

On the news-side the reports we hear seem uniformly good. At least the war trend seems to have definitely turned against the Axis on all fronts. But, as I explained last week, the market is more concerned with international politics than it is with the outcome of major battles.

* * *

The important news, for the next few weeks at any rate, will come from the Three-Power Conference in Moscow. We have all read the Moscow statements that the only thing Russia is interested in discussing is a second front. Whether or not that will be all to be discussed is open to considerable question. Power politics, which may affect all of us for a number of years to come will undoubtedly also come up for discussion.

* * *

The market, quite aware of the possible ramifications of the Moscow meeting, seems to be acting as if the problems to be discussed will be ironed out satisfactorily.

If this conference were

(Continued on page 1611)

Passage Of Bailey-Van Nuys Bill To Retain Insurance Business Under State Control Urged

The New York Board of Trade has endorsed the Bailey-Van Nuys bill and strongly urges Congress to enact the measure. The measure —"to affirm the intent of the Congress that the regulation of the business of insurance remain within the control of the several States, etc."—was introduced in the Senate on Sept. 21 by Senators Bailey (Dem., N. C.) and Van Nuys (Dem., Ind.), Chairman of the Judiciary Committee.

A petition to Congress to pass the legislation has been addressed by Floyd N. Dull, President of the Board of Trade, to New York Senators and Representatives and to members of the Judiciary Committees of Congress. In a letter Oct. 11 to Senator Van Nuys, Chairman of the Senate Judiciary Committee, Mr. Dull said:

"There is only one point at issue but it is a point of tremendous significance both to our economy and to our political structure. The business of insurance is now closely and efficiently regulated in each of the sovereign states. There is not the slightest reason in the public interest why the Federal Government should exercise additional supervision over this business. Attempts have been made in this direction which have resulted in lost time, lost effort, and great expense, all of which we, in this country, should be conserving.

"We believe that this bill, if enacted at this time, will serve another great purpose than merely extending justice to the insurance industry. It would be a timely reaffirmation to the intent of Congress to retain the traditional American concept of the Federal Government being a union of many sovereign states. It may also serve to arrest the efforts of some individuals employed by our Government who believe their chief responsibility is to harass American business. This bill, as drawn, is a clear and concise expression of the intent of Congress. It puts an end to temporary interpretations by various administrative officials. We earnestly appeal for its passage."

Air Line Subsidiary Formed By Two RRs.

Eagle Airlines, Inc., a jointly owned Delaware corporation, has been formed by the Missouri Pacific Lines and its subsidiary, the Texas & Pacific Railway, to operate over a 6,000-mile domestic network, it is announced.

Application has been made to the Civilian Aeronautics Board by the airline for permission to link 108 cities with 16 separate local routes and to offer through service between cities served by one or more of the local routes. Helicopters will be used as well as planes.

Terminals of the air routes, which will parallel the railroads' present routes, will be in St. Louis, Memphi, New Orleans, Brownsville, Laredo, El Paso, Pueblo and Omaha.

Pacific Power & Light Situation Looks Good

The 7% and $6 cumulative preferred stock of Pacific Power & Light Company offers a situation with interesting possibilities, according to a discussion contained in the October "Preferred Stock Guide" issued by G. A. Saxton & Co., Inc., 70 Pine St., New York City. Copies of the "Guide," which also lists quotations on unlisted public utility preferred and common stocks, may be had from the firm upon request.

Railroad Securities

Prospects for eventual consummation of the St. Louis-San Francisco reorganization brightened materially last week when Federal Judge Moore authorized the distribution to creditors of close to $22,000,000 in cash. When requests for these payments had been made the trustee of the road had testified that the road had in excess of $31,000,000 of cash in its treasury.

The most important utilization of cash is to be in respect to the compromise settlement of the claims of the RFC and the RCC. Litigation on the treatment of these two creditors had threatened to hold up the reorganization indefinitely. The two credit agencies will receive a total of $5,804,575 (the RFC gets by far the largest share) in full settlement of their claims for principal and interest. Treatment of these loans as proposed in the original Interstate Commerce Commission plan had been disapproved previously by Judge Moore on the grounds that they had been given unwarranted preferential consideration at the expense of other bondholders. Appeals to the higher courts by the credit agencies would have meant serious delays.

Elimination of these interests from the reorganization proceedings should allow a relatively speedy settlement of any differences there may exist between the holders of the various publicly outstanding bonds. In effect there are only two liens directly interested in the questions of earnings segregation and relative earning power and importance of the different sections of the system. These are the Kansas City, Fort Scott & Memphis, 4s, 1936 and the Prior Lien 4s and 5s, 1950. The other publicly held bond issue affected by the reorganization, the Consolidated 4½s, 1978, has no direct claim on property earnings. It ts dependent on the pledge of both Kansas City, Fort Scott & Memphis 4s and bonds of the Prior Lien mortgage and will be treated on the basis of allocations of new securities to this pledged collateral.

In addition to compromise of the RFC and RCC claims, the recent court authorization calls for distribution of $16,047,377 to bondholders on account of accumulated back interest. The Prior Lien 4s and 5s, 1950 are to receive one full year's interest and the Fort Scott 4s are to receive four year's interest. As in the case of security allotments, the Consolidated 4½s will receive interest on the basis of income received from the pledged collateral, amounting to a little more than a full year's interest—$48.91. At recent markets the payments will reduce the "net" price of the Prior Lien 4s and 5s to 31½ and 32¾, respectively, and the "net" price of the Consolidated 4½s to 29¾.

It may now be taken for granted that the various issues outstanding with the public will receive more liberal treatment than originally proposed by the Commission. For one thing, the securities originally allocated to the RFC and RCC will now be available for redistribution. The two agencies had been allocated a total of roundly $12,400,000 of new securities of which $8,443,000 was in new first mortgage bonds. In addition, late last year $6,506,000 of underlying bonds, which had been allocated new fixed interest divisional liens par for par, were paid off and their proposed securities will most likely be redistributed. There will be approximately $15,000,000 of new 1st Mortgage bonds thus available for redistribution, along with smaller amounts of junior securities.

The bonds to participate in this redistribution were originally allocated $53,348,000 of new 1st (Continued on page 1606)

Supreme Court Sustains Employer's Right To Voice Views On Union Election

Rejecting a request of the National Labor Relations Board, the United States Supreme Court refused Oct. 18 to interfere with a lower court ruling that an employer could express his views about workers voting on union representation, provided there was no coercion and the company abided by the result. Judge Learned Hand of the Second Circuit Court had held that under the constitutional right of free speech the NLRB could not charge unfair labor practices against the American Tube Bending Co. of New Haven. The Supreme Court denied a Governmental appeal for a review of his finding.

The Labor Board's ruling had set forth that prior to a vote of employees the Tube company's president had sent a letter and made a speech to them suggesting that they would find bargaining directly with the management a better plan than through a union.

In a brief to the Supreme Court Arthur L. Corbin Jr., and Luke H. Stapleton of New Haven, counsel for the Tube company, stated that there was not "one scintilla of evidence" in the record where a "reasonable man could find the slightest restraint or coercion" or a violation of the Wagner act.

The "moderate utterances" of the company's president, they argued were within the protection of the First Amendment to the Constitution, which guards freedom of speech. Quoting a Supreme Court decision in the Virginia Electric & Power Co. case, they continued:

"In this case, as in the Virginia Electric case the speech and letter complained of set forth the rights of the employees to do as they pleased without fear of retaliation by the company.

"Since there are no surrounding circumstances upon which the board might rely to sustain a finding of coercion, it now seeks to supply the deficiency by lifting parts of the utterances themselves from their context and by applying an interpretation of the Virginia Electric decision, which, it is submitted, is entirely foreign to that decision."

Charles Fahy, Solicitor General, and Robert B. Watts, counsel for the NLRB, in their brief, said:

"The privilege of free speech is not available where, because of the economic dependence of the listeners upon the speaker and the compulsion upon the listeners to give heed, the adjurations of the speaker pass from the realm of free competition of ideas into that of coercion."

They denounced the company president's messages to the employees as "unmistakable anti-union electioneering documents which the employees were not at liberty to ignore." As to his address, they said:

"The employees were not free to disregard the summons to hear the speech; nor were they free to disregard official communications from the management.

"Since the employer's utterances were properly found to have a coercive and restraining effect, the interference with the right of self-organization guaranteed to its employees cannot be justified on the score of a privilege of free speech."

Declaring the case "neither unique no sporadic," the Government counsel said that the "very language" used by the company president had been adopted by a substantial number of employers since Judge Hand's decision.

"Objections to elections because of campaigning by employers are very numerous," they added.

"Election disputes at present constitute the greater bulk of the (labor) board's cases.

"Unless the decision is reversed, it will become increasingly difficult for the board to conduct its elections in an atmosphere of neutrality which it deems essential to the fairness of the election procedure."

Interesting Situation

First Mortgage bonds of Chicago Surface Lines offer interesting possibilities, according to an interesting circular issued by Brailsford & Co., 208 South La Salle St., Chicago, members of the Chicago Stock Exchange. Copies of the circular listing ten reasons for their favorable view of this situation, and the current issue of the firm's leaflet on Chicago Traction Highlights may be had upon request from Brailsford & Co.

Proposal to Relax Listing Requirements On Local Issues—SEC Action On Exemptions Expected

The Securities and Exchange Commission is expected shortly to take action on the proposed rule X-3A-12, providing for the exemption of certain local securities from section 12(A) of the Securities Act. The purpose of the rule is to relax listing requirements for securities, the market for which is predominantly local or intrastate. Its crux is the provision that in the first place consent of the issuer has to be obtained, and second, that any securities which a stock exchange proposes to add to its list under the rule would have to be covered by a plan which the exchange would file with the commission, and which, if the commission did not disapprove, would permit the securities to be traded on the applicant exchange.

The "Herald Tribune," in a special Philadelphia press dispatch, further comments as follows:

"It is understood that the Chicago, Boston, San Francisco, Los Angeles and Cleveland exchanges have indicated their intention to develop plans whereby they could list securities under the provisions of the proposed rule.

"When the proposed rule was first promulgated by the trading and exchange division of the SEC, drafts were mailed to many interested parties with requests for comment and criticism.

"It is understood that many replies have been received, some of them with suggestions for modification of certain elements of the rule, while others were critical.

"As originally drafted, the proposed rule did not permit the extension of credit on securities which might be listed by the regional exchanges. It is understood that a number of persons suggested amending the rule to open the way for the extension of credit where necessary, and the commission staff has concurred.

"Otherwise the proposed rule will be presented to the commission for adoption or rejection, or further amendment, substantially as in the original draft of July 7.

"Apparently the position of the trading and exchange division is that the rule is meritorious in that the securities would be listed on the exchanges, thus providing a medium for more information concerning the affairs of the issuer for the potential investor, if the exchange required annual or periodic reports. Another advantage, according to the commission staff, would be that the trading would be public and interested investors would be able to get the exact market quotations at any time.

"The over-the-counter dealers are reported to feel that, in view of the fact that securities would be attracted to the regional exchanges under the provisions of the proposed rule, it would strip that market of such issues, since the source of issues for listing under the rule is the over-the-counter market."

"Our Reporter On Governments"

By S. F. PORTER

There's no sense in denying it. . . . The Street—and by "the Street," we mean all the financial districts of the nation—was miserably disappointed in the way the new bonds got off to public trading. . . . Premiums, sure. . . . Premiums of 8/32 on the 2s and of 3 to 5/32 on the 2½s, as predicted. . . . But there the bonds stopped for a while. . . . In contradiction to the general expectation of a quick, nice rise to the ⅝ and ½ level. . . . As for buying from banks, that has not developed to any extent so far. . . . In fact, there has been all kinds of talk around about the probability that it won't develop for several days, maybe a few weeks. . . . And as for the general market, well, you know it hasn't been acting up to expectations. . . . Not until just the last three days. . . .

This observer admits without any hesitation that the market as it has acted since the third war loan opened for trading has been contrary to forecasts. . . . Not only those appearing here but those mentioned in private conversations and in market letters by other close students of Government bonds. . . . Frankly, there's not a dealer in Wall Street who is satisfied with the situation. . . . Most of them are "loaded" or near loaded with the 2 and 2½s and were looking for quick bank buying. . . . And while we have a half-dozen reasons to mention to justify the slight reaction at the start, none of them seems to stand up against the long-term, major factors. . . .

To mention the obvious possibilities behind the recent slip-off, here are a few you may like to consider. . . .

The excess reserve situation at the moment is not too comfortable. . . . Banks have excess funds—$1,610,000,000 reported last week—but the distribution of these reserves is bad . . . . Exceedingly bad. . . .

Money is "tight" in many banks in large cities . . . . Is easy in the smaller communities where major buying of Governments rarely occurs. . . .

The "tightness" accounts for the banks holding off from the market for the time being . . . . Not for any length of time but for these few days, anyway. . . .

The banks have just finished with a $3,000,000,000 deal. . . . Minor enough and certainly many banks obtained mighty few bonds on a 5% limitation for subscriptions and a 25% allotment basis. . . . But they have some bonds. . . . And they're apparently taking their time in deciding how and when to round out their positions. . . .

There's a technical situation within the market itself which accounts for the unusually slow start. . . . Dealers have plenty of bonds . . . . Are now thinking in terms of sales, not purchases. . . . They're not liquidating, of course, but they're just sitting . . . . Which doesn't give the market any real basis for high prices at this time. . . .

The tax situation is as bewildering as it has been at any time in recent months. . . . General knowledge is higher corporate taxes are coming, but there's no feeling of confidence on the amount. . . . Meanwhile, corporations also are sitting tight, waiting for clarification. . . .

There you are—add the excess reserves situation to the technical position to the money tightness to the recent offering and you've justification aplenty for the sloppy market. . . . But just reasoning why is not sufficient. . . . This observer still thinks in longer-term factors. . . . And this observer is willing to go on record with the statement that this early October sell-off is one of those "squeeze" plays and that the market as of today is "dirt cheap". . . .

RESERVES?

From one large-scale dealer comes the prediction that something will be done soon to ease the excess reserves picture through the

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Sees U. S. Aid To Foreign Nations In Post-War Reconstruction Consisting Of Direct Investments

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ter. At the end of the war, therefore, the international indebtedness throughout the world will be much smaller than at its outbreak."

The bulletin continues: "It is generally believed that in the post-war period the United States Government will continue to play a dominant role in the economic reconstruction of the world. While the United States Government, through the Office of Foreign Relief and Rehabilitation Operations, will do its utmost to prevent starvation and suffering, it cannot be assumed that the United States Government will grant large loans or make outright gifts to foreign countries. Neither may a continuation of Lend-Lease on a large scale be expected. Beyond the initial aid in the form of food, clothing, medicines, and seed and the cooperation in the stabilization of currencies, the reconstruction of Europe and the East will have to be carried out primarily with the aid of private enterprise.

"Under certain conditions American private enterprise may play a very important role in developing the economically retarded areas of the world, as well as in aiding the reconstruction of industries in countries that have suffered severe damages during the war. The methods that private enterprise will employ in investing capital abroad will not be uniform, and will depend upon economic and political conditions in the individual countries. In some countries, the imported capital will be in the form of plants, constructed, owned and operated by American corporations. This will be the case particularly in backward countries where there is no local capital available and where the economic and technological status of the people precludes their immediate participation in the management of the enterprise. In more advanced countries, American capital will participate with local capital in establishing jointly owned and operated industries. In some European countries American participation may take the form of investments in stocks of existing companies requiring additional capital for rehabilitating their plants. The participation, therefore, of American private enterprise in the development of economically retarded countries and in the reconstruction of devastated areas will be primarily in the form of direct investments.

"Conditions in the United States at the termination of hostilities will be favorable for such a development. (1) There will be a surplus of productive capacity in many lines. In addition, high wages will induce many corporations to replace their equipment with the latest labor-saving machinery. The displaced equipment, though it could not be used profitably in the United States, will still be useful and profitable in countries where the cost of labor is lower than in the United States. (2) Taxes in the United States are bound to remain high for a considerable period after the war and undoubtedly will be higher than in many other countries, particularly those economically retarded. The lower taxes prevailing in these countries are likely to attract American capital. (3) Many more Americans will be familiar with economic and political conditions in foreign countries than ever before. (4) Foreign countries will welcome the establishment of American plants, for this will enable them to develop their natural resources, provide employment, and raise the standard of living of the population."

In comparing direct investments abroad with foreign long-term loans the bulletin states:

"Direct investments abroad have a number of advantages over loans, particularly those made to foreign governments and political subdivisions. Direct investments result in an immediate increase in the productive capacity of the capital importing country. This is not always the case with loans, since the proceeds have often been used for other than the stipulated purposes and a portion thereof wasted. In many instances, the advantages derived by the borrowing country were not commensurate with the obligations assumed. Direct investments are also accompanied by technical and managerial skill from the capital-exporting country, which is seldom provided in the case of foreign loans. Above all, direct investments are not likely to create a transfer problem as serious as that resulting from large borrowing abroad.

"The flotation of a bond issue in a foreign country creates immediately an obligation to pay in foreign exchange a fixed annual amount of interest, and usually also a stipulated amount of amortization. If the debt service is not remitted as required by the loan contract, because of the borrower's inability to obtain foreign exchange, the failure constitutes a default which impugns the credit standing of the borrower. As a rule, the default is accompanied or preceded by foreign-exchange restrictions and numerous regulations devised to control the volume, composition, and geographic distribution of the country's foreign trade, as witnessed on a large scale during the dperession of the 30s. On the other hand, an equity investment creates no fixed obligation, the investor's return being contingent upon the profitable operation of the enterprise. An American corporation which establishes a foreign subsidiary, or constructs a plant abroad with or without the participation of local capital, does not expect the new enterprise to make profits from the inception of operations. It takes some time before a new enterprise reaches the break-even point. Morover, no sound management would disburse the profits of the first years; such profits are generally retained to provide reserves against eventual losses and for improvement and expansion of the plant.

"Transfer problems, as a rule, arise in periods of economic depression. During such periods profits of corporate enterprises decline or are replaced by losses and, hence, there is no problem of transferring funds abroad for dividends and profits. Furthermore, the inability of an enterprise, because of Government regulations, to obtain foreign exchange for payment of declared dividends to stockholders abroad is not a default. The funds remain in the country and may be used for further investments, thus increasing the productive capacity of the country. One may conclude, therefore, that direct investments are in all respects far superior to long-term loans as a means of exporting capital.

"The often made statement that direct investments of American capital abroad will lead to the industrialization of foreign countries and thus create competition to the United States is not correct. Industrialization invariably causes a change in the composition of the foreign trade but it also leads to an increase in the volume of trade. This was conclusively proved by the effect of the industrialization of Japan and Canada on their respective foreign trade. As a rule, industrialization leads to a rise in the standard of living and thus creates a demand for types of commodities for which there was previously no demand."

In discussing the need of a national plan of procedure in making direct investments in foreign countries the bulletin states:

"It would be advisable to organize an American committee on foreign direct investments composed of representatives of such organizations as the National Association of Manufacturers, the Chamber of Commerce of the United States, the Investment Bankers Association, and other organizations interested in sound economic relations between the United States and foreign countries. This committee, in cooperation with the various government departments and agencies, such as the State Department, the Department of Commerce, the Department of Agriculture, the Office of Economic Warfare, and the Export-Import Bank, should study the natural resources, economic potentialities and industrial needs of foregn countries. Specifically, the following information should be obtained: (a) the types of industries that could be successfully developed in each country and (b) the most suitable form of organization from the standpoint of ownership, that is, whether the enterprise should be owned entirely by Americans or jointly by American and domestic capital. The committee should ascertain the attitude of the foreign governments toward foreign direct investments and study the tax systems and the laws relating to development of natural resources and industries. Thus, the committee would be in a position to advise American concerns as to which country is most suited for their plans and the best procedures to follow in establishing factories abroad."

SEC Clears Strasburger

Proceedings against Leroy A. Strasburger & Co., 1 Wall Street, New York City, to determine whether the firm's broker-dealer registration should be revoked for alleged violations of the Securities Exchange Act of 1934 have been dismissed by the Securities and Exchange Commission.

No evidence had been found to sustain the allegations that the company willfully violated sections of the act through manipulations of lower-grade railroad bonds, giving false or misleading statements, or failed to keep required books, the Commission stated.

The charges involved Frank J. Shakespeare, who took charge of a separate department of the company to trade in railroad bonds. The transactions involved were made in April, 1941, by Mr. Shakespeare in bonds of the Peoria & Eastern Railway Co., a part of the New York Central system.

Public Utility Securities

Standard Gas & Electric

Standard Gas & Electric is one of the more vulnerable holding systems under the regulations imposed by Section 11 of the Utility Act, but the company has been cooperating with the SEC toward an eventual solution of its problems. A beginning was made over three years ago in a program designed to exchange its holdings of common stocks of subsidiaries for the six issues of debentures and notes, but this original plan proved too slow and was superseded this year by a new proposal, now being considered by the SEC. One company, San Diego Gas & Electric, was disposed of, partially through exchange of stock for bonds and later by outright sale of remaining shares.

The plan now under discussion, which was filed March 24 this year, provides for reduction of the six bond issues and four classes of stock to one short-term loan and A and B common stocks. The bonds are to receive $500 per bond in cash, plus shares in California Oregon Power, Mountain States Power and Standard Gas A common. The cash required to make this payment would be obtained through a three-year collateral bank loan, plus sale of the investment in Pacific Gas & Electric common stock. Holders of the $7 prior preference stock would receive 7.3 shares of the new B common and the $6 prior preferred would obtain 6.3 shares, while the $4 second preferred would receive only .23 share and the common would receive no consideration.

The new A common will be entitled to cumulative preference dividends up to 85 cents a share annually. No dividends will be paid on series B stock as long as any of the proposed $21,000,000 collateral bank loan remains outstanding. The loan will be retired out of earnings and proceeds of sales of properties. Securities to be pledged under the loan would consist of substantially all securities owned except those to be distributed or sold under the plan, together with part of the common stock of the Philadelphia Co. Eventually after Standard has disposed of its scattered subsidiaries, it will retain and probably merge with its sub-holding company, Philadelphia Co., which controls the most important system property, Duquesne Light, operating in Pittsburgh.

Standard Gas during the 1920's was a "horrible example" of a holding company pyramid. As many as eight or 10 tiers of holding companies were superimposed over some of the operating companies. Top holding companies included two Byllesby companies, U. S. Electric, Standard Power & Light, etc. U. S. Electric has been eliminated and Standard Power & Light is now merely a "shell" of a company. Elimination of Standard Gas common under the new plan will remove the Byllesby-Emanuel and affiliated interests from their former dominant position, putting control principally in the hands of the prior preference stockholders. Several years ago Leo T. Crowley was installed as Chairman and President, but due to the multiplicity of his Government duties, he was granted a leave of absence in July of this year.

While it is difficult to appraise the progress of the plan, it is felt that it is likely to receive respectful consideration by the SEC, in view of the careful efforts made to effect a compromise between the claims of the bondholders and of the prior preference stockholders—as well as the prestige which Mr. Crowley enjoys in New Deal circles (he was recently praised as an administrator by President Roosevelt). It is true that some bondholders have opposed the plan as giving them inadequate consideration, and of course it is possible that their representatives might appeal to the courts against the SEC, should the latter approve the plan.

Aided by the provisions of the 1942 tax law, which permit consolidated returns, system earnings have improved sharply in the past year. For the 12 months ended June 30, 1943, consolidated earnings were equivalent to $12.92 per share on the prior preference stocks, which are currently selling to average about 2½ times such earnings. Under the plan there will be considerable dilution of these earnings due to the operation of the preference provision of the A stock, etc. The preference feature will disappear when the bank loan is retired—i. e., when the sales of subsidiaries are completed—and both stocks will then be on the same basis. However, the investing public will doubtless place a higher appraisal on earnings once the system has consolidated its position and "cleared" Section 11 requirements.

The longer-term outlook for the prior preference stocks is naturally dependent on the success of the plan, as well as future progress with a sales program and trend of utility taxation (due to the high leverage, taxes are a most important factor in earnings). If current earning power can be sustained, the prior preference stocks (which frequently are subject to wide price swings) seem to enjoy appreciation possibilities, but holders of the $4 preferred and common would probably find it advisable to switch their holdings into the senior issues.

Municipal News & Notes

Financial position of the City of Philadelphia has been materially strengthened by a gradual reduction in its net funded debt from the high point reached in 1932, and this favorable trend has been accelerated by the balancing of city budgets since 1940. These facts are set forth in a report of the City Planning Commission, made public last Saturday through its Chairman, Edward Hopkinson, Jr., senior partner of Drexel & Co., Philadelphia investment banking firm.

By the end of the present year the gross funded debt of the city will have been decreased by over $92,000,000 from its high point of $568,800,000 in 1933, the report states. At the same time the net funded debt will have been decreased by almost $100,000,000.

The report, entitled "The Finances of the City of Philadelphia," was prepared for the Commission by the Institute of Local and State Government of the University of Pennsylvania. The Institute's study was made to enable the Commission to obtain a clear and accurate picture of the city's financial capacity for building needed improvements and as a background for the Commission's future planning work.

The struggle to work out of the financial difficulties of depression days is clearly portrayed in charts, tables and conclusions of the 87-page report which brings down to date "The Financial Analysis of the City of Philadelphia" made in 1937 for the Advisory Finance Commission of which Dr. Thomas S. Gates was Chairman.

"Annual expenditures for interest and retirement of debt are now 4⅓ million dollars less than in the peak year of 1935," a summary of the report states. "Because the funded debt is decreasing, the cost of debt service will continue to decrease. There will be less interest, less reserve necessary to pay principal at maturity, and less State tax on funded debt. Furthermore, because of refunding operations, the interest costs will be less than they would be otherwise."

The report points out, however, that despite the improvement in the financial position of the city during recent years, the greatly reduced assessed valuation of taxable property may not support additional bond issues for other than self-supporting public improvements in the near future. In this connection, it is pointed out that the large decreases in public debt of the past eight years and the certainty of further decreases "indicate that hope that funds may be available out of current revenues for future physical improvements, even though bonds may not be issued for projects which are not self-liquidating."

"The total revenue of Philadelphia per capita, including school tax proceeds, is next to the lowest of the 14 largest cities of the country, and the cost of governmental service is correspondingly low," the report states.

"This is particularly significant in view of the large funded debt."

Syndicate Ready To Bid For Chicago Transit Unification Notes

A nation-wide group of investment banking firms and municipal bond houses, headed by Harris, Hall & Co., Inc., Chicago; The First Boston Corp., and Blyth & Co., Inc., and consisting of 100 other firms, has advised Mayor Edward J. Kelly of Chicago that it is ready and willing to enter a bid on the revenue certificates that would be issued by the city under the Mayor's proposal for municipal ownership of local transportation facilities.

News that the syndicate had been formed and was ready to enter a bid for the proposed new securities was disclosed shortly after Mayor Kelly had recommended to the City Council that immediate steps be taken by the city looking to the acquisition of the properties of the Chicago Surface Lines, the Chicago Rapid Transit Co. and the Chicago Motor Coach Co. He proposed that municipal revenue certificates, to be paid solely out of revenues of the unified transit system, be issued to finance the purchase of the facilities, and suggested that the Reconstruction Finance Corp. might be interested in the certificates.

The syndicate's offer to bid on the proposed certificates would be subject to certain conditions, including the requirement that the proposed new unified municipal transit system be administered by a non-political management and that all important safeguards be taken to protect the investment of purchasers of the obligations. Both of these condition would appear to be covered in the unification plan offered by Mayor Kelly, which was referred to in Chicago press advices of Oct. 15 as follows:

In his plan for the municipal-owned unified system, the Mayor recommended that a transit board, composed of responsible citizens not holding elective offices, be formed to administer its affairs. Executives, department heads, and the entire organizations of the existing local transportation companies would be retained by the municipal system under the Mayor's plan.

He also mentioned in his proposal to the City Council that an approving opinion of the Illinois Supreme Court would probably have to be obtained before the new municipal revenue certificates were sold.

He pointed out that the city had the legal authority to acquire the properties by condemnation, but because of the long delays that would result, he recommended that the properties be acquired through negotiation with the three companies.

No mention was made of the total amount of financing that would be required under the proposal for municipal ownership. Under the plan, rejected by the Illinois Commerce Commission last May, which provided for the merger of the Chicago Surface Lines and the Chicago Rapid Transit Co., a total of $179,000,000 of new securities was to have been issued to present security holders of the two companies. The Chicago Motor Coach Co. has placed a $10,000,000 valuation on its properties.

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The Current Monetary Situation

(Continued from first page)

for selling the silver security behind silver certificates, the issuance of invasion money, and the outward movement of gold without Congress or the American people being fully informed regarding what is taking place.

Dr. Spahr pointed out that in the face of the great expansion of our money and bank deposits, the velocity of deposits has been making record lows in recent years, that today it is still below the level of July, 1932, and that bank debits are approximately 25% below those of 1929. He said that these are important indicators of the degree to which private enterprise is depressed today, and he emphasized that at the same time this low velocity of deposits revealed a very great potential danger which is not commonly recognized today. He pointed out that, with our huge supply of bank deposits, this nation would experience a tremendous expansion in the use of money and deposits if the velocity should equal that of 1929.

The silver bloc, according to Dr. Spahr, has embarked upon a new maneuver in behalf of the silver interests by launching a movement for international bimetallism, and this movement, he said, was chiefly a nuisance and a waster of people's time. He pointed out that there are two groups in Congress temporarily quiescent which may become dangerous when we are finally faced with the question of disposing of the Federal debt. One of these groups is a fiat money group; the other is a group who would devalue the dollar radically.

Dr. Spahr thought that Congress would probably be wise, and could perhaps defeat these dangerous groups, if it provided for a perpetual debt which he thought could be absorbed by our large investing institutions.

He condemned the cynical wastefulness, and the reckless and frivolous spending, on the part of our Federal Government, and said that this dissipation of our national patrimony had reached such colossal proportions that the American people are stupified. He predicted that some day this lethargy would give way to a bitter realization of what this spendthrift orgy means, and that this governmental spending policy would prove to be one of the sorriest chapters in the history of this nation.

Professor Spahr pointed out that besides the spending orgy in which our Federal Government is engaged, the Administration has two other major obsessions; one, to keep the price level steady at all costs, and the other, to bleed the people white through taxation —both to prevent or to minimize what it calls "inflation."

The speaker said that he thought some of the tax burdens are now too high or unwise in nature, and commended the tax program recently recommended by the American Bankers Association. He said that it would be infinitely better for the government to engage in some wise economies than to attempt to tax the people and private enterprise much further. He said that he had the impression that many people think that the story of the "Goose That Laid the Golden Egg" is indeed a fable where private enterprise and capital are concerned.

As to the policy of attempting to maintain a stable price level, Dr. Spahr warned that we would do well to put first things first, and that the first thing is an increase in production—civilian as well as war—prices being a secondary consideration. He reviewed our obsession with the virtues of a stable price level in 1923 to 1929. He pointed out that harmony of prices is far more important than a stable price level which is, after all, he said, a mathematical abstraction. In those cases in which rising prices would not induce greater production, price controls, with all the risks involved, should, he said, be used during the period of the war. In all other cases, he recommended that prices be left free to reflect the forces of supply and demand. "We talk of war involving sacrifices," said Dr. Spahr, "but we try to avoid them by price controls which at the same time impede production and restrict the amount of income that would otherwise be available for taxes; then we turn around and force sacrifices in the form of very heavy taxes which also endanger production!"

In conclusion the speaker said:

"I should like to urge that we seek to conserve our national patrimony; that we cease planning how to give away the United States; that we weigh more carefully than we seem inclined to do the current programs which are concerned more with how to divide up what we have than they are with how to increase production; that we consider whether some of our programs to save people from want and fear do not overlook the fact that fear and dread of want are two of the greatest stimulators of human activity; that we consider the awkwardness of our position in promising to save the people of many nations from want and fear in the face of our poor showing in little Puerto Rico which, according to Governor Tugwell, is no better off than it was when it was won from Spain in 1898; and that we come to a realization again that our standard of living can be raised only when we work hard and save and produce more goods and services for us all."

Dr. Spahr's remarks follow in full:

The Blood Stream of Industry and Commerce

Today our money and credit, two of the most basic elements in the blood stream of industry and commerce, are being polluted or diluted in subtle and devious ways. Apparently this is being done under the theory that some dilution here and some pollution there will do no harm so long as the people in general do not appreciate the steps being taken, and since popular awareness and protest are likely to come only after it is too late for them to be effective.

All this seems to be regarded as a species of clever management. But it is the money and credit of the people of the United States that is being managed in this manner.

The Expansion of Our Money and Bank Deposits

Some of these diluting and polluting processes reveal themselves in the expansion which has taken place, and is continuing, in our supply of money and bank deposits.

Today our money in circulation stands at approximately 19 billions of dollars.

This is nearly 4 times the 4.8 billion dollars of September, 1929, and the 4.9 billion dollars of September, 1926. It is over 3.5 times the 5.4 billion dollars of May, 1920, when our wholesale price level was at the highest level in our history—167 per cent of the 1926 base. Our price level now is 103 per cent of the 1926 level.

Our gold stock of slightly over 22 billion dollars is 5 times the 4.4 billion dollars of September, 1929, and almost 8 times the 2.8 billion dollars of May, 1920.

Our total time and demand deposits in banks stand at 88.5 billion dollars, as of December, 1942. They are 38 per cent greater than the 55 billion dollars of December, 1929, and almost 2.4 times the 37.7 billion dollars of May, 1920.

These great expansions in our money in circulation, gold stock, and bank deposits, along with the fact that our price level is now 103 as compared with 95 for 1929, 100 for 1926, and 167 for May, 1920, point to a most important fact to bear in mind about money and deposit currency—namely, that it is a two-dimensional thing. One of these is supply, the other is the velocity or the rapidity with which this currency is used.

The Present Low Velocity of Our Bank Deposits

Quite often velocity is the more important of the two factors in controlling the total purchasing power being used. For example, since 1933 the velocity of deposit currency has been at a very low level, and today it is still below the level of July, 1932, when the depression hit bottom.

In 1929 the velocity of demand deposits in banks in 101 reporting cities was 67 times per year—that is, a billion dollars in 1929 was doing 67 billion dollars worth of business. At the depth of the depression in 1932, the velocity of deposits in these banks was slightly less than 21 times per year. In four months of 1940, it sank to a yearly rate of just slightly above 13 (13.19-13.38). In February, 1941, it fell to an even lower yearly rate (13.08), and, for the week of Sept. 8, this year, the yearly rate hit an all-time low of 12.54, although the average rate for this year thus far is just a little over 19—still below the 21 of July, 1932.

This great decline in velocity has had the effect of subtracting from every 67 billion dollars of business, that would have been done had the velocity of deposit currency remained at the 1929 level, 46 billion dollars at the rate of July, 1932, 54 billion dollars at the rate of the four low months of 1940, and 54.5 billion dollars at the rate of the week of Sept. 8, 1943.

Bank deposits did not decline nearly so sharply. In 141 reporting cities net demand plus time deposits declined 15 per cent from 1929 to 1932. For the country as a whole, total deposits declined 24 per cent for the same period. The decline in the velocity of demand deposits for this period was nearly 70 per cent.

If we run the figures for demand deposits and their velocity and for money in circulation from 1929 to the low points of 1940, we find that demand deposits in banks in 101 reporting cities increased 55 per cent; that money in circulation increased 75 per cent; and that the velocity of deposits declined 73.3 per cent.

Debits to Bank Deposits

Now, of course, people's expenditures are revealed to a very large degree, perhaps to the extent of 85 to 90 per cent, by debits to their bank accounts—that is, by the total of checks drawn against their accounts. Bank debits comprise bank deposits multiplied by their velocity. In other words, they reveal both dimensions of our deposit currency.[1]

In July, 1940, bank debits, despite the great increase in bank deposits between 1929 and 1940, stood at 58 per cent below the level for 1929. For the 12 months ending July, 1943, bank debits were still 25 per cent below those of 1929, in the face of the unprecedented expansion of our bank deposits.

Significance of the Low Velocity of Deposits and the Low Total of Bank Debits

These data may be summarized in another way, and they lead us to important conclusions: In 1929, when relatively little government spending was taking place, and when the dollars spent were chiefly those fostered by private enterprise, a dollar was doing 5 times as much business per year as a dollar was doing in July, 1940, when the government was spending huge sums of money, and after seven years of such spending.

During the 1930's the low velocity of bank deposits revealed a lack of confidence on the part of people who had money to spend. It was a symptom—perhaps the best symptom available—of economic stagnation. And it constitutes a conclusive refutation to the theory of those who maintain that government dollars are as potent as those emanating from private enterprise.

But in a war economy debit figures require an additional interpretation. When a nation is geared to war, the government, through its purchases direct from major industries, eliminates many of the channels through which goods normally would move, and thus reduces the number of times that checks and drafts need to be drawn in payment for a given supply of goods. Furthermore, private enterprise is truly sick, and the people's use of their deposits is for many related reasons at an abnormally low level.

These facts regarding the abnormally low rate at which people are using their deposits invalidate much of the current, glib, and superficial discussion involved in relating people's purchasing power to the current stocks of goods available for purchase, and to what is popularly called the "inflation gap," a concept that is saturated with fallacious thinking and is being used as a basis for building a tax structure that may lead to most unfortunate results.

Another important point for us today regarding the low velocity of bank deposits and low debits is that in the future both figures can easily mount to levels equal to, or beyond, those of May, 1920. An increase in velocity can come about because of a spreading optimism among people, or because of a fear of the future value of a currency, or because of encouragement to speculative activities growing out of a mixture of optimism and fear regarding the future.

Considerable attention is given in this country to the potentialities inherent in our great supply of money and deposits. But practically none is given to the even greater potentialities inherent in our very low velocity of deposit currency. (Velocity of money* is not mentioned because we have no data on the subject.)

It is not enough to compare our money supply and deposits with those of such years as 1920, 1926, or 1929. It is necessary to relate these figures to our abnormally low velocity of deposit currency (1) to understand the extent to which enterprise is actually depressed today and (2) to appreciate also the posibilities of the great future expansion inherent in low velocity and low bank debits and the dangerous position in which this country finds itself as a consequence.

The Dilution of Our Money

In addition to the dangers inherent in the great expansion of the number of monetary units in the blood stream of commerce and industry and in the very slow rate at which these are moving, we are quietly, and in ways not generally appreciated by the public, steadily diluting the quality of our money.

(1) **Federal Reserve bank notes**—In December, 1942, by a sleight-of-hand performance, the Treas-

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[1]Figures represent debits or charges on the books of reporting member and nonmember banks to deposit accounts of individuals, partnerships, corporations, the Federal, state, and local governments. The figures include debits to postal savings accounts, other savings accounts, payments from trust accounts on deposit in the banking department, and certificates of deposits paid; they do not include debits to the accounts of other banks or in settlement of clearing house balances, payments of certified and officers' checks, charges to expense and miscellaneous accounts, corrections, and similar charges.

In July, 1943, the number of reporting centers was increased from 274 to 334, which makes the revised figures nearly 6 per cent higher than the old.

The author has utilized the weekly and monthly data on debits and velocity for banks in 101 reporting centers, supplied by The Econograph Corporation, 21 East 40th Street, New York City.

Wisconsin Brevities

A plan of reorganization for the **Plankinton Building Company,** operators of the largest store and office building in Milwaukee, has been sent to holders of the First Mortgage Leasehold Bonds. The plan, which is endorsed by the Bondholders' Protective Committee, provides for a cash payment of $100 per $1,000 bond on account of back interest; issuance of new 5% First Mortgage Leasehold Bonds maturing in 1963, par-for-par for the present bonds; and an interest certificate for $157 per $1,000 bond on account of back interest. The plan also provides for reduction in the outstanding bonds from $1,013,500 to $700,000 through purchase and subordination of outstanding bonds.

The **National Tool Company** has extinguished the remainder of its first mortgage notes issued in 1941 and reduced to $500,000 its Regulation "V" bank loan, through debt payments aggregating $111,833, Arthur J. Brandt, President, announced.

Net profits for the first half of 1943 were 48 cents a share on the common stock, in contrast to 37 cents a share in ultimate net income for the 1942 period, after deducting applicable tax liability, calculated in accordance with the provisions of the Revenue Act. The company is a leader in the manufacture of cutting tools.

The **Line Material Company** declared a dividend of 30 cents a share, payable Nov. 1 to stock of record Oct. 20, bringing total disbursements for the year to 50 cents—the same amount that was paid in 1942.

Ampco Metal, Inc., reports profits of $1.13 a share on its common stock in the first eight months of the current year, compared with 61 cents in the corresponding period of last year.

Nunn-Bush Shoe Company declared a year-end dividend of 40 cents a share, bringing total disbursements for the current fiscal period ended Oct. 31 to $1, compared with 80c last year.

Although most of the news and predictions regarding the machine tool industry this year have been dismal, **Giddings & Lewis Machine Tool Co.** reports net income of $613,379 after charges, taxes and provision for inventory price decline, equal to $2.18 a share, compared to $479,000 or $1.66 a share in the first half of 1942.

The Current Monetary Situation

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ury and Federal Reserve authorities converted 660 million dollars of Federal Reserve bank notes into fiat money and began to issue them. These notes are not secured by anything except the general assets of the Treasury. They were issued precisely as unsecured greenbacks would be issued, and their effects upon the reserves of the Federal Reserve banks and upon our currency supply, both note and deposit, are the same as if unsecured greenbacks had entered this blood stream of commerce. In reply to some criticism of this manner of issuing these so-called Federal Reserve bank notes — sometimes called "National Currency" notes—it was stated, officially, that they would be largely retired within three months. Each succeeding month of the 8 months of issuance has shown an increase in the amount of these notes in circulation, and the number now outstanding from the Treasury is at the highest level—637 million dollars. At the same time that the volume of these so-called Federal Reserve bank notes is steadily expanding, the Federal Reserve authorities continue to state blandly in the monthly "Federal Reserve Bulletin" that these notes are in process of retirement. In other words, they are in process of "retirement" while they are in process of expansion!

It is that type of official reporting that misleads the American people as to what is happening in the expansion and dilution of the quality of our money by sharp and improper practices on the part of Treasury and Federal Reserve authorities.

(2) **Silver certificates**—In July, 1943, Congress passed the Green silver bill, which provides that the silver dollars and bullion held exclusively for the redemption of silver certificates may be sold to war industries. It was quite desirable that this silver be placed at the disposal of war industries, but at the same time, a corresponding volume of silver certificates should have been retired. The vacuum created could have been replaced by Federal Reserve notes issued in one-dollar denominations and secured by not less than a 40 per cent gold certificate reserve. But under the Green bill, the silver bloc was able to keep the silver certificates outstanding and to provide that the silver lend-leased to war industries as, for example, for busbars in electric plants, could be counted by the Treasury as security for the silver certificates. Thus as this Treasury silver is sold our silver certificates will slowly become irredeemable paper money, since one can hardly clip off a piece of a busbar when he wishes to redeem a silver certificate. They might then just as well have issued these silver certificates against the silver in the mines.

This situation is another of which the public apparently is not aware. Yet these silver certificates are the second most important paper money in volume and value that we have circulating in the United States—1,869 million dollars of these certificates were in circulation on Sept. 16th.

(3) **Occupation currency**—With the conquest of Sicily and the entrance of our troops into Italy, our Treasury, in cooperation with the military authorities, has begun to issue a fiat money called "occupation currency." The amount already issued, and the amount that probably will be issued, are Treasury secrets. The extent to which this currency may become claims against our dollars and our gold remains, up to date, a mystery.

(4) **Gold exportation** — Since September, 1942, our Treasury has been losing gold to foreign countries. Where it is going and why are Treasury secrets withheld not only from the interested public but also from Congress. Not since December, 1941, have figures on gold movements to and from various countries been released for publication. This particular piece of secrecy hardly seems necessary; and it is not in accord with the best interests of the American people. Both they and Congress are entitled to know, and should know, where this gold is going and under what terms it is going there. As the percentage of gold reserve against our expanding money and deposits declines, the weakening of our currency progresses. Under the protection of this policy of Treasury secrecy our gold supply can be dissipated in ways that are unwise and without the understanding or approval of Congress.

The important point is that through these four channels—and there are others of a more technical nature—our money supply is being rather steadily diluted. This thinning-out process is inherently dangerous and in the end can lead to a sorry situation. The public is being persuaded altogether too effectively that such dilution will not only do no harm but is in fact a species of cleverness in the management of this nation's currency. I should like to challenge this dilution in all its forms and to condemn it on the ground that it represents an improper and unsound administration of the people's money.

The Quality of Our Bank Deposits Is Also Being Impaired

A huge volume of bank deposits is of course being created against government I.O.U.'s, which means that, from the point of view of the banking structure as a whole, commercial bank deposits are becoming progressively more illiquid. Stated in other words, we are monetizing the national debt rather steadily and to an unprecedented degree. Furthermore, the low ratio of bank capital and surplus to deposit liabilities magnifies this dangerous tendency. The dangers in these developments seem to be rather well recognized. The hope of responsible people is that they will end before genuine disaster actually overtakes us. The methods by which they should be controlled would seem to suggest themselves.

Other Forces and Dangers in the Field of Money

There are three other activities in the field of money that deserve mention. Two of them may prove dangerous, and they require watching. The other is probably nothing more than a nuisance and a waste of people's time.

(1) **Drive for international bimetallism** — The nuisance and waster of people's time is the movement that has just gotten under way in behalf of international bimetallism. The 1890's are with us again in the field of money! The advocates of bimetallism apparently are planning to renew all the old arguments of fifty years ago and to try to bring in some new ones.

The explanation of this anachronism is to be found in the fact that the silver bloc have simply embarked upon another maneuver. This is their latest idea as to how best to do something more for the silver interests.

Apparently being convinced that they cannot hope to get further subsidies from Congress, since the American people have become so thoroughly aroused and disgusted with their constant pressure for a silver subsidy and with their demonstrated willingness to put their silver interests above the welfare of our armed forces in time of war, they have decided that the greatest hope for higher prices for silver lies in the adoption of bimetallism by the various nations. Until popular understanding and condemnation forced them to authorize the Treasury to put its hoarded silver at the disposal of war industries, they used every device they could think of to protect their subsidy and to compel the Treasury to keep its silver out of use, despite war and other demands for it. By filibuster and other means they were able to delay action until July, 1943. And even then they were able to force through a bill (the Green bill) which would not let Treasury silver be put to war uses except at subsidy prices. The position of the silver bloc has been that American boys are expendable but not the silver hoarded at West Point as a result of the policies of the silver bloc!

It was the exposures of this national scandal that resulted in the passage of the Green bill in which the bloc was after all the chief victor. (As of Sept. 20, none of this Treasury silver, under the terms of that bill, had been sold to industry for consumptive purposes.) But apparently the bloc's awareness of a widespread hostility to it, both in and out of Congress, has led it to embark upon this new enterprise—this drive for international bimetallism.

On Sept. 24, Senator Pat McCarran of Nevada led off with a speech in the Senate in behalf of bimetallism. His discourse reaches back to a Senate resolution (No. 174) which he introduced on July 7, 1943—two days after the Green bill was passed by Congress—authorizing the appointment of a special Senate committee to look into proposals to establish international bimetallism, among other things.

On Sept. 27, Mr. Francis Brownell, chairman of the American Smelting and Refining Company, and always an ardent supporter of the silver bloc, issued a statement to the press in behalf of bimetallism.

Thus the leading bimetallic guns have been fired, and now, apparently, we shall see the bimetallists—that is, chiefly the silver bloc—on the march again. It looks as though this country is faced with a deluge of pro-silver propaganda like that of the 1890's and like that conducted by the Committee-for-the-Nation and the silver bloc so successfully in 1932-1934.

It is unfortunate that the American people must contend with this particular nuisance at this time, or at any other time.

(2) **The fiat money group**—The advocates of non-interest-bearing United States bonds and fiat money, while apparently a relatively small group in Congress at the present time, may prove dangerous as the debt burden mounts and the tax load seems, or becomes, too heavy to bear. It is then that monetary demagogues are likely to get a hearing.

The chief leaders of this group are Jerry Voorhis of California and Wright Patman of Texas, both in the House of Representatives. In March, 1939, a Constitutional Money League, with former Representative Charles G. Binderup of Nebraska as head, was formed in an effort to legislate into existence such ideas as those of Voorhis and Patman, but the generally better quality and attitude of Congress since the last election has caused that League either to disintegrate completely or to go under cover until some more auspicious occasion invites its revival. In any case, the fiat money crowd in Congress is a potentially dangerous group and may cause trouble when we come face to face with the question of post-war policy regarding how best to dispose of the problem of our huge Federal debt.

(3) **The devaluationists** — Another quiet but dangerous group in Congress are the devaluationists—those who expect to write up the dollar value of our gold and silver stock sufficiently to enable the Treasury to pay off its debts by an equal amount of devalued dollars.

This group first revealed their hand publicly on July 14, 1941, when, Senator Elmer Thomas of Oklahoma, as their spokesman and a leader of the silver bloc in the Senate, said that such devaluation might be necessary should our national debt reach the sum then prophesied by some of our citizens.

The arguments which devaluationists can offer to a tax-oppressed people, thoroughly discouraged at the prospect of carrying an appalling debt for an indefinitely long period, can be made to look impressive to a people who would not appreciate the disastrous consequences that would flow from throwing, say, 300 billion devalued dollars into circulation and into the reserves of our banking structure.

The American people were not prepared to understand the move for devaluation in 1934; most of them to do not yet understand it clearly; and there is no good reason for supposing that they will be prepared to understand clearly the falsity and dangers in the plausible and persuasive arguments for a radical devaluation of the dollar that can and probably will be offered to them at the close of this war.

How will the mass of American people, who know little about monetary principles, react when the devaluationists put up to them such arguments as the following? By writing up the dollar value of the Treasury's gold and silver stocks to an amount equal to the Treasury's debt, we can free you and your children and grandchildren from the burden of this great debt. We can reduce your taxes to the lowest level experienced in many years. We will open up a field for exportation unequaled in our history, because the foreigner can buy the dollar for the equivalent of perhaps seven cents. We will make it easy for the foreigner to pay at least some of his debts

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What Can The Government Do To Promote Post-War Re-employment?

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we want full employment, of course we want an economic situation that does not have to react very much and a credit situation that does not have to be violently liquidated. But to strike directly at the symptoms of economic disorders, such as unemployment or liquidation, instead of taking measures that will straighten out the causes of the economic disorder, is a superficial and a dangerous procedure. Some kind of reaction in the pace of economic life is inevitable if you have an immense readjustment to make in the proportions of your industrial activities. The passage from war to peace must mean that a great many industries curtail their activities radically and that others increase their activities greatly. There must be temporary unemployment, there must be reaction, readjustment, liquidation, and the problem is one of bringing about the transition as rapidly as possible, rather than the problem of preventing reaction. The reaction and the unemployment themselves may easily facilitate the prompt readjustment in the direction of our industrial activities that the transition from war to peace involves.

In contrast to the policies which many are proposing for the Federal Government today, I want to exhibit, first, the policies employed by the Federal Government in the crash of 1920-21 and in the period of recovery to full employment that took place from August of 1921 to the spring of 1923. The picture of our policy in those years will make a very useful point of departure for the study of what policy ought to be when the present war ends.

The United States Government, in the period from 1920 to 1923, was old-fashioned. It did not know the so-called new economic wisdom which lies behind the demands now being made upon it. It believed in balancing the budget and in paying down public debt. It was not regarded as the function of the Government to provide money to stop a crisis or to end a depression. We had a tremendous crash. Commodity prices at wholesale dropped from 241 in July of 1920 to 142 in August of 1921. This was a terrific break in prices. It was accompanied by a great decline in industrial activity. The Federal Reserve Index of Production (base 1923-25) showed a drop from 89 in July of 1920 to 65 in July of 1921. At the worst, in the summer of 1921, we estimated unemployment at 6 millions—a very heavy figure on the basis of all our past experience, though I must say a very modest figure as compared with the years 1933 to 1939, inclusive. In August of 1921, the tide turned, and, by March and April of 1923, we had reached new levels of production and full employment. The Index of Production reached 103 in March and 106 in April of 1923. There were labor shortages in many lines.

I have said that the Government was old-fashioned. The Treasury's job was to protect its solvency and to protect our sound gold dollar. It overbalanced the budget in every one of those years. It paid down public debt in every one of those years. It reduced expenditures, and it reduced taxes though not so much. Here are the figures for United States Government expenditures, for tax receipts, and for the public debt:

U. S. Government Expenditures (Not Including Public Debt Retirement)
(Millions of Dollars)

Fiscal year 1920	6,403
Fiscal year 1921	5,116
Fiscal year 1922	3,373
Fiscal year 1923	3,295

Taxes ran as follows during these years:

Ordinary Receipts of the U. S. Government
(Millions of Dollars)

Fiscal year 1920	6,695
Fiscal year 1921	5,625
Fiscal year 1922	4,109
Fiscal year 1923	4,007

The public debt was rapidly reduced, as the following figures show:

U. S. Government Debt
(Millions of Dollars)

June 30		June 30	
1920	24,298	1922	22,964
1921	23,976	1923	22,350

Nor was there any conscious effort to flood the money markets with excess reserves to make low interest rates. The cheapest money of the whole period was 4% for open market commercial paper for one month in 1922. The Federal Reserve Banks put out their credit during the crisis at 6 and 7%—adequate credits on rediscounts, but not credits designed to whip up prosperity. Here is a table for open market commercial paper rates in New York City for these four years:

Open Market Commercial Paper Rates in New York City
(Prevailing Rate on Prime Commercial Paper, 4-6 months)

	High	Low
1920	8	6
1921	7¾	5
1922	5	4
1923	5½	4½

(Annual Report of Federal Reserve Board, 1927, p. 96.)

The Federal Government did nothing to make work. On the contrary, it diminished Federal employment rapidly. Men were released, of course, from the army and the navy, and the civil service, which had grown during war, was diminished—in every one of the years of the crisis, depression, and revival, the Government steadily dismissed men from the civil service. It didn't need them, it saw no reason to keep them.

The rally from this great depression, the restoration of full employment, was the achievement of the people, and not the achievement of the Government.

There was a great deal of economic planning in this period, but it was not Governmental planning. It was planning by unemployed workmen to figure out where they could get new jobs. It was planning by business executives as to how they could get new business. It was planning as to how production could be done more cheaply and more efficiently. It was planning with respect to the new products which the markets would take.

Basic in the planning was the fact that the Government credit was unshakably strong, that the gold dollar was undoubtedly sound, and men had a fabric of confidence on which to build. The reduction in taxes, and especially in business taxes, was exceedingly helpful in making it possible for new activities to be undertaken and for venture capital to take risks.

I may add that the crisis of 1920 and the boom which had preceded it in 1919 and the first half of 1920 had grown out of a very bad foreign situation and that this foreign situation did not improve as the revival of 1921-1923 went on. Rather, conditions in France, Germany, Austria and most of the Continent of Europe and conditions in Japan and most of Latin America grew worse, rather than better. We were not helped in our revival by improving foreign conditions.

We didn't need Government spending to get us out of the trouble in 1921. We did it ourselves.

Government spending from the end of 1933 to 1939 never brought us full employment or anything approaching full employment. Government spending as a sure and quick means of bringing even temporary revival was demonstrated to be a failure in its first employment in this country.

You will remember that the Administration, which began in March of 1933, started out with an economy program under the Hon. Lewis W. Douglas, Director of the Budget. It was not until December of 1933 that the Administration departed from this avowed economy program and began spending for spending's sake.

The first rally, in 1933, from March to July, was extraordinarily vigorous but it was not due to Government

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Canadian Securities

By BRUCE WILLIAMS

The Fifth Victory Loan is off to a fine start as a result of the good intensive spade-work done by the reorganized National War Finance Committee under the able direction of Mr. Graham Towers. Since his appointment as Governor of the Bank of Canada in 1934, Mr. Towers his contributed in large degree to the establishment of Canadian banking and finance on its present high plane.

By no means hide-bound in his outlook, he is able to deal with the increasingly complex domestic and international financial problems in a thoroughly realistic and flexible fashion. Possessing keen imagination and always looking ahead, Mr. Towers is eminently fitted for his present position in a country which has made such dynamic economic progress during his tenure of office.

It is to be expected therefore, that although the Canadian people have already an enviable record with regard to their prodigious efforts in the field of war finance, nevertheless, the present drive bids fair to surpass all others. When it is considered that, in four years of war, 11,000,000 Canadians have provided $6,000,000,000 in taxes and shortly the total for loans will be a further $6,000,000,000, it will be realized that this will be no slight achievement.

At the moment of writing, the volume of external bonds offered in exchange for the new internal issues is considerably less than usual. Consequently during the past week there was not a sufficient volume of business to cause the market to change its quiet firm tone.

Direct Dominions and Nationals were inactive with prices for the most part unchanged, although there was some demand for the Canada 3s of 1967 at 103¼. Ontarios and Quebecs were stationary, but there was a continued demand for the longer Nova Scotias and New Brunswicks; lack of supply, however, still restricted dealings. British Columbias were featureless but there was some activity in Manitobas with prices well sustained. The 4½s of 1956 were still 104½ bid. Interest continued in the Alberta issues and the market was distinctly firmer as anticipated. The 4½s and 5s were bid at 77 and 78, respectively. There was also a demand for corporate issues of this province, and Calgary Power 5s changed bonds on a 4.75% basis. Saskatchewans remained in the doldrums with no recorded price changes.

Turning to the market for internal issues, a different state of affairs prevailed. This section was distinctly hectic. Holders of the bonds called and maturing on Oct. 15 were given the option to convert at a small premium into the bonds offered in connection with the Fifth Victory Loan. Although the amount of bonds so converted appeared to be large, nevertheless the comparatively small total redeemed was sufficient to cause violent fluctuations of the Canadian dollar in the free exchange market. After depreciating rapidly to 12½% discount, there was a sharp reaction to 11% and at this level only was there any volume of trading. There appears still to be a strong latent demand for the internal issues which should result ultimately in the exchange reaching once more the level at which the necessary Canadian dollars will have to be supplied at the official selling rate.

With regard to the future trend of the market for external issues, it would appear that in the course of the next ten days we should see the end of the waiting period brought about by the Fifth Victory Loan. If offerings in this connection are not soon forthcoming, especially of those issues which are currently in demand, purchasers will be obliged to take the initiative and the expected market rise would then materialize.

Harvest Progressing For Canadian Crop

The Bank of Montreal, in its Oct. 7 crop report, states that in the Prairie Provinces, rapid progress has been made with harvesting during the past two weeks. Ideal weather, the bank says, has prevailed generally and threshing is practically completed in Manitoba and in some sections of Saskatchewan and Alberta. While the quality of outturns has been generally satisfactory, grades are lower in some parts of Saskatchewan and Alberta as a result of frost damage.

The bank's report further said:

"In Quebec, harvesting of a below-average grain crop is nearing completion and threshing is general in most districts. Haying is completed and a heavy crop has been stored, but the quality is poor in many districts owing to frequent rains. . . .

"In Ontario, harvesting of most late crops is progressing favorably, with good average yields of buckwheat, corn, turnips, mangolds and beans practically assured. . . .

"In British Columbia, picking of an apple crop of less-than-average yield, with quality in general good, is well advanced, and gathering of pears and prunes is almost finished."

What Can The Government Do To Promote Post-War Re-employment?

(Conitnued from page 1599)

pump priming. The coming of NRA and the processing taxes knocked down the index of production from a level of 100 in July to a level of 72 in November of 1933.

Then came the sudden abandonment of the economy program, and great spending for spending's sake. CWA was started, and monthly Federal expenditures jumped from $505,000,000 in November to $703,000,000 in December and $965,000,000 in January, 1934. On Jan. 4, 1934, the President announced the great spending program, and indicated that there would be a budget deficit for the fiscal year 1934, that is to say by July 1 of 1934, of seven billion dollars. The actual deficit realized in this fiscal year was four billion dollars, as it proved impossible for the Government to spend money as fast as the first plans called for.

We saw the effect on business of this vast spending. If we credit all of the business history of the ensuing 10 months to the spending, the record is very disappointing. Business rallied from 72 in November of 1933, on the Federal Reserve index, to 86 in May of 1934. Then the curve turned sharply downward, and, by September, it had dropped to 71, one point below the level of November at which it started. In September, moreover, there came a grave disturbance in the Government bond market, and grave concern regarding the Government's credit.

There is no certain magic in Government spending, nor can it be counted upon to give either prompt results or lasting results.

Government spending in wartime is another story. I am talking about a peacetime policy. And one of the differences between Government spending in wartime and in peacetime is that, in wartime, great expenditure goes through the ordinary channels of trade instead of going into a great variety of activities many of which compete with ordinary trade and which frighten ordinary economic activities. But the biggest difference of all, of course, is that in wartime the Government expenditure of borrowed money is on a scale so colossal that nobody could contemplate a comparable volume of peacetime expenditure.

With reference to the matter of Government expenditure in the post-war period, let me say that we face a very great problem. The public debt has risen to ominous figures already, and, by the end of the war, will have reached figures that must give concern to every sober man with financial knowledge. We must speedily turn to radical government economy in the interests of the solvency of the country. Even those who believe in government pump priming when the public debt is moderate must have the gravest reservations when the public debt is ominously great.

Can industry repeat its 1921-1923 performance in the coming post-war period? Can we go through the drastic readjustment as we shut down our great war activities and turn to peacetime activities, make the transition, and work back to full employment again? There are many, I think, who doubt the possibility, on the ground that we have lost a great deal of flexibility in the intervening years. Now we have lost a great deal of flexibility. But it is my contention that the loss of flexibility is not due to anything inherent in the nature of industry itself and is not due to changes that have come about in our fundamental economic structure. They are, rather, changes due to Government policy, and it is with respect to these matters that I think that your committee can do its most effective governmental economic planning. You can, by law, eliminate or, at all events, modify the rigidity and the frictions which have grown up, through undoing a great deal that we have done by law and by administrative edict in the intervening years.

There are a number of points here. In the first place, if economic life is to readjust itself intelligently, it must be guided by the movements of prices. Rising prices in one industry are a signal to produce more. The industry where prices are rising draws labor and capital to it. Falling prices in another industry are a signal to produce less, and a signal to release labor and to release capital. The automatic system of free enterprise is guided and controlled by prices, not by a super-brain which sees it all and plans it all. The planning that takes place under the price system is a matter of partial insights, each man seeing the things that affect his own sources of supply and his own markets. You don't need a central brain to make that work. The great obstacle to governmental economic planning in a democracy in peacetime is that the wisdom does not exist and the knowledge does not exist, and, I may add, that the power does not exist, to know what 130 million people want and what they will pay for, and to have it produced for them. It has got to be a piecemeal job, with particular men in particular industries studying their particular markets. The dictator of a totalitarian state can decree what the people shall want and what they shall have and can decree that such-and-such numbers of men shall produce such-and-such products. Governmental economic planning on these terms has been proved possible. But governmental economic planning for a democratic people who know what they want and who know what they like to do calls for a wisdom that does not exist and will not exist. Decisions as to what is to be produced must be made piecemeal by competitive industry, guided by prices.

But, in order that industry may be properly guided by prices, the prices must be free to tell the truth. We must get rid of price fixing as speedily as possible. Something may be said for the continuation of price fixing with rationing in the case of a few very scarce, essential commodities when the war is over. However, I should scrutinize each case very carefully there before making concession to it. But the general idea that price fixing must be continued for the purpose of preventing "inflation" must be absolutely vetoed. There are other much better ways of dealing with inflation. Industry knows what to do in wartime, when government is giving orders, and government knows what orders to give in wartime when military objectives are definite and when so-and-so many ships, so-and-so many planes, so-and-so many rounds of ammunition are indicated. But nobody will know what to do in peace time production if we hold our prices fixed, and rob the economic community of the information which freely moving prices give.

With the abolition of price fixing should go the abolition of virtually all the bureaucratic controls that have come during the war. And I put in the word, "virtually," reluctantly because, as I say this, I don't know of any that need to be retained. If they want to retain any, let them make a very convincing case for the individual case.

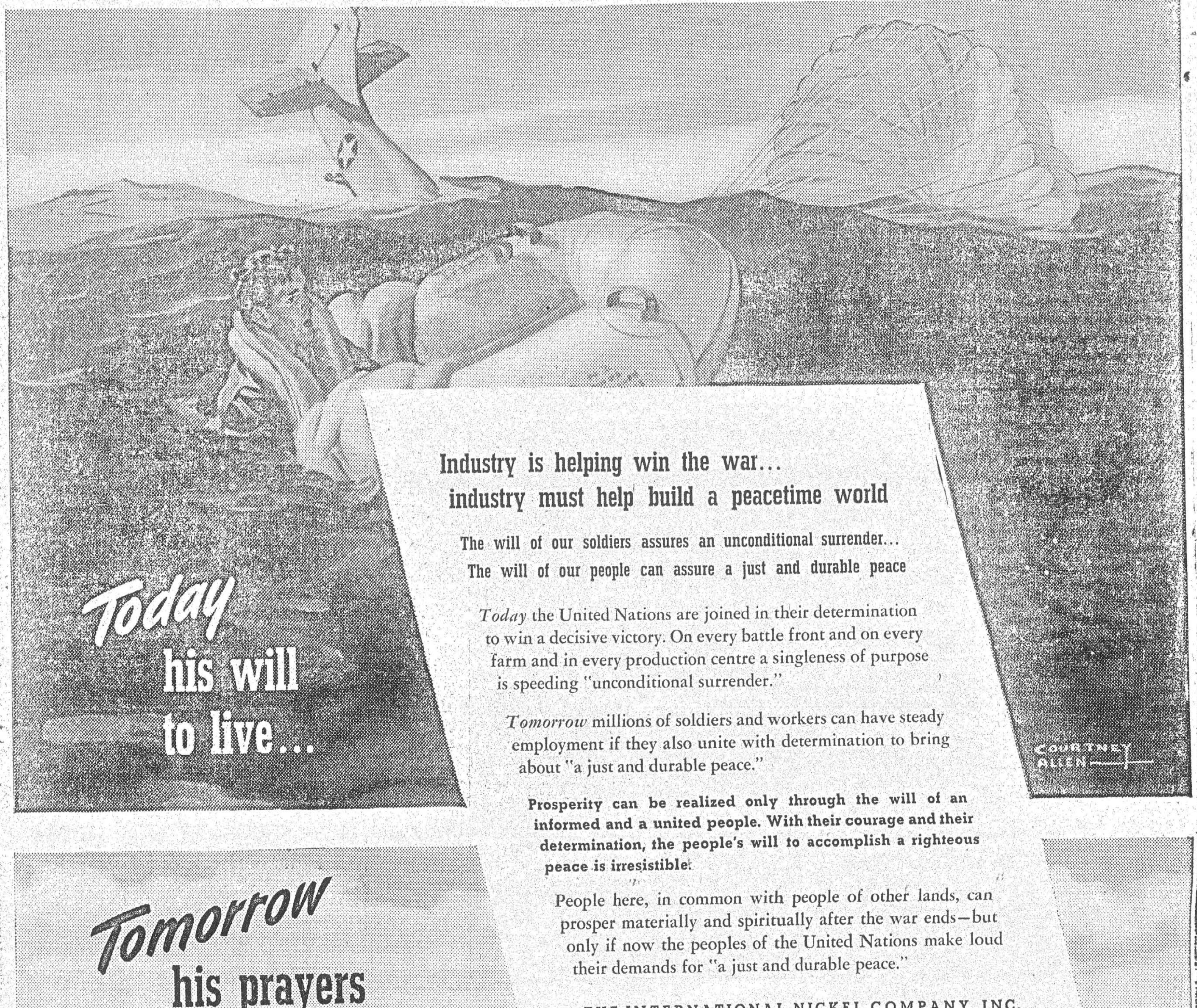
If business is to move rapidly in readjustment, it must have access to capital. Our businesses came into the crisis of 1920 with a great accumulation of corporate surpluses that they had saved, very providently, and very wisely, out of wartime profits. These surpluses were badly eaten into in the crisis year, but they still remained large for American corporations in the aggregate. In many cases the surpluses were partly matched on the asset side of the balance sheet by substantial cash and readily marketable securities, so that a good many American corporations in 1921 and 1922 did not need to bring in outside capital, but could make their new plans with liquid capital which they had. In other cases, they needed a great deal of new financing because their assets were not very liquid. But, in any case, the surpluses gave them a credit foundation on which the new capital could be readily obtained. Now we have been through a long period during which additions to corporate surpluses have been very meager, and our wartime policy, with extraordinarily high corporate taxes and with frequent renegotiations of contracts, has made it very difficult for business corporations to build up surpluses. A great many of them are going to need to go to the capital market before they can put through adequate post-war plans. Access to that capital market is badly hampered by our Securities and Exchange legislation, and by the rules and practices of the Securities and Exchange Commission. New capital issues, and above all, new stock issues, by American corporations have been appallingly low since the middle of 1933. There was a period in the last half of 1936 and the first half of 1937 when new security issues in the United States got up to something like 50% of what they had been in 1923, 13 years before. I am not making the comparison with the years of abnormal security issues of 1927, 1928 and 1929. But most of the time since 1933, new security issues, refunding excluded, have been well under 18% of the volume of the year 1923.

I believe this situation calls for drastic action on your part. I have specific recommendations to make. I recommend (1) that the Security and Exchange Commission be abolished. I recommend (2) that the function of the Security and Exchange Commission in receiving and filing registration statements and prospectuses be put in the hands of a purely ministerial body in some such place as the Department of Commerce. You want a legal record of the statements of fact made by men who are putting out new securities so that they may be punished if they make false statements or if they omit essential information regarding the issues they put out. I recommend (3) that there be created in the Department of Justice a security and exchange division, whose business it should be to prosecute by criminal law in the courts of the United States men who make false registration statements or who put out false prospectuses and men who otherwise violate the laws governing securities and security exchanges. I don't want a Securities and Exchange Commission interfering with the details of the transactions in securities, but I do want criminal laws that will prevent abuses and I do want them enforced. I recommend (4) that the existing rules and regulations of the Securities and Exchange Commission, together with the security and exchange legislation, be thoroughly reviewed with a view to eliminating most of the detail; and with a view to saving that part which is needed and valuable for the protection of investors and for the prevention of fraud and misrepresentation, and that new legislation replacing the old and embodying some of the rulings of the Securities and Exchange Commission take their place. In this connection, I hope that you will call before you the able men in investment banks and brokerage houses, who watch the Securities and Exchange Commission and who know the details, and get from them recommendations as to what parts of the law and the rulings should be preserved.

Finally, I recommend that the law itself with respect to propectuses and registration statements be greatly simplified. Altogether too much detail is called for; the procedure is altogether too expensive. The British law with regard to this is complied with by prospectuses of three to six pages. The shortest prospectus I have ever seen of an American corporation issued under the Securities and Exchange regulations is 23 large pages in relatively small type, while behind that lay a registration statement with much more detail in it. I am not sure that I see any reason for a registration statement. I think a prospectus should suffice, and that the prospectus should be short enough so that men will read it. But it is important that the prospectus should be a responsible document on the basis of which men may be put in prison if they falsify, and on the basis of which the purchasers of securities will have legal evidence for bringing suit in the event that they have been tricked and cheated.

We need, not merely free access of corporations to the investment bankers and through them to the investors, but we need also a strong and active stock market in which men may shift investments readily. Many men will invest if they have a dependable market for the investments they purchase who would not invest if there were no liquid market. And I may add that in order for the stock market to perform this function effectively there must be active speculators

(Continued on page 1602)


Today
his will
to live...
Tomorrow
his prayers
are answered
Industry is helping win the war...
industry must help build a peacetime world
The will of our soldiers assures an unconditional surrender...
The will of our people can assure a just and durable peace
Today the United Nations are joined in their determination to win a decisive victory. On every battle front and on every farm and in every production centre a singleness of purpose is speeding "unconditional surrender."
Tomorrow millions of soldiers and workers can have steady employment if they also unite with determination to bring about "a just and durable peace."
Prosperity can be realized only through the will of an informed and a united people. With their courage and their determination, the people's will to accomplish a righteous peace is irresistible.
People here, in common with people of other lands, can prosper materially and spiritually after the war ends—but only if now the peoples of the United Nations make loud their demands for "a just and durable peace."
THE INTERNATIONAL NICKEL COMPANY, INC.
Subsidiary of The International Nickel Company of Canada, Limited
New York, N. Y.
ARMY E NAVY
Awarded to Huntington Works
COURTNEY ALLEN

What Can The Government Do To Promote Post-War Re-employment?

(Continued from page 1600)

who make a market when there otherwise would not be any, who narrow the spread between bid and asked prices, and who perform an exceedingly useful function in the general picture.

One other thing that has arisen, which can easily delay readjustment and which could easily give us a terrific unemployment, is the loss of flexibility in wages. I believe in good wages and in rising wages. I believe that the way to get good wages and rising wages is to encourage the growth of capital and to encourage progress in technology and, at the same time, to hold down an undue growth of the population. Wages will be high when men are scarce and dear and capital and natural resources abundant and technological progress rapid. When, however, we try to force the pace of rising wages above the level which supply and demand in an open market would give, we get into pretty serious difficulties. I think that the crisis of 1937 was due in no small part to the sudden spurt in wages which began at the very end of 1936 and which moved rapidly, cutting so heavily into profits, a rise in wages not due to rising demand for labor but due to aggressive union action under the Wagner Act. Wages are so large a part of the national income that when they are increased without a corresponding increase in production they cut tremendously into profits. I estimated the income of labor in 1937 at well over 70% of the total national income and profits at about 15.3% of national income. To increase wages 10% at the expense of profits would mean cutting profits nearly in two. Profits are strategic in a free enterprise economy. Growing profits mean expanding employment followed by rising wages. Cutting profits means contraction of business activity and reduced employment. The ideal is that wages and profits should both grow, that production should expand, with a rising demand for labor growing out of the additional production.

Developments of the war period in the relation of wages to profits and of wages to total national income present us with a pretty serious situation, if labor should prove not flexible and not willing to readjust when the war is over. We have had a very rapid growth both of the hourly earnings of labor and of the weekly earnings of labor during the war when the Government has been pouring out vast sums of money. Profits after taxes, on the other hand, have risen very moderately. The percentage of national income in the hands of labor is a great deal higher than the more than 70% which I reckoned for the year 1937. If the labor leaders of the country will prove themselves to be good merchants, study their markets, see what their markets can afford to pay, and aid in bringing about wage readjustments, we can move rapidly in eliminating unemployment as we go through our post-war readjustment. If they try to hold up wartime wages after the war, there are ominous things ahead. We can have gigantic unemployment and chronic unemployment, just as England did in the 1920's, through wage scales held too high in union policy.

In this connection, I must say that the Congress has a very important duty. The Congress can, obviously, not pass any laws requiring the reduction of wages. But the Congress can rectify the Federal legislation which has put such enormous power into the hands of labor leaders, and bring about a situation in which there is equality of bargaining power between labor and management.

Wages are part of the price system and a tremendously important part of the price system. Unless they tell the truth about the supply and demand situation in the labor market, unless they are flexible in making adjustments to changing conditions, we shall have appalling rigidity and appalling delay in making important transitions, and a wholly unnecessary volume of unemployment with, of course, a very big reduction in the annual income of labor and in the real income of labor.

The business community is planning, and the business community is being exhorted to plan. The business community is being urged to plan for full employment. I want to observe that this demand, laudable in intent, is missing in very important fundamentals. Having in my own mind the objective of full employment, I do not exhort the business man to plan for full employment, but I exhort him to do something which he knows how to do and which he will understand, namely, to plan how to make money in the post-war period. He understands that, and if he does it well he will give employment. Now, one difference between the two approaches can be a very great difference in economic policy on the part of the business man. If, over-impressed with his duty to make employment, he decides to reject a new labor saving device or a new technology, he may have more men for a time in his own plant than he otherwise would have, but he may also fail to make his main contribution to employment in the country.

In 1921, we faced a new resource. There had grown up in the war a great body of technological ideas — the chemistry of explosives, the mechanics of aircraft, and a great variety of new things which were awaiting a peacetime application. During the period 1914-1919, business men had been so rushed that they had had little time to apply this new technology to peacetime uses. But in 1921 they had time and incentive to study and to plan. The result was a great burst of technological improvement and a great burst in the utilization of the new technological ideas. The result, too, was an immense increase in output per wage earner measured in physical volume of production. The result also was a great increase in the number of workers employed.

The following table tells the story:

Growth of Manufacturing Production in the United States*, 1914-1923

Index numbers of physical volume of production, number of wage-earners and per capita output:

Yr.	Phys. Vol. of Product'n	No. of Wage-Earners	Output per Wage-Earner
1914	100.0	100.0	100.0
1919	127.7	124.5	102.6
1921	105.7	100.1	105.6
1923	156.3	130.3	120.0

*Mills, "Economic Tendencies in the United States," p. 192.

I think we want to reflect a good deal on this. I believe that the future holds a similar opportunity and holds the promise of a new great burst of technological activity. I am afraid that there may be a degree of labor union resistance to the new technology which did not exist in 1921. I am very much disturbed when I see a labor leader, Petrillo, able to force a great industry to abandon the use of a labor saving device on the ground that it takes work away from members of his union, and when I find the courts upholding him in this as within his rights under the existing laws of the United States. In your planning of general policies, I think you will need to give attention and careful study to this case.

The economic planning which I think the Government can do most effectively is planning to increase the flexibility of our American economic life, to restore freedom of movement of capital, labor and enterprise, to take sand out of the oil, and to reduce frictions. I don't think that the Congress or the Administration or the Chamber of Commerce or anybody else can make one general plan for industrial revival. I think that is a piecemeal job for each industrial establishment, separately studying its own markets and its own sources of supplies.

The CHRONICLE invites comments on the views expressed by Dr. Anderson 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 St., New York (8), N. Y.

Monetary Pact By Three Governments In Exile

The Governments in Exile of Holland, Belgium and Luxemburg have agreed on a tri-partite monetary pact pegging the rate of exchange between the guilder and the franc in a move which may set an example for the development of good neighbor relations between other European countries after the war, it was reported in Associated Press London advices of Oct. 13. The account further said:

"Officials of the three governments were expected to set official seals to the agreement within a week, but in advance of signing no intimation was given as to what rate of exchange would be fixed.

"Out of the monetary agreement was expected to come wide post-war trade arrangements among the countries involved, with the possibility of a customs union and even the relaxation of visa requirements among nationals.

"Long linked by cultural and language ties, the two monarchies announced the currency pact was in the making along with the intention of stabilizing the rate of exchange as the first complete step toward realization of an international monetary program within the framework of the London and Washington proposals."

A previous item regarding the Belgian and Holland pact appeared in our issue of Oct. 7, page 1425.

Postpone NASD Hearing

The oral argument on briefs submitted by the National Association of Securities Dealers, Inc., and the staff of the Securities and Exchange Commission was postponed by the Commission at the request of counsel for the NASD from Oct. 21 to Oct. 28. The argument will be on the validity of fines imposed by the association four years ago on members of a selling group.

Mention of the hearing was previously made in the "Financial Chronicle" of Oct. 14 (page 1504), Oct. 7 (page 1404) and Sept. 30 (page 1286).

Industry Plans For The Future

(Continued from first page)

profits. If, after the war they are so levied as to maximize the prospect of profit, the effect on business expansion will be highly beneficial."

Stating that the government now owns industrial plants valued at more than $14,000,000,000, Dr. Lyon said that business has not yet found a way of making many positive and constructive proposals concerning the disposition of these plants.

"The problem is so closely interwoven with national and international policy following the war—for example, the size of the army and navy which we may maintain, the types of trade relationships we have with other nations, the prevailing political attitudes toward government ownership, and the skill with which we are able to get men back into peacetime employment—that it is almost impossible for business men to have judgments on this matter until pronouncements of government policy have been made."

"The difficulty of shifting from government orders to civilian markets," Dr. Lyon said, "will be accentuated by the fact that renegotiation of contracts for the purpose of eliminating excessive profits is now conducted under the policy that gives no direct consideration to the costs of postwar reconversion. Many companies will probably therefore lack adequate resources to make such reconversion promptly and effectively." Dr. Lyon stated that the most pronounced view among business men is that the problem of excess profits should be dealt with through taxation rather than renegotiation.

Warning against a too rapid relaxation of government wartime controls over raw materials, prices, wages, manpower, and rationing, Dr. Lyon said that "the removal of wartime controls is so closely bound up with the whole prosecution of the war effort that in this instance there is comparatively little which business men can do about the matter at this time.

"Business men and business groups can and are making many affirmative suggestions to Congress and to administrative officers concerning specific controls which affect their businesses. There is no doubt but that the expressions of business have gone far toward influencing changes of policy and practice in many important governmental bureaus. In general, however, business men recognize the necessity of controls and realize that the final decisions concerning their removal must be a matter of national policy which takes into account considerations beyond the knowledge of individual business men."

In concluding his address, Dr. Lyon stated it as his belief that private business will continue to be the principal employer of labor after the war but he warned that "the ability of business to give full employment will depend upon the adoption of national policies which will make it possible for those who want work to be employed, which will make it impossible for monopolies — whether of business or labor—to prevent the benefits of technical advance from being passed on to consumers, and which will make it advantageous and profitable for the business system as a whole to expand its operations so as to utilize our growing population, and absorb in improved equipment, the savings of the American people. The national policies which will make these things possible cannot be established in directors' meetings. They must be established primarily in national legislation."

Legislation To Permit Life Prem. Deductions From Income Tax Urged

Enactment of legislation permitting deduction from gross in paying income taxes of the amount paid for life insurance premiums would act as an important economic stabilizer for millions of policyholders and would constitute an important and tangible contribution to the Government's program of urging greater social security for citizens, in the opinion of Herold G. Woodruff, President of the Mortgage Bankers Association of America. The Association has gone on record as approving the bills which would make this possible, says its announment October 17, which also states:

"The bills would permit deduction from gross income of the amount paid as life insurance premiums on policies in force Dec. 8, 1941 on the taxpayers' life or his dependents, up to a maxium of 10% of his net income or $1,000, whichever is less.

"The purpose of the legislation is not to make it possible for people to escape taxes but to assist those who have established protection plans in normal times but who now find it difficult to maintain them in this abnormal period, Mr. Woodruff said."

Enter Consent Judgment

MINNEAPOLIS, MINN.—Federal Judge Gunnar H. Nordbye has signed the agreement presented by counsel for the Securities and Exchange Commission and Investors Syndicate, Investors Mutual, Inc., and Investors Syndicate of America, Inc., disposing of 14 of the 16 counts in the petition of the Securities and Exchange Commission for a permanent injunction against the defendants for certain alleged practices.

Hearing on the two remaining counts has been set for Nov. 10. These counts charge "gross misconduct and gross abuse of trust" and assert that a certain group of officers is "guilty" of managing the companies for the "personal benefit of the officers, directors, departmental and divisional sales managers and the equity stockholders" of Investors Syndicate.

The Current Monetary Situation

(Continued from page 1598)

to us. We will make the money supply so great that interest rates will be low for an indefinite time and this will aid building and reconstruction during the post-war period when this will be most important.

What the devaluationists will not discuss will be the devastating effects of flooding this nation with such a huge volume of devalued dollars—the high prices, the huge tariff against imports, the fact that the purchasing power of accumulated savings, fixed incomes, and so on, will be reduced to a mere pittance—disastrous effects that will far overbalance the alleged gains.

Now is the time for the thoughtful and intelligent leaders in this country to begin warning the American people of the dangers involved. Every move of the devaluationists in behalf of their program should be condemned and stopped. It seems quite clear that this is a coming battle that cannot be avoided, and it promises to be a dangerous one for this country. There are many people, who should know better, and who should be counted upon to be among the leaders in a fight to squelch such a program, who are inclined to let the devaluationists have their way in this country. It is this among other things that makes the coming struggle over devaluation of the dollar so ominous.

The Relationship of These Matters to the Question of How Best to Meet the Problem of the Mounting National Debt

All these matters have a most important bearing upon the problem of meeting our mounting national debt.

Because it will probably be, let us say, in the neighborhood of 300 billion dollars; because of the great tax burdens that will rest upon the American taxpayers at the close of the war; because they doubtless will demand and require radical relief; and because we can expect plans to give them relief in the form of the issuance of fiat money, devaluation of the dollar, or partial or full repudiation in some other form, we will be fortunate indeed if we can find a solution to this debt problem which will at the same time save the American people from these programs of monetary depreciation or debt repudiation.

It is my judgment, therefore, that we shall find it wise not to attempt to handle our national debt as we have done it up to the beginning of the recession in 1929. As we all know, sound finance and American traditions with respect to the national debt suggest that we restrict it as much as possible and then retire it as speedily as we can, beginning at the close of the war. But to pursue this path will be to invite, in my opinion, the success of those who would plunge the American people into fiat money, devaluation, or outright debt repudiation.

It is my belief that if Congress is to be successful in fighting off these dangerous programs, it will be necessary for the American people to have their tax burdens lowered as much as possible, and I think this should be done in order to encourage private enterprise to go ahead again and to expand production. If I am correct in regard to these things, then it naturally follows that it would be better to consolidate this huge debt into a permanent or indeterminate one, and plan to carry the interest charges on the consols along with such other governmental expenses as are absolutely necessary. I believe that our great investing institutions, such as life insurance companies, savings banks, trust funds, and so on, can absorb 300 billion dollars of consols.

I should urge as a part of this solution that government expenditures be reduced as radically as possible and that our tax program be geared to the payment of the interest on this public debt and to other unavoidable governmental expenses, with the understanding that if in any year there should be a surplus it would be used to retire a corresponding amount of this debt.

Of course, all non-essential governmental expenditures should now and later be cut to the bone. Our government has been very unfair to the American people, and callous to an appalling degree, in asking them to sacrifice, as they have been doing, through the payment of heavy taxes and the purchase of government securities while the Federal authorities spend money extravagantly and wastefully on enterprises that are totally unnecessary.

If the government would spend as much time, energy and thought in lopping off needless and frivolous expenses as it does in devising ways and means of bleeding the American people white through taxation, some of the worst aspects of these problems would disappear. The cynical wastefulness which marks the Federal dissipation of our national patrimony has reached such colossal proportions that the people are stupified. Some day this lethargy will give way to a bitter realization of what this spendthrift orgy means. I predict that this phase of our national behavior—that is, this governmental spending policy and the people's stupified reaction to it—will go down in history as a sorry chapter in the records of this nation.

Aside from the spending orgy in which our Federal government is engaged, it seems to have two other major obsessions; one is to keep the price level steady, and the other is to bleed the people white through taxation—both to prevent or to minimize what it calls "inflation."

The Question of Heavier Taxation

As to the matter of still heavier taxation, I have the impression that many people both in and outside the government apparently think that the story of the "Goose That Laid the Golden Egg" is indeed a fable where private enterprise and capital are concerned. It is my opinion that taxes are now as high as they should be, that some of them are too high or unwise in nature, that it is dangerous to keep on insisting that we should tax more and more to prevent what is called "inflation," and that it would be infinitely better for the American people if the government would develop some obsessions as to the importance of eliminating nonessential governmental expenditures and of encouraging production by private enterprise in every reasonable way—civilian as well as war.

I think that the American Bankers Association, in a resolution of Sept. 15, stated the matter as well as it can be stated when it said:

"The cost of the war should be met by taxation to the maximum extent consistent with production, the maintenance of morale and incentive, the preservation of the economic structure, and the establishment by industry of adequate post-war reconversion reserves.

"Borrowing should be first from current income; then from the idle funds of individuals and corporations; and lastly, from the banks of the nation, the lending powers of which should be employed only to the extent necessary after exhausting the other two sources. It is in the best tradition of democracy that lending by individuals should be voluntary."

I should like to add my endorsement to that statement.

The Question of a Stable Price Level

There are some aspects of the current attempt to stabilize the price level to prevent what is called "inflation" that have genuine significance to us today.

First of all, we seem to have forgotten in this country that an index number of a price level is nothing but a mathematical abstraction. The steadiness of this mathematical abstraction has, since we entered the war, taken on a special and a peculiar sacredness. It has become one of the outstanding fetishes of the day.

This phenomenon should remind us of the faith we reposed in the stable price level during the 1920's. We would do well to remind ourselves that from 1923 to 1929 we probably had the most stable price level for any comparable length of time in our history and that it ended in one of the greatest of our peacetime catastrophies.

It may be recalled that during most of the 1930's efforts were made to raise the level of wholesale prices to that of 1926, after which governmental machinery was to be created to maintain that level indefinitely. When pressures on and in Congress for the creation of such machinery required attention, the Board of Governors of the Federal Reserve System, in March, 1939, issued a statement with respect to the leading proposal to maintain prices at fixed levels through monetary action. The Board emphasized, among other things, that steady prices do not assure prosperity, and pointed to our experience of the 1920's as a lesson. They concluded that the relationships among prices were more important than a steady average of prices. This reply by the Board to those advocates of a stabilized price level was so sound and so well put that 66 monetary economists of this country endorsed it in a public statement in which they said that the Board's observations were in harmony with well-established economic principles and with the facts of monetary history. I should contend that the position taken by those monetary authorities in 1939 is equally valid today.

Another thing to notice about this business of a stable price level is that from 1933 to 1940 the leaders in the movement to raise prices, and then to stabilize them at the 1926 level, called their efforts an attempt at what they called "reflation." Inflation would begin, they said, after the price level reached the 1926 base of 100 per cent. But when we embarked upon our armament and war program, particularly in 1941, we were suddenly deluged with the contention that any rise in the index of wholesale prices thereafter would be inflation. The index of wholesale prices in 1941 stood at 87 per cent of 1926 base. In short, up to that time the 1926 level of 100 per cent was the criterion against which inflation was to be measured. In 1941, the base against which inflation was to be measured was shifted to 87 per cent of the 1926 level. The point is not only that the exponents of these concepts of inflation have been most inconsistent in their contentions but also that neither contention will withstand careful economic analysis.

Another consideration regarding the question of the price level is that we seem to have taken a position that a stable price level is more important than the maximum production of goods and services and harmony in price relationships.

In war, as in time of peace, the thing that should come first is an expansion of production. On this point we seem to have reached the wrong decision. Our press is full of discussions of whether our price level is rising and whether it has risen more or less than those of Canada and England. This discussion is generally quite apart from the greater question of what is taking place in our productive activity and what is the state of harmony or maladjustment in the relationships of prices for goods and services. We do not discuss the fact that bank debits and the velocity of deposit currency are far below the levels of 1928 and 1929.

Furthermore our index of wholesale prices is suspect in itself. It does not recognize prices in black markets, or the actual prices growing out of the passing of cash to supplement fixed prices, or the fact that labels are changed or qualities of goods are altered. Besides being a mathematical abstraction, the index of wholesale prices in times like these and under controls as they now operate has in it an unknown element of fiction.

Because we have as a nation placed stability of the price level ahead of production, we have, in the main, shut our eyes to the following basic facts:

When a nation enters a war, the demand for certain, if not most, goods becomes abnormally large and their supply unusually scarce. The natural consequence is that prices tend to rise. These rising prices in themselves become rationing forces. They tend to hold down demand and to invite an increase in supply. (Forces of anticipation may of course become distorting factors for a period of time.) Holding down prices tends to repress production when it should expand and to invite a greater demand at those artificially low prices when it is already too great. This sort of procedure calls for rationing of scarce supplies, and it may even lead to programs for subsidizing producers who cannot afford to produce under these repressive programs. It requires a great bureaucracy, it gives rise to black markets, and it fosters a moral rot throughout the nation.

Despite such recognition as is given to these facts, we are nevertheless fanatically determined to adhere to the importance of a stabilized price level at all costs apparently, on the grounds, chiefly, that consumers will be protected, that government costs will be kept down, that a war boom will be prevented with the consequence that the post-war reaction should be smaller, and that, in any event, production in general is probably as great as it could be if prices were permitted to rise.

These matters raise more questions than can be examined and answered effectively in the time at my disposal. Let me state my final judgment as briefly as possible:

I think we should put first things first by giving more attention to production, civilian as well as war, and by seeing to it that the behavior of the price level is regarded as a secondary matter. I should say that where it can be demonstrated that no increase in prices can induce greater production then, for the period of the war, we should run the risks involved in stabilizing prices in the interest of the consumer and the government and in the hope that we might minimize somewhat post-war reactions.

But even then I should expect serious mistakes to be made. Who can say that, had prices been permitted to rise, important and unforeseen substitutes would not have been provided through invention and discovery with great long-run benefits to mankind? Who can state in advance what the stimulus of rising prices would draw from millions of ingenious people? At the best, control of prices is a dangerous enterprise for a government to embark upon.

Advocacy of subsidies to alleviate the stresses caused by price control is merely evidence of the wrongness of another policy and is an attempt to combat one evil by the use of another. It is preferable, in my opinion, that prices be permitted to rise.

We talk of war involving sacrifices, but we try to avoid them by price controls which at the same time impede production and restrict the amount of income that would otherwise be available for taxes; then we turn around and force sacrifices in the form of very heavy taxes which also endanger production!

If we were to make greater production, civilian as well as war, the first consideration, then I should think that we should expect to have a rise in prices and that this would be desirable even though it could be demonstrated—and it cannot—that there might be a more serious post-war reaction as a consequence.

Prices are probably the best guides to producers and buyers and sellers that man has ever devised. At the same time, they are, in general, the best correctives when maladjustments occur and readjustments are necessary. Sometimes these readjustments are pleasant as, for example, when a nation is recovering from a depression. Sometimes they are most unpleasant as, for example, when a nation is liquidating a boom. There is no good basis in Economics for supposing that we can have the pleasant adjustments exclusively and that we can always escape the unpleasant. And there certainly is no good basis for assuming that we can go to war and expect to escape the disastrous penalties which wars exact from victor as well as vanquished.

But since the American people do not seem inclined for the present at least to let prices reflect the forces of supply and demand, it would seem to follow that governmental controls may continue not only during the war but perhaps during several months or years of the post-war period of readjustment.

What the effects on production will be if such controls continue for long belongs to the realm of speculation. There are so many imponderables involved that I do not see how anyone can predict what the situation will be at the close of the war and for the two or three years thereafter. Should controls continue, what will be the prices of new goods expected from private enterprise? How will they fit into our cost structure and into our price control scheme? Then, there is the question of how long the American people will tolerate the huge bureaucracy involved in maintaining price control.

It is my judgment that the quicker we move toward free markets the better it will be for all of us. This opinion, I realize, does not have wide support today, but I am counting on time revealing its validity. I think the lessons of humanity with price control schemes demonstrate the soundness of such a conclusion.

* * *

Beyond the various points I have made I should like to urge that we seek to conserve our national patrimony; that we cease planning how to give away the United States; that we weigh more carefully than we seem inclined to do the current programs which are concerned more with how to divide up what we have than they are with how to increase production; that we consider whether some of our programs to save people from want and fear do not overlook the fact that fear and dread of want are two of the greatest stimulators of human activity; that we consider the awkwardness of our position in promising to save the people of many nations from want and fear in the face of our poor showing in little Puerto Rico which, according to Governor Tugwell, is no better off than it was when it was won from Spain in 1898; and that we come to a realization again that our standard of living can be raised only when we work hard and save and produce more goods and services for us all.

With Expanding Govt. Debt And Higher Taxes, Looks For Higher Price Levels In Post-War Era

The certainty in the post-war era of a higher plane of prices than before the war was forecast by George Gordon Paton, Vice-President of the Commodity Research Bureau, in addressing on Oct. 15 the National Coffee Convention at French Lick Springs, Ind. In making this prediction Mr. Paton said:

"The Government debt is now around $150,000,000,000 and will be many billions more before long. That's a lot of money in any language. Taxes will be high for many years to come, of that we can be certain, but still they won't match expenditures and begin cutting the Government debt for some time. There is only one answer. A higher plane of prices than before the war. Not confined to this country but worldwide. Looking at coffee prices only it is evident that coffee is good collateral now and only a higher market is in sight for the next few years. Maybe longer. Notwithstanding the supply-demand situation. Mostly this will be a reflection of the inflationary forces working on all prices for goods and services everywhere."

In presenting his views Mr. Paton stated that there are so many subjects of importance to the coffee industry, all naturally closely related, that it is difficult to select but one. "It is also true," he said, "that the industry these days has such an enormous load to carry that any intricate and detailed discussion might be just adding to their woes. For that reason," he indicated, "I am going to give you my views in short concise fashion, and attempt to cover many different factors."

In his address he had the following to say:

"Looking at prices from the viewpoint of the coffee producer, we meet these indisputable facts. Our good neighbors in this hemisphere, most of them coffee producers, have piled up over a billion dollars in credits (just like the people here with their backlog of bonds and other forms of savings). The people of the producing countries intend to better their standard of living with that money when peace allows the world's factories to halt making guns, planes and bullets. And since their standard of living has been lifted you can bet they'll do their best to maintain the gains made. They cannot achieve any materially better standard of living on 15-cent coffee, certainly can't approach ours at that price, and they know it. They are selling now at our ceiling prices because they feel it an only proper and just contribution to the war effort.

"This also they know and note. Our farm prices are up more than 100% since 1939. The chances are that they'll go higher. And who can say that it's unfair of them to ask for their produce a price which will permit them about the same benefits as those enjoyed by American farmers. So much for price. Let's go on.

"Coffee will flow freely in the future, and coffee rationing is out for good. In other words, the shipping shortage is licked. Even the impossible, i. e., renewed sinkings by German submarines at a rate matching the peak of the war would still not outweigh the present rate of ship construction.

"Restrictions on purchases and imports will soon be relaxed further. Business will gradually return to normal but competitive problems, small roaster versus large distributor, will continue to require the energies of the individual roaster. There's room for both large and small roaster. The past and human nature demonstrate this truth. But only those who know definitely where they are going and how, will survive.

"Coffee consumption in the United States will rise to a new per capita peak by the end of next year. Aided and abetted, of course, by the efforts of the Joint Coffee Promotion Committee and

(Continued on page 1609)

Effort To Kill SEC Seen By President

President Roosevelt told his press conference on Oct. 19 that there is an under-cover effort in many parts of the country to get rid of the Securities and Exchange Commission and get back to that awful thing called the good old days.

The President made this statement in announcing the resignation of Edmund Burke, Jr., as a member of the SEC and the appointment of Robert McConnaughey to succeed him. Mr. Roosevelt explained that Mr. Burke was forced to withdraw from Government service for "family reasons." He praised Mr. Burke for his 10 years of service to the Government, the last eight of them with the SEC, as Assistant Director of the Reorganization Division (1935); Director of the Division (1940), and Commissioner (1941). Mr. McConnaughey has served in various legal positions primarily in agricultural agencies of the Government.

With respect to the President's remarks on the effort to kill the SEC, the New York "Herald Tribune" in its Washington advices of Oct. 19 said:

"As the President spoke of tthe alleged undercover campaign, he paused to remark to the newspaper men, who had started taking notes, that he had thought his statement would make their ears pick up. He continued that the certain elements would like to get back to what was known in 1920 or 1921 as normalcy. He added that they wanted to get rid of the protection the SEC affords to what the Greeks called hoi polli, and the President said that most of the people belong to hoi polli.

"'Can you give us any more information on the specific types of elements involved in that campaign?' he was asked.

"He said he could not; that he was merely offering a tip for the newspaper men to look into, and that the campaign had become pretty obvious in certain newspaper columns recently."

American Metal Co. Has Interesting Situation

Arnhold and S. Bleichroeder, Inc., 30 Broad St., New York City, have prepared a detailed study of American Metal Company, Ltd., which the firm believes offers an interesting situation. The present setup of the company is somewhat outmoded and if the possibility of reshaping this should materialize there could be a considerable appreciation in the price, the study declares. Copies of the study discussing the situation in detail may be had from Arnhold and S. Bleichroeder, Inc., on request.

Investors Tax Kit And Tax Guide For 1943

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange and other leading Exchanges, have issued their 1943 Investor's Tax Kit, containing a booklet entitled "Tax Guide for 1943," work sheets, a handy chart on how to treat capital gains and losses, and a list of suggested exchanges to establish tax gains or losses. Copies of this interesting and instructive kit may be had from Merril Lynch, Pierce, Fenner & Beane upon request.

Real Estate Securities

New York Title & Mortgage Co. F-1 Certificates Probably Largest Real Estate Investment Trust—All Net Income Payable To Holders

Successful operation of real estate to obtain a good rate of return is dependent in a large measure on the ability, efficiency, knowledge and foresight of its administrators and managers. But, the type of property is also an important factor and must be income producing for the management to make it pay.

Experience has demonstrated that six-story elevator apartment houses of modern construction, located in well-populated, prosperous residential areas, have proven themselves good income producers for owners and managers. The rate of return may vary from as low as 10% to as high as 15%. A great amount of time and effort must be put into the management, and unless one makes it a full-time job, it may prove burdensome despite the good income.

Many persons interested in real estate investment and others who have slight knowledge of this field may well read the following article because of the combination of return on the investment and the lack of personal responsibility or effort involved.

This is a recital of facts, describing what may be termed "the original Real Estate Investment Trust" formed under the laws of the State of New York by its Supreme Court. It is administered by three trustees appointed by that Court who are under its control and supervision.

The trustees of Group Series F-1 were appointed in May, 1935, to bring about an orderly liquidation of the assets of the New York Title and Mortgage Co. issue known as Series F-1. The trustees are: Aaron Rabinowitz, Chairman of Fred F. French Investing Co. and President of Spear Securities Corp.; James L. Clare, lawyer, specializing in real estate matters and member of the firm of Chambers, Clare and Morris; Adrian P. Burke, lawyer, specializing in real estate matters and formerly Vice-President of James R. Murphy, Inc.

There were originally 121 units comprising 34 mortgages owned, 44 properties operated under assignment of rents or by receivers, and 43 properties owned as real estate. As of Jan. 1, 1943, there were 66 mortgages owned, one property operated under assignment and 46 properties owned as real estate.

These 113 units were divided in the following groups:

Description—	Amount	% of Total
6-story elevator apartment houses (63 in the Bronx, 7 in Manhattan)	$16,267,161	64¼
4- to 5½-story walkup apartment houses (21 in the Bronx, 1 in Manhattan)	3,711,589	14½
9- to 16-story elevator apartment houses (4 in Manhattan)	2,099,176	8¼
Miscellaneous — comprising 6 loft buildings, 4 garages, 2 taxpayers, 1 6-story hotel, 1 theatre, 1 fraternal hall and 2 parcels of vacant land	3,273,660	13

Altogether there are 111 income producing properties making up 99⅝% of the assets of the trust estate.

Since the appointment of the trustees they have caused to be purchased and installed several hundred refrigerators, well over one thousand gas ranges, a considerable number of instantaneous hot water heating systems and in addition many new roofs were placed on buildings, and both exteriors and interiors were renovated. One important improvement has been the changing over from manually operated elevators to automatic elevators in a number of buildings, which experience has shown resulted in savings of labor, material and other costs. All of this work, done under the supervision of the trustees, has notably improved and modernized the properties owned as real estate.

There is a continuous effort to maintain the properties owned in a good state of repair, and to cut down costs of operation without impairing the service to tenants. To further this work, the F-One Corporation, originally organized by the trustees, manages substantially all of the real estate owned, with the exception of four units.

In the servicing of the mortgages, the work of the trustees is not merely limited to the collection of interest and amortization. They undertake to make periodic inspections of the properties themselves to make sure that they are maintained in a satisfactory physical condition. Furthermore, a close check-up is made of tax payments and insurance coverage to prevent tax delinquencies and insure adequate protection of the trust estate in case of fire or other accidents.

The total amount of assets as of Jan. 1, 1943, was $25,351,587.45 and participation certificates publicly held were $25,481,888.85.

From June, 1936, to and including June, 1943, a total of 36% has been distributed to certificate holders as income, which was an average of 4.8% annually. Principal payments during this time and including a payment of 1% to be distributed Oct. 30, 1943, totaled 9%.

For the year ended Dec. 31, 1942, of the total net income reported from all sources available for income distributions, $669,770.27 was received as interest on mortgages owned, and $486,357.21 was the operating net profit from properties owned, including the net receipts of the property operated under a rent assignment.

There has been a definite improvement in the sales of real estate and greater activity in mortgage refinancing during this year. Within the past three weeks the F-1 trustees announced the sale of a six-story elevator house for all cash and a 17-story loft building for cash and a purchase money mortgage.

Under present conditions the liquidation of assets may be accelerated because of the greater demand on the part of investors for the type of properties owned by the trust estate. Then, too, the lending institutions, such as savings banks and insurance companies, are seeking for investment the type of mortgages owned in the estate.

The trustees are fully aware of these conditions, and are undoubtedly seeking to effect sales of properties and mortgages on as favorable terms as possible.

New York Title and Mortgage F-1 certificates appear to answer the requirement of real estate investors for a good income on their money, with no effort involved in the management of the property itself. At present quotations, a current return of over 8% would be obtained, assuming that the same average annual payment mentioned before, is maintained. This, of course, does not take into account the liquidating payments, which have averaged 1½% annually beginning February, 1938, and including October, 1943, with the prospect of accelerated liquidation in view.

Investment Trusts

An Appraisal of Current Market Psychology

"We are already experiencing a 'peace' market in the sense that prices are slowly conforming to the prevailing opinions of investors as to relative values in a post-war economy. As always, many such opinions are distorted by the natural prejudices and sentiments of individuals so that **prices** show substantial deviation from **values.** Undervaluation is most marked in those industries with which the public comes in least contact.

"Thus the investor, realizing that he himself expects to buy a new automobile and that there are many thousands like him, has confidence in the post-war prosperity of the automobile industry and is willing to pay high prices for automobile securities — even though present prices already reflect the prosperity he foresees. But, unfamiliar with the complexities of the steel industry, he fails to realize that it must prosper too. Steel, to him, means tanks, ships and guns, not automobiles, refrigerators, locomotives, rails and the many hundreds of consumers' items of which steel is the base.

"The most extreme undervaluation in stocks continues to be in those held by STEEL SHARES. In discount bonds, the interest-paying issues held by RAILROAD SHARES and GENERAL BOND SHARES are the outstanding values. Buying for retirement by the railroads has been in only moderate amounts so far this year; it should be accentuated in coming months. For greater-than-average appreciation in the next advance of stock prices LOW PRICED SHARES offers the greatest promise." — From the Sept. 30, 1943, Investment Report of the Investment Research Department of **Distributors Group, Incorporated.**

* * *

"The Outlook for the Public Utilities" is the title of the discussion in the latest issue of National Securities & Research Corp.'s **Investment Timing.** Among other things, the article points out that annual interest and amortization charges of privately-owned electric light and power companies have been reduced from $358,000,000 to $293,000,000 in the last ten years. This is a decrease of 18.2% and in the same period electric power production has increased 147%.

Conclusion: "The public utility industry has weathered the storms of regulation, both rate and capital, and increased taxes and may be said to be in a sound condition. The market appraisal of the industry indicates the probability of relative price stability in any disturbances caused by liquidation of war securities, as well as generally favorable longer-term prospects."

* * *

Lord, Abbett has issued revisions of its attractive sales folders on Union Bond Fund "B," Union Common Stock Fund "A" and Union Common Stock Fund "B." The sub-titles on the folders are simple and descriptive. UBB—"Selected Bonds With Good Income." UCSA—"A Portfolio Consisting of Carefully Selected Stocks Chosen For Current Value and Future Prospects." UCSB—Forty-Four Lower-Priced Common Stocks . . . A widely diversified list combining attractive appreciation possibilities with good income."

* * *

MIT's **Brevits** compares the results of the three prize-winning and five "honorable mention" investment programs in **Barron's** "Investing $100,000 for a Widow" contest with the performance of Boston Fund. The contest was held in August, 1939, and the ensuing four years of World War afford a rigorous testing period. The **Brevits** compilation shows that during this four-year period Boston Fund did better than all of the eight investment programs. The average degree of betterment for Boston Fund was 17.6%.

* * *

Calvin Bullock's **Perspective** for October has an excellent discussion of "Non-Ferrous Metals: Post-War Outlook." An eight-year tabulation of earnings and price ratios for American and Canadian companies substantiates the statement that, "the shares are selling at the lowest price-times-earnings for a considerable period of time." The bulletin goes on to point out, however, that this does not mean the stocks of all non-ferrous metals producers are now reasonably priced. Selectivity is the keynote to investor success in this group.

* * *

Investors Mutual, Inc., sponsored by Investors Syndicate of Minneapolis, is out with a new prospectus dated Oct. 3, 1943. It is an interesting document not alone by reason of its good appearance and simple language. A numbered receipt is attached, calling for the dated signature of the applicant who wishes to purchase shares of the Fund. Another unusual feature for a Mutual Fund prospectus is the section entitled, "Pending Litigation." Part of this litigation was settled this week by a consent decree in agreement with SEC attorneys.

Dividends

Boston Fund—A dividend of 16 cents per share payable Nov. 20, 1943, to stock of record Oct. 29.

Railroad Securities

(Continued from page 1593)

Mortgage 4s which will be increased approximately 28% by the redistribution. It appears likely that the Fort Scott bonds will receive around $785 in new 1st Mortgage bonds, the Prior Lien 4s may receive $187, the Prior Lien 5s about $197 and the Consolidated 4½s approximately $220. The balance of the Fort Scott claim will be settled in Income bonds while the other liens will get a combination of Income bonds and Preferred and Common stocks. It is in the stock categories that the Prior Liens will fare considerably better than the Consolidated 4½s.

With no stock to go to the Fort Scotts, the stock treatment of the Consolidated 4½s will rest entirely on the pledge of Prior Lien bonds which is in the ratio of about one for two. The Prior Lien bonds, therefore, are expected to get about twice as much Preferred and Common stock per bond as will be given to the Consolidated 4½s. While the market is giving high evaluations to new reorganization equities the Prior Lien bonds have the better speculative potentialities although the larger proportion of new fixed interest bonds to be received makes the Consolidated 4½s more attractive on a strictly investment basis. All of the bonds are considered attractively priced in relation to the rest of the reorganization market, particularly as further cash payments seem likely next year, and so long as consummation of the reorganization is delayed.

Florida Bond Quotations

Clyde C. Pierce Corp., Barnett Building, Jacksonville, Fla., has prepared an interesting circular containing quotations and information on Florida municipal bonds. Copies of this circular may be had upon request from Clyde C. Pierce Corporation.

IBA Meeting To Study Problem of Financing Govt. In War And Enterprise After War

Program Announced For Three-Day Conference

What is termed "newsy developments" will mark this year's annual meeting of the Investment Bankers' Association of America, which is to be held in New York at the Waldorf-Astoria Hotel on Nov. 3, 4 and 5, and will take the form of a conference on war and post-war financing. In announcing the program on Oct. 18, Jay N. Whipple of Bacon, Whipple & Co., Chicago, President, points out that this will be the second year in which an abbreviated session on problems arising out of the war has replaced the former convention type annual meeting of the Association. The announcement states that among the principal speakers scheduled for the meeting are Fred M. Vinson, Director of Economic Stabilization; George W. Spinney, President of the Bank of Montreal; J. C. Folger of Folger, Nolan & Co., Washington, who is to be elected President at the close of the meeting, and Mr. Whipple.

A special feature of the program will be a forum devoted to the problems of financing the Government during the war and financing enterprise after the war. Speakers at that session will include Edward B. Hall, former IBA President, who is serving as Assistant to the Secretary of the Treasury, on leave of absence from Harris, Hall & Co., his Chicago investment house; John F. Fennelly, Executive Director of the Committee for Economic Development, a former Chicago investment banker, and Albert P. Everts, partner of the Boston investment firm of Paine, Webber, Jackson & Curtis, who is also Chairman of the Massachusetts War Finance Committee of the Treasury Department.

Scheduled for issuance at the meeting are research reports by a number of the Association's standing committees which have been conducting surveys of the post-war financing requirements in the major fields of industry.

The meeting is being held in New York to minimize travel for delegates, the heaviest membership being in the large eastern financial centers.

The program to be presented at this, the 32nd Annual Meeting of the Association, is outlined as follows by the Association:

Wednesday, Nov. 3

10:30 a.m.—Committee meetings.
2:30 p.m.—First session of the meeting.

Address by President Jay N. Whipple.

Certain Committee reports.

6:30 p.m.—Informal get-together followed by informal dinner.

Thursday, Nov. 4

10:15 a.m.—Meeting of the Board of Governors.
12:30 p.m.—Luncheon, Grand Ball Room.

Address by Mr. George W. Spinney, C.M.G., President of the Bank of Montreal and former Chairman of the National War Finance Committee of Canada.

2:15 pm.—Second session of the meeting.

This session will be devoted to discussions of the Government's war financing and to private financing in the post-war period.

Edward B. Hall, Assistant to the Secretary of the Treasury (on leave from Harris, Hall & Co.), will address the meeting on the subject of War Financing.

Albert P. Everts (of Paine, Webber, Jackson & Curtis), Chairman of the Massachusetts War Finance Committee, will review the Third War Loan Drive in that State.

In addition, other Government representatives, as well as members of the industry who have taken an active part in the war financing program, are expected to attend and participate in the discussion.

The following Chairmen of IBA Committees will summarize briefly their formal committee reports on private financing requirements after the war:

Albert T. Armitage, Coffin & Burr, Boston, Chairman, Public Service Securities Committee.

H. Fred Hagemann, Jr., The Boatmen's National Bank, St. Louis, Chairman, Municipal Securities Committee.

John S. Loomis, The Illinois Company of Chicago, Chicago, Chairman, Railroad Securities Committee.

Percy M. Stewart, Kuhn, Loeb & Co., New York, Chairman, Industrial Securities Committee.

Following these summarized reports, John F. Fennelly, Executive Director, Committee for Economic Development, Washington, and former partner of Glore, Forgan & Co., will address the meeting.

6:45 p.m.—Get-Together Reception.

7:45 p.m.—Dinner — Grand Ball Room.

Address by Fred M. Vinson, Director of Economic Stabilization.

Friday, Nov. 5

10:30 a.m.—Third Section of the meeting.

Certain committee reports.

Election of officers for 1943-1944.

Induction into office of governors-elect.

Address by incoming President John Clifford Folger.

The announcement states that all reservations for rooms at the Waldorf-Astoria must be made through the Association; the hotel will not accept reservations directly. The Association's headquarters, 33 South Clark Street, Chicago.

California Electric Securities Offered

Public offering was made on Oct. 19 of a new issue of $16,000,000 of first mortgage 3½% bonds, due 1968, and 40,000 shares of 5¼% convertible prior preferred stock of the California Electric Power Co., as part of its recapitalization program. The bonds are being offered at 103½ by a banking group headed by Dillon, Read & Co., and the preferred shares, priced at $102.50 a share, are being offered by a syndicate headed by Stone & Webster and Blodget, Inc., and Bosworth, Chanute, Loughridge & Co.

The proceeds from the sale of the above mentioned securities, together with $4,900,000 obtained last week from the Imperial Irrigation District in payment for certain transmission and distribution facilities, franchises and other properties which the California Electric Power Co. sold to the District, will be applied to the redemption of all of the outstanding first trust mortgage 5% bonds, due 1956, and, to the extent necessary, to pay in full the unpaid balance on a 3% installment note of the Power company.

Giving effect to the new financing, capitalization of the company will consist of $16,000,000 of first mortgage bonds, 40,000 of 5¼% preferred of an authorized issue of 100,000 shares; 104,963 shares of $3 cumulative dividend preferred, of $50 par value, of an authorized issue of 150,000 shares, and 714,821 shares of common stock, of $1 par value, of an authorized issue of 1,200,000 shares.

B. & M. Railroad Has Interesting Situation

B. W. Pizzini & Co., 55 Broadway, New York City, have prepared an interesting ten-page analysis of the Boston & Maine Railroad discussing this situation in detail. Copies of the analysis may be had from the firm upon request.

Attractive Situations

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

The Securities Salesman's Corner

How One Salesman Increased His Sales Volume

One day last week we had the pleasure of taking lunch with an old friend whom we had not seen for several years. This is always a pleasant occasion—to see an old friend—but it is even more so when he tells you that he is selling more securities this year than any time during his past ten years in the investment business.

Naturally we were curious to learn the reason for this fortunate situation during a year, that from all outward indications, has not been generally productive of increased sales volume throughout the country. Contrary to what might ordinarily contribute to a salesman's increased volume, our friend attributed his excellent business to the fact that he had for the first time in his life "begun to slow down and take it easy."

He went on to tell us that for years he had been what is usually known in sales organizations as the sort of a fellow they call a "plugger." He used to lay out so many calls a day and rain or shine he'd make them. For years, he said he did this until it became his habitual routine. The system paid him well enough—as it usually will—if one diligently follows it.

Then one day last fall, he said, he figured out that with the shortage of transportation facilities, lack of gasoline for his car, and the extra time he had to waste in travelling by bus, street car, or train, that he would have to make fewer but more productive calls. That is exactly what he did and this is how he did it—

He figured out that the larger investor would only be interested in situations that were tax free from an income standpoint, or in those that HAD UNUSUAL APPRECIATION POSSIBILITIES. Since he didn't know municipals and furthermore his firm did not sell them, he went after the larger accounts on the principle that the income tax liability against capital gains under the present tax laws made it more profitable for the LARGER INVESTOR TO PURCHASE SECURITIES THAT HAD UNUSUAL APPRECIATION POSSIBILITIES RATHER THAN ANY OTHER CLASS OF INVESTMENTS.

He devised several good pre-approach letters on this subject; he became thoroughly familiar with present income tax laws, and he sold several non-income paying speculative securities at the very start of his campaign and they turned out to be very profitable. From this starting point he obtained entre to friends of certain of his clients that were very much impressed with the way their SPECULATIVE HOLDINGS WERE APPRECIATING IN VALUE AND THE FACT THAT THEY COULD RETAIN A GOODLY PORTION OF THESE PROFITS.

Of course, there was much more to our friend's little story than, as he put it, "he began to get lazy." There was a sound idea behind his campaign and if the leg work was less, the brain work increased. Some times it takes a situation like the one with which the average securities dealer or salesman is faced today to bring out the inner resourcefulness that is latent in most of us. In this case, as our frend put it, he proved to himself that the fellow who said "necessity is the mother of invention" was surely right. Or in other words, as we told him, "Here was one time when the OPA and gas rationing was the ill-wind that blew him a lot of good."

One good idea can be worth a fortune to the salesman who has the creative imagination to find it and the ability to put it to work. Under today's conditions it is almost imperative that you do both—so find your plan and stick to it until you get results.

The Future Of Savings

(Continued from page 1591)

first nine months of this year savings bank deposits rose $329,000,000, exclusive of dividends, against a decline of $155,000,000 in the corresponding period of last year. The trend in savings deposits this year contrasted sharply with that for the ten years ended last Jan. 1, said Mr. Bell. In that decade, savings bank deposits, inclusive of dividends, increased only $257,000,000, indicating that these banks not only failed to attract new money but were unable to retain on their books $866,000,000 out of the $1,123,000,000 of the dividends they paid, he said. Now the appeal of the savings banks to the public seemed to be regaining its old force, he declared.

Savings banks in the post-war period could not expect to compete for deposits upon the basis of higher dividend rates, said Mr. Bell. But an even more important influence upon deposit volume than dividend rates, the Superintendent said, was location. "If a savings bank is to attract deposits," he said, "it must offer its services where they are most needed." He added

"If the location is right, a savings bank paying 1½% will attract deposits just as surely as a 2% bank.

"There are two approaches to this problem which a savings bank can make. It can invite the savings dollar in a neighborhood where the wage-earner lives; it can invite the savings dollar in a neighborhood where the wage-earner works. But whether the area be residential or business, if the savings bank is to grow, it must draw its deposits from an area that is also growing.

"Banks cannot accommodate growing neighborhoods except by establishing offices in them. If the restrictions in the banking law against more than one branch prevent savings banks from adequately serving the public, then we shall have to give consideration to modifying those restrictions."

Mr. Bell said that savings banks made excessive outlays on banking houses in the 1920s. There was nothing in the record, he said, to show that more modest quarters would not be just as effective in attracting deposits.

Tracing the changes in the asset composition of the savings banks for the last 20 years, Mr. Bell said that these banks now had for every $100 of assets $6 in cash, against $5 in 1930 and $4 in 1920, and $37 of Government securities, against $16 in 1920 and $4.50 in 1930. Mortgage assets comprise 46% of total assets, he said, against 62% in 1930 and 47% in 1920.

On the operating side, expenses had gone up nearly 50% in the last eight years, but, with dividends to depositors reduced, net earnings after dividends had actually increased, Mr. Bell said.

Peoples Light & Power Situation Interesting

Preferred stock of the Peoples Light & Power Co. offers attractive possibilities according to a memorandum issued by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national Exchanges. Copies of this memorandum discussing the situation may be had from Ira Haupt & Co. upon request.

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

It is no surprise that the third quarter statements of New York City banks revealed a continuation of the upward trend in earnings. Each of the 16 banks shown in the accompanying table has indicated earnings for the third quarter of 1943 higher than for the comparable quarter in 1942. Nine months' indicated earnings, also, are higher than for the same nine months' period last year, except in the case of First National Bank.

Of particular interest is the fact that annual dividends are more than covered by the nine months' earnings for 13 of the 16 banks in the list, the exceptions being First National, Irving Trust and United States Trust.

INDICATED EARNINGS PER SHARE

	1942			1943			
	Six Months	Third Quarter	Nine Months	Six Months	Third Quarter	Nine Months	Annual Dividend
Bank of Manhattan	$0.63	$0.35	$0.98	$0.66	$0.36	$1.02	$0.90
Bank of New York	8.58	5.01	13.59	12.05	6.23	18.28	14.00
Bankers Trust	1.26	0.70	1.96	*3.64	0.76	4.40	1.40
Central Hanover	2.26	1.25	3.51	2.55	1.50	4.05	4.00
Chase National	0.76	0.45	1.21	1.35	†0.93	2.28	1.40
Chemical	1.15	0.62	1.77	1.31	0.74	2.05	1.80
Commercial Nat.	6.11	2.89	9.00	8.06	4.80	12.86	8.00
Corn Exchange	1.53	0.78	2.31	1.63	0.94	2.57	2.40
First National	45.08	18.58	73.66	49.83	21.85	71.68	80.00
Guaranty Trust	6.00	3.00	‡9.00	9.23	5.36	14.59	12.00
Irving Trust	0.32	0.17	0.49	0.38	0.20	0.58	0.60
Manufacturers (Com.)	1.86	1.00	2.86	2.17	1.12	3.29	2.00
††National City	0.85	0.47	1.32	§2.20	0.60	2.80	1.00
New York Trust	2.49	1.36	¶3.85	**2.79	1.60	4.39	3.50
Public National	1.41	0.73	2.14	1.51	0.85	2.36	1.50
U. S. Trust	28.51	16.59	45.10	32.52	17.55	50.07	70.00

*Includes transfer of $2.80 from reserves and reflects $0.80 write-down of building. †Includes security profits. ‡In 1942 statements indicated only dividends. §Includes $1.21 of recoveries. ¶On 500,000 shares. **On 500,000 shares first quarter; 600,000 shares, second and third quarters. ††Includes City Bank Farmers Trust.

Despite this not unexpected splendid showing, it has not been reflected in the bank stock market, either before or since the statement dates. In fact, New York City bank stocks have stood practically still for several weeks, and since Sept. 30 have even declined. The American Banker Index of New York City Banks shows the following record since mid-year:

June 30	36.8	Aug. 31	36.9
July 10	36.9	Sept. 10	36.7
July 20	37.2	Sept. 20	37.0
July 31	36.7	Sept. 30	36.9
Aug. 10	37.2	Oct. 9	36.6
Aug. 20	37.1	Oct. 15	36.7

Presumably this decline expresses fears that the Treasury's proposals for an increase in the corporate surtax rate from 16% to 26% will seriously affect the banks' earnings. Unquestionably, such an increase, if approved by Congress and enacted into law, would increase the tax burden of the banks, but since it would come at a time when the banks are enjoying a period of rising income, and since they will start the year 1944 with their volume of earnings assets at the highest level in history, it seems pretty certain that such additional taxation could be absorbed without materially affecting, if at all, their present level of net earnings. Meanwhile, the banks are building up reserves and capital funds from earnings which are substantially in excess of current dividend requirements. The following table shows the increases in the book values which have been achieved since the first of the year.

BOOK VALUE PER SHARE

	12-31-42	9-30-43	Asked Price 10-15-43
Bank of Manhattan	$24.28	$24.70	$20⅝
Bank of New York	348.55	356.33	376
Bankers Trust	46.07	49.42	47¼
Central Hanover	95.87	96.92	98¾
Chase National	33.19	35.85	37
Chemical	40.23	40.93	46½
Commercial National	235.42	242.29	217
Corn Exchange	48.18	49.03	48⅜
First National	1,220.44	1,232.13	1,525
Guaranty Trust	310.52	319.53	308
Irving Trust	20.89	21.12	14
Manufacturers (Com.)*	38.80	41.11	48¼
*National City	32.62	35.01	33¾
New York Trust	82.99	84.22	90¾
Public National	46.17	47.74	36¼
U. S. Trust	1,545.25	1,509.85	1,240

*Includes City Bank Farmers Trust.

It is of interest to note that 9 of the above 16 banks are currently priced below book value, and that the average dividend yield of the 16 is 4.1%, ranging between a low of 3.0% for Bankers Trust and National City to a high of 5.6% for United States Trust.

Missouri Brevities

St. Louis County Bridge Revenue Bonds Default

The County Court of St. Louis County, Missouri, Trustees of the St. Louis County Bridge under construction near Jefferson Barracks, Mo., in announcing default of the Oct. 1 interest, reviewed the circumstances responsible for this development. Contract for construction of the bridge was let Oct. 28, 1940, and stipulated that it was to be completed in 600 days from December 5, 1940. Under normal conditions the project should have been completed by Aug. 28, 1942. Soon after the contract was let the U. S. Government adopted the Defense Program and on Dec. 7, 1941, we entered World War II. These developments handicapped the contractor in obtaining materials and labor. Work was further delayed by floods and in October, 1941, a coffer-dam for the pier adjoining the bank on the Missouri shore was carried away. Completion of this pier was delayed a year due to continued high water and erection of the necessary falsework for the truss span to reach this pier was delayed for another eight months.

A further complication arose in December, 1941, when the Missouri and Illinois Highway Departments were prevented from letting contracts for construction of the approach highways by a war-time ruling of the U. S. Public Roads Administration. About nine months elapsed before permission was obtained to construct these roads. The Missouri portion is now nearly completed but recent high water in the lowlands on the Illinois side have delayed construction three or four months and winter conditions will probably prevent completion of this approach highway until next spring. (It is also understood that the War Production Board has been reluctant to grant the necessary priorities for construction of overpasses at two railroad crossings and if these are refused construction of the highway at grade crossing level would be carried out.) The bridge itself is said to be practically completed except for certain painting, rail installations, etc., and is expected to be ready for traffic in two or three weeks, but little traffic can be expected pending completion of the approaches.

Sufficient funds were set aside at the time of issuance of the bonds to pay interest during the estimated period of construction and for twelve months thereafter. The interest and sinking fund account still has $24,108.18, leaving a balance of $24,645.82 needed to equal the Oct. 1, 1943, interest figure. The court order under which the bonds were issued provides that any funds remaining in the construction account after the bridge is completed and paid for shall be transferred to the interest and sinking fund account. The Trustees have expressed their opinion that such funds will be sufficient to pay the Oct. 1, 1943, interest; however, actual transfer of the funds must await completion of the bridge and settlement of several condemnation suits on rights-of-way. The question of whether these funds can be used to pay interest or must be utilized in retirement of bonds will also have to be determined before payment of the October coupon can be authorized. However, counsel for the Trustees has advised that these funds can be used for the payment of interest and the Trustees have indicated that as soon as the funds become available they will take the necessary steps to decide the question and, if possible, pay the interest.

Prior to the announcement of the default Oct. 1, 1943, St. Louis County, Missouri, Toll Bridge Revenue 3¾s of 1965 were trading around 73 to 77 and are currently quoted 69 to 72 nominal.

The opinion has been expressed in trading circles that some liquidation may appear as substantial blocks are believed to have been placed originally with institutions.

Missouri's Bring High Prices

A total of $358,000 of State of Missouri 3½ and 4¼% bonds, maturing 1951-53, were sold in the market late last week by an investment account in St. Louis, presumably an insurance company. Of the total, $348,000 were purchased by the Mercantile Commerce Bank & Trust Co., of St. Louis, consisting of $50,000 3½s of 1951 and $298,000 3½s, due Aug. 1, 1952 and Sept. 15, 1952. The bank paid a price of 119.63 for the bonds, due 1951, and prices of 120.96 and 121.40 for the obligations maturing Aug. 1, 1952, and Sept. 15, 1952, respectively. The other $10,000, consisting of 4¼s of 1953, were purchased by the Harris Trust & Savings Bank of Chicago at a price of 128.54.

Scullin Steel Rapidly Reduces Debt

Capacity operations, record earnings, and funds from the condemnation award from the City of St. Louis have combined to enable Scullin Steel Company to reduce its funded debt $999,500 during 1942 and 1943. Total reductions since reorganization in 1937 have amounted to 33.7%. Present outstanding debt consists solely of $2,240,000 First Mortgage Convertible Sinking Fund 3%-6% bonds, due Oct. 1, 1951. Current market 89-91.

Scruggs-Vandervoort-Barney Earnings

Although net sales of Scruggs-Vandervoort-Barney, St Louis department store, including the Denver Dry Goods Co. and Jaccard's, increased $3,299,730 to $24,214,810 in the year ended July 31, 1943, a jump of $950,803 in Federal income and excess profits taxes held net income to $880,019 equal after preferred dividends to $4.46 per share of common, compared with $870,514 or $4.41 per share in the preceding year. The common stock is selling around 14½-15 compared with a 1943 low of 8½. Dividends this year have totaled 50c per share compared with a total of 75c distributed in 1942.

New Orleans Bond Club Officials Announced

NEW ORLEANS, LA.—At the annual meeting of The Bond Club of New Orleans the following officers and directors were elected and have taken office to serve for the fiscal year 1943-44:

President: H. Wilson Arnold, Weil & Arnold; Vice-President: Price Crane, Glas & Crane; Secretary-Treasurer: Claude J. Derbes, Couturier & Derbes.

Directors: J. H. de la Vergne, White, Hattier & Sanford; J. Wilbur Jesse, Waters & Alcus; Albert J. Mayer, Weil & Co.; Clifford C. Morphy.

There are approximately 65 active members of The Bond Club of New Orleans at this time.

To Be Partner

Eisele & King, Libaire, Stout & Co., 50 Broadway, New York City, members of the New York Stock Exchange, will admit Benjamin Rachlin to limited partnership in the firm as of Oct. 30.

OUR REPORTER'S REPORT

Investors, who have been leaning somewhat more heavily toward equities, according to underwriting bankers who have studied the situation recently, will have an opportunity to take a look at a few stocks shortly unless something happens to change the outlook for the new issue market.

Early next week, probably on Tuesday, a banking group will place on the market 150,000 shares of new $4 cumulative preferred stock of McKesson & Robbins Inc., recently placed in registration with the Securities and Exchange Commission.

Since this is not a utility offering, and accordingly not subject to the U-50 Rule, providing for competitive bidding, bankers will be guided as to the time of offering, by their feel of market conditions.

An amendment to the registration statement setting forth the proposed offering price on the preferred probably will be filed over the week-end. Thus far dealers have not been attempting very strenuously to guess what it will be.

Proceeds will be applied by the company, along with other funds, to the redemption of all outstanding debentures and preferred stock, requiring about $6,132,000 exclusive of accrued interest and dividends.

Another Big Stock Offer

Meanwhile bankers are preparing to handle another stock deal, one of the largest in recent months, growing out of integration of public utility properties to conform with the Public Utility Holding Company Act.

Decision is due by the Securities and Exchange Commission on a plea by the Cities Service Power & Light Company, that the sale of its common stock holdings in Public Service Company of Colorado be exempt from Rule U-50.

Under a recapitalization plan designed to meet requirements of the Act, Cities Service Power & Light proposes to exchange its holdings of preferred stocks of the subsidiary for common stock, and then offer all its holdings of the junior issue publicly.

This program involving public offering of 875,000 shares of Public Service of Colorado common, could come through next week also, but whether it is subject to competitive bidding or negotiation remains for the SEC to decide.

Atlanta Gas Light Co.

Recent sale of the Atlanta Gas Light Company's $7,500,000 of first mortgage 3 per cent bonds, as expected brought out a host of bids from bankers who had had little in the way of such business through the period of the Third War Loan Drive.

And to add an element of spice, it developed that a dark horse captured the bonds, outbidding several other groups by a fair margin.

But it develops now that the winning group, according to the story, had orders for by far the largest part of the issue and based its bid accordingly. It is understood that no less than $5,800,000 of the bonds were placed with New England and other insurance companies, leaving only a small balance to be marketed the regular way.

Delaware Power & Light Co.

Bids are due to be opened on Monday on the Delaware Power & Light Company's offering of $15,000,000 of first mortgage and collateral trust bonds carrying a 3 per cent coupon, and 40,000 shares of its preferred stock, cumulative of $100 par.

From gossip around dealer circles it appeared that competition here would be fairly keen. In the case of the preferred stock, bidders will name the dividend rate which must not exceed 4.4 per cent.

West Texas Utilities 3⅛s.

A cue to the strong undertone prevailing marketwise was seen this week in the action of the recently marketed West Texas Utilities Company 3⅛ per cent bonds when the syndicate supporting bid was withdrawn.

The bonds, brought out in early September, at a price of 102.46 and interest, eased only a fraction from the offering level, suggesting a fairly well cleaned up position.

State Dept. And CAB To Collaborate On Post-War Air Rights

The State Department and the Civil Aeronautics Board at Washington announced in a joint statement on October 15 that they would collaborate in seeking new rights for aviation companies in foreign countries after the war.

The statement explained that companies wishing to develop new international air services should apply to the CAB for certificates of public convenience and necessity and copies of these applications will be forwarded to the State Department for information and comment. It was emphasized that questions of landing rights in foreign countries and other matters affecting foreign policy will be dealt with "through close consultation" between the two agencies. In the joint statement it was stated:

"The Department of State has a primary interest in the subject from the standpoint of foreign policy and international relations, including the broad economic effects of aviation in foreign countries.

"The Civil Aeronautics Board is charged with the responsibility, within the framework and guided by the policies of applicable legislation, of developing policy with respect to the organization and functioning of civil air transportation.

"Determination of route and the like are matters for decision by the board, though the Department of State may bring to the attention of the board considerations and facts relating to foreign policy which may be relevant to the subject-matter of any determination in respect of which the Department is consulted or may have an interest based on consideration of foreign relations."

Paul & Co. Elects

PHILADELPHIA, PA.—At a reorganization meeting of the board of directors of Paul & Co., Inc., 1420 Walnut St., the following officers were elected:

William L. Canady, President; Clyde L. Paul, Vice-President and Treasurer; Edward S. Lewis, Vice-President and Secretary; Ralph E. Pendergast, Vice-President; John S. Brennan, M. Lester Snyder, and John V. N. Barbarin, Assistant Secretaries and Assistant Treasurers; Howard J. Lynch, Assistant Treasurer.

Attractive Possibilities

Howell Electric Motors offers attractive possibilities as an outstanding company with no post-war conversion problem, according to an interesting analysis of the situation prepared by Allman, Moreland & Co., Penobscot Building, Detroit, Mich., members of the Detroit Stock Exchange. Copies of this circular may be had from the firm upon request.

With Expanding Govt. Debt And Higher Taxes, Looks For Higher Price Levels In Post-War Era

(Continued from page 1605)

the 'healthy' advertising messages of individual roasters. It will become easier and easier to sell good coffee and increasingly more difficult to market an inferior blend. A least for the duration, the trend of consumer buying is toward more expensive coffee, in solid packages.

"This is but a trend and does not mean that the American housewife has forgotten the meaning of the word 'thrift.'

"Inflationary forces have been at work on prices, as we all know, for some months and will continue for some years to come but there will be no runaway inflation either during or after the war. Why? Because a plentiful supply of goods and labor eventually must bring deflation and barring the period of rehabilitation right after the war, everything points to a plentiful supply of almost anything you can name, including labor.

"Raw materials, labor, machinery and distribution — these are the big four of industry. Trouble with any one spells trouble for business. In the war so far we have witnessed troubles along all four fronts often at different times Garner enough supplies, and labor is scarce; get the labor, and machinery is inadequate; synchronize materials-labor-and processing equipment, and transportation becomes the bottleneck. And so it has gone.

"Raw materials promise to be more plentiful, while transportation promises to get worse later this year and early next. After the turn of the year, if not before, all signs point to a slightly better supply of labor because American production of war supplies has about reached the scaling down point and replacements for the armed forces will soon come only from those reaching 18 years of ago. And more labor plus more raw materials will eventually mean sufficient machinery and a gradual betterment of the country's problems.

"Best informed sources see an end of the European phase of the war next year, some few even predict a German collapse before Christmas. Men who should know fear most the period immediately after the Axis defeat. See the possibility of a widespread breakdown of wartime controls when they are needed most. Reason—a spending spree with the billions of savings in the hands of American consumers.

"Peace will bring a scramble for all available supplies of coffee, and should produce strong tone in both consuming and producing countries. Producers know that European markets may take years to reach pre-war status, but markets always begin discounting coming events long ahead. And, so fast moving are this era's developments that demand in Europe and other parts of the world may surprise even the optimists.

"Allocation of supplies by producers to various markets of the world is simple when sufficient stocks exist but what happens when supplies are inadequate, or about in balance. Breakdown of controls or laxity in enforcement, follows any attempt to divide any article among too large and conglomerate a group. Black markets under rationing is a typical example. I still see a world shortage of coffee as a distinct possibility in the future. Only time, however, will tell whether or not it can be averted."

At the end of his address Mr. Paton summed up his views as follows:

"The price level will go higher.

"But a runaway inflation is unlikely.

"War restrictions and troubles will lessen.

"Consumer losses will be quickly regained.

"Peace is not far distant.

"And, an insufficient supply of coffee at some future date is still a possibility."

Halsey, Stuart Group Offers Rail Certificates

A syndicate headed by Halsey, Stuart & Co., Inc., is currently making public offering of $15,000,000 Illinois Central Railroad 2½% equipment trust certificates at prices to yield from 0.75% to 3%, according to maturity. The certificates mature semi-annually on March 1 and Sept. 1 from 1944 to 1951 incl. and the proceeds of the sale will be used by the Illinois Railroad to pay its debt to the Reconstruction Finance Corporation.

Halsey, Stuart & Co., Inc. and Associates purchased the issue from the railroad on a bid of 98.3373. The certificates will be issued against equipment currently in service. It consists of 582 locomotives, 535 passenger cars and 6,548 freight cars. Their original cost was estimated at $71,803,431 and depreciated value on Sept. 1, last, at $30,170,347.

In addition to Halsey, Stuart & Co., other members of the offering include the following: E. H. Rollins & Sons., Inc.; Wertheim & Co.; Blair & Co., Inc.; Otis & Co., Inc.; R. W. Pressprich & Co.; A. C. Allyn & Co., Inc.; The Illinois Company of Chicago; L. F. Rothschild & Co.; Graham, Parsons & Co.; Stifel, Nicolaus & Co., Inc. and Equitable Securities Corporation.

Enterprise In Post-War America

(Continued from page 1590)

future of free enterprise depended on how America answered a dozen major questions which it now faces and which have not yet been resolved.

The questions embraced problems of contract terminations; the disposal of surplus materials which will amount to $50,000,000,000; the disposal of government owned plants which have increased facilities by 25%; the future of government policy on credit; the volume of foreign trade and rehabilitation and whether the policy will be determined on the basis of diplomacy in the State Department or the invigoration of trade outside the Department; the future of rationing and other restrictions and the strength of the desire to return to normalcy; policies on demobilization of the armed forces and the industrial workers; whether the tax policy will be one for revenue only; the problems of policing the peace; the relationship between government and business; and the final policy of government spending.

Mr. Henderson insisted that the questions he raised must be resolved before 1946, the first of the full post-war years, or America would face a debacle much greater than the depression of the 'Thirties.

Cons. Natural Gas Co. Situation of Interest

Consolidated Natural Gas common w. i. offers attractive possibilities, according to Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. An interesting circular upon the company may be had from Reynolds & Co. upon request.

Michigan Dealers Recommend

Allman, Moreland & Co., Penobscot Building, will send on request a late analysis of **Howell Electric Motors Co.**, an outstanding company with no post-war conversion problem.

Baker, Simonds & Co., Buhl Building, have compiled recent analyses of **Miller Tool & Manufacturing Co.** and **Superior Tool & Die Co.** Copies are available on request.

Campbell, McCarty & Co., Buhl Building, has recently made a secondary offering of 12,900 shares of **S. S. Kresge Company** common stock, and underwritten 30,000 shares of **Industrial Wire Cloth Products Corporation of Michigan** common stock.

Morgenthau On Tour For Monetary Talks

Secretary of the Treasury Morgenthau is now on an aerial tour of the war fronts, it was disclosed in Washington on Oct. 18. The Secretary, accompanied by Dr. Harry D. White, Director of the Treasury Department's Division of Monetary Research, and Fred Smith, a confidential adviser, was reported to have arrived in Algiers on Oct. 15 but no further details of the itinerary have been revealed. In the course of the tour, according to the United Press, Mr. Morgenthau is expected to lay American plans for a post-war stabilization fund and world bank before many nations.

He also will talk money matters with Allied military commanders, presumably about the use of invasion money by the armed forces.

The Treasury's plans for a "United Nations Bank for Reconstruction and Development" were given in our issue of Oct. 14, page 1486. The preliminary post-war stabilization plan, authored by Dr. White, appeared in these columns of April 8, page 1300, and the revised draft in our Aug. 26th issue, page 829.

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.

Michigan Brevities

"Had it not been for the banking division, Michigan would not have gone over the top."

With these congratulatory words of Frank Isbey, head of the Michigan drive, in their ears, members of the banking and investment banking fraternity held their "Victory Party" the night of October 8 in the Savoyard Club in the Buhl Building.

The banking division sold $400,000,000 as against a $286,000,000 quota.

The special names section, made up largely of investment bankers, had the difficult job of calling on individuals—but did an outstanding job. In the Second War Loan, its quota was $15,000,000. In the Third War Loan this was increased to $30,000,000, and when it looked like the drive was failing, they went out and sold $47,000,000 worth of bonds to top the quota by 40%.

Walter S. McLucas, Chairman of the National Bank of Detroit, who headed the State drive, congratulated them as did Wayne County Co-Chairman McPherson Browning of the Detroit Trust Co., and Ralph W. Simonds of Baker Simonds & Co.

Charles M. Ettinger of Halsey, Stuart & Co., won the top individual prize, a statuette by Gwen Lux.

Mandamus suits to require payment of principal and interest on several million dollars' worth of drain bonds are on file in Macomb and Oakland County Circuit Courts.

There are 27 suits in Oakland asking that the Treasurer and Drain Commissioner be compelled to pay principal and interest on county drain bonds outstanding since 1928 in the amount of $2,200,000 and seeking judgment on the other bonds totaling $800,000.

Five suits were filed in Oakland County against the Board of Supervisors, the Drain Commissioner and County Treasurer seeking payment of past due bonds and interest either from special assessment funds on hand, the county general fund, or through additional assessment rolls. The City of Highland Park is a petitioner.

Nine other suits were filed against the drain assessment district in Oakland County for sums totaling $353,000.

The Michigan division of the Investment Bankers Association held its annual meeting last Monday night at the Detroit Club.

Guest speaker was George Romney, head of the Automotive Council for War Production, who addressed them on business opportunities which will arise out of the war.

And a sizable junket of Michigan men will attend the IBA convention in New York City, which starts on November 3.

Among those scheduled to attend are: Charles A. Parcells of Charles A. Parcells & Co.; Oscar Buhr, Detroit Trust Co.; Fred Campbell and Phil Watson, Campbell, McCarty & Co.; Reginald MacArthur, Miller, Kenower & Co.; Duncan J. McNabb, Carlton M. Higbe Corp.; Gordon Hill, Watling, Lerchen & Co.; Harry W. Kerr, Crouse, Bennett, Smith & Co.; Sid Gilbreath and Henry Hart, First of Michigan Corp.; and Fred A. Bargmann, Braun, Bosworth & Co.

Of local interest was the offering this week by Campbell, McCarty & Co. of 30,750 shares of common stock of the Imperial Wire Cloth Products Corp., Wayne, Mich.

Available only to residents of Michigan, the price was $8 per share.

A small selling group was arranged locally by Campbell, McCarty & Co. to market the stock. It was not new financing, the stock having been acquired previously either by the underwriter or the company.

And the State of Michigan made a net profit of $35,725,634 from operations during the fiscal year ending June 30, 1943, according to Auditor General Vernon J. Brown.

Under the edict of the 1943 Legislature, $7,800,000 will be earmarked for post-war construction and the balance will go into a post-war fund to liquidate such obligations as the State might incur after the war—such as a soldiers' bonus.

Revenues collected during the year totaled $243,880,000 as compared with expenses of $214,740,000.

The State Municipal Finance Commission has approved a $265,000 bond issue for the village of Grosse Pointe Woods, the money to be used for completion and additions to the village system of storm sewers.

Connecticut Brevities

The State of Connecticut is again in a position to wipe out its entire bonded indebtedness and begin making provisions for the post-war era. The general fund boasts an accumulated surplus of $16,469,-468, of which $7,639,457 will be transferred to the debt retirement fund, $4,492,342 held as a reserve, and the balance of $4,337,667 will be held for financing post-war construction. Eleven million dollars of this surplus was invested in Government bonds during the recent Third War Loan Drive.

A notable accomplishment was recently recorded in Connecticut's industrial field. After twelve years, **Billings & Spencer** has succeeded in wiping out a deficit of $776,000. Operations for the period ending July 17, 1943, showed a surplus of $83,031. In the first six months of the year, net earnings were $200,146 against $227,959 for the corresponding period in 1942.

Originally established in 1869 by Charles E. Billings and Christopher M. Spencer, the company was long an important factor in the tool and drop forging industry. However, in the period of adjustment following World War I, the company found itself in difficulties and it was necessary for the City of Hartford to forgive a sizable accumulation of taxes in order for the concern to continue operating. The present company, incorporated in 1928, has shown earnings in each year since 1940, and may well be proud of having erased the long-standing deficit.

Recently released figures show that **Pratt & Whitney Aircraft** has shipped its 100,000th engine from the United Aircraft plant in East Hartford. A world's record was established during August when engines developing 5,000,000 horsepower were turned out. Based upon this August production, price reductions saved the Government in the neighborhood of $20,000,000 for that month alone.

Bullard Co. for the six months ended June 30, 1943, shows consolidated net profit of $1,161,908 compared to $210,729 for the similar period a year ago, or on a per share basis, $4.21 and 76c, respectively. Federal income taxes in the first half of 1943 were $274,000 and excess profits tax was $3,014,822, while a year ago the corresponding figures were $132,000 and $5,935,000.

E. P. Bullard in his report to the stockholders indicated that a lower volume of business was expected during the latter half of the year due to curtailment of machine tool production and the conversion of the plant's facilities for the manufacture of other products. During the summer months there were heavy cancellations of orders for machine tools. The company is now engaged in producing torpedoes and parts for turbines.

For the period ended Aug. 15, 1943, **Veeder-Root, Inc.,** reports net profit of $494,552 or $2.47 per share against $426,203 or $2.13 a share for the period ended Aug. 8, 1942. In the same periods, Federal taxes were $1,329,573, as compared to $178,400.

On Sept. 28, at the adjourned special meeting of stockholders of Eagle Lock Co., by vote of more than 75% of the outstanding stock, the plan of reorganization was approved. In accordance with the plan, holders of Eagle Lock will receive one share of Bowser, Inc., stock and one $25 par Bowser debenture.

Approximately two years ago, at the Government's urging, the **Hartford-Empire Company** organized an optical glass department turning out the glass for binoculars, gun-sights and other needs of the Army and Navy. This department was created when the usual sources of supply were seriously limited. Now that other concerns have completed the necessary expansion to meet wartime requirements, the Hartford-Empire Company has announced that it would seek no further Government contracts for this particular type of glass inasmuch as continuation of this line might prove to be at the expense of the companies regularly operating in this field and now equipped to handle present demands.

The **American Cyanamid Corporation** has plans for an outlay of some $546,500 for new building construction at Stamford, Conn.

In the utility field, United Illuminating Company's sales of electric power in September showed an increase of nearly 10% over September, 1942. Total sales of kilowatt hours for the first nine months of the year were 503,530,000 kilowatt hours, showing an increase of more than 11% over the 453,-629,000 kilowatt hours for the corresponding period a year ago.

Hartford Electric Light showed a decline in September sales, reporting 37,256,000 kilowatt hours against 37,844,000 kilowatt hours a year ago. Total sales so far this year are about 3% ahead of 1942.

Treasury Extends Time For Foreign Listings

The Treasury Department in Washington announced on Oct. 19 a second and final extension of the time for filing reports on its Form TFR-500 of American property in foreign countries, to Dec. 1. The original date of Aug. 31 set for filing had been extended to Dec. 1.

Emphasizing that no further extension will be granted, the Department declared,

"The rapid progress of Allied troops in Europe makes it imperative that all reports should be filled immediately upon completion, regardless of the closing date.

"The census is designed to provide military authorities with full information concerning American-owned property in enemy and enemy-occupied territory, as well as to provide a complete report on all American investments abroad."

Gerard Hulsebosch To Be Hawkes Co. Partner

Gerard F. Hulsebosch will shortly be admitted to partnership in Hawkes & Co., 14 Wall Street, New York City, members of the New York Stock Exchange. He will act as alternate for Frank L. Hawkes on the floor of the exchange.

Mr. Hulsebosch was formerly manager of the trading department of Hunter & Co. and prior thereto was a principal of Dimpel, Hulsebosch & Co. In the past he was with Gruntal & Co., Edward A. Purcell & Co. and was a partner in F. L. Salomon & Co.

Stafford & Co. Formed

Following the dissolution of Stafford, Shields & Robinson on Oct. 31, the New York Stock Exchange firm of Stafford & Co., with offices at 39 Broadway, New York City, will be formed as of Nov. 1. Partners in Stafford & Co. will be William F. Stafford, Jr., member of the Stock Exchange, and Margaret V. Stafford.

Interesting Situations

In the current issue of their "News Review," Huff, Geyer & Hecht, Inc., 67 Wall Street, New York City, list several situations in insurance stocks which the firm believes offer attractive possibilities at current levels. Copies of the "Review" may be had from the firm upon request.

Attack On New Jersey Securities Act

(Continued from page 1591)

then filed a petition in the Court of Chancery, claiming that the Court had no legal jurisdiction over him, and also seeking to enter a special appearance in order to set aside the foreign service of the Chancery order. The Chancellor of New Jersey, acting through Vice-Chancellor Stein, denied Mr. Edwards' petition who then appealed through his Newark counsel.

In Mr. Kanter's belief, the New Jersey Securities Act is assailed as being unconstitutional insofar as it attempts to compel a non-resident to appear in a purely personal suit, where the decree would have the effect of preventing the defendant from dealing in securities in or from New Jersey. In addition to pointing out that Mr. Edwards was not charged with the commission, or attempted commission, of any fraudulent act, the brief of Mr. Edwards' counsel challenges the power of the Court of Chancery to deny Mr. Edwards' right to appear specially in order to have service of process set aside. Independently of constitutional reasons, the Court of Chancery had no jurisdiction to compel a non-resident served in a foreign state to appear in such a suit, it is asserted by the brief. The most elaborate argument, however, is there made that, under the Federal constitution, the New Jersey Securities Act is invalid as against non-residents insofar as it seems to permit absence of "due process of law," the contention being that the New Jersey Securities Act is constitutionally inoperative. A special point is made that a prior decision of the Court of Chancery, on which the Attorney General replied, was incorrectly decided. In emphasizing the invalidity and unfairness of the statute, Mr. Edwards' counsel claims that the correctness of the Chancery decision can be sustained only "if ethically we could abolish the Golden Rule and if practically, we would be willing to accord to the courts of other States the right to visit upon our citizens what we so improperly would thus be arrogating to ourselves against the residents of other States."

This case is the first that has come up on the question involved, under the New Jersey Securities Act, before the New Jersey Court of Errors and Appeals. No brief has yet been submitted for the New Jersey Attorney General, but is expected to be filed shortly. In ordinary course, the Court's decision may be anticipated within a few months.

Offers Possibilities

Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange and other leading national exchanges, have prepared an interesting memorandum discussing the attractions of Consolidated Natural Gas Co. common w. i. Copies of this memorandum outlining the possibilities of the situation may be had upon request from Paine, Webber, Jackson & Curtis.

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.

President Opposes High Post-War Rubber Tariff

President Roosevelt expressed the hope on Oct. 15 that any effort in the post-war world to impose a high tariff on natural rubber would be opposed in order to assure cheap and plentiful tires for American cars.

At his press conference, the President repeated some of his remarks made on Oct. 14 in a speech at a dinner in the White House for President Elie Lescot of Haiti, who was a guest.

In Associated Press Washington advices of Oct. 15, it was also stated:

Mr. Roosevelt said at the dinner that he hoped that "When I am out of the White House the Congress won't put the kind of tariff on rubber for American automobile tires just to keep some synthetic plants going." The President said that would mean that every man in the United States who owned a car would have to pay 50% more for his rubber.

Mr. Roosevelt did not say at what time he hoped to be out of the White House, but he hoped somebody would veto any effort to put a high tariff on rubber.

The discussion of rubber entered the dinner for the visiting President because Haiti is growing relatively large amounts of a plant called cryptostegia, from which rubber is produced. This year, Mr. Roosevelt said, Haiti's output of rubber will be 10,000 tons and he called that a great contribution to the United Nations' war effort.

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.

Also available are memoranda on Nu-Enamel; Oklahoma-Texas Trust; Pittsburgh, Canonsburg & Washington 5s of 1937; Washington & Canonsburg First 5s of 1932; Second Avenue Traction 5s of 1937; Southern Traction 5s of 1950; and West End Traction 5s of 1938.

Chicago Tractions Under Municipal Ownership

Leason & Co., Inc., 39 South La Salle St., Chicago, Ill., has prepared an interesting study showing the practicability of public ownership of the Chicago Surface and Elevated Lines. Outlined in the study is a proposed purchase offer, earnings available for fixed charges under city ownership, proposed treatment of present securities holders, and estimated values for the various securities issues of both systems. Copies of this study may be had upon request from Leason & Co., Inc.

Consolidated Natural Gas Situation Interesting

The Securities and Exchange Commission has approved the distribution of Consolidated Natural Gas Co. to the stockholders of Standard Oil Co. of New Jersey. The Public Utility Department of Hettleman & Co., 52 Wall Street, New York City, members of the New York Stock and Curb Exchanges, has prepared an interesting analysis describing in detail the properties, financial position, earnings, and prospects of Consolidated. Copies of this analysis may be had from Hettleman & Co. upon written request.

DIVIDEND NOTICES

ELECTRIC BOAT ★ COMPANY ★
33 Pine Street New York, N. Y.

The Board of Directors has this day declared a dividend of fifty cents per share and a special dividend of twenty-five cents per share on the Capital Stock of the Company, payable December 3, 1943 to stockholders of record at the close of business November 18, 1943.

Checks will be mailed by Bankers Trust Co., 16 Wall St., New York 15, N. Y., Transfer Agent.

H. G. SMITH, Treasurer.

October 8, 1943.

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a regular quarterly dividend of 50c 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

Municipal News And Notes

(Continued from page 1596)

The Mayor did say that the financing program under his plan would cover the expenditure of $110,000,000 over a 10-year period for improvements to the existing facilities. This modernization program would include the $102,000,000 that was to have been spent under the plan to merge the street car and elevated lines properties under private ownership, as well as complete replacement of the Chicago Motor Coach Co.'s properties.

The Mayor made it clear that the purchase of the various local transportation units was subject to the approval by voters of the city at a referendum. Any tentative purchase price to be agreed upon, as the result of negotiations between the city and the various companies would also be subject to the approval of the Federal District Court in the cases of the Chicago Surface Lines and the Chicago Rapid Transit Co., which are undergoing reorganization.

North Dakota Bonds In Secondary Offering

Stranahan, Harris & Co., Inc., Toledo, and Allison-Williams Co. of Minneapolis, in joint account, made a secondary offering last week of $1,237,000 State of North Dakota 2¼% real estate bonds, maturing 1953-59. The bonds are general obligations of the State and were offered at prices to yield from 1.20% to 1.50%.

Chicago Sanitary District Plans Refunding Offering

The Chicago Sanitary District, Illinois, is expected to ask for bids early in November on an offering of approximately $2,000,000 refunding bonds. The district has a total of $10,049,500 bonds becoming optional on Jan. 1, 1944, and proposes to exercise the option on $7,000,000 of the total from cash presently available and the proceeds of the forthcoming refunding loan. All of the district's outstanding funded debt of slightly less than $100,000.000 actually matures in 1955 and later, and the present aggregate compares with the figure of $140,000,000 which obtained in 1935, when a large refunding operation was negotiated. As a result of its improved financial condition, refunding issues by the district have become progressively smaller and debt reduction accordingly accelerated. In addition, the interest rates on the refunding that has been accomplished have been greatly lowered from the charges originally required on the indebtedness.

Calendar Of New Security Flotations

OFFERINGS

ATLANTA GAS LIGHT CO.

Atlanta Gas Light Co., a subsidiary of Consolidated Electric & Gas Co., filed a registration statement with the SEC, for $7,500,000 of first mortgage bonds, series due 1963, and 20,000 shares of 5% cumulative preferred stock, par value $100 a share, on which sealed bids will be asked.

Address—243 Peachtree St., Atlanta, Ga.

Business—Company is an operating utility company engaged primarily in the business of purchasing, distributing and selling natural gas in 20 municipalities in Georgia, and manufacturing, distributing and selling artificial gas in five municipalities in Georgia and two in South Carolina. Incidental to the promotion of its business, the company also engages in the merchandising of gas appliances. It has been engaged in the sale of gas continuously since 1856, except when its plant was damaged during the Civil War.

Proceeds—Net proceeds, exclusive of accrued interest and dividends, will be applied to the extent that funds are available to the redemption of $5,875,000 principal amount of general mortgage bonds, series due 1955, 4½%, at 104, and $2,150,000 principal amount of general mortgage bonds, 3½%, series due 1961, at 104½, and to the redemption of 13,000 shares of 6% cumulative preferred stock at $110 a share.

Underwriting—To be filed by amendment.

Registration Statement No. 2-5211. Form S-1. (8-31-43).

Registration statement effective 5:30 p.m. EWT on Oct. 4, 1943.

Approval by SEC.—The Securities and Exchange Commission Oct. 4 gave its approval to the proposed solicitation by the company of competitive bids for $7,500,000 of first mortgage bonds and 20,000 shares of $100 par value preferred stock. The bonds will bear a coupon rate of not more than 3½% and the stock a dividend rate of not more than 5% of par.

Awarded—Both issues awarded to Shields & Co., Oct. 13, 1943: the bonds as 3s at 100.159 and the stock at $4½ div. rate, at 100.379. Subject to the approval of the SEC, the bonds will be reoffered at 101.45 and the preferred stock at 102¼.

Offered—Securities offered Oct. 15, the bonds at 101.45 and int. and the stock at 102.25 per share and div. by Shields & Co. and associates.

CALIFORNIA ELECTRIC POWER CO.

California Electric Power Co. has registered $16,000,000 first mortgage bonds, 3¾% Series due 1968, and 40,000 shares 5¼% convertible prior preferred stock, par value $100 per share.

Address—3771 Eighth Street, Riverside, Cal.

Business—Engaged in the generation, transmission, distribution and sale of electric energy.

Underwriting—Principal underwriter for the bonds is Dillon, Read & Co., New York, and for the preferred stock Stone & Webster and Blodget, Inc., and Bosworth, Chanute, Loughridge & Co., Denver. Other underwriters will be named by amendment.

Offering—Price of both bonds and prior preferred stock will be supplied by amendment.

Proceeds—Proceeds, together with funds received by the company from the sale of certain of its electric properties, will be used to redeem all of the first trust mortgage gold bonds, 5% series of 1956 to be outstanding after giving effect to the surrender of certain bonds in the face amount of $641,300. Balance of proceeds will be used to pay the balance then due on the 3% installment note held by Bank of America National Trust & Savings Association. Upon the payment of such note, $641,000 face amount of the company's first mortgage trust gold bonds pledged by the company as security for such note will be surrended for cancellation.

Registration Statement No. 2-5172. Form S-1. (6-29-43).

In an amendment to its registration statement filed Sept. 28, California Electric Power Co. amended the coupon rate on its proposed issue of $16,000,000 first mortgage bonds to 3½% in place of 3¾% rate named in original statement which was filed last July. Offering prices of both bonds and preferred stock will be supplied by amendment.

California Electric Power Co. filed an amendment to its registration statement on Oct. 18 giving the offering price on its proposed issue of 3½% first mortgage bonds at 103½% and on its 5¼% $100 par convertible prior preferred stock at $102.50, prices being plus accrued interest on the bonds and dividends on the preferred stock.

The underwriters of the bonds are: Dillon, Read & Co., $3,475,000; A. C. Allyn & Co., Inc., $325,000; Bankamerica Company, $150,000; Blyth & Co., Inc., $1,700,000; Boettcher & Co., $550,000; Bosworth, Chanute, Loughridge & Co., $800,000; First Trust Co. of Lincoln, Neb., $75,000; Garrett-Bromfield & Co., $400,000; Hayden, Miller & Co. $100,000; Hornblower & Weeks, $200,000; W. E. Hutton & Co., $200,000; Edward D. Jones & Co., $75,000; Kaiser & Co., $150,000; Kidder, Peabody & Co., $400,000; W. C. Langley & Co., $400,000; Laurence M. Marks & Co., $200,000; Merrill Lynch, Pierce, Fenner & Beane, $200,000; Milwaukee Company, $225,000; Mitchum, Tully & Co., $100,000; F. S. Moseley & Co., $200,000; Newhard, Cook & Co., $75,000; Newton, Abbe & Co., $75,000; Pacific Co. of California, $100,000; Paine, Webber, Jackson & Curtis, $200,000; Peters, Writer & Christensen, Inc., $350,000; R. W. Presspich & Co., $250,000; Rauscher, Pierce & Co., Inc., $100,000; Riter & Co., $250,000; E. H. Rollins & Sons, Inc., $325,000; L. F. Rothschild & Co., $200,000; Schwabacher & Co., $100,000; Shields & Co., $325,000; Shuman, Agnew & Co., $100,000; Smith, Moore & Co., $75,000; William R. Staats Co., $100,000; Stix & Co., $75,000; Stone & Webster and Blodgett, Inc., $1,550,000; Sullivan & Co., $100,000; Tucker, Anthony & Co., $200,000; Union Securities Corp., $325,000; G. H. Walker & Co., $225,000; Weeden & Co., $100,000; White, Weld & Co., $200,000; Wisconsin Company, $200,000; Dean Witter & Co., $400,000, and Harold E. Wood & Co., $75,000.

The underwriters of the preferred stock are: Stone & Webster and Blodgett, Inc., 9,000 shares; Bosworth, Chanute, Loughridge & Co., 9,000; Blyth & Co., Inc., 5,000; Boettcher & Co., 2,000; Garrett-Bromfield & Co., 3,000; Peters, Writer & Christensen, Inc., 2,000; Sullivan & Co., 1,000, and Dillon, Read & Co., 9,000.

Offering — The $16,000,000 3½% 1st mtge. bonds were offered Oct. 19 at 103½ and int. by Dillon, Read & Co. and associates.

The 40,000 shares of 5¼% convertible prior preferred stock were offered Oct. 19 at 102.50 per share by a syndicate headed by Stone & Webster and Blodget, Inc., Bosworth, Chanute, Loughridge & Co., and associates.

GLOBE-WERNICKE CO.

Globe-Wernicke Co. has filed a registration statement for $650,000 4½% first mortgage bonds to be dated Oct. 1, 1943 and due Oct. 1, 1953.

Address—5025 Carthage Avenue, Norwood, Ohio.

Business—Manufacturer of office furniture, filing equipment, stationers goods and filing supplies.

Underwriting—W. E. Hutton & Co., of Cincinnati is named underwriter.

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

Proceeds—Proceeds from issue and sale of the bonds will be used, together with other funds of the company, to retire in full the presently outstanding $651,100 principal amount of 6% first mortgage sinking fund bonds due Oct. 1, 1944 on Jan. 1, 1944.

Registration Statement No. 2-5218. Form S-2. (9-24-43).

Registration statement effective 5:30 p.m. EWT on Oct. 16, 1943, as of 5:30 p.m. EWT on Oct. 13, 1943.

Offered Oct. 19, 1943 at 101 and int. by W. E. Hutton & Co.

(This list is incomplete this week)

UAW Reaffirms No-Strike Pledge

The United Automobile Workers, an affiliate of the CIO, on October 10 reaffirmed their no-strike pledge without qualification, demanded the scrapping of the "Little Steel" formula and President Roosevelt's "hold-the-line" order and urged a rollback of prices to September, 1942, levels.

In other resolutions adopted at the concluding session of their convention in Buffalo, N. Y., the delegates also asked modification of the rules of the War Labor Board to permit direct negotiations between the union and management on wage problems and other disputed issues with full authority to reach a final settlement.

The no-strike resolution, adopted by an approximate 4 to 1 majority, calls upon the Federal Government to operate plants where "management is not bargaining in good faith and is taking advantage of the war situation and labor's no-strike pledge to destroy collective bargaining."

Sending Photos Of Home To War Prisoners

Tracy Strong, General Secretary of the World's Committee of the Young Men's Christian Association, addressed at Brooklyn, N. Y., on Oct. 17, 500 relatives of Brooklyn and Queens men interned in German and Japanese war-prison camps and said that the best possible presents to send to a prisoner are photographs of home, which remind him that there is a place where he still belongs.

Dr. Strong advised relatives to write regularly but not too often and to be cheerful and keep up his spirit by emphasizing his home interests.

N Y Bank Stocks Compared

An interesting tabulation of comparative figures for leading New York banks and trust companies as of Sept. 30, 1943, has been prepared by the New York Hanseatic Corporation, 120 Broadway, New York City. Copies of this interesting table may be had upon request from the New York Hanseatic Corporation.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1592)

held between, say England and America, I would trust the action of the market implicitly as reflecting future developments. But where the Reds are concerned, I feel the market has no more inkling of what the outcome will be than I have.

* * *

Still the fact is that since last week the market has managed to pull itself away from the edge of the cliff and is slowly beginning to climb up again.

* * *

Leaving political considerations aside for the moment, such action must be interpreted as bullish. Unfortunately politics cannot be forgotten completely even though the market seems to be saying, "It's all right boys, you can come in again." So balancing technical performance against unknown political decisions I feel the market will have a rally from here to maybe the old highs. But I don't think the makings of a genuine bull trend is in the cards. Yet, if the market does go up, and volume does increase, enough bullish sentiment will be released to give the needed impression that still higher prices are ahead. It is at such point the greatest danger exists. For let news, or even a leakage of news, get around that the carefully laid plans have gone awry then the whole structure can topple easily.

* * *

Looking at the market, as a market only, you can expect that from here on the going will be either slower, or volume itself must increase. If the former, then watch out for market accidents, particularly in the rails, which have a larger public following than is generally believed. If the latter, then look for sharp increases in volume in the steels and airplane stocks. Both of these have such small speculative followings, that it wouldn't take much stock to get them to start up again.

* * *

Among the steels, the major one, U. S. Steel, is still the leader. Bethlehem and the independent steels will probably play a close second. Bethlehem may even take the lead, but it will be Big Steel that will generate a public following. Among the plane stocks, Douglas will undoubtedly stand out.

* * *

I don't put much belief in the wonderful stories about the plane transportation future. They sound too full of romance to make sober reading.

* * *

In the next few days, say by Monday, the market will have shown enough to tell if the rally, even though a minor one, is underway, or if the whole thing is just another dashed hope. For immediate clues watch the steels.

* * *

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.]

Govt. Agencies Suspend Buying Of Butter

Purchases of butter by Government agencies, including the armed forces, are being suspended until next March to permit the entire production to move into civilian consumption channels, the War Food Administration announced on Oct. 9.

This action, the WFA said, should help relieve shortages which have developed in some areas, particularly those far distant from major producing areas, by making from 10 to 30% more butter available for civilians than the average consumed by them during the past seven months.

The Associated Press accounts stated "Food officials say the Government has already bought and stored sufficient butter to meet essential military, lend-lease and other non-civilian requirements until next March. Stocks now held by the Government total about 200,000,000 pounds, accumulated during the past seven months under an order requiring manufacturers to set aside specified percentages of their output for the Government. That order was suspended this month."

Phillips Petroleum Seen Offering Possibilites

Common stock of the Phillips Petroleum Company offers attractive possibilities, according to an interesting circular being distributed by Laurence M. Marks & Co., 49 Wall St., New York City, members of the New York Stock and Curb Exchanges. Copies of this circular may be had from the firm upon request.

Republican Group Opposes Further Tax Rise—Treasury Program And Sales Levy Believed Out

Republican members of the House Ways and Means Committee joined on Oct. 19 in a statement declaring against plans for a further increase in Federal taxation and urged instead a program of Government economy. In view of the opposition of some Democrats to the Administration's program to raise $10,500,000,000 through higher individual and corporation income taxes and larger excise levies, it is believed likely that the entire Treasury plan will be discarded.

In their statement of Oct. 19, the Republican members of the Ways and Means Committee said in part, according to the Associated Press:

"As an alternative to further increases in taxes, the President should forthwith proceed to set governmental finance in order by effecting needed economies in expenditures, which would obviate the necessity for an equivalent amount of borrowing, and therefore, of taxes.

"Let him without delay sever from the Government payroll the 300,000 employees whom Senator Byrd, Democrat, of Virginia, Chairman of the Joint Committee on Nonessential Federal Expenditures, has said can be removed without in any way impairing the war effort.

"We likewise recommend that the President study the possibility of eliminating waste and extravagance in military expenditures."

The House Committee has concluded its public hearings on new tax legislation and is now preparing to work out some new revenue plan in executive session. The general belief is that a bill yielding no more than $4,000,000,000 in additional revenue will be written.

It was stated on Oct. 19 that both the sales tax and the Administration's request for markedly higher income levies headed toward a legislative sidetrack as the House Ways and Means Committee wound up on Oct. 19 public hearings and prepared to work out some new revenue plan in closed session. Reporting this, the Associated Press said the situation shaped up about like this:

1. A vigorous but brief drive for a national retail sales tax bogged down so badly that even its proponents were pessimistic.

2. Lawmakers ignored the administration's program to raise $10,500,000,000 through higher individual and corporation income taxes and larger excise levies.

3. Many Committee members believe no more than four to five billions additional can be channeled into the Treasury.

4. Congressional emphasis turned further toward Government economy to avoid raising taxes.

The Republican Committee members' statement, issued by Representative Knutson of Minnesota on behalf of the minority members, said that "a further increase in taxation at this time would threaten the future solvency of American business and bring about the liquidation of the middle class, which has always been the backbone of our country."

The statement continued:

"The Treasury has failed to justify its proposal to add an additional $10,500,000,000 to our tax load. On the other hand, witness after witness has shown conclusively that an increase in taxes at this time would probably undermine our whole economy.

"We do not wish to assume the responsibility for doing anything that will weaken the nation's war effort or make harder the tremendous task of reconversion of industry when the war is over.

"From the inflation standpoint, we believe that the further tax increase would be inflationary in itself, since it would inevitably lead to a demand for higher wages to meet the increased tax burden. Thus the vicious spiral would continue."

The statement added these conclusions:

"1. The Federal tax burden is already at the unprecedented level of $40,000,000,000, not counting the $10,000,000,000 levied by the States and local governments, which brings the total tax load of the American people to $50,000,000,000, or one-third the national income. This is without doubt the highest per capita tax burden in the world and the burden is equally borne by all who toil, whether in shop, factory, farm, store or office.

"2. Without any changes in existing law, there will be two major tax increases next year: (a) Most taxpayers will have to pay, in addition to the regular 1944 income tax, 12½% of their 1942 assessment. A similar additional payment must be made in 1945. (b) Beginning Jan. 1, the present 1% payroll tax under the Social Security Act will be doubled. These two items will result in substantially increased tax payments in 1944.

"3. Millions of persons have received no benefit from the war boom, and many of these have suffered an actual decrease in income, in the face of mounting living costs and already burdensome taxes. These groups in particular would be oppressed by any general increase in the income tax.

"4. Corporations are already paying a tax of 40% on so-called normal earnings and 90% on excess profits. In addition, corporate stockholders must pay up to 90% on any dividends which may be paid out of what is left after corporate taxes. If American business is to be able to furnish employment to the millions of men and women who will be jobless when the war ends, it must be left some margin for reconversion and expansion purposes. Encouragement must be given to risk or venture capital if new and potentially large industries are to be developed.

"5. As Chairman Doughton has so well pointed out, you can shear a sheep indefinitely, but you can skin it but once. We believe that a further increase in taxation at this time would threaten the future solvency of American business and bring about the liquidation of the middle class, which has always been the backbone of our country."

Our Reporter On "Governments"

(Continued from page 1594)

larger cities. . . . A lowering of reserve requirements is on the calendar, says this house. . . . Admitting, however, that a direct move may be sidestepped in favor of an indirect move through the bill market. . . . Whatever the exact method chosen, the dealer is certain action will be taken to give banks a more comfortable reserve position in the near future. . . .

Consider some of these figures and you'll get the larger pattern. . . .

Excess reserves through the country at the latest reporting date were $1,610,000,000. . . . In the larger cities, situation was bad. . . . New York City actually had a deficiency of $10,000,000 two weeks ago, at latest date had only $45,000,000 surplus, just to indicate how serious the maldistribution was. . . .

War loan accounts are figured at around $19,500,000,000 . . . Against this amount, of course, the banks need keep no reserves. . . .

Over the coming weeks, this money is going out and funds are coming into banks against which they must keep reserves. . . . Requirements, therefore, are bound to increase. . . .

Money in circulation increase between now and the end of the year also will be great. . . . Maybe another $1,000,000,000, to add to "tightness". . . .

Now survey the situation. . . Obviously, the $1,610,000,000 of excess funds is not going to be sufficient. . . . Banks must get extra funds from somewhere. . . .

Thus, says the dealer, reserve requirements will be lowered. . . . Or banks may kick back bills held to the Federal Reserve Banks and ease their own situation in that way. . . .

It's six of one or half-dozen of another. . . . What does seem important is the widespread belief that the banks will not be permitted to remain in a tight situation and easing of the position to permit re-entry into the market is likely. . . .

TAX ANGLE

If you think corporations have a chance of getting away under this year's tax bill without some increase in their total tax, you are thinking down dream street No. 1. . . . Not a chance. . . . Individuals will get higher income taxes. . . . Excesses will be raised sharply right down the line. . . . And corporations may anticipate a minimum of 5 and a maximum of 10% boost of their combined tax load. . . .

Meaning, say the experts, that banks will be pushed into shifting out of their shorts and into longer bonds in order to increase their yield from Government bonds and offset the greater tax burden. . . .

Meaning, say the market students, that banks will be in for bonds in the open market despite any and all intermediate movements. . . . These are of no consequence. . . . The prime factors necessitating higher income through bond holdings are of greatest significance. . . .

To quote The First Boston Corporation on the subject. . . ."The effect of a further increase in the surtax at this time is exceedingly sharp. . . . Based on the breakdown of banks' income and expenses for the calendar year 1942, a 5% increase in the corporate surtax is estimated to be the equivalent of a 20 to 30% increase in the tax burden. . . . Since the interest received from securities is the approximate equivalent of the net earnings of the banking system, such an increase in the tax liability would necessitate a 10 to 20% enlargement of interest income if the higher tax liability is to be offset. Obvously, the effect of a 10% increase in the surtax is correspondingly greater". . . .

In other words, banks must have higher interest income. . . . They can't look forward to many more bank offerings of new securities . . . . They must, then. enter the open market and pick up what securities are available. . . .

Incidentally, there's informed talk around of the desire of the Treasury to do away entirely with bank offerings of bonds during the coming months. . . . To avoid, if possible, any offerings outside of the usual market deals until way into 1944. . . . One thing is certain. . . . Banks won't be in on public drives from now on. . . . The September financing proved the long-term character of that experiment. . . . And the Treasury is trying to figure out a system to keep banks out of the market completely when the fourth and fifth War Loans are put on. . . .

Harry A. Taylor With Crummer In Chicago

CHICAGO, ILL.—Harry A. Taylor has become associated with The Crummer Company and will be in charge of the Trading Department in the Chicago office, First National Bank Building.

Mr. Taylor is well known among the municipal dealers throughout the country and was associated with R. E. Crummer & Co. from 1933 to early in 1942, at which time he resigned his position to accept an assignment with the War Production Board in Washington, where he served as Assistant Chief of Industrial Salvage.

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