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The Commercial and FINANCIAL CHRONICLE

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"Make Point Plain"

"We shall need to utilize not only our common sense and individual credit judgment; we also shall need to set up machinery for clearing and coordinating the total flow in order that the limits of prudent credit shall not be overstrained in the rush to get things done without delay.

Joseph C. Rovensky

"We know quite well that private capital will be cautious about making long-term commitments overseas after the war. Criticism will arise that private capital is not willing to be brave and take advantage of opportunities. There will be pressure and demands for financial assistance from our Government, which means from the pockets of all of us.

"I want to make this point plain: If private capital is hesitant or unwilling to grant financial assistance in any country, it is a very strong indication that public credit should not be granted

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OHIO SECURITIES section containing information and comment pertinent to dealer activities in that State starts on page 1690.

Special editorial material pertaining to **SAVINGS and LOAN ASSOCIATIONS** starts on page 1699.

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Our War-Time Responsibilities And Post-War Needs

Fred I. Kent Urges Elimination of Bureaucracy and Declares It Is Harmful to Country In War and Peace and Constitutes Mis-Use of Manpower

Sees Savings Thus Effected Making Tax Program Possible That Would Provide For Post-War Reserves By Industry—Sees Economic Ruin If Government Assumes Individuals' Sense Of Responsibility

Three urgent needs of the National Government today are the elimination of hundreds of thousands of the three million Federal employees; riddance of most of the 153 agencies of Government engaged in promotional activities and a redefinition by Congress of the various Government commissions, Fred I. Kent, President of the Council of New York University and Chairman of the Post-War Planning Committee of the Commerce and Industry Association of New York, declared on Oct. 20 in a radio address on "Our War-Time Responsibilities and Post-War Needs" over Station WABC.

Fred I. Kent

"The Post-War Planning Committee of the Commerce and Industry Association believes that winning the war is the first duty of our people," said Mr. Kent. "It is convinced, however, that certain things necessary to protect the nation in the post-war period will further the war effort. It is upon such things that the Committee is focusing its attention at the moment."

Citing today's problem of manpower shortage, necessity of speed in many kinds of production and

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Effects of Present Income and Estate Tax Policy

Roswell Magill Sees Large Estates A Rarity If Income and Estate Taxes Remain At Present Levels.

Believes Venture Capital In Future Will Be Obtainable In Comparatively Small Amounts From Persons Of Moderate Means, Insurance Companies, Banks Or Government—Poses Question Of Whether Or Not Present Tax Structure Will Usher In Static Era Because Return On Investments Will Not Encourage Risk Taking—Discusses Prerogatives Under Existing Tax Laws

The building of substantial estates will be a rarity so long as present income and estate tax rates are maintained, it was stated on Oct. 21 by Roswell Magill, a partner of the New York law firm of Cravath, De Gersdorff, Swaine & Wood, and former Under Secretary of the Treasury.

In an address before the 56th annual meeting of the American Institute of Accountants at the Waldorf-Astoria in New York City, Mr. Magill said that, under present tax schedules, $45,000 to $50,000 is nearly the maximum estate that a man who earns $10,000 a year for 20 years after age 40 can leave his family through straight saving. Even to do this, he stated, such an individual must live on only half his income.

Roswell Magill

"Life insurance," Mr. Magill told his audience, "is the average man's best hope of enlarging his estate. It will not only assure him the addition of compound interest

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Securities Business Could Not Survive Under NASD Rule Limiting Profits

The National Association of Securities Dealers, Inc., has notified its members, who handle 90% of the over-the-counter securities business, that henceforth "it shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security."

The letter, signed by Henry G. Riter, 3rd, Chairman of the Board of Governors, in effect instructs the Association's Business Conduct Committees throughout the country to consider 5% as the maximum profit that should be construed as being fair in cases where a dealer acts as principal, but had no commitment in the security bought or sold prior to the time the customer's order had been received. It is ambiguous, however, regarding the yardstick that should be used to determine what would constitute an excessive profit in other types of transactions, leaving everybody up in the air which is just fine and dandy.

The Association says, in substance, in its letter that it arrived at the 5% figure because information received by it

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Urges Congress Adopt Practical View On War Contract Termination

Representative Dewey Warns Against "Penny Wise, Pound Foolish" Policy and Delay in Settlement of Claims

"Congress should assume a broadminded attitude in the settlement of war contracts and strive to avoid any "penny wise, pound foolish" policy in the opinion of Representative Charles S. Dewey (Rep., Ill.), member of the House Ways and Means Committee.

In a speech prepared for delivery on the floor of the House yesterday (Oct. 27) Representative Dewey asserted that "war contracts belong to the war era and their speedy settlement will serve to bridge the gap between industry's war operations and industry's reconversion back to peacetime pursuits." The question of termination of contracts, he said, must be approached "with a certain openness of mind" in order that industry can "quickly settle old scores, have their working capital, which is tied up in war inventories, released to them in cash, and above all be assured that, except in the case of fraud or misstatement, a settlement is a settlement."


Rep. Chas. S. Dewey

Warning against the consequences of delaying the settlement of war contracts, Mr. Dewey said, that a quick reconversion of industry back to peacetime pursuits is the "only way of preventing our national economy from going into a tailspin." He also analyzed the bill offered by the War Department for the termination of contracts, but cautioned against providing for a post audit of set-

(Continued on page 1706)

The Ghost Of International Bimetallism Reappears

By A. M. SAKOLSKI, The City College, New York City

After almost a half century of absence, the ghost of international bimetallism walks again. Francis H. Brownell, Chairman of the American Smelting and Refining Co., has issued a pamphlet (published in full text on page 1304 in the "Chronicle" of Sept. 30) urging this form of currency as the most suitable standard for the post-war world. His arguments are similar to those put forward more than a generation ago by such notable economists as the late General Francis A. Walker and, to a limited extent, by the late Prof. Alfred Marshal of England.


A. M. Sakolski

The principal arguments are, first, that universal bimetallism will greatly increase the supply of "hard money," i. e., metallic currency, of which the most of the nations will be sorely in need; secondly, that under international agreement, when the two metals are used as money, the market ratio of their values cannot greatly vary from a fixed mint ratio. Both of these arguments are basically in error and have never been proven by experience.

In the first place, bimetallism does not increase the monetary supply except under a condition of extended and severe shortage of circulating medium. This has proven to be the case in our own monetary history under bimetallism. It is only when the market and the mint ratios are in balance that both metals circulate concurrently. Under normal conditions, as soon as there is a small fraction of disequilibrium, the money changers (who now have sources

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Detroit Traders Name Officers for 1943-44

DETROIT, MICH.—At its annual election meeting the Securities Traders Association of Detroit and Michigan, Inc., elected Ray P. Bernardi of Cray, McFawn & Co. President. Don W. Miller, McDonald-Moore & Co., was elected Vice-President, and Ray E. Davis, E. H. Rollins & Sons, Inc., Secretary; Harold R. Chapel of Crouse, Bennett, Smith & Co., was elected Treasurer.


Ray P. Bernardi

Directors named to complete the Board were H. Russell Hastings of H. Russell Hastings, Jones B. Shannon, Miller, Kenower & Co., Inc., and Robert R. Stoetzer, of Stoetzer, Carr & Company.

National Committeemen appointed were Paul I. Moreland, Allman-Moreland & Co., Hale V. Sattley, H. V. Sattley & Co., Inc., and Herman Tornga, DeYoung, Larson & Tornga, Grand Rapids, with C. Edwin Mercier, Mercier, McDowell & Dolphyn, Raymond C. O'Donnell, R. C. O'Donnell & Company, and Fred A. Bargmann of Braun, Bosworth & Co., as alternates.

At the annual meeting of the National Security Traders Association, Inc., held in Chicago last August, Frank P. Meyer of the First of Michigan Corporation was elected to the executive council.

Kingsbury Promoted by Brown Bros. Harriman

Brown Brothers Harriman & Co., 59 Wall Street, New York City, has announced the apointment of Frederick H. Kingsbury to the position of Assistant Manager. Mr. Kingsbury has been associated with the bank since his graduation from Princeton in 1929 and is now in charge of its investment department.

To Be Chic. Exch. Member

CHICAGO, ILL.—A membership in the Chicago Stock Exchange was posted for transfer on Oct. 21 to W. Edwin Stanley of Chicago, partner of Mitchell, Hutchins & Co.

Ward Made Partner Of Morgan Stanley & Co.

Morgan Stanley & Co., 2 Wall Street, New York City, members of the New York Stock Exchange, announced on Oct. 21 the admission of Francis T. Ward as a general partner of the firm. Application requesting approval was filed with the New York Stock Exchange on Oct. 21.

Mr. Ward is a Governor of the New York Stock Exchange, a former Governor of the Investment Bankers Association of America and a former President of the Bond Club. He served in the First and Second War Loan Drives as Vice-Chairman for New York City of the Victory Fund Committee. He is retiring from the firm of Clark, Dodge & Co., members of the New York Stock Exchange, of which he has been a general partner since 1935.

Edwin L. Harbach With Hopkins, Hughey & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Edwin L. Harbach has become associated with Hopkins, Hughey & Co., 609 South Grand Avenue, members of the Los Angeles Stock Exchange. Mr. Harbach was previously manager of the investment department of the Los Angeles office of J. A. Hogle & Co. and prior thereto was local manager for Davies & Co. In the past he was a partner in William Cavalier & Co.

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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.

Joseph Shields To Be R. J. Buck Partner

Joseph V. Shields will become a partner in Richard J. Buck & Co., 29 Broadway, New York City, members of the New York Stock and Curb Exchanges, as of Nov. 1. Mr. Shields was previously a partner in Stafford, Shields & Robinson.

Central Paper Attractive

Central Paper Company, manufacturers of specialty papers, offers an attractive situation according to a report prepared by Loewi & Co., 225 East Mason Street, Milwaukee, Wis. Copies of this interesting report may be obtained upon request from Loewi & Co.

Edw. F. Therieau Now Is With Fairman Co

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — Edward F. Therieau has become associated with Fairman & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Therieau was formerly with Bankamerica Company and prior thereto was manager of the trading department for Barbour, Smith & Co. In the past he conducted his own investment business under the firm name of Therieau & Co. and was a partner in O'Neil & Co.

E. C. Sterling Joins Mitchum, Tully Staff

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — Edward C. Sterling has become associated with Mitchum, Tully & Co., 650 South Spring Street. Mr. Sterling previously was with Hill, Richards & Co. and Page, Hubbard & Asche.

Rockefeller Oil Stock Sale Is Called Off

Dillon, Read & Co. announce that the nationwide group of investment bankers organized to sell 1,000,000 shares of certain oil stocks for Mr. John D. Rockefeller, Jr., has been dissolved. The sale of the stocks which was previously postponed has now been called off.

"Undervalued Groups"

An interesting booklet entitled "Undervalued Groups" has been prepared by Distributors Group, Inc., 63 Wall Street, New York City. Copies of this booklet may be had from the firm upon request.

Situations of Interest

Townsend, Graff & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have prepared interesting reports on Iowa Southern Utilities common and Consolidated Electric & Gas $6 preferred. Copies of these reports may be had from the firm upon request.

Which Way America

Landon Asserts Anglo-American Alliance Would Pit Rest of World Against Us and Is Tantamount to Partnership of Rich Against Poor

Says Administration Plan Is Simply Old Discredited Theory of Balance of Power Alliance and That Brotherhood of Man Doesn't Simply Mean Brotherhood of Anglo-Americans—Observes Some Feel Question of World Peace Can Be Settled By The Old Familiar Term "We Ought to Have a Law"—Believes Imperialism Greater Threat to World Peace Than Nationalism

Expressing the belief that "imperialism is a greater threat to world peace than nationalism," Alf M. Landon appealed on Oct. 22 for realistic thinking in terms of removing the evils that cause wars in a talk at the University of Kansas Debate Institute, Lawrence, Kan.

In discussing some of the factors interfering with the building of institutions of law and order, Mr. Landon criticized the idea of alliances as tending "to separate the nations of the world rather than to pull them together." He assailed the proposed British-American alliance as "joint isolationism" and said that "a mere alliance with one imperialist country means a partnership of the strong against the weak."


Alf M. Landon

Mr. Landon cited "hallelujah thinking" as another factor interfering with this country's responsibilities in the world, declaring that "our foreign policy is being confused by starry-eyed plans to make the United States the big brother to all the world." Mr. Landon, however, called for sympathy and understanding in approaching the problems of Russia and Britain and China, and all other nations great or small, adding that "we must not attempt to force our own ways on them."

The former Governor of Kansas further said that faith and understanding and realistic patience are needed "to erect a house of world peace wherein the peoples of all nations may hope to dwell in concord and in unity."

(Continued on page 1698)

Sees Policies Making for Artificially Low Interest Rates Leading to Socialism

Editor, Commercial & Financial Chronicle:

I have read with a great deal of interest the contribution to your issue of Aug. 26 by Dr. Anderson on the future of interest rates, which subject is causing a good deal of thought over here.

No conservative mind will, I believe, question the correctness of Dr. Anderson's analysis of the origin of capital although perhaps they might differ as to the degree of emphasis which should be placed on the different sources. Further he very rightly draws attention to the grave danger which accompanies the creation of an excess of bank or money-market "capital." In fact he states the premises with admirable clarity and their implications are well worth studying for the conclusions to which they appear to lead are far from reassuring.

It appears to me, however, that there are other angles not mentioned in the article which may be worthy of consideration. The fact that the British and U. S. A. Governments have been able to borrow on the scale we have witnessed without raising a very low interest rate may be without precedent, but so are the conditions which have made this possible. Never before have we had such a closed economy as prevails in this country and to a less severe degree perhaps in the U. S. A. Broadly speaking, capital goods cannot be increased except by permission of the Government; consumption goods are strictly limited; municipal borrowing is not allowed: capital of course may not be exported, and even normal repairs and renovations must be deferred. In these circumstances the owners of such savings as re-

(Continued on page 1700)

Thomas Says Unilateral Tariff Policy Is Thing Of Past

"The day has gone when a nation could act unilaterally in making of tariffs, without any consideration for the interests of our customer countries, or for its own interests in the avoidance of reprisals," Eugene P. Thomas, President and Chairman of the National Foreign Trade Council, declared on Oct. 25 in the keynote address before the National Foreign Trade Convention in New York.

Speaking on the subject "The Road That Lies Ahead," Mr. Thomas stated:

"The Atlantic Charter and the Mutual Aid Agreement, for which the United States and Great Britain are sponsors, and to which the United Nations have subscribed, give definite recognition to the tenet of the economic interdependence of nations and the equal right of all to the markets of the world. This is the new thought that permeates every discussion relating to the reconstruction of the world's trade and commerce—that no nation can live alone."

Mr. Thomas pointed out that while the Atlantic Charter and the Mutual Aid Agreement are couched in "terms that denote acceptance of this challenge by the United Nations," no present assurance exists that what these governments say today will be translated into effective reconstruction policy and action with the support of their respective legislative bodies. He emphasized that the discussions of this convention and the recommendations to be embodied in the Final Declaration should "serve to dispel any suspicion in other countries of the existence of any serious nationalistic trend that might frustrate the intent of the United States to take a leading part in world reorganization."

"Cooperation must take the place of discrimination and unfair trading practices in the new era if the great aim we have in view, namely, an expanding world commerce, is to be attained," he continued; "otherwise, commerce cannot be maintained in maximum volume, nor can private enterprise, upon which industrial and commercial interests rely, be fully secured in its freedom of action."

Mr. Thomas described as one of the "most important aids to reconstruction" the general principles of the Reciprocal Trade Agreements policy, and added that the "extension of this policy into the post-war period would be a mainstay in the critical days ahead."

"American isolationist groups have done sufficient harm in the past in handicapping the nation in war preparedness," he said. "Let us hope there will be no resurgence of nationalistic propaganda tantamount to a declaration of economic war against the rest of the world.

"After saving the world from the Axis conquest, we and our Allies must not shirk the responsibility which we and our Allies have assumed of conserving the peace we have won, by ensuring an expansion of the world economy."

E. H. York, Jr., To Rejoin Drexel & Co.

PHILADELPHIA, PA.—Application was filed with the New York Stock Exchange on Oct. 21 requesting approval of the admission, effective November 1st, of Edward Howard York, Jr., as a general partner in the firm of Drexel & Co., 1500 Walnut Street, members of the New York and Philadelphia stock exchanges. He is retiring, as of October 31st, from the firm of Morgan Stanley & Co.

Mr. York, whose home is in Philadelphia, has been on leave of absence from Morgan Stanley & Co. for the past year and a half serving as a Deputy Director for the Philadelphia Region of the War Production Board. He withdrew from the firm of Drexel & Co. in 1935 to become a Vice-President and Director of Morgan Stanley & Co., Incorporated.

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

Newburger, Loeb & Co., 40 Wall St., New York City, members of 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.

Wm. C. Orton Jr. With Buckley Bros. In N. Y.

Buckley Brothers, 63 Wall St., New York City, members of the New York and Philadelphia Stock Exchanges, announce that William C. Orton, Jr., has joined their organization as railroad securities specialist. Mr. Orton has been with G. A. Saxton & Co., Inc., for the last three years and before that was a partner in W. C. Orton & Co.

Readers' Comment on Lewis Haney's Analysis of New Deal Theories

In an article published in the "Chronicle" of Oct. 7, captioned "The Theories of the New Deal Economists," Lewis H. Haney, Professor of Economics, New York University, presented a detailed analysis of the "theories of the typical New Deal economists," whose thoughts, based upon what Dr. Haney describes "as an extensive set of unreal assumptions," have been "readily adopted by a government which, under the guise of extremely idealistic reforms, seeks through spending to gain control over the economic life of the nation." Dr. Haney demonstrated at length the reasons why the many ideas put into operation during the past ten years to stimulate production and cure unemployment were destined to fail utterly in attaining the objectives sought.

Since publication of Dr. Haney's article, a number of comments have been received pertaining to it and these are reprinted herewith:

Dr. Willis N. Baer
Elizabethtown College, Elizabethtown, Pa.

Dear Mr. Editor:

At the conclusion of Professor Haney's article you invite comments on the views expressed.

My general impression is favorable, and I commend both Professor Haney as well as your publication for making the article available. What I shall say is in no sense related to my position on the faculty of this college where I am temporarily (I hope) serving as Professor of Economics and Accounting and Head of the Department of Economics and Business Administration. In 1933 I received my Ph.D. in Economics at Columbia University, New York City, and since that time I served as Professor of Economics (1934-42) at Stetson University, DeLand, Fla. I also taught during certain summers at the University of Florida, Gainesville, Fla. Since September, 1942, I have been at Elizabethtown College. While at Columbia I took three graduate courses under my very dear friend Dr. Henry Parker Willis, who has now gone to his eternal reward.

It seems to me that economic theory and economic policy are never in perfect coordination. Partly because economic theory must of necessity be a projection beyond and often of a semi-conclusive nature. The very definition of a theory implies that it has limited applicability and limited factuality. It has elements of what may emerge into established truth or fact. Theory must be tested in terms of actual cases or situations to determine its degree of reliability. After enough of these tests have been made the results must be rightly evaluated and a kind of net result handed down or deposited.

The economic policy aspect is the application of such net result to comparable situations in order to gain immediate or remote ends. This application, however, must be made by human beings, and who would claim to comprehend the content of that nebular phenomenon made up of human nature as it is and as it expresses itself in action or conduct. This factor implies what psychologists refer to as "Behaviorism" or synonymous terms. The policy to which the theory is applied by the individual (assuming that human conduct is in a large measure unpredictable especially if we penetrate beyond the overt act to the realm of motives) may be for personal advantage rather than for what we might term the advantage of the body politic or society.

I believe that Professor Haney

(Continued on page 1701)

Railroad Securities

The approach of cooler weather and the shorter daylight hours appear to have a pronounced effect on the political mind. Last year Senator Wheeler hit the front pages with his naive proposal to single out a particular class of security holder for punitive purposes. All profits on transactions in securities of railroads in reorganization were to be subject to a special tax of 90%. The purported purpose of this blast was to prevent the passing of control of the railroad industry to the "Eastern Bankers," and to speed up reorganization processes. This year the autumn silly season was ushered in by Vice-President Henry A. Wallace in a speech at Dallas, Texas, on Oct. 20.

Mr. Wallace does not want to keep control of the railroads from passing into the hands of the "Eastern Bankers." To him not only the railroads but the nation's entire transportation plant is already in the hands of Wall Streeters and, apparently per se, in the hands of "financial exploiters." To support this contention Mr. Wallace harks back to the ancient history of the early financial manipulations concerned with Erie, St. Paul and New Haven.

Mr. Wallace may have learned his history well but it is quite apparent that his education in the field of railroad finances, operations, and problems over the last ten to fifteen years has been sadly neglected. The unfortunate part of the whole incident is that while Mr. Wallace, by virtue of his position in the Government, hits the front pages and is widely quoted in the press, the answers of the industry to his indictments are perforce, relegated to the financial pages.

Aside from the ghosts from the past Mr. Wallace made capital of recent political agitation over the so-called "discriminatory" rate structure which is "keeping the South and the West in a colonial status." Railroaders in the New England area and in certain sections of the eastern industrial belt were undoubtedly delighted to discover that the industrial migration from their territories to the south and west, which has had such an adverse effect on their business, is merely a myth. In fact such industrial migration is apparently made impossible by the rate structure to which Mr. Wallace, and other political opportunists, refers.

The whole question of railroad rates incenses Mr. Wallace—there is apparently no group, be it agricultural, sectional, or whatever (except the "financial exploiters") which is not harmed by "private rate-making." It does not seem to affect the matter that the whole rate structure is subject to the review of a government agency, the Interstate Commerce Commission, nor that as soon as rates were attacked by the stabilization director the temporary freight rate increases that had been accorded to the carriers by the ICC to offset higher costs were suspended.

One other feature of Mr. Wallace's speech that must have brought sunshine into the hearts of railroad management and railroad security holders is the monopolistic nature of the entire transportation system of the country. Inasmuch as water, truck, and air transport rates are apparently set by the same insidious "financial exploiters" who manipulate the railroads there need obviously be no more apprehension as to the possible competitive inroads of these transportation agencies into railroad traffic. It may even be possible that such competition never existed and that railroad analysts for years have been wrong in considering such other transportation media as having contributed to the decline in railroad operations in the pre-war era.

The political autumn silly season is unquestionably on (this time it may even last until the Presidential election) but fortunately public psychology has been changed in the last twelve months or so. Last year Mr. Wheeler's blast against the roads in reorganization had a pronounced, although not long-lived, market repercussion. Mr. Wallace's Dallas speech had no market influence. Railroad securities have continued to give a very good account of themselves, with investors and speculators apparently not very much concerned over the "exploitation." Continued high earnings and the inevitable force of steadily mounting cash balances are, and presumably will continue to be, the dominating influences.

Ohio Brevities

The Cleveland Trust Co., Ohio's largest banking institution, now is the 17th largest bank in the nation.

The bank has made big strides since the beginning of the year when it stood in 20th position. Its total resources now exceed $867,500,000 which are higher than those of J. P. Morgan & Co. and Philadelphia National Bank.

The latest total footings compare with $725,155,300 at the end of last June and $610,827,000 at September 28, 1942.

Assets of the five leading Cleveland banks at the end of the third quarter soared over $200,000,000 to a peak $1,865,420,000 from June and were over a half-billion above a year ago. Among the other banks, Central National and National City scored new peaks in assets, deposits, U. S. Government holdings and loans. Union Bank of Commerce displayed tops in loans, governments and assets while Society for Savings boasted record peaks in governments, deposits and resources.

* * *

Plans for the sale of $4,500,000 new 5 per cent preferred stock were announced by Frederick C. Crawford, President of Thompson Products, Inc. Approval of the proposed sale will be sought in a special meeting of shareholders to be held soon, he said.

Proceeds will be used to retire convertible preferred stock now outstanding and to provide financial requirements for post-war business. McDonald-Coolidge & Co. and Smith, Barney & Co. are expected to head the underwriting group.

Crawford pointed out that the company's sales, excluding Tapco, its aircraft subsidiary, increased from $15,500,000 in 1939 to nearly $61,000,000 in 1942 and for the first half of 1943 were almost $40,000,000.

* * *

Merrill, Turben & Co. quickly sold 4,000 shares of Perfection Stove Co. stock at $38.50 a share. The company has paid dividends every year since 1917.

It was announced the sale did not constitute new financing and the source of the stock was not revealed.

* * *

Dale Brown, Assistant Vice-President of the National City Bank, was moved up to Second Vice-President of the Financial Advertisers Association, meeting in its 28th annual convention at Chicago. Harry B. Winsor, Vice-President of the Second Federal Savings & Loan Association of Cleveland, was elected to the Board of Directors.

* * *

About December 1, the Cummer Co. division of Sterling Drug Inc. of Bedford, Cleveland suburb, will be moved to Brattleboro, Vt., Vice-President Harold B. Thomas of Sterling Durg, reported.

He stated the move is permanent and the Vermont city was chosen because of its "post-war possibilities." A plant has been bought there and now is being renovated.

Cummer division manufactures and diistributes the Energine line of products, including cleaning fluids, shoe white, lighter fluid and window cleaner.

* * *

Jay E. Borchard, Assistant Vice-President, and associated with National City Bank since 1929, has taken a post as Vice-President of First-Central Trust Co. of Akron. Nearly three months ago, E. S. Patterson, formerly with the same bank, became President of the Akron bank.

* * *

Captain Ross P. Schlabach, formerly Navy supervisor of shipping in the Ninth Naval District, has left the Navy after long years of service to become Vice-President and general manager of the American Ship Building Co. of Cleveland, which has several yards he will supervise.

* * *

American Society of Mechanical Engineers has chosen a former Clevelander as its president. He is Robert M. Gates, President of the Air Preheater Corp. of New York City. Gates began his career with a Cleveland company in 1907 after graduation from Purdue University. The society has 16,500 members.

Ohio Recommendations

Kline, Lynch & Co., Inc., Carew Tower, Cincinnati, have prepared late information concerning **Brooklyn, Ohio, refunding 3-5% bonds**. This is one of the few remaining discount bonds in Ohio. A detailed circular on the situation will be sent on request.

Wm. J. Mericka & Co., Union Commerce Building, Cleveland, have prepared recent data on **Wellman Engineering Co.** common and **Cleveland Builders Supply Co.** common. These analyses will be sent by the firm on request.

Merrill, Turben & Co., Union Commerce Building, Cleveland, have recently offered and sold 5,000 shares of **National Screw & Mfg. Co.**, 3,500 shares of **M. A. Hanna Co.** and 4,000 shares of **Perfection Stove Co.** Late data on these companies will be furnished on request.

Merrill, Turben & Co., Union Commerce Building, Cleveland, have prepared late analyses of **Cleveland Trust Co.**, copies of which may be had upon request.

Ohio Municipal Comment

By J. AUSTIN WHITE

As is true with the entire municipal market, prices for Ohio municipals continue to move higher almost each week. There are probably few municipal buyers, dealers particularly, who would not sincerely like to see municipals selling at more liberal yields. But, of course, we must all have merchandise to sell, if we are going to remain in business, and there has, to date at least, been no other course but to pay up for the goods we handle. Little else could be expected in view of the facts that practically no investor wants to sell his municipals, few municipalities are borrowing, taxes are already sky high and apparently headed even higher and everyone has more funds for investment than ever before.

A recent tour of Ohio banks has demonstrated some fairly uniform and interesting developments. In the first place, the percentage of loans to deposits for the banks is already quite low, strikingly low in some cases, and, as most bankers realize, headed lower. In the second place, the amount of Government bonds owned by most of such banks has climbed by amazing proportions. In the third place, the amount of municipal bonds owned by most of these banks has no more than held its own, has declined in actual amount for many banks, and has declined considerably in relative amount for practically all banks.

Municipals for Diversification

Under such circumstances, and with the need for tax exempt income so great, it is no wonder that banks have no desire to sell municipals. But it has been interesting to notice the development, among Ohio

(Continued on page 1702)

Lowry Sweney Commissioned A Major

COLUMBUS, O.—Lowry Sweney of Lowry Sweney, Inc., Huntington Bank Building, has been commissioned a Major in the U. S. Army Air Corps, Materiel Command Division. He expects to be stationed at Wright Field, Dayton, O.

Major Sweney served in the Mexican War with Troop "C," First Ohio Cavalry on the Mexican Border from 1916 to 1917. He was also overseas with the 37th Division of the 136th Field Artillery from 1917 to 1919 and has been 15 years in the Reserves.

The investment business of Lowry Sweney, Inc., will be continued in charge of Ralph G. Elam, Vice-President of the firm.

Ohio Municipal Price Index

Date—	Composite Index for 20 bonds	Ten High Grade Bonds	Ten Lower Grade Bonds
Oct. 27, 1943	1.39%	1.21%	1.58%
Oct. 20	1.38	1.20	1.57
Oct. 13	1.39	1.21	1.58
Oct. 6	1.40	1.21	1.59
Sept. 29	1.41	1.22	1.60
Sept. 22	1.41	1.22	1.60
Sept. 15	1.43	1.24	1.62
Sept. 8	1.42	1.24	1.61
Sept. 1	1.42	1.23	1.61
Aug. 25	1.44	1.25	1.63
Aug. 18	1.44	1.25	1.63
Aug. 11	1.45	1.26	1.64
Aug. 4	1.45	1.26	1.64
July 28	1.45	1.27	1.64
July 21	1.48	1.29	1.67
July 15	1.50	1.32	1.68
Mar. 16	1.76	1.55	1.97

Foregoing tabulation was compiled by J. A. White.

L. Shepler New Secy. Of Cinti Bond Club

CINCINNATI, OHIO—Lloyd W. Shepler of Merrill Lynch, Pierce, Fenner & Beane, has succeeded Jack C. Siegman of Edward Brockhaus & Co. as Secretary of the Cincinnati Stock and Bond Club. Mr. Siegman has joined the U. S. Navy and is now stationed at the Great Lakes Naval Training Station.

Northern Ohio Group Of I.B.A. Elects

CLEVELAND, O.—The Northern Ohio Group of the Investment Bankers Association at its annual meeting, held earlier this month, elected as its President Claude F. Turben, Vice-President of Merrill, Turben & Co., Cleveland, succeeding Leslie J. Fahey of Fahey, Clark & Co.

Other officers are: Carl F. Bargmann, Cleveland representative of Braun, Bosworth & Co., Toledo, Vice-Chairman; and Russell J. Olderman, Field, Richards & Co., Secretary-Treasurer.

Named to the executive committee were: R. A. Gillis, Gillis, Russell & Co.; L. O. Birchard, Prescott & Co.; and Robert O. Shepard, Shepard, Hawley, Shepard & Co. The retiring President, Mr. Fahey and Maynard H. Murch, Maynard H. Murch & Co., a Governor of the National Association, are ex-officio members of the group.

Mr. Fahey told the meeting that at least 90% of the group had taken part in the war loan campaigns of 1942 and 1943.

Cinti Municipal Men To Hold Dinner

CINCINNATI, OHIO—The Cincinnati Municipal Bond Group will hold a dinner at the Cincinnati Club tonight, Oct. 28.

Canadian Securities

By BRUCE WILLIAMS

A superficial survey would indicate that the only important deficiency in the Canadian economy is a lack of coal, iron and oil, which commodities are currently imported in large quantities. Further examination of this question reveals, however, that the only real deficiency of the Dominion is in population. Although Canada's small production of coal and oil is largely offset by tremendous utilization of hydro-electric power, nevertheless the Dominion has vast undeveloped supplies of these commodities which now have to be imported largely through lack of man-power.

Underlying the provinces of Alberta and British Columbia are enormous known deposits of coal, and although so far oil-drilling has not been on an extensive scale, the results obtained in the Turner Valley area of Alberta and at Norman Wells in the North West Territories are only indicative of future greater discoveries. The Steep Rock iron enterprise in Ontario is also no doubt only the precursor of many other similar operations.

It is inevitable that in the post-war era Canada's vast North West hinterland will absorb a considerable volume of the world's emigrants. The young men of many nationalities who have trained in Canada under the British Commonwealth Air Training Plan constitute one potential group of Canadian immigrants, which will disseminate in Europe the idea of settlement in this promising young country.

A further probability is that Great Britain will export its peace-time surplus of skilled labor in order to have a full share in the inevitable full development of the greatest of its Dominions. Unquestionably, there will also be a certain migration northward from this country, but our participation is likely to be more concerned with the provision of capital requirements of these territories, in which field we have already played a large part.

Hence, private financial interests in this country should examine more closely the Canadian picture. The people speak the same language, have similar customs; nowhere is capital more secure and laws and conditions more stable than in Canada; yet in spite of all this and its geographical proximity, this situation receives an astonishing lack of attention from our financial community.

With regard to the market for Canadian securities in the past week, the most interesting feature was the placing of a large block of Grand Trunk Pacific 3's of 1962 which was offered in connection with the Fifth Victory Loan. Otherwise the market was quiet with an underlying strength in most departments. Direct Dominions were slightly firmer, and Nationals were quiet with the 4½'s of 1956 bid at 116½.

Ontarios and Quebecs were in demand but offerings were scarce. There was a fair turnover in medium term British Columbias which remained on a 3.30% yield basis. The persistent demand for long term Nova Scotias and New Brunswicks continued, but few bonds were available. Manitobas also were strong and the market supply was largely absorbed; the longer term bonds were bid through a 4% basis, Saskatchewans were slightly better with the 4½'s of 1960 90 bid. Albertas were in revived general demand with the 4½'s 78½ bid; higher prices in this section are now definitely indicated.

Internal issues continued to attract increased attention and with the free exchange rate oscillating between 10 and 11% discount, purchasers were still able to profit from the supply of exchange resulting from the called Dominion internal bonds. There were indications, however, that this supply was rapidly dwindling and it appears probable that on completion of such sales the free rate will be bid to the point where the Canadian Exchange Control will again be called upon to supply Canadian dollars. Another indication of the growing strength of this section of the market was the improvement in the Stock and Corporation Arbitrage rate from 18% offered to 16% bid.

According to the latest reports, the Victory Loan drive is well ahead of schedule and it is therefore to be anticipated that with its successful termination, the market in general is prepared for a definite advance, especially as there is increasing evidence of the virtual exhaustion of the supply of available securities from Canada.

Empire Sheet & Tin Plate Situation Attractive

The first mortgage 6s of 1948 of Empire Sheet & Tin Plate Co., offers attractive possibilities according to a memorandum prepared by Hill, Thompson & Co., Inc., 120 Broadway, New York City. Copies of this interesting memorandum may be had upon request.

Situation Attractive

The 4% stock of Beech Creek Railroad offers interesting possibilities, according to a circular being distributed by Adams & Peck, 63 Wall Street, New York City. Copies of this circular discussing the situation in some detail may be had upon request from Adams & Peck.

Tomorrow's Markets Walter Whyte Says—

Market now honey-combed with "down failures," indicating latent desire to advance. Watch for specialty strength to spread to leaders.

By WALTER WHYTE

In the closing paragraph of last week's column I said that the market would have shown enough by Monday to determine the immediate trend. Well, when Monday's market closed the list was full of down indications. Translated this means that stock after stock closed in such a way that imminent reactions were in the wind. The following day, however, the same stocks instead of living up to their poor action of the previous day, firmed and then rallied. The rest of the day was given over to backing and filling rather than to advance, but here and there a few specialties managed to jam through to new highs on the move.

* * *

Technically this represents what is called a "down failure." In markets ready to break down "down failures" are practically non-existant. Conversely, in markets on the verge of an up move "up failures" are equally rare.

* * *

In the old days — when speculation was unhampered —such failures were frequently arranged by professional speculators and pool managers as a means of testing the market.

* * *

If, for example, a stock was 40 bid, 42 offered, with say 2,000 shares on the offering side, a shrewd pool operator would try to generate enough buying to take the offering stock to see what new offerings this would bring out. Frequently this would be done right at the close to gain the widest publicity. When the stock opened the following day it was watched closely. If it opened "plus" stock was sold. If on this selling the reaction was held to fractions with no additional selling coming in, the operator, or operators, running the stock would buy a small lot on scale trying to get the stock up to the same price it closed the previous night. At such a level other speculators would begin noticing it and might help it along by coming in for a few hundred shares. It was then that the operator would again begin selling, but this time for short account.

* * *

The public, unaware of the maneuvers, but seeing a stock fractionally above a previous high, and with speculative appetites whetted, frequently hopped in and bought.

(Continued on page 1705)

Real Estate Securities

Hotel St. George Earnings Show Coverage of First Mortgage Interest Over 2½ Times

$878,000 Available for Fixed Interest of $335,000—Profit From Food and Beverage Sales Alone More Than Covers Fixed 4% Interest—Cash Position Strong—Tenders Asked for Use of $174,958.15 Sinking Fund for Retirement of Bonds

The First Mortgage Fee 4% Fixed Interest Bonds of 1950 of the Hotel St. George Corporation have previously been mentioned in this column as one of the outstanding hotel securities giving promise of increased earnings and price appreciation. Attention was first directed to this issue in September, 1942, at which time they were quoted 40-41. Current market is around 55 and in our opinion, in view of earnings and the strong cash position of the corporation, they are still underpriced.

Earnings

Computation of Net Earnings in accordance with the terms of the Trust Indenture for fiscal years ending Aug. 31 show that $878,295.96 was available for interest in 1943 as compared to $675,244.45 for 1942, an increase of $203,051.51. The excess coverage over 4% fixed interest for 1943 amounted to $543,263.66 as compared to $325,328.15 for 1942. The Indenture provides for a fixed sinking fund from excess earnings over interest in an amount up to $174,958.15 if available. Both fiscal years have provided the maximum sinking fund, $372,100 bonds being retired through the use of the fund by the Trustee in 1942. Tenders have been asked for to expend the 1943 fund, the final tender date being Nov. 3, 1943. We believe it is interesting to note that in the detailed profit and loss statement of the hotel the profit from the sale of food and beverages amounted to $337,021.79 which amount exceeds the 4% fixed interest requirement for the 1943 mortgage year.

Available Income After Interest and Sinking Fund

In 1942, the sum of $150,370 was available after interest and sinking fund requirements under the indenture. The corporation used $62,364.35 to pay all accumulated 4% interest on $351,108.14 Cumulative Income Debentures outstanding and $80,741.75 to reduce the principal of the Income Debentures to $370,366.39.

In 1943 the sum of $368,305.51 is available after interest and sinking fund requirements. It is not known at this time how the corporation will use these available funds. The amount is more than sufficient to fully discharge the balance of the Debenture obligation of $370,366.39; however, the corporation may elect, which it can do under the terms of the first mortgage indenture, to purchase additional first mortgage bonds (other than retired by the regular sinking fund) for retirement on the open market or on tender.

Cash Position

Current Assets of $905,689.51 (including $659,913.55 cash) as of Aug. 31, 1943 exceeded Current Liabilities (including first mortgage and income debenture interest accruals) by $510,035.54. It should be noted that this satisfactory net asset condition does not take into consideration $62,841.46 cash held in custody for the Improvement Fund nor the $166,162.85 cash held by the first mortgage Trustee in the "Guaranty Fund" established to insure continuity of 4% interest payments on the outstanding bonds. Considering these two funds the net current asset position would be increased to $739,039.85.

We again make the comment that these first mortgage fee bonds secured by this well known Brooklyn, N. Y. hotel, in view of earnings and the strong cash position of the corporation are worthy of consideration at these or even higher levels.

M. W. Randall Joins Doremus Co. Staff

William H. Long, Jr., President of Doremus & Co., announces that Murray W. Randall has joined the Financial Advertising Department of that agency, in the New York office at 120 Broadway. Mr. Randall had been associated with the Chase National Bank of New York in the trust department for several years.

Warren Brothers Company

Debt Retired—Report On Operations

By JOHN J. HENRY

The Warren Brothers Company, which recently completed the redemption of its entire funded indebtedness, reports earnings for the eight months ending Aug. 31, 1943, of $737,472, after making provisions for depreciation of $459,508, provisions for contingencies of $260,808, and for Federal and State taxes of $842,419. This corresponds with a net profit of $584,520 reported for the same period of 1942.

Although these earnings are subject to renegotiation, it is understood that the company's 1942 earnings have been renegotiated and it is likely that a sufficient amount has been set up in the reserve for taxes to take care of this matter for 1943.

Net current assets reported as of Aug. 31, 1943, were $3,109,808. Since then about $700,000 has been returned to the company by the former trustee of the bond issues, thus increasing the net working capital to about $3,800,000.

The capital structure of the company is now:

21,112 no par cum. $1.35 class A shares
40,907 no par cum. $2.50 class B shares
236,862 no par class C shares

Since the bonds have been redeemed, it leaves the preferred issues as the only capital obligations with a fixed annual charge, viz.: $28,501 and $102,267, respectivley, or a total of $130,768.

The class C shares made the excellent showing of $3.84 earned per share before and $2.74 a share after contingencies reserved for the eight months ending Aug. 31, 1943.

The outlook for the company should continue good for some time to come. Although the peak of Government business has no doubt been reached, the company seems able to maintain a comfortable backlog of unfilled contracts and the post-war period should bring a substantial amount of road building and repair work. This work has been neglected for some time and many roads ordinarily repaired may have to be completely rebuilt. The Warren Brothers Co. being one of the largest and also one of the most widely diversified companies geographically should continue to obtain their fair share of this business.

It would seem that with their large current earnings and their excellent cash position, that an initial dividend may be forthcoming on the C stock in the not-too-distant future, and that the C stock should have excellent long-term speculative possibilities.

Purolator Products Situation of Interest

Purolator Products, Inc., offers attractive possibilities, according to Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. An interesting basic report upon the company may be had from Reynolds & Co. upon request.

Seaboard Air Line Plan

L. H. Rothchild & Co., 120 Broadway, N. Y. City, have prepared an interesting study of Special Master Taylor's plan of Reorganization for the Seaboard Air Lines, which the firm feels is especially pertinent because of the present hearings in Baltimore before Judge W. Calvin Chesnut.

Copies of the L. H. Rothchild study of the Plan may be obtained from the firm upon request.

Geo. B. Romfh Dies; Was Officer Of Miami First National Bank

George Boddie Romfh, Vice-President of the First National Bank of Miami, Florida, died in Miami Oct. 17 of a cerebral hemorrhage, at the age of 68. He was a brother of Edward Coleman Rumfh, founder, President and Chairman of the Board. Funeral services were held privately Oct. 19 and burial took place in Woodlawn Park cemetery, Miami.

Geo. Boddie Romfh

The deceased was one of three brothers who went to Miami when it was a little village without a railroad. He was born in Camden, Ark., the son of George Boddie and Virginia Elvira (Jordan) Romfh. The family moved to Altoona, Fla., in 1884 and later to Titusville, going to Miami in 1896, the year in which the town was incorporated.

In 1910 Mr. Romfh organized the Miami Wholesale Grocery Company, of which he was President when he died. In 1921 he became Vice-President and Director of the First National Bank of Miami, founded by his brother in 1902, and served the bank actively until his death. He also was a director of affiliated institutions, the Coral Gables First National Bank, Little River Bank and Trust Company, the First Trust Company, and Vice-President of the Coral Gables First National Bank.

Survivors, in addition to the younger brother, Edward Coleman Romfh, are the widow, Mrs. Lucia Romfh; two sons, Lieut. George B. Romfh, jr., USN, stationed in Key West, and Lieut. William C. Romfh, USA, on duty in Ireland; a daughter, Mrs. Roland B. Eaton, of Virginia Beach, Va.; a sister, Mrs. Hardin Reynolds of Bristol, Va., and an elder brother, Eugene B. Romfh, of Miami.

Estimates Post-War Imports At $4.5 Billions

This country will import goods valued from $4,500,000,000 to $6,000,000,000, or nearly twice the average of 1935-39, was the post-war outlook presented to the 30th Annual National Foreign Trade Council Convention at New York City on Oct. 27, by Alan H. Temple, Vice-President of the National City Bank of New York. He suggested the "prudent" estimate was $4,500,000,000.

"We are justified in concluding that our imports will certainly reach a value substantially above present levels, that in all likelihood they will exceed the average of the '20s, and conceivably they may for a limited period exceed even the abnormal peak of the year 1920, when they were above $5,000,000,000," Mr. Temple declared.

"This expectation is based upon an assumption, shared by most economists, and which I believe is sound, that the volume of industrial activity for at least a few years following the reconversion period will be at a minimum of approximately 30% above the 1935-39 level, and that the aggregate of individual incomes will be in the area of $115 to $120 billions.

"With purchasing power at this level, and bulwarked by wartime savings, losses on imports in one direction may well be made up in others. More people will have more money than ever; the potential market will be enlarged for products which appeal to expanding personal tastes, such as superior leather and textile products, China and glass and beverages."

Mr. Temple declared that it was quite likely that imports in relation to national income would drop even lower than the late '30s.

"The war has added its influence upon the trend toward self-sufficiently," he said; "we need only mention synthetic rubber, the expansion of nylon, rayon and plastics, and the refining of tin."

Emil Schram Reaffirms NYSE Position On SEC

Emil Schram, President of the New York Stock Exchange, commenting on statements made by several Senators, who declined to permit the use of their names, that many "Stock Exchange people" and securities dealers would like to see the Securities and Exchange Commission killed, reaffirmed on Oct. 21 his stand that "the principle of market regulation is accepted and every one, especially the New York Stock Exchange, is anxious to avoid a repetition of the conditions in the '20s."

In reporting his remarks, the New York "World Telegram" of Oct. 21 further said:

Mr. Schram said regulatory laws are essential, but they should be modified.

"We must not permit a popular reaction to lead to a repetition of the mistakes of the '20s," he said. "If we do, the experiences of the '30s will occur. Reaction from reform, like reform itself, can go too far.

"The aims of the securities legislation of the early '30s were thoroughly sound. Briefly, they were to end manipulation and provide dependable information to the investor. The investor was to be protected against sharp practices. Let us keep in mind, however, that Congress has no intention of discouraging the investor from taking legitimate business risks."

The Senatorial comment followed President Roosevelt's remarks at his press conference on Oct. 19 that there is an undercover movement to eliminate the SEC (referred to in these columns of Oct. 21, page 1605).

NASD District No. 13 Nominating Committee

Irving D. Fish, Chairman of the District No. 13 Committee of the National Association of Securities Dealers, Inc., announces the appointment of the following nominating committee:

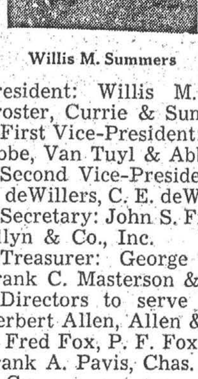
Laurence M. Marks, Chairman, Laurence M. Marks & Co., New York City; Theodore C. Corwin, T. C. Corwin & Co., New York City; John R. Montgomery, Blair & Co., Inc., New York City; Stuart R. Reed, Paine, Webber, Jackson & Curtis, New York City; Frank C. Trubee, Jr., Trubee, Collins & Co., Buffalo, N. Y.

Nominations will be made to fill the terms of office expiring next Jan. 15 of the following members of the Board of Governors of the Association:

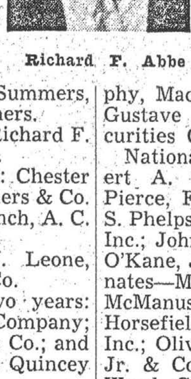
F. Edward Bosson, Putnam & Co., Hartford, Conn., and Lee M. Limbert, Blyth & Co., Inc., New York, N. Y., and the following members of District Committee No. 13: George R. Cooley, George R. Cooley & Co., Inc., Albany, N.Y.; Lloyd S. Gilmour, Eastman, Dillon & Co., New York, N. Y.; Robert S. Morris, Robert S. Morris & Co., Hartford, Conn., and Meyer Willett, Bristol & Willett, New York, N. Y.

STANY Committee Presents Nominations

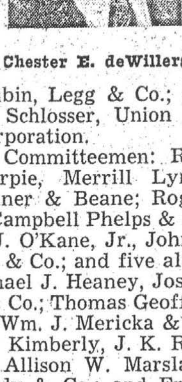
The Nominating Committee of the Security Traders Association of New York, Inc., has presented the following tentative list of nominations for the year 1944:



Willis M. Summers



Richard F. Abbe



Chester E. deWillers

President: Willis M. Summers, Troster, Currie & Summers.

First Vice-President: Richard F. Abbe, Van Tuyl & Abbe.

Second Vice-President: Chester E. deWillers, C. E. deWillers & Co.

Secretary: John S. French, A. C. Allyn & Co., Inc.

Treasurer: George V. Leone, Frank C. Masterson & Co.

Directors to serve two years: Herbert Allen, Allen & Company; P. Fred Fox, P. F. Fox & Co.; and Frank A. Pavis, Chas. E. Quincey & Co.

Trustees of the Gratuity Fund to serve two years: Cyril M. Murphy, Mackubin, Legg & Co.; and Gustave J. Schlosser, Union Securities Corporation.

National Committeemen: Robert A. Torpie, Merrill Lynch, Pierce, Fenner & Beane; Rogers S. Phelps, Campbell Phelps & Co., Inc.; John J. O'Kane, Jr., John J. O'Kane, Jr. & Co.; and five alternates—Michael J. Heaney, Joseph McManus & Co.; Thomas Geoffrey Horsefield, Wm. J. Mericka & Co. Inc.; Oliver Kimberly, J. K. Rice, Jr. & Co.; Allison W. Marsland, Wood, Gundy & Co.; and Frank Edward Mulligan, E. H. Rollins & Sons Incorporated.

Survey Finance & Business In Central America

A survey of business and financial conditions in the seven countries of Central America has been published by The Chase National Bank in connection with the National Foreign Trade Convention in New York. This study includes an analysis of the region's trade relations with the United States and discusses the effect of wartime conditions on the economics of the several countries and copies may be obtained from The Foreign Department of The Chase National Bank, Pine Street, corner of Nassau, New York City.

Our War-Time Responsibilities And Post-War Needs

(Continued from first page)

the need for huge funds to carry on the war, Mr. Kent feels the nation's energies should be bent toward the attainment of a proper use of manpower, elimination of delays in production and the saving of monetary waste by Government.

Mr. Kent's address follows:

"Employment and production, following the war, are the fundamental activities required to provide the foundation for a world in which peace may prevail. Employment and production to the extent necessary cannot be expected unless we prepare for them in ways which, fortunately, will greatly aid in winning the war.

"Today we are faced with a shortage of manpower, with the necessity for speed in many kinds of production and with the need for huge funds to carry on the war. We must, therefore, bend our energies toward the attainment of a proper use of manpower, the elimination of delays in production and the saving of monetary waste by Government.

"The first point of attack to aid in the accomplishment of these three essential considerations would seem to be the breakdown of the great bureaucracy which exists in the United States today. The 3,000,000 people who are employed by the Federal Government represent a mis-use of manpower, a brake upon production and an intolerable waste—all of which act to curtail our ability to carry on the war. It is not that the personnel of the bureaus may not be striving to do their best, everyone in his own way with such knowledge as he may have, but that a bureaucratic system is wrong and against the interest of any country whether in time of war or in time of peace.

"Many, many hundreds of thousands of Government employees could serve themselves better and the country more effectively if they played their part in the Army, the Navy, the Marine Corps, in industry or in agriculture. The expense to the Federal Government in wages and salaries which now exceeds $7,000,000,000 annually could and should be cut to less than half through the transfer of personnel from the departments and bureaus of Government where they may not be needed to war efforts where they are sorely required. Such transfers would result in the elimination of the red tape which is inevitable under an over-burdened bureaucracy which would speed up government determinations.

"Further, the withdrawal of the unnecessary burdens placed upon industry through the activities of these bureaus which divert the time of key men from production to the carrying on of bureaucratic contacts would allow production to move more rapidly and along lines of less resistance. Such transfers would result in a great saving of manpower, great savings in the time of industrial and other business men necessary to the prosecution of the war and in the saving of monetary waste.

"The reduction or elimination of the useless bureaus of Government, if carried out intelligently, would also result in cutting out most of the 153 agencies of Government which are engaged upon promotional and so-called educational activities. Some 300,000,000 items now annually put out by such agencies could, undoubtedly, be reduced to around 20,000,000 and still provide the people with such knowledge as they might require from Government as to its activities and national statistical progress. Again the benefits to the war effort that would follow such a movement would be saving of manpower, saving of the time of men in business and industry now engaged in trying to protect themselves from disrupting propaganda and prevention of monetary waste.

"Then we come to the Government commissions which have developed into great organizations that take up the time of men in business and industry unnecessarily and that slow up the wheels of production. These commissions have been bulit up to exercise controls over the productive activities of our citizens. Many of the provisions of the laws under which they were created have values which should be retained. The knowledge gained from experience under their methods of operation since their establishment should make it possible for Congress to redefine them in such manner as to eliminate any unwise authority that has been extended to them or that may have been usurped by them and still maintain all of those forces of control which are in the interest of the people of the country.

"In undertaking the redefinition of the commissions, Congress should restore the position of the courts; that is, those who are affected by the directives of the commissions should be allowed to appeal to the courts for their protection and so restore constitutional government in this country.

"Intelligent redefinition of the commissions should result in the saving of manpower, of the tremendous waste of the time of business and industrial men that is now going on and the useless expenditure of money.

"The foregoing are among those things which are essential to greater effectiveness in carrying on the war and they are also necessary if business and industry are going to be able to function in the post-war period in such manner as to enable employment and production to the extent required to meet the needs of our people.

"The reduction in monetary waste that would follow correction of these conditions would be sufficient to make it possible for Congress to pass a tax law that would not disrupt or slow up industry nor create a burden upon the people that would reduce their effectiveness in carrying on their activities for war and civilian needs. Further, it would enable taxation of a character that would allow the industries to go into the post-war period with sufficient reserves to meet the special problems that will face them that have to do with reconversion, reemployment and restoration of markets.

"There are a number of other duties that face Congress which must be met for the benefit of the war effort and the peace development. Rather than consider them in this present statement it would seem wise to concentrate upon one important phase of the situation that requires the constant attention of every individual citizen of our country. This has to do with the question of personal responsibility.

"Unfortunately, too, much emphasis is being placed upon so-called security all over the world. Security cannot exist without production, and production, to meet the needs of all people, cannot be provided unless those who are able do their part. If, therefore, the able-bodied men and women in our country are led to believe that Government can assume their responsibilities it will inevitably lead toward economic ruin and a new war. The dynamic force which lies within every human being must be exercised for the good of all.

"Government is neither a magician, nor a magic machine. Government consists of men with the same strength and weaknesses that exist in other men. Those in Government would have to possess super-powers that do not lie within human beings if it were to successfully assume the sense of responsibility which is a part of the character of every individual citizen. When men seek jobs they make them, when they lean upon Government they destroy them or prevent their development.

"It is the combined forces working together which spring from such sense of responsibility as may lie within all of the individuals of a community that enable it to prosper. It is the infinity of human contacts, each dependent for its direction upon the sense of responsibility of those concerned, that builds the life of a community. No one in Government can see nor feel nor match the effects of such contracts and no one in Government can replace the effectiveness of their movements by exercising powers that may lie within Government in such manner as to weaken the natural sense of responsibility that all men should have.

"The sense of responsibility in a human being can become stagnant and finally die unless it is allowed to grow. Government can and should protect the unfortunate but otherwise Government should do nothing but clear the way by wise legislation for men and women through private enterprise to exercise their own sense of responsibility as no individual can have a full life unless he can do so.

"No post-war world can bring happiness that is built on the idea that mankind can thrive under any Government which steals the sense of responsibility from its citizens and induces them to lean upon each other instead of building their own niche in life through their own efforts. Unless we learn this lesson, no post-war world can be within our grasp that will not lead directly into further war.

"A sense of resposibility is an inheritance from God that comes to every human being with his breath of life. He must fight for its preservation, for it is a delicate power that may be easily destroyed. If fostered it can become a force for good that may save a nation. With it happiness thrives; when lost, life's fragrance is gone—with it mankind can prosper—without it manhood dies."

Bimetallism Ghost Reappears—Sakolski

(Continued from page 1686)

of rapid and almost perfect market information) will withdraw one of the metals from circulation.

Thus, throughout our own period of the free coinage of both gold and silver, whenever one or the other metal was overvalued in the mint ratio, that metal alone went to the mint for coinage and the other metal remained in the hands of its owners as bullion, in which state it was worth more than as money. As prices would be raised, because of the use of the cheaper metal, more of that metal would be required and the supply of circulating medium in relation to the demand may even undergo a relative diminution rather than an increase.

Of course, if the supply of the "cheaper" or "overvalued" money is inadequate for effective necessary exchanges and commercial transactions, the "good" or "better" money may again be brought into circulation and both metals circulate. This is an old but neglected exception of the "Greshens Law." It is only when there is an adequate supply of "bad-money" that "good money" can be driven out of circulation. But even under these conditions the supply of good money will be kept down to a necessary minimum.

The reversion to the use of the "cheaper metal" to increase the amount of the circulating medium may in some cases, when severe, actually lead to a shortage of the monetary supply. This is illustrated in the drastic depreciation in European countries during and following the first World War. Notwithstanding the deluge of paper notes that were issued during the period there was an actual shortage of circulating medium due to the fact that the rise in prices, under progressive currency depreciation, was more rapid than the increase in the volume of the circulation. The causes for this situation could be analyzed, but space and time limitations do not permit further expansion of this phase of the subject in this brief article.

As to the maintenance of a market ratio and a mint ratio between the two metals on an even keel through "international agreement," it can merely be said that this cannot be effected with any greater success than an attempt to control weather conditions or the movement of the waves and winds by "international agreement." It would certainly be more difficult to accomplish than would international agreements on "production quotas" and the like. Neither is there a satisfactory basis for assuming that because the bimetallism is international in scope the diversion of the market ratio from the mint ratio can be kept within bounds. The output of each metal is independent of the other. The sources of supply are distinct and only articificial limitations placed on the supply can have any effect, if indeed it is practicable.

The suggestion that the mint ratio be altered from time to time to conform with changes in the market ratio would simply be fomenting business disturbances and international exchange operations and would serve as a discouragement rather than an expansion of domestic and foreign trade transactions.

When, during the period between 1875 and 1914, the great nations of the world were on a gold basis the international monetary and credit disturbances that occurred were moderate and were remedied with relative ease, compared with the crises that occurred when some nations adhered to a single standard and others to a double standard.

The fact that China and India were on a silver standard and the European nations were on a gold standard was indeed a disturbing condition, but a resort to international bimetallism will not correct the situation when trade balances are not in equilibrium and when differences in wage standards, living conditions and national resources persist.

Named To Tax Foundation

Dean John T. Madden of the School of Commerce, Accounts, and Finance of New York University, announced on Oct. 21 the appointment of Henry King Stanford to the Tax Foundation—New York University Fellowship in Public Finance in the Department of Economics. The Fellowship is made possible by grants from the Tax Foundation, Inc., 30 Rockefeller Plaza, New York.

Mr. Stanford holds the A. B. and M. A. degrees from Emory University, Atlanta, and the M. S. degree in Government Management from the University of Denver where he held one of the Alfred Sloan Foundation Fellowships. Mr. Stanford also studied at the University of Heidelberg and is a member of Phi Beta Kappa. He has taught at Emory University and the Georgia School of Technology. He is author of various studies in municipal government and is a member of the staff of the Tax Foundation.

Effects of Present Income and Estate Tax Policy

(Continued from first page)

to his savings, but interest free of taxation to him. Income taxation is the principal factor preventing the accumulation of an estate of any size. An individual might save similar amounts in other ways, but the element of compulsion in an insurance premium aids in the regular saving of the comparatively small instalments."

Mr. Magill pointed out that, because of the disappearance of large individual accumulations of capital, the future new capital needs of industry will have to be met with funds provided in small amounts by persons of moderate means, either directly or through savings institutions, or by the Government. He questioned whether such sources would be willing to provide the "risk capital" needed to develop new products and inventories.

"Will one of the indirect and unintended results of our present tax structure," he asked, "be a static era, since the available capital will prefer safety and a 2½% return, instead of risks accompanied by possibly greater profits and possibly greater losses?"

In discussing taxation of family settlements, Mr. Magill predicted that, because future estates will be of moderate size, the Government's revenue from estate and gift taxes, now running at about $450,000,000 annually, may be expected to fall. This result, he said, might produce a demand for lowered estate tax exemptions to restore the yield.

"The income, gift and estate taxes," he said, "have never really been correlated. The remedy is to revamp all three laws to make them consistent in philosophy with each other, and to elminate duplicate impositions of the gift and income or gift and estate taxes." He also recommended the coordination of the gift and estate taxes into a single tax on transfers, and said that "one tax per generation is enough. Transfers between husband and wife should not be taxable. If a husband, instead of establishing trusts, prefers to give his wife complete power to deal with the property they have accumulated together, he should be able to do so without incurring the present penalty of a possible second tax on her estate. A variation of this theme would be the universal adoption of community property; and a recognition that the wife's share of such property is fully her own."

Mr. Magill's address follows in full:

My wise old corporations professor told me some twenty-five years ago that a man's professional life could be divided, like Gaul, into three parts. Up to the age of thirty, he is getting an education and finding both a place to work and the kind of work he wants to do. From thirty to sixty are the years of real accomplishment in his chosen field. After sixty, he will enjoy such distinction as he has attained and, sometime thereafter, will pass into retirement. What he will achieve can be forecast with some accuracy when he reaches forty.

The first part of this address is built upon this homely, but accurate, foundation. Suppose at forty an accountant, a doctor or a lawyer is earning $5,000, $10,000, $25,000 or $50,000 a year. How much of an estate can he reasonably hope to leave to his family? The second part proceeds from these general conclusions to the particular. How will a thoughtful gentleman of moderate fortune dispose of his estate? What forms of disposition are sanctioned and what forms discouraged by the present Federal tax laws? The third part concerns policy: are we satisfied with the results of the present regulation of family settlements by taxes? What major changes are worth considering?

I.

Let us assume in each case that our professional man of forty can reasonably look forward to twenty more years of earning capacity. During each of those years he and his family must live and each year he must pay his State and Federal income taxes. Suppose he can look forward to an average annual income of $10,000 per year. At present rates, his total income taxes, Federal and State, will be about $2,600. These are, of course, a preferred charge on his earnings; or, if you like, the Government is a joint owner of something over one-quarter of his income, as he earns it. If he can live on half his gross income, or $5,000 per year, he can save about $2,400. In twenty years that saving will yield him $48,000, aside from interest.[1] (For footnotes see end of article.) Since estate and inheritance taxes at this level are small, his beneficiaries will receive about this amount, less the expenses of administration and debts. $45,000 to $50,000 is nearly the maximum estate that a man with an average income of $10,000 for the twenty years after age forty can attain by straight savings.

Income taxes may come to be less than they are now; we surely hope so. Nevertheless, the probably inescapable expenditures of the Federal Government for interest, a military establishment, pensions, and social security, to mention some only of the essential items, make a $20,000,000,000 budget for at least the decade after the war a reasonable probability. If so, taxes on individuals will probably be not far different from what they are today. We may expect them to be somewhat less, for everyone will desire that result; but certainly not so low as they were in the thirties, much less the twenties.

Finally, the assumption that a man earning $10,000 will spend no more than $5,000 is probably unwarranted for most men. One or two children in college would be apt to prevent his saving as much as $2,400 per year. Hence the assumptions probably err, if at all, in producing a larger estate than is likely in an average case.

The calculations for smaller and larger incomes produce similar results.

Salary	Living Exps. (Assum.)	Taxes Fed. & N.Y.	Accum. in 20 Years
$5,000	$3,500	$928	$11,440
25,000	12,000	10,508	*49,540
50,000	15,000	27,624	*129,410

*Net after applicable State (New York) and Federal taxes on bequest to wife.

Several considerations are suggested by these computations. Perhaps the first is that the use of insurance is our professional man's best hope of enlarging his estate. There are several reasons for this conclusion. Insurance will not only assure him the addition of compound interest to his savings, but interest free of income taxation to him. Income taxation is the principal factor preventing the accumulation of an estate of any size. Moreover, the average man would be apt to take out some insurance before he reached forty, to get the benefit of lower rates. In that case, he would have a head-start on his savings program. He might save similar amounts in other ways, but the element of compulsion in an insurance premium aids in the regular saving of the comparatively small instalments. Even with the estate tax exemption of insurance proceeds eliminated, there is, then, a powerful incentive toward the use of insurance to build up an estate.

The building up of large estates promises to be a rarity, so long as income taxes and estate taxes retain their present rates. To provide a net estate of $1,000,000 after estate taxes and income taxes would require an anuual income of $1,075,000 per year for twenty years, even if the recipient were willing to live on $26,500 per year. The reason is that the Treasury (and the State) would take in income taxes over 90% of the annual income, or a total of some $19,440,000 in the twenty years. The estate tax of $530,000 seems relatively mild by contrast. The large estate of the next decade or two will be, it seems, either an "old" estate, accumulated when income taxes were less severe; or an estate invested in some form of property that has notably appreciated in value, without having been brought into income taxation by sale.

We will confront an era after the war when venture capital again may be greatly in demand. We will have many new inventions to exploit, like plastics, light metals, helicopters; and many new territories, at home and abroad, wishing for better goods and for a higher standard of living than has been enjoyed. Corporations will need new money for a variety of purposes. Where are the funds to come from? The new investments will apparently come in comparatively small amounts from persons of moderate means; from insurance companies or banks, which are the savings media of a host of citizens; or from government. These sources can provide **capital**; will they be willing to provide **risk** capital? Will one of the indirect and unintended results of our present tax structure be a static era, since the available capital will prefer safety and a 2½% return to risk with its accompaniments of possibly greater profits and possibly serious losses?

II.

Seven years ago before the New York State Society of Certified Public Accountants I spoke of the incentives provided by the gift and estate taxes to particular forms of property disposition.[2] Much has happened since 1936, perhaps more than in any similar period in our recent fiscal history. Nevertheless, the basic propositions then apparent still largely hold true.

1. The sanctions of estate and gift tax laws operate relatively slightly in the cases of estates of $100,000 and less, for the taxes on estates of that size are still small.

2. **Inter vivos** gifts are still notably encouraged as against transfers at death.

3. The estate tax laws encourage dispositions of property which save the tax on one generation—gifts in trusts, on gifts subject to powers to appoint.

1. The Federal estate tax exemption is now $60,000.[3] The State exemptions vary in amount, but are generally smaller than the Federal. Since the rates are low, however, the actual amount of the tax is moderate until the estate exceeds $100,000. Consequently, the regulatory effect of the tax laws is not operative in the cases of moderate sized estates.

If it be true that estates in the next twenty-five years will predominantly be moderate in size, and the number of large estates will considerably decline, the yield of the estate and gift taxes, now running about $450,000,000 per year,[4] may be expected to fall. This result might produce a demand for lowered estate tax exemptions to restore the yield. The Secretary of the Treasury has recently advocated that the estate tax and gift tax be amended so as to produce more revenue. If changes of this character were made, the incentives for and against particular forms of property disposition would become more generally operative, since they would apply to estates now exempt. Moreover, notwithstanding the evident difficulty of building up a considerable estate during the next decade, there are numerous good-sized personal estates, already accumulated, which will necessarily be transferred during this period.

2. The gift tax exclusion has been gradually whittled down, but still stands at $3,000 per person per year.[5] Since the 1942 amendment, the exclusion is applicable to gifts in trust as well as to outright gifts, though not to gifts of future interests in property.[6] The general over-all lifetime exemption now stands at $30,000.[7] These exemptions provide substantial reasons for gifts (as distinguished from bequests), and for regular annual gifts. Obviously, considerable amounts can be donated tax-free, either outright or in trust, by a series of gifts through the years. Since the annual exclusion cannot be accumulated, the man of property is encouraged to make good use of it every year. The restoration of the allowance of the exclusion to gifts in trust is a further encouragement of the use of that legal device, already fostered by the estate tax law.

Gifts during life are also encouraged by the existence of separate exemptions and by the lower rates of the gift tax as compared to the estate tax. The rates are numerically three-fourths of the estate tax rates, but the **effective** rates are lower than that. The gift tax applies to the net gift exclusive of the sum used to pay the tax. The estate tax applies to the net estate, which includes the amount that will be used to pay the tax. Hence, in the case of large gifts, the gift tax really ranges from two-thirds to less than half the estate tax, stated on a comparable basis.[8] Moreover, the transfer of some property by gift during life will enable the donor to make use of the exemptions and lower tax brackets of both taxes, not merely of one. It is possible to compute the minimum combined gift and estate taxes for estates of various sizes.[9]

These factors tend to encourage the break-up and distribution among several persons of large accumulations of property. Curiously enough, our Federal death taxes have not been similarly designed, though most of the State taxes have been. The estate tax is the same amount, whether the estate is widely distributed or bequeathed to a single beneficiary. Perhaps some day a Federal inheritance tax will be adopted as a substitute for the estate tax, to reflect a consistent philosophy.

A note of caution, though it is an obvious one, must be inserted at this point. If property is to be cleaned out of the donor's estate, it must be given away completely, free from any reservations of income or powers to revoke or alter or amend. Particularly in cases of moderate estates, the donor must consider carefully whether any tax gain which he may realize from a disposition of his property will outweigh the disadvantages of loss of control and the cost and perhaps complexity of the proposed arrangements. As heretofore stated, the tax sanctions have little real effect at present in the case of estates of $100,000 and less. In the case of the small estate, there is no point in elaborate forms of disposition.

3. Were property always given or bequeathed outright by the decedent to the beneficiary, the Federal Government would certainly collect one transfer tax (gift or estate) in each generation; and it might do better than that. Were there no transfer taxes to consider, some men would give or bequeath substantial properties to their wives, who in turn, would distribute them as part of their estates among the children. Transfer taxes, however, are a potent force in favor of transfers in trust rather than outright gifts. The husband will not be apt to give or bequeath a large estate to his wife outright, for, unless she dies within five years,[10] the total estate will be further reduced by a second tax on the transfer from the wife. Rather, the husband is apt to put the property in trust, to pay the income to his wife during her life, with remainders to other designated persons, such as children; for under this form of disposition there will be no transfer tax at her death. A more thoughtful man of property will perceive that this idea can be extended for another generation or so. Subject to local rules against perpetuities,[11] he can tie up the property in trust during the lives of living children and even grandchildren, thus postponing further transfer taxes for a long time to come.

Short-term trusts—and no one knows yet the length of the term that constitutes a short-term trust[12]—are effectively outlawed by the present law. Their income remains taxable to the grantor though he does not receive it and, so far as decisions stand at present, their creation is a taxable gift.[13] By this means, also, the tax laws encourage the settlement of property for lives rather than its outright gift or the gift of its income for years. Likewise, gifts in trust to minors by parents are discouraged, since the income is certainly taxable to the settlor so far as required for support, and perhaps in its entirety.[14] Apparently a gift tax is also payable.[15] Needless to say, in times of stiff surtaxes, a settlor cannot afford to be taxed on income which he does not receive, and cannot possibly use to pay the tax.

But a decedent may not feel much assurance of the stability and judgment of his grandchildren, or even of his children. Moreover, he may feel that his chief obligation is to provide for his widow after his death, and that his healthy children or grandchildren can, if need be, take care of themselves. In such a case, an available device is the power of appointment, and this also is sanctioned by the estate tax law. The husband may, for example, make his wife life beneficiary of a trust; and provide that, upon her death, the corpus is to be disposed of among children or grandchildren as she shall designate. The transfer of the property by the husband by gift or bequest will be taxable, but his wife's estate does not include the property subject to the limited power.[16] The law discourages general powers of appointment—to appoint to anyone—but encourages powers to appoint to a special statutory class, consisting of exempt institutions; the spouse or descendants of the donor or donee of the power, or descendants of their spouses. The exercise or non-exercise of such a power does not render the property taxable in the donee's estate.

It may be desirable to add powers of invasion to powers of appointment, since combinations of the two devices can be set up to advantage under the estate tax law. The husband may, for example, make his wife life beneficiary of the trust; give the trustees power to invade principal on her behalf to some total stated extent or to limited annual amounts; and provide that, upon her death, the corpus is to be disposed of among children or grandchildren as she shall designate. The transfer of the property by the husband by gift or bequest will be taxable. The power of invasion in independent trustees in favor of the wife will not be taxable. Neither will the power of appointment.

On the other hand, the husband may wish to give the wife the absolute power to invade principal to some stated extent, rather than leaving it to the discretion of the trustees. This arrangement is less advantageous, since in such case the value of her power to draw principal at the time of her death will be included in her estate.[17] If she has annual non-cumulative rights, probably only the value of her right for the year of her death will be included in her estate, but for each year in which she does not exercise her right, such non-exercise will probably be regarded as a gift of a future interest to some extent to the remaindermen.

All this points to an era of settled property in this country, a result apparently obtaining already in England. Trust funds are normally invested in the safest securities. They are not ordinarily available at all for risky enterprises. So here again the question arises: where is risk capital to come from? The present income and estate tax laws do not give an earner much opportunity to build up an estate, and they encourage him to defer its ultimate disposition by the use of trusts and powers, which, in turn, necessitate, or at least encourage, its investment in bonds. When this scheme of things really becomes noticeably effective, we probably will seek means to circumvent it. Will we adopt provisions in the income tax to enable men to save and invest more while they live? Will we increase estate tax exemptions? Or do we want government to finance, manage, and take the losses from new or risky enterprises?

Another means of discouraging trusts would be to tax in some fashion the passage of possession and enjoyment from the life beneficiary to the remainderman. It is hard to see that the cessation of the life beneficiary's interest constitutes the transfer of an asset out of his estate to the remainderman. The situation has a slight resemblance to the non-exercise of a special or limited power of appointment, but that is not subject to estate taxation to the donee.[18] A succession tax could, of course, be imposed on the remainderman; but the Federal estate tax is a tax on the transfer by the decedent, not on the receipt by the beneficiary. Nevertheless, if public opinion regards the creation of trusts and the operation of the dead hand as becoming unhealthy, this type of tax might ensue. It would be a final and unfortunate blow to that useful creation of English equity, the trust, which has already suffered severely at the hands of the income tax and estate tax.

III.

The income, gift and estate taxes have never really been correlated, and confusion and litigation are the result. A man may have made a taxable gift of property, the income of which is still taxable to him as his own.[19] He may also have made a taxable gift, and still be subject to the estate tax,[20] though Mr. Chief Justice Stone certainly disapproved of this result.[21] The income tax and estate tax laws are highly specific and complicated; the gift tax provisions are broad and unexplicit. Hence overlapping is sure to occur, and practice shows that it does.

The remedy is to revamp all three laws to make them consistent in philosophy with each other; and to eliminate duplicate impositions of the gift and income or gift and estate taxes.[22] This would not be an impossible job at all, and it would end much futile controversy and inequitable double payments. The work can be accomplished whenever the Treasury will pause for a few moments from piling Ossa on Pelion to straighten out this aspect of a needlessly complicated structure.

A second task long recognized, but never really undertaken, is the coordination of the gift and estate taxes into a single tax on transfers. At present, many kinds of transfers, such as joint tenancies, tenancies by the entirety, and transfers deemed to have been made in contemplation of death, are subject to both taxes. To be sure, the estate tax contains a credit for gift taxes,[23] which since 1942 is reasonably adequate; but since estate tax rates are decidedly higher than gift tax rates, there is usually an argument as to whether the estate tax really applies. This task of coordination would not be simple or easy. What is to be done about gifts heretofore made—are they to be taken into account in computing the new transfer tax? Pretty clearly they should not be, except perhaps in the case of gifts clearly in contemplation of death. What about such gifts as those by a father to his eighteen or twenty-one year old daughter, to take care of college expenses? Doubtless a specific exemption or an annual exemption like the present should be provided. That the transfer tax structure could not be simplified and strengthened by coordination, however, is hard to believe. The task must be done by men experienced not only in Treasury administration, but in the divers kinds of transfers that a lawyer or trust officer sees regularly in practice. Moreover, these men must be equipped with a burning desire—which few have—really to make the law both intelligible and fair.

My last policy suggestion also stems from earlier comments. One tax per generation is enough: transfers between husband and wife should not be taxable. A husband should not be compelled to speculate upon economic conditions during his widow's life, upon her need for income or capital, nor upon the sagacity of his young children. Of course, a husband may prefer to set up trusts, and, if so, well and good. If, however, he prefers to give his wife complete power to deal with the property they accumulated together, he should be able to do so, without incurring the present penalty of a possible second estate tax on her estate. A variation of this theme would be a universal adoption of community property; and a recognition that the wife's share thereof is fully her own.[24]

Many of the tax sanctions considered here are income tax, not estate or gift tax results. Income taxes are apt to remain high for years. We shall certainly need to review more carefully than we have whether each of the social and economic incentives the tax laws provide is really desirable in the long run. Should we banish trusts for minors or revocable trusts by making them too expensive? Can we secure the human activity we want in the post-war period, if men are not allowed to accumulate much beyond living expenses? Certainly the country and its great productive plants were developed under a different system. We live in an age which is testing many of our economic ideas by straining them to the breaking point. We accountants and lawyers can best serve our clients and our country not only by developing our technical skill to the utmost, but by observing and reporting the results on business and family transactions of the laws we aid in administering. Only thus can we develop the experience and the understanding which is the first essential for the formulation of a fair and equitable tax structure.

NOTES

[1]No interest has been assumed on the annual contributions. To assume interest will not greatly alter the results, since a good part of the interest, particularly in the higher brackets, will be absorbed by taxes.

[2]Federal Regulation of Family Settlements (1937), 63 J. of Accountancy 40; expanded and revised in The Impact of Federal Taxes, Magill, ch. III.

[3]Sec. 935(c), I. R. C. The $60,000 exemption is in effect for computing the so-called additional estate tax. A $100,000 exemption is effective for computing the basic estate tax (Sec. 812(a), I. R. C.), but the computation of this tax is made only to arrive at the amount of the credit for State death taxes.

[4]The latest Treasury proposals would considerably increase, perhaps double, the yield.

[5]Sec. 1003(b) (3), I. R. C.

[6]Cf. the parenthetical clauses in paragraphs (2) and (3) of Sec. 1003(b).

If the interest of a beneficiary of a trust commences in possession or enjoyment immediately (e. g., a present income beneficiary), the donor to the trust is entitled to a $3,000 exclusion, applicable with respect to each such beneficiary. On the other hand, if possession or enjoyment is deferred until after a stated period, the interest is a "future interest" within the statute, and no exclusion is allowable. See Reg. 108, Sec. 86.11; **Helvering vs. Hutchings**, 312 U. S. 393 (1941); **United States vs. Pelzer**, 312 U. S. 399 (1941); **Ryerson vs. United States**, 312 U. S. 405 (1941).

[7]Sec. 1004(a)(1), I. R. C.

[8]Montgomery, Federal Taxes on Estates, Trusts and Gifts, p. 684.

[9]Op. cit. (prec. note), p. 686.

[10]In which case part or all of the value of the property may be deductible from the wife's gross estate. Sec. 812(c), I. R. C.

[11]These vary in different states. The most common rule is that the final vesting of the property must not be postponed beyond lives in being plus twenty-one years. The New York rule is that the postponement must not extend beyond two lives and sometimes a minority.

[12]See **Helvering vs. Clifford**, 309 U. S. 331 (1940); Magill, The Impact of Federal Taxes, p. 58; Montgomery, Federal Taxes on Estates, Trusts and Gifts, p. 158.

[13]See Treas. Reg. 108, Sec. 86.3.

[14]See **Helvering vs. Stuart**, 317 U. S. 154 (1942); Treas. Reg. 103, Sec. 19.167-1.

[15]See the Regulations cited in note 13.

[16]Section 811(f) requires the inclusion in the gross estate of property with respect to which the decedent had at death a power of appointment, other than a power limited to the spouses of the donor or donee of the power, descendants (other than the donee) of the donor or his spouse, spouses of such descendants, or the exempt institutions described in Sec. 812(d) and 861(a)(3) of the law. Since in our case the wife can only appoint to descendants of the donor of the power, the property does not fall within her gross estate.

[17]If the widow has a power to draw on corpus, the value of that power is apparently taxable in her estate. See Sec. 811(f) and **Bankers Trust Co. vs. Higgins**, 136 F. (2d) 477 (C. C. A. 2d, 1943).

[18]See footnote 16.

[19]Consider **Helvering vs. Clifford** (supra, note 12), and any of the short-term, family trust cases.

[20]See Magill, op. cit. note 12, pp. 98, 110.

[21]**Estate of Sanford vs. Commissioner**, 308 U. S. 39 (1939).

[22]Warren, Correlation of Gift and Estate Taxes (1941), 55 Harv. L. Rev. 1; Griswold, A Plan for the Coordination of Income, Gift and Estate Tax Provisions (1942), 56 Harv. L. Rev. 337.

[23]Sec. 813, I. R. C.

[24]Cf. the treatment of community interests adopted by the 1942 Act; Sec. 811(e) (2), I. R. C.

Admits Shortages

Kurt H. Schurig, partner in Kurt H. Schurig & Co., New York over-the-counter firm, was arrested on charges of grand larceny after he had appeared voluntarily at the district attorney's office to admit shortages of eighty thousand dollars in his accounts, because his conscience bothered him.

An examination of Mr. Schurig's books by an accountant disclosed evidence of the shortage but no tangible evidence of a theft. Mr. Schurig, however, had supplied the District Attorney with a list of twenty of his clients.

Nazi Defeat In Late 1944 Is Forecast

"Germany will not collapse or be beaten short of the fall of 1944" and that "after that we have the most vicious and fanatical enemy in the world still to be defeated in the Pacific," but that over all is the necessity of a better understanding now "on the part of America and England with our ally — Russia," Captain Eddie Rickenbacker told the Financial Advertisers Association Convention, in Chicago, on Oct. 20, in a speech read by his wife because of his absence on a mission for the Secretary of War, said the New York "Herald Tribune" of Oct. 21, which went on to say:

Captain Rickenbacker re-emphasized his previous distinction between the Russia of today and the communistic Russia of 25 years ago still believed in by "home-front Reds and Pinks" who "could not even get a visa into Russia" now.

To close the breach with Russia "that has separated us for many years past, in order to eliminate the strong possibility of laying the foundation for World War 3," Captain Rickenbacker urged an end of "idle chatter" and of such confidence-harming actions as "promising untold supplies and weapons immediately," when as a matter of fact none of the aid has yet "been accomplished, as she understands it." "We should help the Russians to understand us better by voluntarily going to them instead of asking them to come to us," he said.

And in furtherance of general understandings, Captain Rickenbacker said: "We must revitalize our diplomatic corps scattered throughout the world and at home by starting to inject new and younger men with soldiering experience. I say a diplomatic corps with a soldier diplomacy, because we shall be confronted by soldier diplomacy from all other leading nations of the world for the next 50 years."

Recast Transportation Laws To End Monopoly, Wallace Urges

Assails Private Rate-Making Machinery Of Railroads

Declaring that the country's greatest need is "to recast our transportation laws to insure the utmost development of each form of transportation," Vice President Henry A. Wallace called upon Congress on Oct. 20 to do its duty to break the "present and prospective monopolistic controls" and to see that regional rate discriminations disappear.

Henry A. Wallace

In a speech before civic and labor groups in Dallas, the Vice President, discussing the vital role of public transportation, said that financial exploitation of our railroads "is the source and center of the railroads' difficulties and of many of the nation's ills" and "has placed an unbearable burden on the people." He cited the "plundering" of the Erie, the New Haven and other Eastern railroads and the "looting" of certain Western railroads, notably the Milwaukee, adding that "these plunderers" or their successors "rule the railroad empire today as they did in the heyday of their financial manipulations."

Declaring that "public transport is again being brought under monopoly control" and that competition has already been effectively eliminated in the making of transportation rates," Mr. Wallace made these five specific charges:

1. Excessive transportation rates burden agriculture and industry and trade.

2. Non-competitive rates deprive agriculture and industry of the benefits of more efficient and cheaper forms of transportation.

3. Discriminatory rates are keeping the South and the West in a colonial status.

4. Newer forms of transportation are being brought under monopoly control.

5. Monopolistic conditions already present in transportation are fostering monopolies in industry.

According to Mr. Wallace "a clean-cut declaration of legislative policy must insure to the newer forms of transportation an opportunity to develop without suppression." "Competition," he said, "must be restored. This does not mean chaotic competition as some would have you believe. These are regulated industries, and the Interstate Commerce Commission should protect the public interest in transportation in accordance with the direction of Congress."

The text of Vice President Wallace's speech follows:

Out of our natural and industrial wealth we are producing the sinews of war, the purchase price of victory. We are meeting the challenge of war. We have yet to measure and meet the challenge of peace. Whether we shall preserve the essentials of our American life and build an abundance in which all men may share depends primarily and fundamentally upon the wisdom with which we organize and administer our resources. There is one simple key to the kind of domestic peace we must have. It is the full use of our physical and human resources to produce for a better standard of living. There must be no hidden strings, no unwarranted restraints on the freedom to use our productive facilities. But abundant production has only one destination, and that is abundant consumption. We must be as vigilant in maintaining the free flow of goods between producer and consumer as we are in maintaining the free flow of capital and invention into productive enterprise. It is for this reason that I discuss today the vital role of public transportation.

The history of transportation has been a continuing battle against monopoly controls. From the Granger laws of the 1870's to the present time, the people of the South and the West have fought in State and Federal legislatures and in the courts to harness the railroads to serve the public interests. The battle has been without permanent victory; financial interests, through court appeals, legislative rules of rate-making, corporate manipulations and conspiracies, have continued to exact their tolls. The early victories of the Sherman Anti-trust Act have not been vigorously followed up, and new restraints have appeared with the outlawing of the old.

The financial exploitation of our railroads, which has placed an unbearable burden on the people, is without parallel in our American life. It is the source and center of the railroads' difficulties and of many of the Nation's ills. The plundering of the Erie, the New Haven, and other eastern railroads has been equaled only by the looting of certain western railroads, the greatest of which was the Milwaukee. How these plunderers could have escaped the consequences of their evil acts is incomprehensible. They or their successors rule the railroad empire today as they did in the heyday of their financial manipulations. They are even strengthening their grip. So I say to you that the people's battle has not been won; that the battle is on, and that it will never cease until these evils are uprooted altogether.

Public transport is again being brought under monopoly control. Competition has already been effectively eliminated in the making of transportation rates. The evil consequences are everywhere apparent—

"Excessive transportation rates burden agriculture and industry and trade.

"Noncompetitive rates deprive agriculture and industry of the benefits of more efficient and cheaper forms of transportation.

"Discriminatory rates are keeping the South and the West in a colonial status.

"Newer forms of transportation are being brought under monopoly control.

"Monopolistic conditions already present in transportation are fostering monopolies in industry."

These are serious charges. Let us examine them in the light of the known facts.

The people, not only of Texas but of the entire South and West have experienced the effects of excessive transportation charges—the high cost of the necessities of life and the inability to market the products of their labor. You recall years of plenty when it was impossible to move crops to market because the prices would not bear the cost of transportation. Your grapefruit has rotted on the ground, as have peaches in Colorado and Utah, potatoes in Minnesota and Wisconsin, and other farm products elsewhere. All other elements which affect the farmers' costs go up and down with changing conditions, but the high-rate barrier remains the same.

The empire of the West and South which has produced so much of the wealth of the Nation has been drained dry by the tolls of monopolies, the most important of which is transportation. Consider what happened to the consumer's dollar spent for representative agricultural products in a typical year. Every dollar paid by consumers for Texas onions, 28 cents went for transportation and 12 cents went to the farmers. In like manner out of every dollar spent for Texas cabbage, 36 cents went for transportation charges and 14 cents were paid to the farmers. The growers of Georgia and Carolina peaches received only 31 cents in each dollar paid by purchasers; the railroads and other transportation companies received 22 cents. When Dallas consumers bought Idaho potatoes they paid 32 cents of each dollar to the growers and 27 cents for transportation; and of each dollar spent in Dallas chain stores for Pacific iceberg lettuce, 14 cents went to the growers at the packing house and 26 cents were required to pay for transportation. What is true of onions, cabbage, and peaches is also true of virtually everything the farmer grows. These disproportionate and high rates have limited consumption and have penalized the farmer for producing abundantly.

Who makes these excessive rates? There is a widespread misconception that the Government or, more particularly, the Interstate Commerce Commission prescribed each and every rate for public transportation. This is not the fact. In reality, the actual transportation charges, with few exceptions, are made by private rate bureaus and conferences of the carriers. In no year during the past 10 years did the Interstate Commerce Commission review as many as 1% of the tariffs filed with it; that is, more than 99% of the tariffs filed became effective without action by the Commission.

The private rate-making machinery of the railroads is highly organized along geographic lines into three principal territories—eastern, southern, and western. Approximately 15 railroad associations and conferences determine the freight rates of the country. This private rate-making machinery, which surpasses in size and complexity that of the Interstate Commerce Commission, has arrogated to itself that control over rates which Congress sought to vest in a public agency. With few exceptions, these private rate bureaus determine what transportation rates shall be filed with the Commission, and successfully block at their inception virtually all rate reductions that threaten carrier profits. Although competition in rate making is the national legislative policy, it is, in fact, as dead as the dodo.

These rate bureaus are not even democratically organized with respect to their own membership. Many of the decisions with respect to what rates shall be charged in the Southwest have to be referred for final decision to Chicago. One of the important bureaus—the Trans-Continental Freight Bureau—is controlled by the nine railroads reaching the Pacific, and fixes the transcontinental rail rates for the entire country. Though these conferences and bureaus make pious declarations to the effect that individual railroads have the right to quote rates independently, that fact is that this right has long since become an empty fiction. Instead of responding to the recent expose of their cartel methods by the Department of Justice by conforming to the law of competition which all business must observe, the railroads have rushed to Congress seeking special legislation to permit them to continue their illegal private rate-making practices which have been so costly to the entire Nation.

The second charge is that the elimination of competition between competing forms of transportation has deprived the Nation of the benefits of newer and cheaper forms of transport. In an attempt to develop cheaper transportation, the farmers and the businessmen have joined forces in promoting a national system of highways and waterways, and under the vigorous leadership of President Roosevelt, we have completed a vast network of highways and waterways. More recently public funds have been directed to the development of airways and airports. Public patronage has been responsive to the inherent advantages of these newer forms of transport, particularly to the low-cost appeal of highways and waterways. But the early promise of cheap transportation by highway and by waterway has been largely nullified. Under the slogan of "Equality of Regulation," Congress was persuaded to adopt legislation which placed waterways and highways under the jurisdiction of the Interstate Commerce Commission. The consequences of this legislation were foreseen. On Feb. 16, 1940, the then Secretary of War, the Chairman of the Maritime Commission, and I addressed a letter to the chairman of the Interstate Commerce Committee of the United States Senate in opposition to certain provisions of the Transportation Act of 1940. In that letter, we stated:

"Farmers and other shippers should not be required to pay rates based on transportation costs of properties improvidently built, wastefully operated, or partially obsolete. The advocacy of thorough regulation of the minimum rates of motor and water carriers by a centralized agency appears to represent an attempt to use Government power to bring competing transportation agencies into a cartel, and in this manner, to share traffic and adjust rates in such a way as to earn a return upon all transportation capital of these agencies."

These fears were realized. Private rate bureaus were developed by motor and water carriers; indeed, these private rate bureaus have been encouraged both by the requirement that carriers publish tariffs and by the minimum rate orders of the Interstate Commerce Commission. Once competing forms of transportation were organized into private rate conferences, agreements and conspiracies were easily promoted. Through conspiracies between motor and rail carrier conferences, motor-carrier rates have been raised to the level of the rail rates. The activities of water-carrier rate conferences have resulted in relating water-carrier to rail rates. In thus eliminating all competition in rates, the public is deprived of the savings from cheap highway and water transport.

If the public has any illusions on this score, they can be readily dissipated by a reading of the recent decisions of the Interstate Commerce Commission and the courts whereby the farmers and shippers of the Middle West are virtually compelled to use expensive rail instead of cheap barge transportation for the eastward movement of grain.

Not satisfied with eliminating competition in surface transportation, the railroads have even extended their control to the airways to prevent any competition from the carriage of air cargo. Through an exclusive contract between Railway Express Agency (which is owend by the railroads of the country) and the domestic airlines, air express rates have been maintained far above the competitive level, and the movement of cargo by air has been effectively retarded. Despite the assertion of aviation authorities that cargo planes can be operated at 8 to 10 cents per ton mile, air express rates are artificially held at 80 cents per ton mile. This rate is five to seven times the rail express rates.

The coming of the air age can bring to the people of this country new industries, new outlets for goods, and greater freedom of movement. But if monopoly interests are successful in keeping air rates high, we shall be barred from this new frontier, and our Nation's development will suffer.

The third charge is that discriminatory rates have helped keep the South and the West in a colonial status.

The people of the West and South have long fought against discriminatory freight rates. They have asked and are asking pointed questions about the transportation practices and the governmental policies which permit such inequalities to persist. They have watched with deep concern the loss of local industries. They have been profoundly discouraged by the futility of their attempts to attract industrial capital. They have watched the continuing drift of the younger generation to regions promising greater opportunities. They have witnessed a reduction of their purchasing power and the loss of their homes and their farms. Despite the abundance with which Providence had blessed the land, they could not produce sufficient income to cover their costs. They have witnessed a deterioration in the services supplied by the State and local governments, the closing of schools, the neglect of public health and housing, and the delay of sanitation projects. They have become increasingly dependent upon Federal funds for carrying on essential government services. During the war, many of these communities are witnessing what local industry can mean in terms of larger incomes and higher living standards for the whole community, but they are aware that with the coming of peace the old trend of industry to seek productive centers with favorable freight rates will deprive them of this temporary prosperity.

As those most immediately victimized by these conditions, the people of the South and West have a right to demand that the public transportation industries and their Government take steps necessary to secure for them that equality of opportunity which is the foundation of economic and political democracy and the first step toward freedom from want in the midst of plenty.

The Southern Governors' appeal to the Interstate Commerce Commission in 1937 highlighted some of these discriminations.

Studies of various governmental agencies have fully supported the charge of discrimination. Packing houses in Chicago have been able to ship fresh beef to Birmingham, Ala., at a lower rate than packers located at Fort Worth, Tex.; this difference is equal to 50% of the available profit margin. Manufacturers of milk bottles at Santa Anna, Tex., had to absorb freight equal to one-third of their net profit margin in order to sell in the St. Louis market in competition with producers at Elmira, N. Y. The freight rate on tractors from Pueblo, Colo., to Baton Rouge has been substantially higher than the rate from Cleveland to Baton Rouge. From typewriters to laundry soap to paint in nearly every class of manufactured goods the South and the West must pay unequal freight rates in comparison with the North and the East. These disadvantages have been major factors in stifling the industrial development of the South and the West and thus have undermined our whole national economy.

No time need be spent on the specious arguments by which those who benefit from these discriminations have sought to justify their continuance. It is true that only a small proportion of the traffic moving from the South and the West to the Northeast consists of manufactured products. This will always be the condition so long as these discriminations continue. For years we were told that higher rates were necessary in the South and West because of higher transportation costs. Now the investigations of the Interstate Commerce Commission's staff reveal that costs are lower in the South than in the Northeast, and that even in the West they are only silghtly above the level of costs in eastern territory. Cost differentials may no longer be advanced in defense of rate discriminations.

How has it been possible to maintain those rate discriminations over the years? The answer is found in the private rate-making machinery of the railroads. Railroads with established industries on their lines have naturally opposed any rate adjustments which would in any way detract from the preferred position of the industries which create a large volume of traffic. Individually, these railroads would have been powerless to prevent a readjustment of rates, but organized into bureaus they present a united front against any change in the existing situation.

Consider the so-called western agreement, which was recently exposed by the Anti-trust Division of the Department of Justice in testimony before the Senate Committee on Interstate Commerce. Thirty-five railroads operating west of the Mississippi River adhered to the western agreement. The basic purpose of this agreement was to "avoid practices which will dissipate railroad earnings in the western district." Under this agreement there was created a czar, the powerful western commissioner, responsible to no public authority. Under him rail rates were made with the sole objective of preserving the net earnings of the railroads as a whole within the western district. To this end services were restricted in the name of eliminating wastes, technological developments were delayed, and all competition was stifled. The effects of their acts upon agriculture and industry are not even considered. The spirit of this agreement was truly, "The public be damned." I hope the Justice Department expose of this agreement in May of this year has really knocked the agreement out, but I still have my fingers crossed.

But this is not the whole story. If in any particular instance the railroads or their bureaus failed to cooperate, the matter was referred by the western commissioner to a committee of directors for action. This committe of directors held its meetings at 40 Wall Street, New York City, the headquarters of its most powerful members. Thus, the transportation policies for the West were made in Wall Street. Is it surprising under all these circumstances that rate discriminations against the South and the West have been perpetuated and that the industrial development of these regions has been retarded?

The American people should know that the western agreement and the private rate-bureau machinery of the entire country function for the purpose of making the public pay a return upon an obsolete railroad capitalization. The origins of the financial control go back into the early financing of the railroads, one of the blackest pages of American financial history. Although the period of high finance in railroads occurred prior to the establishment of Government control over railroad securities, its consequences linger on, not only in the huge capitalization of the railroads of more than $24,000,000,000, but also in the unbalanced capital structure which consists of bonded indebtedness to the extent of 50 or 60%. If the railroads are to be able to serve the public, they must set their financial house in order so that their rates may move in harmony with other prices and not forever constitute a barrier to full production in business and agriculture.

The fourth charge is that the railroads plot to seize control of the newer forms of transportation.

Those who guide the destinies of the railroads and seek to preserve their financial position are not content with the cartel controls which they now exercise over all domestic transportation. They propose to solidify and make permanent their empire through the enactment of legislation designed to permit the creation of a permanent monopoly of public transportation under the control of the railroads. The plot has been sugarcoated to deceive the people. In the name of efficiency and economy, and under the slogan "Preserve the free enterprise system," it is proposed that Congress permit the creation of integrated transportation systems each of which would control and operate all rail, motor, water, and air transportation facilities throughout large geographic areas. If the railroads are able to establish such regional monopolies controlling air, water, and highway rates they will be in position to hand out favors or penalties to every community in the United States. They can determine the location of industry and population. Under such a system they could freeze ancient injustices and stifle new opportunities. If they should unhappily persuade Congress to set up such a series of regional transportation monopolies, I am convinced the public would arise in its wrath and insist on public ownership of all transportation. In my opinion transportation methods have not yet reached that state of static perfection which lends itself either to monopoly control or Government ownership. Therefore, I hope Congress will be on guard to fight the transportation monopoly whenever this Wall Street inspired creature lifts its ugly head in Washington.

The people of Texas are particularly aware of the charge that monopoly control of transportation breeds monopoly in other industries.

Among Texas' great treasures is the untold wealth of oil which lies beneath your land. The independent oil men of Texas know what the fight against monopoly means. They know that nearly all the great oil fields of this country were discovered and brought to life by small independent producers and wildcatters willing to risk their labor, their meager resources, and their hopes. They also know that the giants in the industry have employed price wars to drive them from the market, and that they have used conservation measures as a competitive screen to conceal their attempts at domination of the industry. By their control of railroads and pipe lines, the oil trusts have sought since the 1870's to fasten their grip on the oil resources of the Nation.

It is an irony of history that the first pipe lines were built by independent producers attempting to escape the domination of the railroads by the oil monopoly. But the people, not only of Texas but of the Nation, know what happened to the pipe lines. Instead of having equal access to the pipeline facilities, they discovered that it was the major oil companies who owned and operated this vital artery. To the independent producer pipe lines have become common carriers in name only, not in fact.

Control of pipe lines by the major oil companies strangles the industry. This device is used by monopolistic interests to maintain their grip on the crude oil resources of the Nation. As long as they own the lines and are able to discriminate against the independents, and can arrange supply, refining, and distribution to suit themselves, the great oil companies can hold down the independent producer and make the public pay the cost. Only through determined action by the people to break this stranglehold can any relief be obtained.

In the light of these facts the people of the West and South are asking insistently—what are we going to do about it? Are the policies and the practices of the past going to be perpetuated? Is there no relief from high transportation costs and discriminatory rates which have reduced the West and the South to a colonial status? Is competition in transportation at an end? Are the newer forms of transportation to be made subservient to the old? Are the American people to be victimized by the scheme for integrated transportation systems? Are they to pay tribute to maintain an obsolete railroad capital structure? Is Washington once more to become a way-station for Wall Street?

The day of accounting has come. Destructive practices in transportation and suppressive governmental policies under which monopoly thrives must now yield to the needs of the common man. These practices and policies must be reversed. The double talk in legislation which has permitted these conditions to exist must give way to clear and understandable provisions which protect the public. Private rate bureaus and ratemaking conferences through which railroad bankers and railroad managers have been able to exact from the people unconscionable rates for rendering an indispensable service must be stripped of their power and their activities confined to legitimate practices in the public interest. A clean-cut declaration of legislative policy must insure to the newer forms of transportation an opportunity to develop without suppression. Competition must be restored. This does not mean chaotic competition as some would have you believe. These are regulated industries, and the Interstate Commerce Commission should protect the public interest in transportation in accordance with the direction of Congress. We can cry out against the existing evils in transportation, but this is futile unless we do something about it. The industry has failed to offer anything constructive and, therefore, the people must look to their duly elected representatives in Congress. Our greatest need is to recast our transportation laws to insure the utmost development of each form of transportation. Thereby present and prospective monopolistic controls will be broken; regional rate discriminations will disappear; and transportation will then truly serve the public interest. In this struggle for economic freedom, Congress will not fail the people.

If and when Congress does its duty, the people of the West and South will have more industry. Their children will find opportunity at home. The output of the entire Nation will increase as the surplus labor of the South and West becomes more skilled in the full utilization of southern and western natural resources for the benefit of the entire Nation.

New Officers Elected By L. A. Bond Traders

LOS ANGELES, CALIF. — The Bond Traders Association of Los Angeles, at a meeting held Oct. 20, elected William J. Zimmerman of Bingham, Walter & Hurry to be President for the coming year.

The other officers of the Association elected at the same time are: Clifford L. Hey of Nelson Douglass & Co., Vice-Presdient; Charles R. Livingstone of Bankamerica Co., Secretary, and William H. Davies, Jr., of Butler-Huff & Co., Treasurer.

The following are the new members of the Board of Governors: Clarence R. Dobler of William R. Staats Co.; Nicholas P. Kirwan of Dean Witter & Co. and William L. Wright of Lester & Co. Mr. John C. Hecht of Butler-Huff & Co. was chosen for National Committeeman.

Monopoly Charge Condemned By John J. Pelley

The reference by Vice-President Henry A. Wallace "to Wall Street control of the railroads is merely rattling the dry bones of ancient prejudices," said John J Pelley, President of the Association of American Railroads on Oct. 21, in a prepared reply to statements made by Vice-President Henry A. Wallace in a speech in Dallas, Texas, on Oct 20.

Mr. Pelley's statement follows:

"The Vice-President of the United States, in the savage and unwarranted attack upon the transportation agencies of the country made at Dallas last night, has echoed old and discredited statements which have been answered time after time by spokesmen of government and industry.

"He repeats assertions made by employees of the Anti-Trust Division of the Department of Justice in a public hearing before a Senate Committee, but he does not refer to the fact that these assertions were conclusively refuted by responsible public officials and private citizens concerned with transportation. The truth is that the conference method of considering rates has long been in use and has had the approval of both shippers and public regulating authorities, and that every conclusion reached is subject to review by the Interstate Commerce Commission. Speaking for the railroads, they are willing and anxious that their rate-publishing agencies should be subject to Commission control under regulations that will be practicable and fair.

"Mr. Wallace devoted much time to alleged discrimination against the South and West in the matter of rate adjustments. All such questions are again before the Interstate Commission in a comprehensive proceeding involving all the issues. That body, which enjoys the confidence of the country to a very high degree, can certainly be trusted to do justice to all sections.

"Mr. Wallace would have the public believe that railroad freight rates are unreasonably high. As a matter of fact, they are the lowest in the world. The average revenue for hauling a ton of freight one mile is less than one cent, and less than at any time in the past 25 years.

"The Vice-President repeats with the usual inaccuracies the oft-told story of the contract between the air lines and the Railway Express Agency, which performs for them the necessary ground services. This contract has lately been reviewed, revised and approved by the Civil Aeronautics Board, after certain provisions as to rate levels had been eliminated, but even before revision, the contract had no effect upon air line express rates. This is obvious from the fact that the original contract provision limited air rates to twice railroad express rates, whereas Mr. Wallace states that these air rates are 80 cents per ton-mile, which is five or six times the measure of rail express rates. The truth is that the air rates are fixed by the air lines and the express contract has had no effect whatever upon them.

"It is true that Mr. Wallace, when he was Secretary of Agriculture, opposed the regulation by the Interstate Commerce Commission of motor and water rates, a reform approved by Congress in response to the overwhelming sentiment of the country. It is difficult to reconcile such a position with his statements in this speech that the Commission may be depended on to prevent ruinous and undesirable competition.

"Mr. Wallace devotes a considerable amount of time to the so-called Western Agreement, formerly in effect on certain Western railroads. Those who are interested in this question should read the statement on this subject recently put into the record of the Senate hearings by W. Averell Harriman, our war Ambassador to Russia, who had much to do with the adoption of this agreement some 20 years ago.

"The address by the Vice-President is filled with statements that, by implication at least, reflect upon the competency, if not the integrity, of the Interstate Commerce Commission. That body needs no defense at my hands. Its more than 50 years of honorable service speaks for itself. It is strong in the confidence of the country.

"In his references to Wall Street control of the railroads, Mr. Wallace is merely rattling the dry bones of ancient prejudices."

Vice-President Wallace Replies

Associated Press dispatches from Washington, D. C., on Oct. 22, had the following:

Replying to criticism by John J. Pelley of his recent speech at Dallas on transportation agencies, Vice-President Wallace asserted: "I know of no basis for Mr. Pelley's sweeping statement that American rail rates are the lowest in the world. The evidence is that through rate conspiracies the railroads have raised the whole level of transportation rates by all forms of public carriage."

Mr. Wallace said Mr. Pelley acknowledged by implication the "rate discriminations long endured by the South and West, and only remarks that all of these issues are now before the Interstate Commerce Commission."

"Mr. Pelley would have the people believe that Wall Street bankers no longer control the railroads," the Vice-President's statement continued. "The recent private sale of railroad bonds to private banking houses, which have long controlled and exploited the railroads, where admitted savings could be obtained through competitive bidding for such securities, is convincing evidence that these bankers rule the railroad empire as they have in the past.

"The increased cost of such private financing is reflected in the rates charged the public. Only when the grip of investment bankers on the railroad corporations has been broken will sound financial policies be established which will insure that railroad financing will not contain hidden profits for financial groups which must be paid by the public through higher rates."

New Counsellor Firm Organized By Grawoig

CHICAGO, ILL. — Announcement is made of the formation of I. G. Grawoig & Associates of Chicago to offer a financing, management and business counsellor service to industry. Head of the new firm, which will have offices in the First National Bank Building, is I. G. Grawoig, prominent Chicago industrialist. Mr. Grawoig is President of the National Ice and Fuel Corporation here and Director and Secretary of Continental Products, Inc., mail order house. He has been active in a number of industrial fields for many years and is a former President of the Chicago District Ice Association and of the Illinois Association of Ice Industries.

Which Way America

(Continued from page 1687)

Mr. Landon's address, entitled "Which Way America," follows:

Here we are at once of the great critical hours in the life of the nation and the world.

A heavy obligation rests on everyone not to indulge in futile and petty criticism. We must contribute to building a positive policy for America. It goes without saying that the purpose of this round table discussion is to help in that direction.

Our ideas may differ as to the policies nations must pursue in their avoidance of making a hash of the post-war world.

But such a meeting as this helps clarify our thinking. That to me is about the most important pob confronting us.

We are confused by the very multiplicity of plans for erecting the structure of world peace we all so devoutly desire.

So, I propose to discuss some of the factors interfering with the building of institutions of law and order for the settlement of international disputes that might lead to war.

I believe I can contribute more here by clearing some of the underbrush that is interfering with our having a comprehensive view than by discussion of the forms of the institution for world peace.

Those who favor some form of international organization to maintain world peace have not had any leadership in the White House. Whatever else may be said of Woodrow Wilson, he was a leader.

The only foreign policy the administration has approved, and that by indirection, is the old discredited theory of a balance of power alliance. Alliances tend to separate the nations of the world rather than to pull them together. Especially is that true of the proposed exclusive alliance.

A comprehensive compact of all important nations with due sympathy and fair consideration for the rights and aspirations of and simple justice to small nations and backward peoples ceases to be an alliance and becomes a "League of Nations" if you choose to call it that.

However, the alliance before us is of no such a comprehensive proposal.

I submit that the proposed British-American alliance is joint isolationism.

World collaboration and cooperation should mean all nations.

A mere alliance with one imperialist country means a partnership of the strong against the weak. There is no more world cooperation in an Anglo-American alliance, which would inevitably put the rest of the nations against us, than there is in a partnership of the rich against the poor.

There are those who are either deceiving themselves or deceiving others, when they talk in one and the same breath in favor of world cooperation and of an alliance that excludes two-thirds of the world's population.

I don't believe the brotherhood of man means simply the brotherhood of Anglo-Americans. That leads us nowhere. It is destructive in its exclusiveness.

Another factor interfering with the expressions of our responsibilities in the world is hallelujah thinking. Throughout our national history our foreign policy has been weakened by general public indifference or an emotional boogy-woogie approach. Neither has left much opportunity for realistic thinking.

Today our thinking about our foreign policy is being confused by starry-eyed plans to make the United States the big brother to all the world, and by an inferiority complex that causes some Americans to say, "Excuse me sir," every time another nation pushes her interests against ours.

If Americans do not realize the influence of America in world affairs and assert it properly no one else will.

Personally, I think imperialism is a greater threat to world peace than nationalism.

My concern with Russia is not her theory of property. I have always said if it works better than ours it will and ought to be O.K. If it doesn't, I am glad to have Russia do the experimenting.

My concern with Russia has been her encouragement of treasonable activities on the part of American citizens in supporting Russia as against the policies of our own country.

But Russia has announced that those almost belligerent activities will terminate. That removes one of the seedbeds of future wars. I am willing to assume her good faith until events prove the contrary. As I have said before, we must work with her.

We must work with Britain, too. We have more in common with her than with any other country. Britain says she intends to retain "as is" her imperialistic empire. World cooperation requires concessions on the part of all nations.

I am not so much concerned regarding the forms and beginnings of the institutions of law and order in the world as I am to reduce and to eliminate as many of the seeds of future wars as possible.

I don't think we can do that all at one stroke. But we must examine the possibilities so that we will be better prepared to assume intelligently our responsibilities. I don't believe in reform after marriage. I think a start at least should be made before.

Nothing to my mind can be more fatal to the future of the world than sugar-coating the problems involved in collective security. Yet some earnest and enthusiastic souls are doing just that. They think the question of world peace can be settled in the familiar term "we ought to have a law."

While I believe we must think in terms of removing the evils that cause wars as much as possible, we must approach with sympathy and understanding the problems of Russia, Britain, China and all other nations great or small. We must not attempt to force our own ways on them.

That's another bit of underbrush in the way of clear thinking. To illustrate, I said once that all the world does not like ice cream sodas. A friend of mine—a graduate, by the way, of the University of Kansas, said, "I wish you wouldn't say that." "Why?" says I "Because it isn't true," says she. "They do like ice cream sodas."

So we need faith and understanding and realistic patience.

We move towards the day when we must erect a house of world peace wherein the peoples of all nations may hope to dwell in concord and in unity.

"Except the Lord build the house, they labor in vain that build it."

Which can mean only one thing—that there must be justice and fairness towards all nations. There must be respect and dignity for all peoples regardless of their numbers, race or creed.

Such a peace can be built for all time, reviewing and adding to its strength as the world grows in grace and moral strength.

The challenge is not for men of small heart or little faith. If humanity can now reach that high-road it justifies all our sacrifices and suffering.

Ass'n Of S. E. Firms Nominates Governors

The Nominating Committee of the Association of Stock Exchange Firms has nominated 10 Governors to serve for three-year terms and one for a two-year term and has also named a successor Nominating Committee.

W. W. Peake, Secretary of the Association, distributed the slate to members and member firms on Oct. 21, and it will be voted on at the annual meeting of the Association to be held on Nov. 15 in the Governor's Room of the New York Stock Exchange.

The following are the nominees:

For the Board of Governors

To Serve for Three Years: Wm. Wymond Cabell, Branch, Cabell & Co., Richmond; William W. Cumberland, Wellington & Co., New York; M. Livingston Delafield, Delafield & Delafield, New York; Albert P. Everts, Paine, Webber, Jackson & Curtis, Boston; Charles S. Garland, Alex. Brown & Sons, Baltimore; M. Donald Grant, Fahnestock & Co., New York; James M. Hutton, Jr., W. E. Hutton & Co., Cincinnati; Joseph Klingenstein, Wertheim & Co., New York; Arthur F. Lindley, Clement, Curtis & Co., Chicago, and Leonard D. Newborg, Hallgarten & Co., New York.

To Serve for Two Years: Sydney P. Bradshaw, Clark, Dodge & Co., New York.

Nominees for the Nominating Committee

Sydney P. Clark, E. W. Clark & Co., Philadelphia; E. Dewey Everett, Hornblower & Weeks, New York; Russell E. Gardner, Reinholdt & Gardner, St. Louis; Harold W. McEvoy, Winslow, Douglas & McEvoy, New York, and Reuben Thorson, Paine, Webber, Jackson & Curtis, Chicago.

Albert H. Gordon, of Kidder, Peabody & Co., is Chairman of the present Nominating Committee which made the selections. Other members are C. W. Baker, Jr., Laird, Bissell & Meeds; Paul H. Davis, Paul H. Davis & Co; Laurence M. Marks, Laurence M. Marks & Co., and Frank C. Trubee, Trubee, Collins & Co.

Says Mtg. Bankers Lean Too Heavily On Govt.

Speaking from the viewpoint of a commercial banker, H. R. Templeton, Vice-President of the Cleveland Trust Co., told the Mortgage Bankers Conference in Chicago last month that what mortgage men need more than anything else is a revival of simple courage and said that they, like many other business groups, have begun to lean too heavily on the Federal Government.

Mr. Templeton declared:

"We complain about bureaucrats and the interference of Government in our affairs, yet at the first sign of trouble we rush to Washington and demand that somebody do something about saving us instead of rolling up our sleeves and doing a bit of saving ourselves. I think it can be safely said that a large percentage of holders of FHA mortgages care little about the borrower or the property securing their mortgage. They are interested only in the fact that their loan is insured by FHA. They have surrendered to FHA the function of making a good loan. Where will such thinking lead us? I say it will end in the Government being in every phase of business that permits itself to be the recipient of paternalism. If any group yells loudly enough, it will get plenty of Government paternalism, but it can then say goodbye to its freedom of action and possibly to its business."

He criticized FHA for being slow in processing loans and said it must speed them up. He said he was concerned over the fact that such large amounts of mortgages still remain in Government portfolios and pointed out that HOLC still holds $1,500,000,000 in loans. He declared that if these were sold to private interests it would greatly help in restoring mortgage competition to a normal basis.

Scott Nominated For Presidency Of U. S. Savings & Loan League

Nomination of John F. Scott, St. Paul, Minnesota, for the presidency of the United States Savings and Loan League, subject to the vote of the 51st annual meeting to be held in Chicago, Nov. 29, 30, and Dec. 1, was submitted to the League's 3,700 member savings, building and loan associations and cooperative banks this past week. Mr. Scott is president of the $21,000,000 Minnesota Federal Savings and Loan Association which he helped to organize in St. Paul 21 years ago. He served as Second Vice-President of the national organization and is now completing his term as First Vice-President.

John F. Scott

The Committee on Nominations submits his name as successor to Ralph H. Cake, Portland, Ore., who will preside over the meeting in Chicago next month.

On the slate with the Minnesotan the Committee has nominated W. Megrue Brock, Dayton, Ohio, for the First Vice-Presidency and Henry P. Irr, Baltimore, Md., for the Second Vice-Presidency. Herman F. Cellarius, Cincinnati, who has been Secretary of the League for 47 years, is nominated for Secretary-Treasurer for the 1943-44 term.

Mr. Scott served last year as Minnesota Chairman of the U. S. Savings and Loan League's $100,000,000 program for association purposes of Government securities. In his home city he has been active in tax relief, becoming President in 1932 of the highly effective Citizens Tax Relief Association in St. Paul. Two years ago he was chosen King of the St. Paul Winter Carnival, always a testimonial to the outstanding leadership of a St. Paul man in civic and business affairs.

The nominee for the League Presidency has a background with the Federal Farm Loan system, having served as general counsel of the Federal Land Bank of St. Paul for several years before he became President of the thrift and home financing institution which he has built up to become the 15th in size in the entire United States. He has been Chairman of the Legislative Committee of the Minnesota Savings and Loan League for 18 years.

He was a member of the building industry Advisory Committee called together last month by the Chamber of Commerce of the United States to confer on present and post-war problems of the industry with the WPB.

Revision In War Property Acquisition Bill Urged By Mortgage Bankers Association

While recognizing the long legal delays and tedious procedure encountered in acquiring property needed for the war program, the legislation now before Congress to speed up the process contains a serious threat to absentee owners of real estate and lienholders, according to an article in the current issue of "The Mortgage Banker," published by the Mortgage Bankers Association of America. The legislation would make it possible for the Government to acquire property by publication of notice and notifying those found in possession of the property, says the article, which points out that this would offer no protection to an absentee owner or a person who might hold a lien on the property. The legislation also aims to speed up the distribution of money paid for the property.

The article explains that in many cases the legislation would mean that owners could have their property taken from them by the Government without their knowledge.

The article declares that the bills (H. R. 2617, S. 975 and H. R. 2466) should be revised to provide for adequate notice being given to parties of interest and should require a full search of the public records to determine their interests. There can be no question of the purposes of the legislation, it continues, because it is no doubt true that the suddenness of the outbreak of war and the great demands made by Federal agencies for property needed for war purposes has been retarded somewhat by complicated legal procedure. This is said to be particularly true in rural areas.

The Association last month voted opposition to the bills as they stand now. Other groups, including the real property section of the American Bar Association, have taken similar action.

United States Holds 66% Of World's Gold

The United States holds $22,243,000,000 or 66⅔% of the world's gold stock, with the remaining $11,071,000,000 or 33⅓% distributed among 57 nations, the Federal Reserve "Bulletin" for October disclosed on Oct. 21.

In reporting this, United Press Washington advices further stated:

The Board report was seen as substantiation of the claim of Dr. Harry D. White, assistant to the Secretary of the Treasury, that all nations hold some gold and possess enough to participate in the $8,000,000,000 post-war stabilization fund and the $10,000,000,000 world bank.

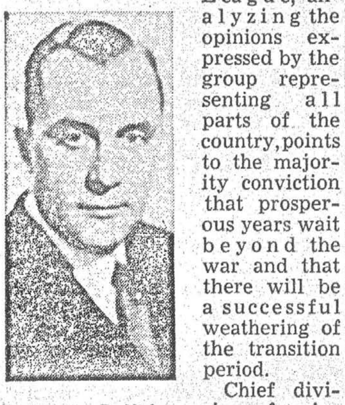
Germany and Japan controlled $4,334,000,000 of the world's gold stock, according to the "Bulletin." Germany owned only $29,000,000 of gold itself, but through occupied countries it had control of some $3,954,000,000. Japan controlled $380,000,000 of the percious metal, of which it owned $164,000,000. Italy, a former member of the Axis, owned $120,000,000.

The United Kingdom, Canada, South Africa and other British possessions had $3,862,000,000 in gold, while neutral European nations possessed a total of $1,385,000,000. Near East neutrals owned $184,000,000.

The American republics, Mexico and those in South America, had $995,000,000 in gold reserves, while 20 of the smaller nations were in control of $191,000,000.

Large Volume of New Construction and Modernization Seen For Post-War Period

Prospects that communities will get rid of their temporary war housing, that modernization of old housing will be much in demand, and that there will be a volume of new construction, largely along established methods of house building, are seen for the period immediately after Victory by a cross section of savings and loan association and cooperative bank managers. The United States Savings and Loan League, analyzing the opinions expressed by the group representing all parts of the country, points to the majority conviction that prosperous years wait beyond the war and that there will be a successful weathering of the transition period.


Morton Bodfish

Chief division of opinion among the savings and loan executives was on the trend of real estate prices after Victory. All regard the present level of real estate prices as high, and nearly one half of them think that the present favorable market cannot be maintained when Victory has been won. Others point to the expectancy of some "levelling off" in real estate prices but not to the point of pre-war prices. About 13% of them think that price will continue upward after the war is over, while 40% think prices will remain at present levels.

"Prefabricated housing is a likely factor to be reckoned with in the years following the war, in the opinion of this representative savings and loan group," summarizes Morton Bodfish, Chicago, Executive Vice-President of the League. "In spite of the fact, however, that the prefabricated house is thought to have an increasing market in the years ahead, and to offer a good opportunity for savings and loan financing, the general opinion is that it will occupy only a small portion of the home building field, and that in the immediate future it cannot be regarded as a major factor."

General savings and loan opinion is that local interests will see to it that the war housing constructed on a temporary basis will be removed or demolished. In some cases, it is pointed out, the temporary units are of such materials that they would rapidly become uninhabitable if they were not torn down at the close of the war.

The brisk demand for modernization of older houses is anticipated as soon as they are vacated by war workers. Owners will then want to put them into good condition so that they can be sold or rented in the post-war period.

As to new home construction, several savings and loan executives think the demand will be most pronounced for the better-than-average dwelling, which was first to feel the effects of war-time restrictions.

Belief that communities will shift from a war economy to a peace-time production basis without serious effects presupposes that large numbers of the inmigrant workers now employed on war jobs will return to their former homes. Chief doubts about the shift being made without difficulty come from savings and loan men in single-industry cities where the prosperity of the post-war years is felt to be directly dependent on what these industries do.

Insured Savings And Loan Council Of The State Of New York Elects President

Carl F. Distelhorst, active in national savings and loan affairs for a number of years, has been appointed full-time salaried President of the newly-formed Insured Savings and Loan Council of the State of New York, it was announced by George L. Bliss, Chairman of the Board of Governors. Mr. Distelhorst assumed his new duties on Oct. 1. Offices have been opened in N. Y. City from which point a comprehensive, carefully planned program will be undertaken to promote present and post-war interests of insured savings and loan associations throughout the State.

Twenty-six associations, with assets of close to $130,000,000 have already become affiliated with the Council and 32 additional institutions are expected to announce their support in a short time.

Collectively, the 108 insured institutions eligible for membership in the Council control assets approximating $320,000,000 out of a total of $488,000,000 represented by all savings and loan associations in New York State including those which are uninsured by the Federal Government.

"The dominant position which the insured savings and loan institutional group holds in the field places a challenging responsibility upon its members not only to cope adequately with existing wartime problems but to plan effective methods of providing even greater service to long-term savers and home-owners during the post-war period," declared Mr. Distelhorst, who further stated:

"The habit of systematic saving inculcated in so many more million Americans during the War presages a continued trend in the same direction after the close of hostilities.

"Conservative estimates indicate that the people of this country will have at least $15,000,000,000 a year available for savings out of the national income following the War. At the same time, at least 1,000,000 new homes a year for a number of years will be projected as part of the program to swing American production back to normal peace-time channels.

"Savings and loan associations already have achieved the distinction of financing one out of every three homes in urban districts throughout the Nation and are equipped to increase materially their scope of service in the post-war home mortgage field; their objective is the advancement of financing aid to one out of every two of these 1,000,000 new homes.

"We propose to demonstrate the ability of private capital, representing the savings of people in ordinary walks of life, to provide such ample funds for financing home-ownership that the Federal Government will be relieved of any need for further financing in that direction, at a time when the Federal budget will be confronted with the task of repaying the money borrowed for war purposes.

"Since membership in the Council is restricted to associations in which savings are protected by the Federal Savings and Loan Insurance Corporation and all of which are also members of the Federal Home Loan Bank System, it is obvious that the new group begins operation under the most favorable auspices.

"The Council has plans under way which call for an efficient working organization which will serve not only as a clearing house for the exchange of business data and ideas among its own members but will also collect and disseminate essential information related to thrift and home-financing from the standpoint of the general public."

Mr. Distelhorst has been serving for the past year and a half as Assistant Vice-President of the United States Savings and Loan League and Secretary-Treasurer of the American Savings and Loan Institute. From 1939 to 1942, he was assistant to the President of the Federal Home Loan Bank of Pittsburgh, in which assignment he was responsible for the bank's research and statistical division. From 1930 to 1938 he was a member of the faculty of the University of Pittsburgh, during which period he was also an instructor in local chapters of the American Savings and Loan Institute of the American Institute of Banking.

Serving as Governors of the Insured Savings and Loan Council with Mr. Bliss, who is President of the Railroad Federal Savings and Loan Association in New York City, are Ernest A. Couvrette, President of the First Federal Savings and Loan Association, Syracuse; Floyd Cramer, Executive Vice-President of the Washington Heights Federal Savings and Loan Association, New York City; Leon Fleischmann, President of the Ninth Federal Savings & Loan Association, New York City; Richard A. Greer, Secretary-Treasurer of the White Plains Federal Savings & Loan Association; Joseph Holzka, Executive Vice-President of the Northfield Savings & Loan Association of Staten Island; Arthur E. Knapp, Vice-President of the Nassau Savings & Loan Association of Brooklyn; Frank A. Nolan, Secretary of the Colonial Federal Savings & Loan Association of Staten Island, and Selden W. Ostram, President of the New Rochelle Federal Savings & Loan Association.

N. Y. Stock Exchange Weekly Firm Changes

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

The proposal that Clifford Hollander act as alternate on the floor of the Exchange for Robert F. Shelare will be considered by the Exchange today. Both are partners in Hirsch, Lilienthal & Co., New York City.

Christopher K. Coates retired from partnership in Beer & Co. on Sept. 30.

Interest of the late Frank H. Davis in Riter & Co., New York City, ceased as of Sept. 24.

John P. Lein & Co., New York City, was dissolved on Sept. 30.

Interest of the late George C. White, a member of the Exchange, in T. L. Watson & Co., ceased as of Oct. 14.

The proposed transfer of the exchange membership of the late George W. Shaw to Harry Ross will be considered on Oct. 21. It is understood that Mr. Ross will act as an individual floor broker.

The proposed transfer to Joseph A. Zock of the Exchange membership of the late Anthony W. Morse will be considered on Oct. 21. It is understood that Mr. Zock will be an individual floor broker.

Transfer of the Exchange membership of the late Richard P. Loasby to I. B. Pollard will be considered on Oct. 21. Mr. Pollard will continue as a partner in Pollard & Co.

The Home Planners' Institute

Preparing A Post-War Program

By **RALPH H. CAKE, President of the U. S. Savings & Loan League President, Equitable Savings and Loan Association, Portland**

It is the obligation and the privilege of American private enterprise to provide a program that assures **immediate** employment for the returning service men and idle war workers. As our fighting forces invade the continent, the solution of this problem becomes more urgent. Only one industry seems to be large enough, to have the market, and to require no retooling to do the job—that is the home building industry.


Ralph H. Cake

In the Pacific Northwest a program has been formulated, which within a few months will be made national, to "ready" the home building industry for its post-war job. The program is named the "Home Planners' Institute," and was organized through the combined efforts of Orville Miller, President of the West Coast Lumbermen's Association; William C. Bell, Secretary-Manager of the Western Retail Lumbermen's Association and the Equitable Savings and Loan Association.

In brief, the Home Planners' Institute is an educational and savings program for prospective homeowners. A free school is being conducted for the duration—set up on a two-year basis but flexible enough so it can be shortened if home building is permitted before then—to help home-planners build an ideal home. Classes will be held once a month, and outstanding authorities on every phase of home building will lecture at these meetings. Subjects covered by the course include site selection, financing the home, architecture, building materials, construction, heating and air conditioning, plumbing, wall finishes, landscaping, interior decoration, furnishings and 14 other subjects. The classes are free to those who are sincerely planning to build, and show proof of this sincerity by saving for the down-payment. The down-payment may be accumulated either in War Bonds or in a Home Planners' Savings Account. When editors of more than 30 technical and business papers were recently surveyed, their consensus of opinion was that 1,000,000 homes a year will be built in the first 10 years after the war. The average home will probably cost around $4,000. Therefore it is estimated that home building will be a $4 billion-a-year industry after the war.

If the Home Planners' Institute can steam up even a small proportion of this market so it will be ready to go the minute the war ends, we have done a huge planning job to prevent post-war unemployment and consequent depression.

Considered from its present-day aspects, the Home Planners' Institute is patriotic and sound economics. First, it will increase the sale of War Bonds, because it gives many families a more definite purpose for buying bonds. The psychological appeal of home ownership is as strong as patriotism. Second, it will provide a huge inflationary hedge whether the money is put in War Bonds or a Home Planners' Savings Account.

The plan has received the approval of the National Association of Lumber Manufacturers. Portland will serve as the pilot plant, and then through Mr. Miller and Mr. Bell the proved plan will be made available to every city and town in the United States. This program will present a real opportunity to some financial institution in each city.

Savings & Loan Conference To Be In Chicago Nov. 29

Building industry representatives will talk about today's housing and tomorrow's home building plans to savings and loan executives and cooperative bankers assembled in Chicago Nov. 29-30 and Dec. 1, at the United States Savings and Loan League's second war conference. Ralph H. Cake, Portland, Ore., President of the League, announced that the strictly business sessions which will constitute the 51st national gathering of the thrift and home financing institutions will include the evening of Nov. 30 devoted to a full discussion of the building situation. The advices from the League on Oct. 9 stated:

"Concentrating on their immediate war task, the savings and loan representatives will hear from the League Committees on Construction Loans, FHA, Personnel, Investments, Advertising and Housing. All of these groups are concerned with one or another of five major phases of the home front: (1) increased channelling of savings and loan association and cooperative bank surplus funds into Government securities for the duration; (2) provision of War Housing, with special reference to Title VI loans for which Congress is in the process of granting an additional $400,000,000 of FHA insurance; (3) advertising Series E War Bonds, which have become a major commodity on the shelves of these institutions with their $700,000,000 of cumulative sales the past 2½ years; (4) the promotion of thrift as an aid against inflation; and (5) the servicing under wartime difficulties of the 8,000,000 people with whom these institutions have savings and home loan transactions."

"Our Reporter On Governments"

By S. F. PORTER

If you're laboring under the delusion that you've obtained protection against money market changes by holdings of Government bonds due in 1945, 1946, 1947 or 1948, you're asking for trouble some day . . . . Maybe not in the immediate future, but certainly at some date . . . . There is no sense to holding those securities, notes or bonds —for that one purpose . . . . And odd though it may sound, you'd be much better off in the 2% loans, due in 1951/49, in 1952/50 or in 1953/51. . . .

This strong, flat statement represents a consensus among the smartest bond dealers in this country . . . . The ones making the market in New York and the small group in close touch with developments both in institutional portfolios and in the Treasury . . . . What's more, there's plenty of logic behind it . . . . And assuming that you've deep interest in the subject, here's the story . . . . Chances are you do own some of the shorter-terms and you may want to take action over the coming weeks . . . .

To begin with, the shorter-term bonds and longer-term notes are most vulnerable to money market changes at this time . . . . They're too far out to represent the equivalent of cash to banks and similarly situated institutions . . . . They're too short to represent income-returning stuff to big investors . . . . They're too high-priced to give you a sense of protection against the unforeseen unless you've amortized the securities to the lowest figure . . . .

In this particular period of Treasury financing, the important points are:

(1) Income, for banks and other institutions must find earnings in their securities and must find offsets to the tax burden. . . .

(2) The definite probability that there'll be no more commercial bank offerings for several months, maybe for the balance of this fiscal year . . . .

(3) The developing movement away from shorts and into longs, because of the first two factors . . . .

Which leads directly to the statement that holding the "neither here nor there" short bonds and long notes is not sensible now . . . .

WHAT TO DO?

Let's say you own some of the Dec. 15, 1946, 1½% notes . . . . Taxable, selling at 100.24 to 100.25 to yield 1.23% before taxes, .73% after corporate taxes . . . .

Sell half your 1½s and switch into certificates of indebtedness, possibly the October maturity, selling on a .79 basis . . . .

You might do this with those 1½s and come out on top all around:

You lose 44 basis points on that half of the transaction, of course . . . .

Now sell the other half of your 1½s and switch into the 2s of 1951/49, the December 15 loan, selling at 101.3 to yield 1.80% to call date . . . .

You pick up 55 basis points from this deal, giving you a net gain of 11 basis points on the switch . . . .

And, in addition:

(1) You've protected yourself really and truly against money market changes by getting into the certificates . . . . That's one-year stuff and unquestionably the best sort of thing you could hold for this purpose . . . .

(2) You've given yourself a chance for a market rise and shifted into an especially popular maturity . . . . The 1951/49 classification . . . .

So you've protection and you've gained from the deal on basis points . . . . It's an obvious move, this observer believes . . . .

Now let's say you own the 1¾s of 6/15/48 or the 2s of 3/15/50/48 . . . . Both taxable, both yielding around 1.50% . . . .

You might switch those issues into the 1951/49 categories and accomplish the same sort of thing . . . . Or you might try that half-and-half transaction and get your money market protection plus your higher yield . . . .

It doesn't matter whether you have the specific securities mentioned in this discussion . . . . I've chosen those as samples . . . . Look over your list, see what you have in this "in between" classification and then act . . . . You'll find it an intelligent switch, unless all our calculations go haywire . . . . Which is unlikely . . . .

THE MARKET

As for the market, that's continuing to act in a droopy sort of way . . . . The tight money situation in New York and other large cities remains the major factor at the moment but not one authority queried in the last fortnight believes the situation will continue so severe that prices of Government bonds will be forced down . . . . A gradual rise over the coming weeks is anticipated by several . . . . Feeling that the new 2s and 2½s will cross the ½-point premium level and get up higher still persists . . . .

And to repeat this observer's comment of last week, the market at this level looks "dirt cheap" . . . .

That summarizes the story, although you cannot judge the market without taking into consideration the problem of funds . . . . As the Treasury draws on its war loan accounts, the banks are going to be faced with the problem of covering other deposits with reserves . . . . In addition there was a shift of more than a billion dollars to districts outside New York during the Third War Loan drive, and this unexpectedly large withdrawal has complicated money market management . . . . Money in circulation is bound to rise between now and the holidays . . . . The money picture, in brief, is not good at this particular moment . . . .

But the banks on their own or the Federal Reserve System on its own can solve the puzzle without too much difficulty . . . . And this observer believes the puzzle will be answered without important delay . . . . By selling bills back to the Federal under the repurchase agreement, the banks can conduct their own open market operations. . . . By lowering reserve requirements, the Federal Reserve can ease the money situation . . . . The latter step still seems improbable for now, despite the forecasts of some dealers . . . . Because the Federal Reserve's repurchase agreement will allow gradual solution of the money tightness and because no more loan drives are in store until at least early 1944 . . . .

Remember one prime point in all decisions on the market price level from now on:

The peak in Treasury financing has been passed . . . . The big drives to the banks are over . . . . The supply of new securities for institutions is not going to hit previously-established marks unless all plans are upset . . . .

Remember that point — and then go on to your longer-term price prediction . . . .

INSIDE THE MARKET

Just a few buyers in this market would bring back life and buoyancy, experts say . . . . Selling has been minor . . . . The declines that have occurred have been due to lack of bids, not to large-scale liquidation . . . .

There'll be a concerted campaign in mid-November and extending through December 24 to sell war bonds as Christmas gifts . . . . At one time, Secretary Morgenthau was thinking in terms of a top-flight war loan campaign in December, but his advisers squelched that one . . . . So the promotion will be restricted to the Series E, F and G . . . . Especially Series E . . . . And there'll be specially decorated Christmas covers with the words "So There'll Always Be a Christmas —My War Bond Gift To You" . . . .

Importance of this to the regular market lies in the possibility that campaign may lift sales of war bonds considerably in December . . . . Cutting that much more from the Treasury's borrowing needs for the balance of the year . . . . The way the figures shape up today, Morgenthau can get through to June 30, 1944, with no more offerings to banks and two $10,000,000,000 loans, designed for non-bank subscribers . . . . That's a sentence worth remembering . . . .

"A Just and Durable Peace"

Since the early part of the year, The International Nickel Co., Inc., of New York, of which Robert C. Stanley is President, has devoted much of its daily newspaper, farm paper and magazine space to the promulgation of peace objectives.

In the October 21 issue of the "Chronicle," the company published a monograph on the one subject which is now uppermost today in the minds and hearts of the peoples of every land throughout Christendom namely: "The will of our people can assure a just and durable peace."

Robert C. Stanley

In no small way the company's peace pronouncements outlining the foundations for permanent and equitable peace have been, we believe, instrumental in stimulating thought for world peace and security in the minds of millions of peace loving people here and abroad.

The announcement rightly asseverates that "Industry is helping to win the war" and that "Industry must help in building a peacetime world."

With prophetic vision the writer of the company's monograph well says:

"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.'"

Now Proprietorship

CHICAGO, ILL.—Kirstein & Co., 29 South La Salle St., formerly a corporation, is now a proprietorship, with Bernhard M. Kirstein as sole owner. Mr. Kirstein was an officer of the former corporation.

Artificial Interest Rate Trend Socialistic

(Continued from page 1687)

main after heavy taxation have little choice except to subscribe for Government loans or to compete for the existing supply of capital goods such as houses and land or sterling securities, the total of which is being constantly reduced by repayments of Colonial and Foreign borrowers from their accumulations of Sterling credits.

I submit therefore that the current rates of interest both in the U. S. A. and in the United Kingdom have no relation to a reward for deferred consumption and if continued for long may kill the root from which all capital grows, i.e., individual thrift, whether in the guise of individual savings, corporate savings, or direct capitalization. At 3% the present rate on British Government long term loans, a prospective saver if he wishes to provide an income of £100 per annum, must "defer consumption" to the extent of £124 p.a. for 20 years or £70 p. a. for 30 years. This does not take into account the incidence of taxation. To a person paying income tax at the normal rate of 10/- in the £ the figures would be £144 p. a. for 20 years and £89 p. a. for 30 years to provide a prospective income of £50 p. a. (This condition is recognised in so far as small savings are concerned by offering special terms e. g. about 3% on National Savings Certificates free of tax the amount of individual subscriptions being limited to 500 units). It is doubtful whether such terms apart from the appeal of patriotism would encourage anyone to save, and since the attitude of corporations would in the long run follow that of their individual members, the provision of new capital would in the end be left to Governmental agencies.

Thus in the final analysis it would appear that without realising it we are drifting into a state of Socialism, where, as one of our Ministers recently said in another context: "Money is only a string of meaningless symbols" and what is of real importance to the individual is his supply of food and clothing coupons, and, since it is manifestly impossible to save enough to provide for old age or adversity, some State scheme to cover these contingencies is necessary. Here is one reason for the Beveridge plan.

That appears to be the position at the moment, although it must be conceded that the War could not have been prosecuted without such restrictions. The point I wish to make is that the current rate of interest is artificial and to a large degree the result of those restrictions. But what of the future?

If the people are content to abrogate their individual rights and to allow the present closed economy to continue there seems no reason why interest rates should not be maintained at any level desired by the monetary authorities. It can safely be assumed however that as soon as hostilities cease there will be immense pressure to restore a condition of economic freedom. Indeed the Atlantic Charter postulates that condition. As and when restrictions are removed it seems inevitable that the colossal amount of money or credit in issue will bring about a commensurate rise in prices, and the question arises whether this increase can be controlled at any level without raising interest rates to a level which will attract real savings. Further as I believe it to be the net rate after taxation which is the criterion as regards individual savings over a long term, taxation will need to be reduced to make such an increased rate effective, or conversely, a substantial gross rate will have to be offered.

The issue therefore seems to me to be much more important than merely forecasting the level of interest rates, and very crudely put resolves itself into the following question: "Is individual thrift which has been the foundation of the progress and prosperity of the 'Anglo-Saxon' race to be sacrificed to prove that a money market technique is able, when operating under certain conditions, to dope us into believing that the War is costing much less than it is, with the additional risk that the conditions under which that technique can function, may, if we are not careful, lead to a state of Socialism unwelcome to our democratic ideals?"

CLIFFORD WALKER,
Berkhamsted,
Hertfordshire, England.

Sept. 25, 1943.

New Loan System For Small War Plants

Albert M. Carter, Acting Chairman and Executive Director of Smaller War Plants Corporation, announced on Oct. 18 a new loan system which will put approved loan funds more conveniently at the disposal of small business concerns engaged in the production of war material or essential civilian requirements. He made the announcement at a meeting of the Regional Loan Agents of SWPC in Washington. Under this new plan, which will become effective Nov. 1, the Regional Loan Agents of the SWPC will enter into repurchase agreements up to 100% with banks on loans of $25,000 or less where banks agree to close and service the loans. The interest rate shall be 4% on that part of the loan which is carried at the risk of the SWPC with the banks paying 1% per annum as repurchase charge to SWPC. The announcement also said:

"It brings into even closer harmony the banks of the country and SWPC, which have been working hand in hand to aid small business. Last June the American Bankers Association and the SWPC issued a joint statement of active cooperation, and recently A. L. M. Wiggings, newly elected President of the ABA heartily approved this new polciy.

"Nothing in this new procedure shall be interpreted as modifying previously established policy of having all loans first made available to the applicant's local bank under such bank's normal standards."

Readers' Comment On Lewis Haney's Analysis Of New Deal Theories

(Continued from page 1689)

will agree with me up to this point. It remains now to consider from a behavioristic standpoint these matters referred to in Doctor Haney's article. My own opinion is that economic theory tends to be used in an opportunistic manner. A certain segment of humans wish to gain a certain end which fits into their general scheme or over-all present and future needs and requirements, they therefore shop around for the body of theory which will best carry them to their intended goal and employ it accordingly. I think in our present emergency this can be considered applicable. Economics of a certain pattern served the purposes of the element that were heading our national affairs during the 1920's. That order of things finally cracked up out of sheer carrying to extremes of certain policies. The beginning of the 1930's ushered in a different element (I will leave you to judge the propriety of the term element) who possibly seized upon the state of the nation as an opportune time to set the stage for another goal or end and by opportunism again reached in the barrel of conglomoration of economic theories and pulled out what they thought would work best and then set out to make the most of it.

I will leave you to draw your own conclusions as to the net general good coming out of these two decades of the present century. The observations I have made focus the issue upon human motives and the related conduct. I think if we **knew** adequately these two elements in evaluating any program we would be on solid ground. It might be interesting to get some analyses of this type from competent and well informed individuals and then reconcile our own conclusions if we have formed them, or are trying to arrive at conclusions. Needless to say how we apply certain segments of the stock of economic theory to specific situations can never be divorced from the basic factor of human nature which is made up of a mass of complexes whose relative strength and influence as determinants.

I think Professor Haney has been trying to pull aside the curtain; however, I do not know if what he sees is on the whole the true pattern. I am inclined to think he is more right than not. The why cannot long be separated from the what in the analysis of his subject.

I. NEWTON WILLIAMS
Belmar, N. J.

I have just read Lewis H. Haney's article and note at the end you invite comments.

Mr. Haney's article is a very able exposure of the fallacies of the New Deal, which is bringing ruin to the Forgotten Man so ably described in Professor Sumner's Essay on that individual. President Roosevelt made such voluble promises to Protect Him in his campaign speeches.

I have also read the Monogram published by the Brookings Institute of Dr. Moulton's analysis of the New Deal's philosophy of the Public Debt, also covered briefly on page 6 of Professor Haney's article, showing the falsity of its continuance.

While the great depression of the '30s may have been an excuse for trying almost anything to bring relief, yet it seems that the New Deal is hipt on continuing these ruinous theories as a settled philosophy of Government of our country.

The Public's knowledge of the New Deal theories and practices, which lead to destruction of Capital and consequent drying up of sources to build up our Country by furnishing money to underwrite new and old projects, is meagre and hazy, and yet the danger of ruin is present. One of the great needs of the time is to get the public acquainted and familiar with these New Deal policies.

The errors underlying these theories are really ludicrous, if brought to the light. But learned essays such as those of Dr. Moulton and Professor Haney's do not appeal to the public. They are over their heads.

May I suggest that only a cartoonist or a Dean Swift or Anatole France, in his ironical handling of the Dreyfus affair in the "Penguins" is the proper way to bring to light the iniquity of the New Deal. I would be glad to give $10 for a copy of such a book.

CARL A. SCHMIDT
Dayton, Ohio

This letter is sent you in reply to the article by Lewis H. Haney in which you welcome comment.

In a recent speech Wendell Willkie stated that in starting life his ambition was to earn $50,000 and retire. I think that 50 years ago something like that was in the minds of most of us. My own ambition was to get $20,000 and retire on it. Just as Willkie found that $50,000 wasn't enough, I found out that $20,000 wasn't enough either. I tried to put mine in gold even though I feared that some day we would learn to convert silver into gold. Then gone would be my security. I never dreamed that our Government would take my gold away from me. When it did, I tried to find a key to security not based upon gold. Because over a year has elapsed since I gave my theory to the Department of Foreign and Domestic Commerce, and since I was informed by this Department that the approach to my theory must remain a military secret, I know from how things are going that my theory is not only a theory, it is an eternal truth.

Our security depends upon our family, not upon gold. Families must be equalized, not our wealth. From this approach a new world will arise, and even though it has taken a long time to get the theory in workable form and many, many people, including yourselves, have played their part in its development, the world will at first be surprised, then will gradually rejoice that a new era has been born.

C. H. DOERGE
Vice-President, Wm. J. Mericka & Co., Cleveland, Ohio

The writer wishes to make a comment on the article, "The Theories of the New Deal Economists," by Prof. Lewis H. Haney, contained in your issue of Thursday, Oct. 7. I do not believe that I have ever had the pleasure of reading a condensation of New Deal strategy that is in any better way explained than in his article.

I thought it might be appropriate at this time to give the article wider publicity and we wondered if we could obtain his permission in publishing it in full or excerpts, whichever we decide upon. Would you be so kind as to give us your reaction on the above and we would also appreciate your reflecting to Professor Haney our compliments for a very good synopsis of the New Deal.

CHARLES SUMNER BIRD
East Walpole, Mass.

Doctor Haney's article should be put into the hands of every citizen and digested.

Thomas Jefferson once said:

"If once the people become inattentive to the public affairs, you and I and Congress, assemblies and judges and governors shall all become wolves."

Manipulated economics have always intrigued bureaucrats and dictators. So few people understand basic principles of money and credits that various theories expounded by bright governmental economists can be used by politicians for their own selfish purposes.

The young men who are fighting this war believe it is for the sort of country we have known in the past. If free enterprise is to be controlled by the Government, if capitalism, which is the basis of freedom, is destroyed, it will be a sad outlook. It is interesting that Communism as evolved in Russia is turning to more freedom for the individual and a respect for capitalism, and that in our country, from a constitutional republic we seem to be turning to some form of collectivism. If this keeps on we shall lose the republic, as Benjamin Franklin feared we would, and the "Four Freedoms" expressed in the Atlantic Charter become bunkum if we lose freedom of individual enterprise.

There's a Russian saying: "It would not be so funny if not so sad."

Life Insurance Cos. Should Not Establish Lobbies, Says Shanks

Carrol M. Shanks, Vice-President and general solicitor of the Prudential Insurance Company of America, said on Oct. 20, at the 10th annual meeting of the Life Insurance Advertisers Association, in the Hotel Pennsylvania, in New York City, that life insurance companies should not establish lobbies in Washington, because to do so would be a mistake in public relations that might be "fatal." We quote from the New York "Times," of Oct. 21, which gave further remarks of Mr. Shanks, as follows:

"We are urged that we establish and maintain active and expensive lobbies in Washington to advance the cause of the policyholders," Mr. Shanks said, "and we have heard it intimated often that we are remiss in our duties by having no continuing representation in that city. I am not at all in sympathy with this proposition and this attitude. In the first place, I just do not believe that policy holders want or expect us to do anything except run our insurance business in the best way possible within the social and economic framework of the nation. I think policy holders expect to do their own political thinking and voting and to decide for themselves what the political and economic framework will be."

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 & Co., 41 Broad Street, New York City. Copies of this interesting study, which is available to dealers only, may be had upon request from T. J. Feibleman & Co.

Also available are memoranda on 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.

Nu-Enamel Interesting

Nu-Enamel offers interesting possibilities according to a circular discussing this situation issued by T. J. Feibleman & Co., 41 Broad Street, New York City. Copies of this circular may be had from the firm upon request.

Investment Trusts

In The Mailbag

Keystone Corp.'s latest issue of **Keynotes** contains an interesting table showing the "investment return" after taxes from the various Keystone Custodian Funds to investors in different tax brackets. Taking the Low Priced Bond Fund (B3), for example, the estimated return before taxes is shown at 6.6%. If the investor has a net income of $5,000 before exemptions, his return from this fund after taxes would be 5.7%. An investor with a net income of $50,000 would find this yield reduced to 3.1%. Similar figures are given for investors in other tax brackets.

Another handy and characteristically simple item recently published by **Keystone Corp.** is a booklet giving the primary lists for the various Funds. Each primary list is treated statistically as an "average portfolio security" and the 1937 market high of this average security is compared with the Oct. 1, 1943, price. Earnings, interest coverages, dividend rates, etc., are also shown on the same basis.

* * *

Hugh W. Long & Co.'s mid-month issue of the **New York Letter** compares the performance of the twenty Series of New York Stocks, Inc., with the respective averages over two periods—one from the 1942 lows to Oct. 1, 1943, and the other for the first nine months of this year. In the longer period, 15 of the 20 Series outperformed their respective averages and in the shorter period 17 of the 20 Series beat the averages. As pointed out by the **Letter,** the results illustrate (1) that markets move by groups and not as a whole, and (2) the best results are to be secured through the concentration of investments in the industries with the most favorable prospects.

* * *

Lord, Abbett devotes the Oct. 20 issue of **Abstracts** to a comparison of Affiliated Fund's performance with the average of Barron's non-leverage funds and the Dow-Jones Composite Average. The period covered by the comparison is from Dec. 31, 1941, to Sept. 30, 1943. During this period the common stock of Affiliated (a leverage fund) showed a market gain of 75.9%; the average gain of Barron's non-leverage funds was 46.9% and the Dow-Jones Composite Average advanced 43.4%.

The attractive little folder on Union Bond Fund A, issued some months ago by **Lord, Abbett,** has been brought up to date and copies are available. It is entitled, "A Portfolio Consisting of Good Quality Bonds."

* * *

National Securities & Research Corp. has a thought-provoking discussion of "Reconversion Progress in Wartime" in its latest issue of **Investment Timing.** The conclusion, in part, is as follows: "Probably 50% of war production will cease after Germany's defeat. In short, contrary to a belief entertained somewhat generally hitherto, the change in industry from war to post-war should not prove as abrupt as feared, nor as dislocating in its effect on business."

National Notes develops the thesis that the market is a "buy" now and points to the greater-than-average appreciation possibilities in National's Low-Priced Common Stock Series. This sponsor's folder on International Series has been revised. It is called "An Investment in Two Hemispheres" and the list of investments bears out this title.

* * *

Quoting the optimistic prediction of Cleveland Trust's renowned economist, Leonard P. Ayres, of a $7.2 billion annual railroad gross in the first decade after the war, **Distributors Group** in its latest issue of **Railroad News** goes on to say: "With respect to discount railroad bonds, the public is still 'looking backward.' As a result, these bonds are available today at prices which reflect their position in the depression years—years when charges were barely covered, if at all, and financial position was precarious. Today earnings coverage of interest charges on these bonds, and the financial position of the railroads of which they are obligations, are the highest in history."

Distributor's Group's last issue of **Steel News** gives facts and figures to support the statement that, "There are strong grounds indeed for believing that net earnings per share in the leading steel companies after the war will actually be larger than during the war." The bulletin goes on to point out that steel stocks on average "are now selling where they were when the Dow-Jones Industrial Average was at 115" as an illustra-

(Continued on page 1702)

Public Utility Securities

Northern States Power (Del.) A Stock

Northern States Power A, selling on the Curb at 7⅛, is one of the high "leverage" holding company issues. Consolidated earnings per share have fluctuated very widely, dropping from $2.54 in 1941 to a deficit of $1.18 in 1942. This is explained by the system setup. The company controls Northern States Power of Minnesota which (in addition to its own operations) controls other operating companies. The capital setup on a consolidated system basis is as follows:

	Amount (millions)	Per Cent
Funded Debt (subsidiaries)	$97.5	45%
Preferred Stock—Subsidiaries	28.0	13
Minority interest (subsid.)	.5	--
Preferred Stock—Holding Co.	78.0	36
Common Stock A & Surplus —Holding Company	14.7	6
Total	$218.7	100%

With 1941 earnings for Class A stock only about 2.5% of gross revenues it is obvious that any small change in the earnings picture from year to year spells the difference between good earnings or a deficit, for the Class A. In 1942 the jump in Federal excess profits taxes to $3,411,270, as compared with $700,000 the year before, sufficed to put the Class A "under water."

The company was formerly part of the Standard Gas & Electric system, but with the elimination of voting power for the Class B common in January, 1941, Standard Gas' voting interest dropped from 40% to 1%. In June, 1942, Northern States filed a liquidation plan with the SEC; hearings have been held from time to time but no decision has been announced by the Commission. The plan proposed that the Minnesota subsidiary should reclassify its 3,518,889 common shares (after Delaware had surrendered 481,111 shares in payment of a debt) into 8,254,278 shares with a par value of $10 each, and this would be distributed to stockholders of the Delaware company as follows:

	Price About	To Receive New Common
7% preferred	71	10.00 shares
6% preferred	63	9.10
A common	7¼	1.95
B common	*	.1625

*Practically all held by Standard Gas & Electric.

Since the Class A under the plan would receive nearly one-fifth as much in common as the 7% preferred, it should theoretically sell around 14, or about double the present level, if there were a good chance for the plan to obtain approval. The distribution would result in the new common stock being divided 90.50% to preferred, 8.07% to Class A and 1.43% to Class B—or a total of 9.50% to the common stock.

In several past decisions, notably the United Light & Power dissolution plan, the Commission has approved a formula of approximately 95-5 for a split between preferred and common stockholders. However, in its recent findings in the Virginia Public Service case, the Commission indicated tentative approval of a 91-9% formula, although 95-5 had been proposed by the company (the parent, General Gas & Electric, asked a higher amount for its equity). Accordingly this has suggested the possibility that the similar ratio in the Northern States Power case might obtain eventual approval, or that at least common A stockholders might obtain a better share of assets than reflected in the present price of the stock (corresponding roughly to a 5% ratio). It is possible that this might be accomplished at the expense of the Class B common stockholder, Standard Gas & Electric. Under the plan of recapitalization adopted Dec. 27, 1938, the dividend rights of the Class B stock (formerly entitled to 10¢ per share for each $1.00 paid on Class A) will cease and the stock be cancelled on Jan. 1, 1944, unless earnings requirements as provided in the plan are met by that date.

Northern States Power of Minnesota in the twelve months ended June 30, reported a balance after preferred dividends of $5,403,315, equivalent to about 65¢ per share on the proposed 8,254,278 shares to become outstanding under the plan. Based on the present quotation for Delaware 7% preferred of 71, this would indicate a price of about 7 for the new common stock, which is equivalent to about 11 times earnings. Since the Minnesota company obtains only about 15% of its consolidated revenues from subsidiaries, it can be considered as practically an operating company, and hence the indicated price earnings ratio appears reasonable. This would in turn tend to support the market valuation of 71 for the Delaware company's 7% preferred, and a potential value of 14 for the A shares under the plan.

Ohio Municipal Comment

(Continued from page 1690)

bankers at least, of a desire to purchase municipals in order to avoid having all their assets in Government bonds. In other words, there appears to be a growing, although perhaps yet young, interest in diversification of risks. Such a desire could hardly be criticized, especially on the part of those bankers who have been reared in the conservative old tradition that a profligate borrower is not a sound risk. New Deal money managers and "economic planners" may well take note of such a feeling on the part of investors and eliminate unnecessary spending (and thoughts of a world-wide WPA) before it is too late. Otherwise, the time may come, and not too far hence, when a high grade municipal bond may be preferred by investors generally to a Government bond, regardless of price.

Supply Continues Small

The prospects of new Ohio issues in the coming months are indeed slim. The refunding of fall maturities by the usual names in Ohio has already been financed. All of the bonds that were to be issued, under authority granted by the State Legislature this past spring, for paying the cost of the sexennial re-appraisal of real property, have apparently all been issued, and this authority was granted for 1943 only. There are all too few bonds being issued for other purposes.

Undoubtedly there will be some bonds scheduled for sale in subsequent weeks, but the total amount promises to be small indeed. Moreover, it appears that there will not be even the usual amount of bonds submitted to the voters in Ohio at the November election, and the percentage that will be approved will undoubtedly again be small.

Thus, it appears that the secondary market must be relied upon to supply the need for Ohio municipals. But, with the Third War Loan Drive successfully completed only last month, it is unlikely that there will be much selling of municipals even by those who do not need tax exemption, between now and the next War Loan Drive. As has been remarked in this column before, the amount of Ohio bonds that came into the market even during the Third War Loan was remarkably low.

Little Difference in Current Prices Between High Grade and Second Grade Names

In view of all these circumstances — and others on which there is not space to comment in this article — the market for all Ohios has risen to the extent that there is now little distinction made in price between bonds of high quality and bonds of poor quality. How long this condition will prevail, or whether it will be even further aggravated, is a moot question. But it is a condition that deserves careful consideration now.

Recently a local dealer called to ask how the current market for several Ohio communities compared with the market for such names two years ago, just before Pearl Harbor. These comparisons appeared to be of sufficient interest to justify bringing them to the attention of readers of this column. Based on the present market and on the market as of Nov. 1, 1941, for a 10-year bond in each case, the current yield on Akron bonds is 45 basis points less than two years ago, on Clevelands 45 basis points less, on Toledos 32 less, on Youngstowns 25 less, on Daytons 18 less, on Columbus 15 less and on Cincinnatis only a few points less. Thus, in general, the market for second grade municipals, in Ohio at least, has risen much farther above pre-Pearl Harbor levels, than has the market for high grade names. The result is that the spread between prices at which high grade risks are selling and the prices at which second grade risks are selling, has been constantly narrowed.

Cinti Bowlers Hold Annual Fall Party

CINCINNATI, OHIO.—The annual Fall bowling party of the Cincinnati Stock & Bond Club was held at the Cincinnati Club on Oct. 21.

Among the thirty members and guests who attended were James Crum, Vercoe & Co., Columbus, Ohio; Paul Fredricks, Commerce Union Bank, Nashville, Tenn.; and Joseph Condon, MacDougall & Condon, Chicago.

Mericka To Represent Laird, Bissell In Ohio

Wm. J. Mericka & Co., Inc., Cleveland and New York, announce their appointment as Ohio representatives of Laird, Bissell & Meeds to deal in bank and insurance stocks; also certain industrial issues. Laird, Bissell & Meeds are specialists in New York bank stocks, with offices in Wilmington, Philadelphia and New York. Mericka & Co. are specialists in Ohio securities.

Investment Trusts

(Continued from page 1701)

tion of how far behind the market steel stocks are today. An unqualifiedly bullish pronouncement by Moody's Investors Service on the steel shares is also included in the bulletin.

* * *

A. W. Smith & Co. announces to distributors of General Investors Trust that the trustees have advised of an 8¢ final dividend for the year—possibly more. This will bring the total dividend for 1943 to at least 26¢ per share.

* * *

MIT's Brevits quotes the New York Stock Exchange magazine, "Exchange," which lists the selections of 20 common stocks by each of three large member firms as having better than average postwar prospects. Two of the lists are largely composed of popular, big-name "blue chips." **Brevits** points to the difference of opinion among these "experts" and concludes that broad diversification is the course of wisdom for the average investor. After looking at the lists, our own further conclusion is that brokers, by nature, are good weather vanes of public opinion—and that the public is generally wrong!

* * *

Calvin Bullock's "Bulletin" and **Selected Investments Company's "Selections"** both discuss the subject of ownership — the former with reference to Dividend Shares and the latter with respect to Selected American Shares. Among the types of stockholders in these two funds are listed colleges and universities, insurance companies, churches, welfare societies, banks as trustees, individual trustees, business corporations, public libraries, fraternal organizations, hospitals, investment trusts, and many thousands of individual investors.

Dividends

Knickerbocker Fund—a dividend of 8¢ per share and a special distribution of 8¢ per share (16¢ total) payable Nov. 20, 1943, to stockholders of record Oct. 30.

Volume Of Rail Freight Climbs

F. E. Williamson, President of the New York Central System, following a meeting on Oct. 21 of the Eastern Railroad Presidents Conference, of which he is Chairman, made the following statement:

"As the war expands, with the United Nations moving from defensive warfare into offensive action on many battle fronts, the huge volume of rail transport continues to mount. In every month since February, 1942, the pre-war peak in the movement of freight, reached in October, 1928, has been exceeded. Estimates indicate that this pre-war monthly record will again be exceeded in October this year, by as much as 50%—a new all-time high record.

"The volume of passenger travel, however, has shown far greater expansion. In July this year it rose 244% above that of July, 1939. In fact, the volume in July, 1943, more than equalled the passenger traffic for that month in the years 1939, 1940 and 1941 combined.

"Undoubtedly in the winter months just ahead the railroads will face a more difficult task than they have as yet experienced. There is no indication that we have reached the peak in either freight or passenger transportation. On the contrary, to supply our armed forces will call for the transportation of increasing supplies of men and war materiel. This trend is evidenced by the increase in the volume of export freight handled through United States ports in September, which was 67% above the volume in September last year."

NASD Arguments Again Postponed

The oral argument regarding the disciplinary actions taken by the National Association of Securities Dealers, Inc., against certain of its members, has been postponed from Oct. 28 to Nov. 16 by the Securities and Exchange Commission. The Commission stated that postponement was requested by the NASD because of the continued illness of its counsel.

The disciplinary actions in question were taken in connection with the original distribution several years ago of a $38,000,000 bonds issue of Public Service Co. of Indiana.

Mention of the scheduled argument was previously made in the Financial Chronicle of Sept. 30, page 1296; Oct. 7, page 1404; Oct. 14, page 1504; and Oct. 21, page 1602.

Attractive Situation

A. A. Bennett & Co., 105 South La Salle Street, Chicago, Ill., are distributing an attractive illustrated booklet on Interstate Aircraft and Engineering Corporation, which the firm believes offers interesting possibilities. Copies of this booklet may be had upon request from A. A. Bennett & 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.

Central Paper Discussed

Loewi & Co., 225 East Mason St., Milwaukee (2), have prepared a new memorandum on Central Paper Company common stock and announce that copies of the analysis will be made available upon request.

Barker With Dewar & Co.

(Special to The Financial Chronicle)

SAN DIEGO, CALIF.—Terry E. Barker has become associated with Dewar & Company, First National Building. Mr. Barker was previously with J. Chester Wilkinson and prior thereto was with E. H. Rollins & Sons, Inc. In the past he was local manager for Dulin & Co. and Revel Miller & Co.

To Form Wm. B. Potts Co.

William B. Potts, Jr., member of the New York Stock Exchange, and Daniel La Morte will form the Exchange member firm of William B. Potts, Jr. & Co. as of November 5. Mr. La Morte will act as alternate on the floor of the Exchange for Mr. Potts.

OUR REPORTER'S REPORT

Corporate issuers currently are finding the money market running strongly in their favor. This is apparent from the high prices paid recently for new issues, particularly in the public utility field, by investment banking groups.

The latest concrete indications of the prevailing "Sellers' Market" developed in connection with the sale in competitive bidding of $15,000,000 of new first mortgage and collateral trust 3% bonds and $4,000,000 of preferred stock by the Delaware Power & Light Co.

Although the larger insurance companies are still adamant in their attitude toward new offerings affording a yield of less than 3%, the winning syndicate in the case of the Delaware Power & Light Co. issue paid the company a price of 105.279 for the bonds.

Competition was decidedly keen with the company receiving bids from no less than five separate syndicates. Similarly, it was in possession of five separate bids for the 40,000 shares of preferred stock of $100 par carrying a 4% cumulative dividend rate.

The winning syndicate reoffered the securities publicly yesterday, fixing a price of 106.14 for the bonds, for an indicated yield of around 2.70%, and a price of 104½ for the stock on which basis a yield of approximately 3.83% was indicated.

Being of high quality, the securities were reported to have attracted brisk demand notwithstanding the limited return, with only modest balances indicated as remaining unsold at the end of the day.

Big Stock Sale Delayed

Wall Street waited patiently for something in the way of official explanation for the hitch which evidently developed in plans of John D. Rockefeller, Jr., calling for the sale to the public through secondary distribution of some $25,000,000 of his oil holdings.

Plans for the sale were announced last midweek, but the next day bankers slated to handle the business announced indefinite postponement with no further explanation than that Mr. Rockefeller was out of town and expected to be away several weeks.

Inquiry at the Securities and Exchange Commission offices disclosed that the Commission and representatives of Mr. Rockefeller had discussed the proposed sale. It was added that the SEC had taken no action to "stop" the sale. But there was nothing to indicate that action on its part had not delayed the transaction. It was widely assumed that the SEC had asked for registration of the issues involved.

McKesson & Robbins

Demand which greeted the public offering of 150,000 shares of McKesson & Robbins $4 preferred stock was regarded by dealers as bearing out recent reports that investors are inclined to lean toward senior equities of good calibre in seeking somewhat better yields than are obtainable in the bond market.

The stock was reported moving into investors' hands in satisfying manner. Proceeds from the sale will provide funds for the redemption of $12,151,000 in outstanding 3½% debentures, due 1956 and 56,000 shares of 5½% cumulative preferred.

Two Utilities File

Two more utility issues were added to the list of early prospects during the week. Illinois Iowa Power Co. registered with the Securities and Exchange Commission for $65,000,000 of new first mortgage bonds, while Idaho Power Co. informed the Federal Power Commission of its intention to issue $18,000,000 of first mortgage 3⅛% bonds to refund an equivalent amount of outstanding 3¾% due 1967.

Illinois Iowa Power plans to use the proceeds of its new bonds, together with $4,000,000 to $5,000,000 notes, for the retirement of $30,681,500 of series A 6s maturing 1953 and $39,175,100 of series C 5s due in 1956.

Meanwhile another prospective issue was rendered indefinite when votes of El Paso defeated plans for an issue of revenue bonds to finance the purchase of the properties of El Paso Electric Co., a subsidiary of Engineers Public Service Co.

Goldman, Sachs & Co. Offers McKesson Preferred Shares

Goldman, Sachs & Co. headed a banking group which offered Oct. 26 150,000 shares of McKesson & Robbins, Inc., $4 cumulative preferred stock at $100 a share. There are 48 houses in the syndicate.

Net proceeds of $14,525,425 will be used to redeem the outstanding $12,131,000 issue of 3½% sinking fund debentures due in 1956, and 56,000 shares of 5½% cumulative preferred stock. The two redemptions will require $19,203,153. After the new financing and redemptions, the company's capitalization will comprise the new preferred and 1,628,726 shares of common.

The new $4 preferred will be redeemable on 30 days' notice at 104, with successive reductions of $1 a share on Oct. 15 of 1946, 1948 and 1950, and at 100 a share on and after that date in 1952. In voluntary liquidation, it is entitled to the prevailing redemption price; in involuntary liquidation, to $100 a share.

In addition to Goldman, Sachs & Co., the underwriters consist of the following firms: Adamex Securities Corp.; A. C. Allyn & Co., Inc.; Arnhold and S. Bleichroeder, Inc.; Alex. Brown & Sons; Central Republic Co., Inc.; Clark, Dodge & Co.; J. M. Dain & Co.; R. S. Dickson & Co., Inc.; Dominick & Dominick; Estabrook & Co.; Clement A. Evans & Co., Inc.; The First Boston Corp.; Glore, Forgan & Co.; Graham, Parsons & Co.; Harriman Ripley & Co., Inc.; Harris, Hall & Co. (Inc.); Hayden, Miller & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; W. E. Hutton & Co.; Johnson, Lane, Space & Co., Inc.; Kidder, Peabody & Co.; Lazard Freres & Co.; Lehman Bros., Carl M. Loeb, Rhoades & Co.; Laurence M. Marks & Co.; Merrill Lynch, Pierce, Fenner & Beane; The Milwaukee Co.; Mitchum, Tully & Co.; F. S. Moseley & Co.; Paine, Webber, Jackson & Curtis; Piper, Jaffray & Hopwood; Putnam & Co.; Reinholdt & Gardner; Riter & Co.; E. H. Rollins & Sons, Inc.; L. F. Rothschild & Co.; Chas. W. Scranton & Co.; Smith, Barney & Co.; Stein Bros. & Boyce; Stone & Webster and Blodget, Inc.; Swiss American Corp.; Spencer Trask & Co.; Tucker, Anthony & Co.; White, Weld & Co.; The Wisconsin Co., and Dean Witter & Co.

Attractive Situations

Kline, Lynch & Co., Inc., Carew Tower, Cincinnati, Ohio, have prepared interesting circulars discussing the situations in Brooklyn, Ohio, 3-5% bonds of 1966, Consumers Public Power District Nebraska N. East. Div. 3s of 1961-66, and Roseville, Mich., refunding 2½-4% of 1950-61. Copies of these circulars will be sent by the firm upon request.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

A distinctive characteristic of fire insurance stocks, as a class, is the relative permanency of their earning power and intrinsic worth. This stems from the fundamental nature of the institution of fire insurance itself, which provides a service to mankind which is practically indispensable. It is difficult to conceive of carrying on business affairs, community activities and family life, without that protection against financial loss from fire which insurance supplies.

The idea of indemnity against loss by fire goes back to medieval and even ancient times, when mutual protective societies were formed; later, in the year 1652, there was formed in England that famed organization known as "Lloyd's of London." The corporate form of joint stock company, however, is a relatively modern concept which probably also originated in England. Two of the oldest stock fire insurance companies in existence are The Sun, London, established in 1710, and The Union Assurance, London, established in 1714. The two oldest stock fire insurance companies in America are The Insurance Co. of North America, founded in 1792, and Providence-Washington Insurance Co. which originated in 1799. It is significant that fire insurance has been provided in America by stock companies since the days of the "Founding Fathers," and thus that the fire insurance business of this country is as old as the nation. And so long as we remain a free nation, with free enterprise under a free capitalistic system, and with an expanding economy, it seems clear that we shall also have stock fire insurance companies, whose capital will be supplied by the free investors of the nation. Hence, the relative permanency of the earning power and intrinsic worth of an investment in fire insurance stocks, provided careful selection and reasonable diversification is practiced.

As is well known to the majority of investors in fire insurance stocks, earnings of the companies are derived from two sources, viz.: underwritings and investments. Underwriting profits (or losses) fluctuate quite widely from year to year, while investment income is relatively stable, with a long term upward trend. In view of this, a conservative dividend policy has been followed by most companies for many years, whereby dividends to stockholders have been predicated on net investment income alone, thus allowing all underwriting profits, plus a moderate fraction of net investment income, to be retained and reinvested in the business. The primary result of this policy has been twofold: a long-term growth in stockholder's equity and a year-by-year increase in the earnings base.

The effects, during the past 18 years, of this constructive and conservative procedure are very striking, as will be seen in the figures and discussion which follow:

TWENTY-ONE REPRESENTATIVE STOCK FIRE INSURANCE COMPANIES
18-Year Period: 1925 to 1942

Aggregate underwriting profits	$227,683,000
Aggregate net investm't income	611,214,000
Aggregate total net operating profits	838,897,000
Aggregate dividends paid	509,195,000
Reinvested in the business	$329,702,000

Over the period, dividends represented approximately 61% of total net operating profits and 84% of net investment income, while 39% of total net operating profits were reinvested in the business.

Total capital and surplus of the 21 companies on Jan. 1, 1925, aggregated $289,906,000, and on Dec. 31, 1942, $662,385,000; the increase is $372,470,000 and is equivalent to 128%. New money contributed to capital and surplus by stockholders during the entire period amounted to some $88,000,000, thus it is plain that approximately 76.5% of this growth is attributable to ploughed-back earnings. By reason of the augmented capital funds, the companies today are able to write a larger volume of business than was possible in 1925, and this has been reflected in higher total net underwriting profits. Thus, their annual underwriting profits during the six years 1925-30 averaged $10,169,000, compared with $12,417,000 for the six years 1937-42, which latter period includes the heavy marine loss year of 1942. And this improvement of 22% has been achieved despite a decline of 33% in the average premium rate from $.97 in 1925 to $.65 in 1941.

A further result of this growth in capital funds is to be found in the expansion of net investment income, in spite of the considerably lower interest rates of recent years compared with those which prevailed in the earlier period. Total net investment income of the 21 companies in 1925 aggregated $28,414,000; in 1942 it aggregated $37,360,000. Thus the present level of investment income is 33.3% higher than it was 18 years ago.

Inasmuch as these fire insurance companies are still pursuing their time-tested and constructive policy of paying dividends within net investment income, and of reinvesting in their business all underwriting profits plus about 16% of net investment income, it seems logical to expect that, as long as the United States continues to grow, so also must these and other representative stock fire insurance companies.

(Continued on page 1707)

Municipal News & Notes

Total State tax revenues will pass the $5,000,000,000 mark this year, despite a decrease of almost 20% in gasoline tax income, the Federation of Tax Administrators reported Oct. 20. The Federation's analysis of a Bureau of Census report on tax collections for State fiscal years ending in 1943 showed that payrolls and income tax revenues maintained and in some instances accelerated "their powerful upward trend" during preceding years, while income tax receipts—both personal and corporate—contributed 13.3% of all State tax revenues in fiscal year 1943 as compared with 10.5% the year before.

Individual income tax revenues rose from $249,000,000 in 1942 to $310,000,000 in 1943, and corporation income tax revenues jumped from $247,000,000 to $365,000,000 this year—the largest gain of any single revenue source.

Motor fuel taxes, on the other hand, fell from almost 19% of total State tax revenues in 1942 to less than 15% in 1943. Only other revenues to show marked declines are from motor vehicle licenses, property taxes and gift taxes. Public utility, insurance and severance taxes produced substantially higher revenues.

Excise tax revenues as a whole declined somewhat below the level of the preceding year, from $2,219,000 to $2,137,000, largely due to the decline in motor fuel tax revenues. The continuing upward trend of sales, alcoholic beverages, tobacco and other excises was not strong enough to offset the decline in gasoline tax yields.

If payroll taxes, however, are not considered in analyzing total collections, State tax revenues remained practically unchanged at last year's level of $3,900,000,000. State tax revenues for fiscal 1943 including receipts from payroll taxes will reach $5,099,000,000 as compared to $4,975,000,000 for 1942.

Though these collection figures represent an all-time high, it is significant the increase over the preceding year is small in proportion to the previous rate of increase, the Federation pointed out. While fiscal year 1942 produced an increase of $478,000,000 or 13.4% over fiscal 1941, and fiscal 1941 produced a $328,000,000 increase over 1940, the increase in 1943 amounted to only $123,000,000 or about 3% over fiscal 1942.

Western States Move To Develop Mo. River System

Two groups of western States, one involving eight States and the other three, are moving this year for the uniform development of the Missouri River system and the Republican River basin, the latter in Colorado, Kansas and Nebraska.

General conferences were held for the first time this year by the Missouri River States Committee, organized by Iowa, Kansas, Missouri, Montana, North Dakota, Nebraska, South Dakota and Wyoming to secure power development, irrigation, flood control, navigation and related improvements through the valley-wide development of the entire Missouri River system.

Present activity of the Missouri River States resulted from valley-wide interest and demand for a development program similar to those of other great river valleys in the country, according to the Council of State Governments. Behind the move is a general idea that a series of multiple-purpose dams below the Fort Peck dam, built by the Federal Government in Montana, plus dams on tributaries and a series of lvees on the lower reaches of the river, would provide an effective plan of flood control and, at the same time, furnish aids for navigation, irrigation and power development.

Set up on an informal basis and operated by means of conferences, the Missouri River States Committee consists of two members from each State, appointed by the Governor. The Committee does not seek to displace or duplicate the work of other persons or organizations — public or private — in reaching the general objective of Missouri River development; rather, its purpose is to cooperate with and aid all of them by every means at its disposal.

One of the first moves to be decided is a plan for administration, maintenance and operation of the development during its construction and after its completion—whether it should be handled like the TVA development, or by means of an eight-State compact or merely by joint and reciprocal State and Congressional action under a joint State's Committee. The latter plan has been followed in the Delaware River basin, where the Interstate Cooperation Commissions of Delaware, New York, New Jersey and Pennsylvania work together.

The Republican River compact was made operative this year by legislative action by Colorado, Kansas and Nebraska, and approved by Congress. Principal purpose of this compact is to remove any causes, present or future, which might lead to controversies with respect to use of the waters of the Republican River basin. Distribution of the waters for irrigation and other purposes has in the past caused disputes.

Land Values Decrease Seen In Older Settled Cities

Speaking at the recent conference of the National Association of Assessing Officers in Chicago, Frank E. Wilson, manager of the Department of Revenue of the City of Denver, Colo., declared that the interior, or central areas of the country would become increasingly congested in the post-war period through a rapid growth and expansion, and that land values in those sections would gradually increase. On the other hand, he stated that a decrease of land values in some older settled cities and seaboard territories was likely to occur.

"Our older and highly congested cities may feel a loss of population as well as real estate values," he said, "due to the decentralization of industrial business, which I firmly believe will henceforth be spread more into interior locations. Improved transportation methods will contribute to this spread and relocation of industry and population, from which there will result many changes in real estate values, both residential and business."

Various others who addressed the conference expressed deep pessimism regarding the value of urban real estate after the war. John A. Zangerle, Auditor of Cuyahoga County, Ohio, declared that the future of land values, except agriculture, appeared to be "dark and gloomy." Such factors, he said, as the probability that America would have to finance the economic restoration of Europe and that the Government would have to spend additional billions to stimulate business in the post-war era "bodes no future for real estate ownership in our cities."

Thomas A. Byrne, City Tax Commissioner of Milwaukee, Wis., foresaw decentralization of large cities in the post-war period at a rate more rapid than in the prewar era and expressed the fear that urban land especially was in "for a bad time."

"The highly inflated small house of today, both new and old, will suffer a bad drop in value," Mr. Byrne declared. "The income potentialities of many existing mercantile buildings will be smaller. Central business district values may be in for a further deflation."

NYSE Revises Policy On Stock Dividends

The Board of Governors of the New York Stock Exchange have modified its statement of policy on stock dividends, Emil Schram, President of the Exchange, announced on Oct. 14, in a letter to the presidents of corporations having securities listed on the Stock Exchange. The change was brought about in order that, in determining the number of shares to be issued as stock dividends, adequate consideration may be given in all cases to the relation of the market value of the dividend shares to the current earnings. The modified policy is in accordance with the position expressed in Accounting Research Bulletin No. 11, issued in September, 1941, by the Committee on Accounting Procedure of the American Institute of Accountants. After citing the recommendations made in the "Bulletin," in which it was pointed that "unless a reasonable relationship is maintained, the stockholder may believe that the market value of the dividend shares he receives represents his pro rata share of the capitalized current income of the corporation whereas the market value per share may be materially in excess of such capitalized income per share." Mr. Schram's letter says:

"In order that the import of the stock dividend may be fairly indicated to the security holder, the Exchange, in authorizing the listing of additional shares for such a stock dividend:

"(1) will consider the relationship between the amount of the earnings and the fair market value of the number of shares to be issued for this purpose; and

"(2) will expect that the amount of earnings or earned surplus to be capitalized for each dividend share would be at least the fair market value per share, it being understood that it is impracticable to define exactly 'fair market value' but it would appear that this term would ordinarily mean an amount which bears a reasonable relationship to the range of market prices established on the Exchange over the period during which the income to be capitalized by the stock dividend was earned."

The letter adds:

"Where the reported net tangible assets per share applicable to the common stock for the increased number of shares to be outstanding after the stock dividend would exceed the fair market value, then the amount of the net tangible assets should be substituted for the fair market value in determining the number of shares to be issued and the amount to be capitalized.

"This statement of policy does not apply to an occasional large stock split-up which, for convenience, is effected in the form of a stock dividend.

"The Accounting Research Bulletin referred to in the foregoing also contained the following statement with respect to the corporate recipient of a stock dividend:

"An ordinary stock dividend is not income from the corporation to the recipient in any amount.

"Upon receipt of such a dividend the cost of the shares previously held should be allocated equitably to such shares and to the shares received as a stock dividend.

"The Exchange has modified its policy, as previously expressed in reports adopted in September 1929 and 1930, to conform to this position."

Offering Of Stock Of Tulsa 1st Nat'l Bank

Following their recent nationwide offering of a block of 100,653 shares of The First National Bank of Portland, Ore., Merrill, Lynch, Pierce, Fenner & Beane have bought, and are offering through their own 85 branch offices only, 4,000 shares of The First National Bank & Trust Co. of Tulsa, which ranks among the 10 largest banks of the Tenth Federal District. This is one of the two institutions dominating banking in Tulsa, one of the most important industrial and agricultural centers in the Southwest.

Commenting on this offering, a member of the firm said:

"Generally speaking, a bank stock in the past has been only of interest to, and dependent upon, a market for the community in which the issuing bank is located, but Merrill Lynch, Pierce, Fenner & Beane are convinced of the desirability of creating an interest in wider circles in the shares of sound, well-managed banks, making available to such banks the funds of investors, in a less limited circle, on terms generally enjoyed by public utilities and manufacturing companies for instance. It is believed by the firm that such instances of their activities as distributing the Portland and Tulsa Bank stocks will pave the way for similar offerings and broaden the market for good bank stocks."

The Tulsa Bank shares are priced at $35 net. As of Sept. 30, 1943, they had a book value of $61.21 per share. Current dividends are at the rate of $1.50 a year.

The Portland Bank offering was referred to in our issue of Sept. 2, page 923.

Customers Brokers To Hold Lecture Meetings

"Taxes and Their Effect on Investment Policies" will be the subject of talks by Paul D. Seghers, Certified Public Accountant of 245 Madison Avenue, New York, and Frank Saline, of James M. Leopold & Co. to be given before the Association of Customers' Brokers on Tuesday, Nov. 9.

On Tuesday, Nov. 23, the Association will be addressed by Benjamin Graham, Graham, Newman Corp., and Dr. Ivan Wright, Professor of Economics, Brooklyn University, on the subject of "Inflation and Inflation Hedges."

Both meetings will be held at 3:45 p.m. on the days indicated in the Board of Governors' Room of the New York Stock Exchange.

"Make Point Plain"

(Continued from first page)

either." — *Joseph C. Rovensky, Vice-President of the Chase National Bank.*

It is certainly to be hoped that Mr. Rovensky has indeed been able "to make this point plain" to a large number of public commentators who evidently are in need of learning it.

And once it is made "plain," it should be applied domestically as well as in international dealings!

Predict Firmer Market For U. S. Govt. Bonds

Prediction of a firmer market in long-term U. S. Government issues is made in a special letter issued by W. R. Jones & Co., Government bond dealers, which says that "the present easy Treasury position indicates that no further financing will be necessary until at least January and Treasury policy makes it certain that even at that time no offering will be made to banks. Therefore, a real demand will exist with no new supply in sight for some time."

A temporary congestion in the market for governments has been corrected, according to the letter, and the technical position is again strong. "In attempting to analyze what can be expected marketwise," says the Jones letter, "the major factors will be the source of new buying power and the effect of the transfer from war loan accounts which require no reserves to ordinary deposits and the steps taken by the banks to provide these needed reserves."

When the war loan accounts are drawn down, according to the letter, "the major portion necessarily must come from the larger money centers and will be distributed as spent throughout the country. When these disbursements filter into the out of town banks they will represent a more permanent type of deposit. Therefore the receiving banks, in many cases, will invest these funds in longer term securities. The money center banks losing the large war loan accounts have already provided for this contingency by investing only in discount bills and certificates which can be either discounted at the Federal or sold. Hence, the transition from war loan to straight deposits should result in a real demand for longer bonds soon."

Seaboard Finance Elects

James M. Johnston, partner in Johnston, Lemon & Co., Washington, D. C., was elected secretary and treasurer of the Seaboard Finance Corporation, it has been announced. Mr. Johnston was formerly Vice-President of Seaboard Finance.

J. W. Foran, formerly of the National Funding Corporation of California, will become Vice-President of Seaboard and A. E. Rice has been elected Assistant Secretary and Assistant Treasurer, succeeding W. D. Davis, now in the Army.

Pittsburgh Rys. Under Study By Dealers

About twenty-five well known investment dealers from New York, Philadelphia and elsewhere met at the office of Price, McNeal & Co., 165 Broadway, New York City, on Oct. 21, to discuss the Pittsburgh Railways situation.

This traction company has been in the process of reorganiaztion under 77-B since 1938.

Bondholders of all issues were well represented at the meeting and many constructive ideas were presented which, it is hoped, will lead to early action to protect the claims of various bondholders.

Green Bay & Western RR. Possibilities Interesting

The Class "B" Income Debentures of the Green Bay & Western Railroad offer attractive speculative possibilities according to a circular prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of this interesting circular and a memorandum on Long Island Lighting Co. 6% and 7% preferred may be had upon request from Ira Haupt & Co.

DIVIDEND NOTICES

American Manufacturing Company
NOBLE AND WEST STREETS
BROOKLYN, NEW YORK

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of $1.25 per share on the Preferred Stock and a dividend of $1.50 per share on the Common Stock of the Company. Both payable December 31, 1943 to Stockholders of Record at the close of business December 15, 1943. The stock record books will be closed for the purpose of transfer of stock at the close of business December 15, 1943 until January 3, 1944.

ROBERT B. BROWN, Treasurer.

The American Tobacco Company
INCORPORATED
111 Fifth Avenue New York City

153RD COMMON DIVIDEND

A regular dividend of Seventy-five Cents (75¢) per share has been declared upon the Common Stock and Common Stock B of THE AMERICAN TOBACCO COMPANY, payable in cash on December 1, 1943, to stockholders of record at the close of business November 10, 1943. Checks will be mailed.

EDMUND A. HARVEY, *Treasurer*

October 27, 1943

THE BUCKEYE PIPE LINE COMPANY
26 Broadway
New York, October 15, 1943.

A dividend of Twenty (20) Cents per share has been declared on the capital stock without par value of this Company, payable December 15, 1943 to stockholders of record at the close of business November 19, 1943.

J. R. FAST, Secretary.

INTERNATIONAL HARVESTER COMPANY

Quarterly dividend No. 101 of one dollar and seventy-five cents ($1.75) per share on the preferred stock, payable December 1, 1943, has been declared to stockholders of record at the close of business November 5, 1943.

SANFORD B. WHITE, *Secretary.*

SOUTHERN RAILWAY COMPANY
New York, October 26, 1943.

A dividend of One Dollar and Twenty-five Cents per share ($1.25) on the preferred stock of Southern Railway Company has today been declared, payable December 15, 1943, to stockholders of record at the close of business November 15, 1943.

Cheques in payment of this dividend will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

C. E. A. McCARTHY,
Vice-President and Secretary.

UNITED GAS CORPORATION
$7 Preferred Stock Dividend

At a meeting of the Board of Directors of United Gas Corporation held October 27, 1943, a dividend of $3.50 per share was declared on the $7 Preferred Stock of the Corporation for payment December 1, 1943, to stockholders of record at the close of business November 8, 1943.

E. H. DIXON, Treasurer.

The United States Leather Co.

The Board of Directors at a meeting held October 27, 1943, declared the following dividends:

The regular quarterly dividend of $1.75 per share on the Prior Preference stock, payable January 1, 1944, to stockholders of record November 12, 1943.

A dividend of $1.50 per share on the Class "A" Participating and Convertible stock; payable 50¢ on December 15, 1943 to stock of record November 12, 1943, 50¢ on January 15, 1944, to stock of record December 10, 1943, and 50¢ on May 15, 1944, to stock of record April 10, 1944.

At the same meeting the Directors authorized calling by lot on January 1, 1944, 3,598 shares of the Prior Preference stock, of record at close of business on November 12, 1943, at $110.00 a share plus accrued dividends. Transfer books for the Prior Preference stock will be closed November 12th to November 22nd, 1943.

C. CAMERON, *Treasurer.*

New York, October 27, 1943.

THE YALE & TOWNE MFG. CO.

On October 26, 1943, a special dividend No. 214 of forty cents (40c.) per share was declared by the Board of Directors out of past earnings, payable December 1, 1943, to stockholders of record at the close of business November 10, 1943.

F. DUNNING, *Secretary.*

Railroad Securities Look Good For Peace Time

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

Securities Business Could Not Survive Under NASD Rule Limiting Profits

(Continued from first page)

on questionnaire forms sent to dealers in January indicated that "of the computable transactions reported, 47% were effected at a gross spread or mark-up over the current market of not over 3%, and 71% at not over 5%."

It is the writer's contention that it is utter nonsense to believe that the rank and file of dealer firms in the country could possibly survive on any such profit margin as 5%, or for that matter even 10%. This being so it follows that the data on the questionnaires the Association used as a basis for determining the mark-up practice of dealers does not reflect the true picture and is therefore worthless.

One thing too, is certain, and that is if the object of a survey is to determine the mark-up practice of the average dealer firm, the large houses doing a volume business should be excluded from the survey.

If the 5% profit limitation were to apply to the whole industry, it would eventually kill off the small firms and nothing would remain except the larger ones who would not fare as well as under the existing system, whereby the thousands of small firms indirectly develop business for them.

Furthermore, it is unfortunate that this particular profit limitation measure was not brought out for discussion at the recent meeting of the Association's Governors and District Chairmen held at Cape Cod and still more unfortunate that the whole idea was not submitted to the membership to be voted upon.

Article 7, Section 1 of the Rules of Fair Practice requires that any rule of fair practice or an amendment to an existing one must be voted upon by the membership. Section 3 of Article 7, however, vests the Board of Governors with the power to make and issue interpretations of all rules of fair practice that have been adopted. In order to get around the necessity for submitting the profit limitation rule to the membership the Association seized upon this provision in Section 3 and ruled that Section 1, Article 3 of the Rule of Fair Practice, which states:

> **"A member, in the conduct of his business, shall observe high standard of commercial honor and just and equitable principles of trade."**

should be interpreted as meaning

> **"It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security."**

We submit that this is not permissible under the Maloney Act, which governs the conduct of the Association, and if the SEC acts on the duty that devolves upon it under the Maloney Act they will compel the NASD to rescind this profit limitation rule until it is submitted to the Association's membership for a vote in the democratic manner called for by law.

The Maloney Act clearly states that an association shall not be registered as a national securities association unless it appears to the Commission that

> **(5) The rules of the association assure a fair representation of its members in the adoption of any rule of the association or amendment thereto, the selection of its officers and directors and in all other phases of the administration of its affairs.**

The text of the letter to members of the NASD follows:

This Association was created under an Act of Congress passed in 1938. The title of the legislation reads: "AN ACT—

"To provide for the establishment of a mechanism of regulation among over-the-counter brokers and dealers operating in interstate and foreign commerce or through the mails, to prevent acts and practices inconsistent with just and equitable principles of trade, and for other purposes."

The first Board of Governors and the 14 District Committees were organized in January, 1940. Thus, the Board and the District Committees, in conjunction with the staff, have had nearly four years' experience in administering the affairs of the Association under the terms of the legislation. The opportunity afforded to observe the functions of the over-the-counter industry as a unit and to deal with its problems would have been impossible without the authority vested in the Association by Congress.

It has been plain for some time that the major problem confronting the members and the Association involved the question of what constitutes a fair profit or spread on transactions with the public investor which are not made as part of a public offering or an underwriting. To obtain more concrete facts and to enable the Board of Governors to solve this problem on the basis of known rather than presumed conditions, it was decided in January of this year that examination of members in 1943 would be confined to a study of practices with respect to spreads. This examination took the form of a questionnaire, in

(Continued on page 1707)

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1691)

That night the stock might close at a new high but off from the best prices of the day. The following morning it would open off and continue off until about the first hour. The same public would get nervous and sell. It is at that stage that the operator, already aware of the latent buying demand, would cover and begin buying for long account. In such a manner were moves started in the old days.

* * *

While SEC rules forbid such tactics today there are other ways the same thing can be handled. It all starts with either down or up failures, depending on which direction the stock is headed.

* * *

Currently the market is in the position of having tested the offerings and, having found them not too large to handle, is ready to advance. The groundwork for this has been laid. The only thing lacking is a public following. But the public seldom comes in at the beginning of a move. It waits to see the developments. What these may be, with the world at war is, of course, unknown. But what is known is that individual stocks, rather than averages are beginning to sniff at the upper stratas.

* * *

So far as the averages are concerned, their persistence in staying in the 137.50-138.50 zone is indicative of a breakout in the next few days. The question remains — in what direction will this break-out come. A partial answer is found in the action of individual stocks with their ability to "down-fail" in an otherwise dull market. This quality is discernible in the steels, rail equipments and a few of the coppers. Failing unexpected bad news the market indicates something like this: More dullness with some stocks advancing slightly, some declining and others doing nothing.

* * *

The steels are probably as good a group to start an upsurge in the general list as there is in the market. Conversely if the steels persist in dullness, for say the rest of the week, or show in inclination to react more than 2 points, then watch out for developments that may turn the whole market down. Meanwhile the all-over picture indicates coming strength.

* * *

B. S., Portland, Oregon. Thanks for your comments. The stock you ask about (now 39) has important offerings at 41. Would like it better through that figure than at current prices.

* * *

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.]

NY Security Dealers Discuss Problems

The New York Security Dealers Association held an important meeting at the Waldorf Astoria, confined to the partners, officers and heads of trading departments of member firms, to discuss their views on matters affecting the operations of the over-the-counter business.

Frank Dunne, Dunne & Co., President of the Association, presided. A report was made by Fred J. Rabe, F. J. Rabe & Co., Treasurer of the group, followed by remarks by Meyer Willett, Bristol & Willett; Tracy R. Engle, Buckley Brothers, Secretary, and Clarence E. Unterberg, First Vice-President of the Association.

Guests of honor at the meeting were Lt. John Mason Brown, U.S.N.R.; Lt. Edgar H. S. Chandler, U.S.N.; 2nd Lt. Charles R. Mott, U.S.A., and Capt. Henry E. Arnsdorf, U.S.M.C.R. The guests related briefly their experiences in the various theatres of war including the Pacific, African and Italian campaigns.

Yuba Gold of Interest

Cartwright & Parmelee, 70 Pine Street, New York City, have prepared an interesting circular discussing the situation in Yuba Consolidated Gold Fields, the third largest gold producer in the United States. Increasing interest in world stabilization of currencies is evidenced by recent activity in gold mining stocks, the firm states. Copies of the circular may be had from Cartwright & Parmelee upon request.

M. L. Emerich Dies

Melvin L. Emerich, Chicago resident partner of Hallgarten & Co., died at his home of a heart attack at the age of 65.

Mr. Emerich had been a resident of Chicago since 1889. He became associated with N. W. Harris & Co. in 1904, leaving them in 1911 to form Ames, Emerich & Co. with the late James C. Ames. Retiring from the latter firm in 1928 he joined Hallgarten & Co.

Urges Congress Adopt Broadminded Attitude On Subject Of War Contract Termination

(Continued from page 1686)

tlements by an independent bureau of the Government.

The text of Representative Dewey's prepared address follows:

My colleagues, I wish to speak to you in regard to a subject that will face the thousands of our industries, and in particular the smaller ones, at the termination of the war; namely, "working capital" with which to convert to peacetime production, thereby helping to solve the difficult problem of unemployment that will face the country during the transition period.

For six weeks the Ways and Means Committee listened to witnesses from every type of industry and from every section of the nation. Naturally, there were numerous complaints as to the arbitrary manner in which contracts were renegotiated with resultant reduction of expected profits. However, what seemed to be universally feared was that renegotiation before taxes, as practiced, did not allow the setting up of postwar reserves as provided in the 1942 Tax Bill.

Many small and middle-sized companies, under urge from the War or Navy Departments, are producing five or six times their prewar output. Part of the working capital for this increased output has been supplied by government guaranteed loans, but in most cases the company's own working capital has, in one way or another, become involved in the war effort, and is no longer available in the form of cash which will be so required for reconversion purposes once the war ends.

It is my belief that the Ways and Means Committee will give consideration to actually providing postwar reserves for companies that have been renegotiated. This was intended in the 1942 Tax Bill. The question that will shortly be before this House, and of even greater importance, if possible, then reserves, is the termination of war contracts and the settlement of the government's liability thereunder in a speedy and definite manner.

Before giving consideration to accounting and legal details involved in the cancellation of war contracts, the Congress should give thought to the over-all subject of reconversion back to peacetime economy and how important to this reconversion is the proper handling of the question of termination of contracts.

It is my personal opinion that the war contracts belong to the war era and their speedy settlement will serve to bridge the gap between the industry's war operations and industry's reconversion back to peacetime pursuits, which will provide sufficient jobs to absorb our present labor force, as well as providing jobs for our returning soldiers.

War is destructive. It is a destroyer of men we can never replace and we will never forget those who have given their lives in the service of their country. War is a destroyer of materials. Because we realize this we accept with as much equanimity as possible the loss of ships and guns and airplanes. Yet, except in the case of dereliction in duty, none of us would recommend a repayment by an officer in charge of material lost or destroyed. If my premise that war contracts are part of the war era is correct, I think that we must approach contract cancellation with a certain openness of mind.

Our industries, like our soldiers and their officers, have done a monumental job, but once the guns stop firing, another and equally important responsibility will face them. I have full confidence that with the same genius with which they converted from peace production to the manufacture of the materials of war, which caused our Army and Navy to be the best equipped in the history of all wars and also provides supplies so liberally to our allies—with this same genius American industry will convert back to peace. To do this they must quickly settle old scores, have their working capital, which is tied up in war inventories released to them in cash, and above all be assured that except in the case of fraud or misstatement, a settlement is a settlement.

During the summer months and at the time of the hearings on Renegotiation of Contracts, I had the occasion to talk to both procurement officers and contractors who had been renegotiated. From these conversations I came to two conclusions; first, that the procurement officers after two years of experience were a pretty competent lot and capable of doing a good job of cost accounting; second, that where contracts were terminated, and over 10,000 have so far been terminated by the War Department alone, the complaint seemed to be a lack of liberality and a closefistedness on the part of the government. This is a good sign as far as the general taxpayer is concerned. On the other hand, the contractor, who is also a citizen and a taxpayer and the provider of jobs, must have the right of appeal to a court, or to special courts. In such a case not only justice but speed should be of the essence.

On Oct. 15 Judge Patterson, Undersecretary of War, appeared before the House Military Affairs Committee. I feel that his statement together with the draft of a bill for the termination of contracts deserves the study of every member of this body. I, myself, am deeply interested because of my membership on the committee that writes our tax legislation. Without fear of serious contradiction, I can assure you, my colleagues, that unless we assume a broadminded attitude on this subject of termination, and are willing to admit in advance that there will be some inequalities, and that some "chiselers" will "chisel," settlement of war contracts will be delayed due to trying to establish the last penny of claim. Delay will cause uncertainty as to the amount of working capital the company will really have available, which in turn will cause hesitation on the part of industry to undertake new commitments. As a result, business activity will decline, unemployment will develop and you and I, my brothers, will have to appropriate funds for unemployment relief far in excess of any amount that might be lost to the government through quick and final settlement of war contracts. Let us strive to avoid any "penny wise, pound foolish" policy.

During the hearings on renegotiation of war contracts, complaint was expressed that the procurement officers and renegotiators had no definite set of regulations on which settlements were based. Apparently this objection has been recognized, as the Undersecretary in his statement of Oct. 15 recommends the creation of an interdepartmental committee to adopt uniform regulations for termination of contracts. Based upon these regulations together with the experience gained by procurement officers in making contracts and later on renegotiating them, there should be no great difficulty in arriving at a negotiated agreement for cancellation.

The bill offered by the War Department provided for partial payments on account of contract termination prior to final settlement up to 90% of the certified claim. Payment may be made to the prime contractor or directly to a subcontractor. This is a most important feature of the bill and will bring quick relief to many small companies whose financial setup might not be sufficiently strong to await a termination of settlement of its prime contractor. Provision is made in the bill to charge 6% interest on any overpayment and to have the overpayment considered as a loan callable on demand.

The bill also contains provisions for financing reconversion requirements through commercial bank loans guaranteed by designated departments of the government when necessary. Personally, I believe that the system of government guarantee should be eliminated as rapidly as possible. The commercial banks of the country are in a strong position as far as commercial loans are concerned. This will afford them the opportunity to get back into the banking business, and in cooperation with investment banking houses, help finance the return to postwar peacetime economy.

There remain two important items of the War Department bill and Judge Patterson's statement. The bill authorizes advance or partial payments to contractors in settlement of termination claims. It is my belief that these payments should be mandatory upon the presentation of a certificate or sworn statement of the contractor which he has drafted and based upon the aforementioned interdepartmental committee uniform regulations. These payments which are in the nature of a loan without interest would, of course, be liquidated by payments received in settlement. Any overpayment or excess loan should bear 6% interest until repaid, and be callable upon demand.

The final item and one that will probably cause considerable discussion is the right of the Comptroller General to post audit all settlements.

Judge Patterson in his statement quotes authority for his belief that the procurement departments may make contracts as well as terminate them without independent review. Not being a lawyer, I would scarcely have the presumption to pass upon the legal merits of the question as they exist. I do, however, have a very profound conviction that the only way of preventing our national economy from going into a tailspin is by a quick reconversion of industry back to peacetime pursuits. This absolutely cannot be done if any fear exists in the minds of businessmen that the termination contract they have made is not final, and that there is a chance that the money they are using to start a new peacetime venture and pay the wages of their workmen may be taken from them due to a post audit by an independent bureau of the government.

During the past seven weeks or more I have listened as a member of the Ways and Means Committee to the testimony of many witnesses. I have heard the industries of our great country blackguarded as being selfish and greedy; I have heard them extoled. After all, and with considered thought, I believe American industrial management is 99½% what we are proud it is.—Fighters, full of manufacturing genius, leaders in social welfare due to enlightened self-interest, and last but not least, the people who have built our great country and given jobs at the highest wages ever known to countless thousands and who, if given a chance, will provide opportunity to our returning soldiers and sailors.

Let us not be "penny wise and pound foolish."

The Securities Salesman's Corner

You Have To Know How To Discover Potential Customers

Some salesmen have a natural knack for uncovering qualified prospects. Others have to acquire this ability. Unless you know how to "spot a prospect" you will never be able to build up a substantial sales volume, because the number of blind alleys you will otherwise follow will waste so much of your time and energy that real production of business is almost impossible.

It is difficult to analyze just why some salesmen are able to go through a territory and almost instinctively, it seems, they are able to pick out the best accounts, whereas another salesman will cover the same ground and come back with a report that there wasn't enough business to be had to even bother about it. Such things happen every day in the week. One salesman has a hundred names in a territory and another in the same organization has a hundred more in the same location—one comes back to the office after his first calls and he has five to a dozen prospective customers that within the space of a few months will have been converted into substantial accounts—the other probably makes a few small sales and complains that his prospect list was N. G. This doesn't happen just once but time and again. One salesman earns four times the income of another, yet they both work out of the same office, have the same territory, are given an equal choice of leads and they both are about on a par as to the amount of time they put into their work.

We have been thinking about this special ability that some salesmen seem to have which enables them to "spot qualified prospects." We have also asked others about it and here are a few conclusions that we have gathered together on the subject.

First, salesmen who are able to do this, are endowed with (or have acquired) the ability to gain an insight into the inner springs of another person's personality, and which they can stimulate into action by their own thoughts and the things they say in their first interview. To put it simply, they know how to get "next to people."

Second, they have CREATIVE IMAGINATION. For instance, they know how to pick up little things they see around them, or things they hear, and put the pieces of the puzzle together. Oftentimes they make a whole piece out of a small part of a conversation, or they are able to visualize the entire pattern from a fragment. For example, a salesman with this faculty for "spotting business" may hear a prospect mention that he owns a certain public utility security. Instead of passing by such a remark he will pick it up and start to explore its possibilities. Maybe he can find a peg upon which to hang his hat—or a basis for doing business, or for rendering a service. He will speak about the public utility death sentence act, how it may, or may not, affect this holding or others (this way he finds out more of his clients investment preferences and philosophy). He may bring out examples of how his firm has uncovered bargains in the utility field. He may ask about public utility preferred stocks with accumulated arrears to see if the prospect has taken advantage of profitable opportunities and thereby determine whether his prospect is interested in capital appreciation. From such simple starting points as a word or two the salesman who knows how to select his prospects is able to discover in his first interview whether an account is worthwhile following or whether it should be dropped.

These two faculties are the foundations of successful prospecting. The rest depends upon the amount of knowledge a salesman has acquired about his own business. Unless he knows the securities business thoroughly there will be many times when he will be unable to capitalize upon the opportunities for developing substantial accounts that his other abilities allow him to create for himself. After all the real things that every salesman who sells securities is selling are not the pieces of pretty paper we call stocks and bonds, but PEACE OF MIND, INCOME, APPRECIATION OF CAPITAL, ASSISTANCE IN BUILDING UP A RESERVE FUND FOR EMERGENCIES AND OUR DAYS OF DECLINING EARNING POWER, ELIMINATION OF INVESTMENTS OVERWEIGHTED WITH RISK, HELP IN TAX MATTERS, AND MANY PERSONAL SERVICES OF ALMOST EVERY CONCEIVABLE DESCRIPTION. You have to know investments, politics, economics, human nature and just about every other little thing that goes to make up that not too over-abundant specimen known as THE SUCCESSFUL SECURITIES SALESMAN.

Increase Allotments To Dependents Of Men In The Armed Forces

President Roosevelt signed on Oct. 26 the legislation raising payments to dependents of service men.

Under the measure, the monthly payment for a wife and one child is raised from $62 to $80 and the allotment for each additional child is increased from $10 to $20. The new scale makes no change in the $50 a month allotment to wives. The increased payment will come from the Government since the service man's contribution remains at $22, where benefits are confined to a wife and children, and at $27, where other relatives are also covered.

Congressional action on the legislation was completed on Oct. 19 when the Senate, by a voice vote, approved it. The House had passed the measure on Oct. 18 by a 389 to 0 vote. The Senate had earlier (Oct. 6) voted for the increased scales as an amendment to the substitute bill to defer drafting of fathers but the House Military Affairs Committee struck out these provisions.

S. W. Public Service Situation of Interest

Common stock of the Long Bell Lumber 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.

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.

Major Seerley Killed

Major John J. Seerley, U. S. Air Corps, formerly head of John J. Seerley & Co., Chicago, Ill., was killed on Aug. 21 in the European area. He was combat operations officer of the 8th Fighter Command.

Securities Business Could Not Survive Under NASD Rule Limiting Profits

(Continued from page 1705)

which members were asked to supply pertinent information on 50 consecutive principal transactions with customers, excluding certain types of transactions.

The Board has now completed its study of the facts revealed by questionnaires filed by 82% of the membership. The study reveals that the preponderant portion of transactions reported to the Association were effected at a reasonable spread and, to a very large extent, at a margin which, in the judgment of the Board of Governors, would be considered modest by any fair test.

The Board of Governors believes that, in the light of its experience over the past four years, and with the record before it of the practices of the industry as shown by the study of questionnaires so far examined, the time has arrived when it can express its philosophy on what constitutes a fair spread or profit. In this connection, the Board has particularly, but not exclusively, in mind transactions effected as principal where the dealer has no commitment in the security bought or sold prior to the time the customer's order is received. Transactions with the public during the period of initial distribution in securities regstered under the Securities Act of 1933, since they are made at the public offering price; those approved by an agency of the government, such as the Interstate Commerce Commission; and so-called "secondary" and "special" offerings were naturally excluded from our consideration of this question and the interpretation which follows.

The Board wishes to refer to Section 1 of Article III of the Rules of Fair Practice which states:

"A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

The Board of Governors has approved the following interpretation of the meaning of that rule:

"It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security."

This interpretation does no more than express what must be clearly implied in the rule itself. The interpretation is made, however, in order to emphasize the obligation which is assumed by every member of this Association in every transaction with a customer. For the further guidance of members of the Association and of District Business Conduct Committees whose duty it is to enforce the rules, the Board wishes to point out that, of the computable transactions reported in the questionnaires, 47% were effected at a gross spread or mark-up over the current market of not over 3%, and 71% at not over 5%.

These transactions varied widely with respect to price, dollar amount, type of security and degree of market activity, and included both listed and unlisted securities, with the latter, however, in substantial majority.

The Board has the strongest possible conviction that it would be impracticable and unwise, if not impossible, to write a rule which would attempt to define specifically what constitutes a fair spread or fair profit, or to say, in exact percentage or dollars, what would result, in each and every transaction, in a price to the customer which bears a reasonable relationship to the current market. It does believe, however, that each member is entitled to know what is the practice of the membership, as indicated by the analysis of the questionnaires, and that the District Business Conduct Committees have been instructed to enforce Section 1 of Article III of the Rules of Fair Practice as above interpreted, having in mind the percentage of profit on which 71% of the transactions above referred to were effected. In the case of certain low-priced securities, such as those selling below $10, a somewhat higher percentage may sometimes be justified. On the other hand, 5% or even a lower rate is by no means always justified. The Board has instructed District Business Conduct Committees to be particularly critical of the spreads in transactions where a member purchases or sells a security for his own account on a securities exchange and effects the other side of the transaction with his customer on a principal basis.

This Association is devoted to the principle that its members are entitled to make a profit; and, if acting as an agent, to charge a fair commission or service charge. The Board of Governors believes that, in many instances, profits realized by an impressive number of our members are low in relation to their cost of doing business and the service rendered their clients. It is convinced that the price to the customer must be reasonably related to the current market price of the security, where the transaction is consummated on a principal basis. Where consummated on an agency basis, the commission charged the customer must not be unfair and should not exceed the amount which, were the member to act as a principal, would be in accord with the standards of practice discussed above.

Finally, the Board is convinced that, if every member of this Association deals with the public on the basis of this principle and is guided by the practices which are satisfactorily serving the best interests of a large majority of the membership and the business at large, the question of fair profit or spread will disappear as a problem. The immediate and long-term effect will be beneficial, both from the standpoint of our relations with the public and the character, volume and profits of the over-the-counter business.

Bank & Insurance Stocks

(Continued from page 1703)

Following are the companies whose figures have been used in this brief study. It should be noted, however, that all earnings are on a parent company basis; had consolidated earnings been used, the spread between dividends and earnings would be even more striking:

Aetna Insurance Co.
Agricultural Insurance Co.
Boston Insurance Co.
Continental Insurance Co.
Fidelity-Phenix Fire Ins. Co.
Fire Association of Philadelphia
Franklin Fire Insurance Co.
Great American Insurance Co.
Hanover Fire Insurance Co.
Hartford Fire Insurance Co.
Home Insurance Co.
Insurance Co. of North America
National Fire Insurance Co.
New Hampshire Fire Ins. Co.
North River Insurance Co.
Phoenix Insurance Co.
Providence-Washington Ins. Co.
St. Paul Fire & Marine Ins. Co.
Security Ins. Co. of New Haven
Springfield F. & M. Ins. Co.
United States Fire Ins. Co.

Calendar Of New Security Flotations

OFFERINGS

CELOTEX CORPORATION

Celotex Corporation has filed a registration statement for 70,226 shares of common stock.

Address — 120 South La Salle Street, Chicago.

Business—Engaged in building material business.

Underwriting—No underwriters named.

Offering—Company is offering to its common stockholders of record at the close of business on the date of issue of the prospectus to be supplied later right to subscribe, at $10.50 per share, on the basis of one share for each ten shares then held of record. Subscription warrants are exercisable at or before 3 p.m. on the 20th day after the date of issue of the warrants. No firm commitment has been made to purchase any of such shares. All of such 70,226 shares not purchased by the common stockholders will be offered to persons (other than hourly workers) in the employ of or serving the company in any capacity including officers and directors, and to a limited group of persons having long standing business relations with the company to be selected by the board of directors. The entire proceeds from the sale of such shares will be received by the company and no underwriting discounts or commissions will be paid in connection with such sale.

Proceeds — Net proceeds estimated at $720,399 will be used to augment the cash working capital of the company to handle more satisfactorily the increased volume of business and to replenish the treasury for expenditures heretofore made for additions to and improvements of plant facilities.

Registration Statement No. 2-5226. Form S-1. (9-30-43).

In an amendment filed with the SEC company states that holders of record Oct. 22 have the right to subscribe to the stock. Rights expire Nov. 12, 1942.

Registration statement effective 5:30 p.m. EWT on Oct. 20, 1943, as of 5:30 p.m. Oct. 19, 1943.

DELAWARE POWER & LIGHT CO.

Delaware Power & Light Co. as constituted after the merger into it of Eastern Shore Public Service Co., Delaware, has filed a registration statement covering $15,000,000 first mortgage and collateral trust bonds 3% series to be dated Oct. 1, 1943, and due Oct. 1, 1973, and 40,000 shares of preferred stock, cumulative, par $100 per share. The dividend rate on the preferred stock is to be named by bidders when issue is offered for competitive bidding, but is not to exceed 4.4%.

Address—600 Market Street, Wilmington, Del.

Business—Is a public utility operating in the State of Delaware.

Underwriting—The bonds and stock are to be offered by the company for sale at competitive bidding and the names of the underwriters will be supplied by amendment.

Offering—Offering price of the bonds and preferred stock to the public will be furnished by post-effective amendment.

Proceeds—Net proceeds from the sale of bonds and preferred stock, together with a portion, to the extent necessary, of $6,287,063 cash received from the United Gas Improvement Co., parent of the company, in connection with the issue and sale of common stock of Delaware to U. G. I., will be applied to redeem indebtedness and preferred stocks of Delaware Power & Light Co., Eastern Shore Public Service Co. to be merged into Delaware and Maryland Light & Power Co. aggregating $24,822,913.

Registration Statement No. 2-5219. Form S-1. (9-25-43).

Registration statement effective 4:30 p.m. EWT on Oct. 15, 1943.

Bids for the purchase of (a) $15,000,000 1st mtge. & coll. trust bonds 3% series due 1973 and (b) 40,000 shares of preferred stock, were received by the company at its office 600 Market St., Wilmington, Del., up to 12 o'clock noon EWT on Oct. 25.

DOYLE MACHINE & TOOL CORP.

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

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

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

Underwriting—None stated.

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

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

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

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

In an amendment filed Oct. 19, 1943, company states that 2,347 shares were sold through warrants at $4 per share, for a total of $9,388. The balance of the 33,653 shares were removed from registration.

McKESSON & ROBBINS, INC.

McKesson & Robbins, Inc., has filed a registration statement for 150,000 shares of $4 cumulative preferred stock, without par value.

Address — 155 East 44th Street, New York City.

Business—Wholesale drug business.

Underwriting — Goldman, Sachs & Co. heads the group of underwriters. Others will be named by amendment.

Offering—Price to the public will be supplied by amendment. The preferred stock will be redeemable at the company's option, in whole or in part upon at least 30 days' notice, at prices to be supplied by amendment. Initial public offering price will be plus accrued dividends from Oct. 15, 1943, to date of delivery.

Proceeds—The net proceeds from the sale of the preferred stock, with other funds of the company, will be applied to the redemption of all the presently outstanding debentures and preferred stock, which will require, exclusive of accrued interest and dividends, $6,132,000 for the redemption of the outstanding 5¼% cumulative preferred stock at $109.50 a share, and $13,071,152 for the redemption of the outstanding 15-year 3½% sinking fund debentures at 107¾% of their face amount. As of June 30, 1943, the company had outstanding $12,131,000 face amount of 15 year 3½% sinking fund debentures, due July 1, 1956, (out of $13,700,000 originally authorized) and 56,000 shares of 5¼% cumulative preferred stock, par value $100 per share (out of 100,000 shares of preferred stock originally authorized).

Registration Statement No. 2-5227. Form S-1. (10-6-43).

In an amendment to its registration statement covering 150,000 shares of $4 cumulative preferred stock the company lists 48 investment firms as underwriters of the issue, the public offering of which is expected next week. Goldman, Sachs & Co. with a participation of 17,500 shares will head the group. The other underwriters are Adamex Securities Corp., 1,000 shs.; A. C. Allyn & Co., Inc., 1,500 shs.; Arnhold and S. Bleichroeder, Inc., 750 shs. Alex. Brown & Sons, 2,000 shs.; Central Republic Co. (Inc.), 2,000 shs.; Clark Dodge & Co., 2,500 shs.; J. M. Dain & Co., 1,000 shs.; R. S. Dickson & Co., Inc., 1,000 shs.; Dominick & Dominick, 2,500 shs.; Estabrook & Co., 3,500 shs.; Clement A. Evans & Co., Inc., 500 shs.; The First Boston Corp., 7,000 shs.; Glore, Forgan & Co., 5,000 shs.; Graham, Parsons & Co., 1,500 shs.; Harriman Ripley & Co., Inc., 8,000 shs.; Harris, Hall & Co. (Inc.), 3,500 shs.; Hayden, Miller & Co., 1,500 shs.; Hemphill, Noyes & Co., 5,000 shs.; Hornblower & Weeks, 2,500 shs.; W. E. Hutton & Co., 3,500 shs.; Johnson, Lane, Space & Co., Inc., 1,000 shs.; Kidder Peabody & Co., 10,000 shs.; Lazard Freres & Co., 3,500 shs.; Lehman Brothers, 7,000 shs.; Carl M. Loeb, Rhoades & Co., 1,500 shs.; Laurence M. Marks & Co., 2,000 shs.; Merrill Lynch, Pierce, Fenner & Beane 3,500 shs.; The Milwaukee Co., 1,500 shs.; Mitchum, Tully & Co., 1,000 shs.; F. S. Moseley & Co., 5,000 shs.; Paine, Webber, Jackson & Curtis, 2,500 shs.; Piper, Jaffray & Hopwood, 1,500 shs.; Putnam & Co., 1,000 shs.; Reinholdt & Gardner, 750 shs.; Riter & Co., 1,500 shs.; E. H. Rollins & Sons, Inc., 2,000 shs.; L. F. Rothschild & Co., 2,500 shs.; Chas. W. Scranton & Co., 1,000 shs.; Smith, Barney & Co., 7,000 shs.; Stein Bros. & Boyce, 1,500 shs.; Stone & Webster and Blodget, Inc., 3,500 shs.; Swiss American Corp., 1,000 shs.; Spencer Trask & Co., 2,000 shs.; Tucker, Anthony & Co., 3,500 shs.; White, Weld & Co., 3,500 shs.; The Wisconsin Co., 2,500 shs., and Dean Witter & Co., 3,500 shs.

Offered Oct. 26, 1943 by Goldman, Sachs & Co. and associates at $100 per share and div.

THERMOID COMPANY

Thermoid Company has filed a registration statement for $2,500,000 4¼% first mortgage bonds due Oct. 15, 1958, and 124,250 shares of common stock, $1 par value.

Address—Whitehead Road, Trenton, N. J.

Business—Manufacture and sale of varioue types of automotive friction and rubber products, industrial rubber products, textile products including wool yard and carpet and asbestos textile products.

Underwriting—For bonds—Blyth & Co., Inc., $600,000; Estabrook & Co., $600,000; Bitting, Jones & Co., Inc., $250,000; Hornblower & Weeks, $250,000; Paine, Webber, Jackson & Curtis, $250,000; Van Alstyne, Noel & Co., $250,000; Whiting, Weeks & Stubbs, Inc., $200,000, and Putnam & Co., $100,000. For the stock—Blyth & Co., Inc., 111,825 shares, and Van Alstyne, Noel & Co., 12,425 shares.

Offering—Prices to the public to be supplied by amendment.

Proceds—Proceeds from sale of bonds and stock will be used to redeem at 103% of the face amount and accrued interest all of the first lien collateral trust 5% bonds due Dec. 15, 1951, outstanding in the principal amount of $2,058,000; to redeem $900,000 face amount of serial notes payable to banks, and to reimburse working capital for funds used to retire on Oct. 5, 1943, all of the $400,000 serial notes, due annually 1943-1946. Any excess will revert to the general funds of the company.

Registration Statement No. 2-5228. Form S-1. (10-7-43).

Registration statement effective 5 p.m. EWT on Oct. 21, 1943.

Offered Oct. 22: The $2,500,000 bonds at 102½ and int. by Blyth & Co. and Estabrook & Co.; and the 124,250 common shares at $8⅞ per share by Blyth & Co., Inc.

(This list is incomplete this week)

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.

Warns Investors On Post-War Aviation

A warning to investors against over-enthusiastic expectation as to what aviation can produce was issued by W. A. Patterson, President of United Air Lines, in a discussion of aviation problems before the Chamber of Commerce at Des Moines, Iowa, on Oct. 22. His remarks were reported in the New York "Sun" of Oct. 22 as follows:

Mr. Patterson said his discussion was aimed to help communities such as Des Moines to plan for aviation development in an orderly and sound manner. He said it probably would be 10 to 15 years after the war before costs could be made directly competitive with cheaper forms of transportation. Meanwhile, he said, the air lines are going to be dependent on the first-class travel market for their patronage. He visualized a growth five times that of the best pre-war years within four years of the war's end.

He emphasized that commercial air transport was now free of subsidy support and warned the air lines against emotional thinking and planning if they are to avoid the ills of over-expansion which have plagued other forms of transportation in the past. He cited as an example that United today is paid 60 cents per ton-mile for carrying air mail as compared with a revenue of $2 per ton-mile received by the Post Office Department from the sale of air mail stamps. Most other air lines are in much the same position, he said. It has taken the air lines 15 years to get away from subsidy and they do not wish to return to it, he declared.

Hirsch Says Profit Motive Recognized

"Renegotiation of war contracts is essentially a price fixing function," was the view expressed by Maurice Hirsch, Vice-Chairman of the War Department Price Adjustment Board on Oct. 21 at the 21st annual convention of the American Institute of Steel Construction at Rye, N. Y. He further added:

"Those of us engaged in the renegotiation of war contracts believe in the profit motive as an essential part of private enterprise. Our efforts are as much directed towards obtaining a reasonable profit for industry as they are towards increasing economy and efficiency of production.

"We understand and respect industry's point of view as well as government's.

"We attempt to look at the entire price picture of an organization engaged in war work over a fiscal period. We consider it just as much our function to tell a contractor what he has left out of his evaluations as to limit him to a reasonable return for his investment and endeavor. There are many instances where money was returned to a manufacturer because the amount that had been taken was too great to keep him on a plane with others in the same industry."

Resumes In Indianapolis

(Special to The Financial Chronicle)

INDIANAPOLIS, IND. — Richard E. McBride is again active in the investment business from offices at 129 East Market Street. Mr. McBride formerly conducted his own securities business in Indianapolis.

Equal British-American Sea Power Proposed As Means Of Preventing War

A proposal that an agreement be reached immediately between the British Commonwealth and the United States that the sea power of the two nations in future shall be equal, was voiced on Oct. 25 by John E. Otterson, Chairman of the American Maritime Council.

Addressing the 30th annual convention of the National Foreign Trade Council in New York, Mr. Otterson defined "sea power" as the "combined strength of naval and merchants fleets," declaring that "either one could not have won the war without the other, and one cannot maintain the peace without the other." He pointed out that this country now has a treaty with England governing the limitation of armaments under which it is provided that the naval power of the two nations shall be equal, which, he said, should remain.

"It is necessary to deal further only with the problem of the merchant marine of the two nations," he said. "The proposal that their respective sea powers shall be equal carries with it, therefore, the proposal that their merchant fleets shall be equal.

"Such an agreement would obviate any argument or discussion between these two United Nations on this question of sea power at the Peace Conference, and would permit them to deal as one with the problem of the future sea power of other nations.

"I am firmly convinced that the future peace of the world rests upon this proposed balance of sea power, and if this power is administered in the interests of peace it will be a force adequate to the prevention of future wars."

Mr. Otterson said that England and the United States at the moment own more than three-fourths of the merchant tonnage in the world and "control as a war measure the operation of the balance of the tonnage outside the Axis powers."

"This condition should not be permitted to change unless and until there are assurances that those nations who aspire to the building and operation of a merchant fleet shall conform to the rules of conduct necessary to the maintenance of peace," he said.

Mr. Otterson, tracing the history of the merchant marine, declared every President since Washington has recognized the need of a strong fleet, but that except "by the exigencies of war" the necessary strength has not been forthcoming.

"If we had abandoned our foreign commerce and our merchant marine completely before this war, and if Germany and Japan had added the strength of ours to their own, they would now be masters of the world," he said. "If we abandon our merchant marine in future and its strength falls to aggressor nations, we shall have war again within a generation. A weak American Merchant Marine is an invitation to war."

Merrimack Mfg. Attractive

Merrimack Manufacturing Co. offers interesting possibilities according to a circular prepared by M. S. Wien & Co., 25 Broad Street, New York City. Copies of this circular discussing the situation may be had from the firm upon request.

Senate Opens Debate On Peace Policy Plan; Connally Urges Our Joining International Group

Senate debate on the post-war peace resolution was opened on Oct. 25 with Senator Connally (Dem. Tex.), Chairman of the Foreign Relations Committee, urging adoption of the measure pledging the United States to "join with free and sovereign nations in the establishment and maintenance of international authority with power to prevent aggression and to preserve the peace of the world."

In defending the wording of the resolution, Senator Connally said that it was kept broad and general on purpose since it is impossible to "blueprint in advance the action of the nations whose influence, power and arms must secure the desired results." He urged approval of the legislation as a forward step in achieving international cooperation, declaring that the hour has struck for America to contribute materially to attaining world peace.

Opening the fight for a group of Senators demanding more specific post-war peace enforcement commitments, Senator Pepper (Dem., Fla.) offered an amendment designed to "strengthen" and "clarify" the resolution approved by the Foreign Relations Committee. The amendment would designate the United Nations as the agency to form a world organization clothed with power to use military force to suppress aggression.

The post-war resolution, which was adopted by the Senate Foreign Relations Committee on Oct. 21, by a 20 to 2 vote, was in exactly the same form as that reported by its special subcommittee.

The resolution reads as follows:

"Resolved, That the war against all our enemies be waged until complete victory is achieved;

"That the United States cooperate with its comrades-in-arms in securing a just and honorable peace;

"That the United States, acting through its constitutional processes, join with free and sovereign nations in the establishment and maintenance of international authority with power to prevent aggression and to preserve the peace of the world."

In a formal report on this measure the committee acknowledged that it was not a plan for "curing all the ills of the world" but expressed the hope that it would be accepted by the Senate as "a contribution to cooperation among the nations of the earth" in the post-war period. The report explained that about a dozen measures had been considered.

The only Senate committeemen recorded against the proposal were Senators Johnson (Rep., Cal.) and La Follette (Prog., Wis.). Both were absent and voted by proxy. Senator Reynolds (Dem., N. C.) was absent and not recorded.

A previous item concerning this resolution appeared in these columns of Oct. 21, page 1615.

Supreme Court Will Review Insurance Case

The U. S. Supreme Court agreed on Oct. 25 to review a decision holding that the Federal anti-trust laws do not apply to insurance. The action came on an appeal by the Justice Department from a decision by the Federal District Court at Atlanta dismissing anti-trust charges against 198 stock fire insurance companies operating in Alabama, Florida, Virginia, North Carolina, South Carolina and Georgia.

The following additional concerning the case is from Associated Press advices:

Other defendants were the Southeastern Underwriters Association, an organization of the companies and twenty-seven individuals who were officers or members of the executive committee of the association.

In dismissing the indictment against all the defendants, Federal Judge E. Marvin Underwood said the Supreme Court had held for seventy-five years that the business of insurance was not commerce, and hence the companies were not subject to the Sherman act.

"If there is to be any overruling of the long line of clear and thoughtfully considered decisions of the Supreme Court, acquiesced in for seventy-five years by Congress and administrative agencies, it will have to be done by the Supreme Court itself or by Congress," Judge Underwood said.

Legislation is pending before Congress to exempt insurance companies from the Federal anti-trust legislation and to leave their regulation to the States.

The defendant insurance companies were charged by the Justice Department with a conspiracy to fix and maintain arbitrary and non-competitive rates and with a conspiracy to monopolize trade and commerce in fire insurance in the States affected.

St. George Hotel 4s Situation Of Interest

Seligman, Lubetkin & Co., 41 Broad Street, New York City, have prepared a new report on the St. George Hotel 4s of 1950, which offer attractive possibilities, the firm believes. Copies may be obtained from Seligman, Lubetkin & Co. upon request.

Edward Dunk Opens Own Investm't Business

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Edward Dunk has opened offices at 210 West 7th St. to engage in a general securities business. Mr. Dunk was formerly a principal of Dunk Harbison Company for many years.

Interstate Aircraft Engineering Attractive

Interstate Aircraft and Engineering Corporation offers interesting possibilities, according to Fred W. Fairman & Co., 208 So. La Salle St., Chicago, Ill., members of the Chicago Stock Exchange. Copies of an attractive 35-page brochure describing I. A. E. C. will be sent by Fred W. Fairman & Co. upon request.

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