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In 2 Sections—Section 1

The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 158 Number 4226 | New York, N. Y., Thursday, November 4, 1943 | Price 60 Cents a Copy

E. H. York, Jr. Made Partner Of Drexel Co.

Announcement is made by Drexel & Co., 1500 Walnut St., Philadelphia, of the admission of Edward H. York, Jr., as a general partner in the firm, resident in Philadelphia. He retired as of Oct. 31 from the firm of Morgan Stanley & Co.

Ewd. H. York, Jr.

Prior to 1935 Mr. York, whose home is in Philadelphia, was for fourteen years associated with Drexel & Co. He withdrew from Drexel & Co. in 1935 to become a Vice-President and Director of Morgan Stanley & Co., Inc.

For the past year and a half he has been on leave of absence from Morgan Stanley & Co., serving as Deputy Director, Philadelphia Region, of the War Production Board, from which position he recently resigned.

Drexel & Co. are members of the New York and Philadelphia Stock Exchanges.

Mr. York's admission to partnership in the firm was previously reported in the "Chronicle" of Oct. 28.

Pennsylvania Corporates-Municipals

Special section devoted exclusively to Pennsylvania corporate and municipal securities starts on page 1786.

For index see page 1804.

The Preservation of Free Enterprise

Senator Revercomb Of West Virginia Says Planned Economy Is In Essence Tyranny And Has No Place In America—Sees Extension Of Controls After War As Ending Freedom

Declares That First Duty Is to Our Own and Warns Nation Must Not Become Impoverished Through Exhaustion of Resources, Destruction of Enterprise or Stultification of Liberties of People

Declaring that "free enterprise is the only sound foundation upon which creative work is built, and the only method by which opportunity for work may be assured," Senator Chapman Revercomb, of West Virginia, said last month that a high duty of all the people, equal in importance to the defeat of the foreign enemy, is the preservation "of the liberties and rights that we inherited as freeborn American citizens."

Sen. C. Revercomb

In an address over the Columbia Broadcasting System from New York, Senator Revercomb, who is a member of the Senate Committee on Military Affairs, asserted that "even in time of war the people and their government cannot forget the fundamental rights of citizens if we are to remain a nation of free people, as we have heretofore known the meaning of freedom." Pointing out that freedom can be lost through domination within a country, Senator Revercomb said the time has come for those in government to plan the internal affairs of America as well as her affairs in relation to the other nations of the world. He added that

(Continued on page 1789)

Post-War Outlook With Special Reference To Savings And Investments

Dr. Robey Sees Republican Congress In 1944 And End Of New Deal—Feels Reconversion Problem Is Over Magnified And Is Optimistic On Future

Predicts Rise In Prices But Not Runaway One And Balanced Budget 12 to 18 Months After End Of War—Visualizes National Income Of $200,000,000,000

The overall picture on production for the post-war period and conversion of industry back to peace-time pursuits will be a problem but not a crisis, according to Dr. Ralph W. Robey, Assistant Professor of Banking at Columbia University.

In an address before the recent meeting of the Savings Banks Association of Massachusetts at Boston, on Oct. 21, Dr. Robey, reporting on information gathered as a result of a survey of opinions primarily of business economists, declared that while there will be an unemployment problem, "it will not be of a character to justify revolution."

Ralph W. Robey

As to post-war prices, Doctor Robey believes that there will be a rise of perhaps a quarter or a little more, but not a runaway rise. He does not think there will be real inflation in view of the belief that the accumulated purchasing power is not going to be

(Continued on page 1790)

Can The Small Dealers In Securities Be Forced Out Of Business In Defiance Of The Will Of Congress?

Dealers throughout the country are thoroughly aroused over the 5% profit limitation decree (ukase is the word our Philadelphia correspondent used for it and is perhaps more fitting) issued last week by the National Association of Securities Dealers, Inc., a creature of Congress born of the Maloney Act. Many have indicated their intention of ignoring it entirely and making a court test of the decree if needs be. A large number made it clear that if they were forced to adhere to the 5% mark-up or even a 10% one they would be obliged to close up shop. Unfortunately comments received from dealers on the subject could not be accommodated in this issue owing to space limitation but will be given next Thursday.

Much criticism was levelled by dealers maintaining retail sales forces at the method that was used by the Association to determine what constituted a fair profit. The contention is advanced that since the large Wall Street firms doing a volume business with institutions and those not having a retail sales force can operate on a smaller margin of profit

(Continued on page 1797)

Approach To Problems Of Peace Should Rest Upon Reason, Not Emotions: Charles R. Carroll

Declines To Accept View That By Prolonging War And Refusing To Make Formal Peace We Can Take Advantage Of Rights We Now Exercise As Belligerents Thereby Creating Unilateral International Economy That Stems Only From Our Will And That Of Our Allies

Warns Against Being Misled By Phrase "Unconditional Surrender"—Criticizes Trend Toward Submerging Basic System Of Laws In Mass Of Administrative Rules

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In a talk before the New York convention of the National Foreign Trade Council, Mr. Carroll, who is Chairman of the Council's Law Committee, listed "consistency," "certainty" as two essential requirements, and said "finally, if it be a really good law, it will invade or restrain any person's liberty only to the degree which the interest of all definitely requires."

Mr. Carroll declared:

"With the increasing diffusion

(Continued on page 1796)

Elected Trustee Of U. S. Trust Company

Edwin S. S. Sunderland, a member of the firm of Davis, Polk,

E. S. S. Sunderland

Wardwell, Sunderland & Kiendl, has been elected a trustee of the United States Trust Company of New York.

Kaufman Representing Dan'l F. Rice Co. In NYC

Daniel F. Rice & Co., members New York Stock Exchange, with headquarters in Chicago, announce that Ralph D. Kaufman has become associated with them as New York representative, with offices at 14 Wall St.

Mr. Kaufman was formerly Vice-President of Consolidated Dearborn Corporation and President of the predecessor company, Manhattan-Dearborn Corporation. Prior to that time he was Vice-President of Lawrence Stern & Co.

Seattle Bond Traders Elect New Officers

SEATTLE, WASH.—The following have been elected officers of the Seattle Bond Traders' Club for the coming year:

President, Sidney J. Sanders, Foster & Marshall; Vice-President, Jack E. Jones, Hartley Rogers & Co.; Treasurer, W. L. Stein, Bramhall & Stein; Secretary, E. D. Peterson, Drumheller, Ehrlichman Co.

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.

A. C. Potter Joins Alex. Brown In N. Y.

Announcement is made by Alex. Brown & Sons, members of the New York Stock Exchange and other leading exchanges, that A. C. Potter is now associated with them as a sales representative in their New York office, 2 Wall St.

Mr. Potter was formerly President of Burns, Potter & Co. of Omaha and for the past two years has been in Washington serving as a special assistant to the Under Secretary of War.

John E. Miller With Doremus & Co. Staff

William H. Long, Jr., President of Doremus & Company, 120 Broadway, New York City, announces that John E. Miller has joined the public relations department of that advertising agency. Mr. Miller was formerly financial editor of the "Evening Mail" and in recent years has been in industry.

New York Majestic Corp. 4s Situation Of Interest

Seligman, Lubetkin & Co., 41 Broad Street, New York City, have prepared an interesting descriptive circular on New York Majestic Corp. 4% non-cumulative Income bonds, which offer attractive possibilities, the firm believes. Copies may be obtained from Seligman, Lubetkin & Co. upon request.

More Comments 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 10 years to stimulate production and cure unemployment were destined to fail utterly in attaining the objectives sought.

Lewis H. Haney

Since publication of Dr. Haney's article, a number of comments have been received pertaining to it; some of these were given in our issue of Oct. 28 and others are given herewith:

HENRY C. CHEN

Bank of China, New York Agency

I would like to congratulate Dr. Haney for his excellent article which appeared in the Chronicle of October 7, 1943. I had the fortune of being Dr. Haney's student for over three years while working for my Ph.D. in Economics at New York University. In 1942 I received the degree, and since that time I have been serving the Bank of China, New York Agency, as an economist.

I believe in Dr. Haney's assertion that "Capitalism and the profits system relied upon freedom of individual choices and

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Editor and Publisher

William Dana Seibert, *President*
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Future of St. Paul Bonds

The situation of St. Paul bonds is discussed in some detail in a circular issued by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. The future of these issues under various plans and the value are considered in the circular, copies of which may be obtained from Vilas & Hickey by brokers and dealers upon request.

House Foes of Subsidy Fight for Compromise

House anti-subsidy members on Nov. 2 met the ultimatum of President Roosevelt's food message with announced determination to "stand fast" against consumer subsidies until the Administration shows some willingness to compromise, according to a dispatch from Washington by William Theis, International News Service staff correspondent. The account in the New York "Journal-American" of Nov. 2 further said:

"Barring such a compromise, they warned, Congress faces another knock-down-drag-out fight with the White House next month over the Administration's demand for authority to combat inflation with subsidy payments.

"The 'time squeeze' now admittedly favoring the President because of the year-end deadline on continuing the Commodity Credit Corp. can 'be made to work the other way,' they added.

"Rep. Wolcott (R., Mich.), leader of the subsidy opposition, charged that Administration insistence upon the consumer subsidy formula represents 'a deliberate attempt to socialize agriculture—a fight over authority to control production, processing and distribution of all foods'."

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The broker-dealer registration of George Lewis Ohrstrom, doing business as G. L. Ohrstrom & Co., 40 Wall Street, New York City was permitted to become effective by the Securities and Exchange Commission. The majority opinion, from which Commissioner Robert E. Healy dissented, noted that a prior registration of Mr. Ohrstrom was revoked for "willful violation" of the securities act, and that a subsequent application was denied, but that the sole question before the Commission was whether it was in the public interest to deny registration.

M. K. Lederer Opens As Investment Counsel

ST. LOUIS, MO.—Milton K. Lederer has opened offices in the Landreth Building to act as an investment adviser. Mr. Lederer has been in the investment banking business in St. Louis for more than twenty years.

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

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

By BENJAMIN M. ANDERSON, Ph. D.

Much has been written and said of the responsibility that business and industry must assume in maintaining full employment and at high wages in the post-war period. Indeed, private industry accepts this challenge and, with this in mind, has been engaged for sometime in formulating plans which will enable it to do the job. It is also recognized, of course, that the success of its efforts will be determined in large degree by the attitude of Government towards business and the system of free enterprise and the policies it elects to follow. For the record is crystal clear that without the friendly cooperation of Government, private industry cannot prosper and thereby perform the essential function which it alone is capable of doing: provide maximum employment at maximum wages. What then can the Government do towards making it possible for business and industry to provide employment, permanently, for the millions of service-men and women who will return to private life at the conclusion of the present conflict and of the additional millions who will be released from their wartime jobs?

Benj. M. Anderson

A forthright answer to this most important question was furnished by Dr. Benjamin Anderson in an article captioned "What Can The Government Do To Promote Post-War Re-Employment?" which appeared in the "Chronicle" of Oct. 21. This noted authority on finance and industry, who was formerly Economist of The Chase National Bank of New York City and is now Professor of Economics at the University of California, Los Angeles, presented in terms of singular clarity a policy of governmental action which, in his opinion, will make it possible for private industry to perform the tremendous task of assuring the maintenance of a permanently healthy internal economy. Since publication of the article, the "Chronicle" has been favored with an unusually large number of comments regarding Dr. Anderson's carefully drawn program. These letters, incidentally, come from individuals in all walks of life: statesmen, bankers, industrialists, lawyers, etc. Unfortunately, space limitations prevent our publishing all of these letters in this issue. Those that can be accommodated at this time are given below and additional ones will be given in subsequent issues.

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(Continued on page 1792)

G. O. P. Sweep Nation-Wide

The election results on Tuesday showing a nation-wide trend toward the Republican Party indicates nothing more or less than repudiation of the New Deal philosophy of government calling for spending, regimentation and bureaucratic tyranny. It is tantamount to a directive to Congress to repudiate the New Deal and, among things, abolish bureaucracy not related to the war effort and revert to government by law instead of government by men. This is the true American philosophy of government.

Where's the Money Coming From?

Stuart Chase, Liberal Economist, Visualizes No Difficulty In Supporting $200 to $300 Billion Dollar National Debt—Contends Public Debt Can Be Used As Instrument For Making Full Employment, Checking Inflation and Providing Safe Haven For Investment Funds

Reiterates "We Owe It To Ourselves" Theory Precludes National Bankruptcy

America's productive power is so great that we need not fear a national debt of $200,000,000,000 to $300,000,000,000 at the end of the war, says Stuart Chase, noted writer on economic subjects, in a special report "Where's the Money Coming From?" which he is completing for the Twentieth Century Fund. The report is the third in a series of six explorations of post-war problems which Mr. Chase is making for the Fund, and the full text will be issued in about one month.

The key to handling our post-war national debt, says Mr. Chase, is to keep employment and production and national income at high levels, and he believes the debt itself can be useful in this process. "A public debt . . . can be used to bring a part-time economy up to full employment, to check inflation, to give investors a safe place for their funds, to keep the dollar circuit turning over at the necessary rate."

However, Mr. Chase, who is offering his personal findings and conclusions in the forthcoming report, warns that he sees no guarantee whatever that we shall have an automatic "boom" at the end of the war. Due to the greatly improved machinery and processes and labor-saving devices that have been developed in wartime, he says, "Department of Commerce statisticians calculate that if our output after the war is no greater than it was in 1940, there will be more than 19,000,000 unemployed."

But Mr. Chase expresses great faith in the ability of America's productive power to assert itself in spite of financial and other problems. He believes that at the end of the war "the physical structure of the American economy should be the strongest in its history . . . plant, raw materials, skilled workers should be available for a vast increase in living standards."

Against this background, he asserts that "A national debt of two to three hundred billions on D-Day need not terrify us. Nor is it anything to be laughed off. Three major readjustments must be made:

1. America must give up her proud and unique position as the only nation without a large standing national debt. Any ideas about paying off $300,000,000,000 in short order must be quite finally laid aside.

2. We must accept taxes high enough to cover the interest charges, always remembering that a large part of the taxes come from those who receive a large part of the interest.

3. We must use the tax structure and the debt, if necessary, to keep the national income high. If national income falls precipitately, the debt will presently become unmanageable. Our economy is now geared to a national output in goods and services of around $150,000,000,000 a year. We are like a flying fortress which must maintain a given speed or crash.

Analyzing the nature of Government debt in general, Mr. Chase says: "I have learned not to identify the national debt with my personal debts. It is NOT something akin to a mortgage on my house, but something with

(Continued on page 1800)

Tomorrow's Markets Walter Whyte Says—

Continued refusal of steels to go up, not a good sign. Specialty markets nice to watch but dangerous to be in. Overstaying a specialty market very risky.

By WALTER WHYTE

The presence of up and down "failures," to which attention was called in last week's column, is still in evidence. By this time the market should have emerged from either of its signals and been on the way. The fact that it has failed to do so, however, doesn't mean much. But if this condition continues it will create a vacuum, and markets abhor vacuums as does nature.

* * *

The talk of an early peace is again being revived, with most of the current rumors based on nothing more tangible than the remarks made by Lord Halifax in Washington the other day. In his interview, Lord Halifax implied that "anything can happen to Germany," adding that it was "beset" on all sides. Lord Halifax is a diplomat, but his past record hardly points to his being a seer, having been

(Continued on page 1800)

L. A. Exchange Will Hear P. B. McGinnis

Patrick B. McGinnis, of Pflugfelder, Bampton & Rust, New York City, will speak from the floor of the Los Angeles Stock Exchange at 3:15 p. m. on November 5th, to brokers, bankers, and investors. Harbison & Gregory and the Bankamerica Company are sponsoring the event.

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.

Twin City Bond Men Name 1943-4 Officers

MINNEAPOLIS, MINN. — At the recent annual election meeting in Minneapolis of the Twin City Bond Traders Club, the following officers were elected for the year 1943-44:

Maynard Rue, J. M. Dain & Co., President; Paul Matsche, Paine, Webber, Jackson & Curtis, Vice-President; Oscar Bergman, Allison-Williams Company, Secretary; Jack Talbot, Northwestern National Bank, Treasurer; George Jackish, Harris, Upham & Co., National Committeeman.

In addition to the officers, the Executive Committee will consist of:

William Lau, Bigelow-Webb & Co.; Coldevin Rudd, Piper, Jaffray & Hopwood; Walter Space, Woodward-Elwood & Co.

Mr. Rau has appointed the following committees:

Entertainment—Charles Rieger, Jamieson & Co.; Robert Rice, R. M. Rice Company; and Robert McNaghten, Williams-McNaghten Company.

Membership — Theo. Pelton, Milwaukee Company; Carroll Babcock, Piper, Jaffray & Hopwood; Eugene Kairies, Merrill Lynch, Pierce, Fenner & Beane.

Publicity—Kermit Sorum, Allison-Williams Company.

Official Photographer—Alfonse Grun, First National Bank, Minneapolis.

Banks Should Survey Depositors' Intentions Now To Assure Post-War Liquidity

"Hot money" has become the *bete noire* of virtually every banker in a war-stimulated center, for this is money which may leave the bank on short notice because of a shifting from wartime production to peacetime production. The possibility of sudden withdrawal of this "hot money," coupled with the inability of banking experts to agree on what the trend of interest rates may be after the war, has many bankers worried.

At the request of a group of out-of-town banks, J. A. Ritchie of J. A. Ritchie & Co., 70 Pine St., New York City, and Dell H. Stevens, Bank Consultants, have made a survey of the impact of the war on the country's banking system with the object of answering the question, "Can a bank under present conditions obtain liquidity without undue sacrifice of earning power?"

"From the banker's point of view," it is stated in this study, "the immediate effects of the war are the inadequacy of loans and discounts essential to full earning power, and the rapid, apparently unlimited expansion of deposits which create an investment problem complicated by abnormally cheap money. These are reflected in distorted capital structures and in bank investments in bonds out of all proportion to loans.

"The vast majority of the country's banks are 'bond' banks, that is, more dependent on bonds than on loans for investment. If these banks are to pull their weight after the war, they must be ready at all times and under all conditions to convert any specified amount of resources, with negligible loss, into cash."

Two unreconciled schools of thought add to the confusion of the bankers. One is convinced that nothing can prevent a drop in bond prices; the other that bond prices will hold firm for some years after Germany goes under. If rates remain low, a bank would need fewer immediately liquid assets and might invest more freely in medium and long-term bonds for income; but if rates rise, a bank with an all-out position in such bonds would be caught. In the interim before Germany cracks, banks must prepare to accommodate local enterprise, individual depositors, and, most important of all, the United States Government. They cannot wait for a final answer to their question. By far the safest course, Messrs. Ritchie and Stevens believe, is to assume that some rise in interest rates is coming.

Several investment plans have been offered as solutions to the problem. The greater part of them, according to the authors of the study, are (1) either too general to be helpful to the bankers or (2) fail to take into account all of the factors involved. Each banker must "sweep in front of his own door-step."

As a preliminary step to arriving at a program which will serve his bank, the authors urge that each banker in each community survey the manufacturers, storekeepers, and dealers whose accounts he carries, and familiarize himself with their post-war intentions. As a means of rounding out his survey he could also include the officials of the municipality, county or state carrying an account with his bank, and subject the aggregate balances of transient war workers to careful analysis.

Following such a survey and classification of the depositors' intentions, a tailor-made investment program, described in detail in the study, should be set up to meet the particular needs of the bank involved.

Tunnell Favors Post-War Peace Plan

Adoption of the Connally resolution for international cooperation to maintain peace was urged in the Senate on Nov. 2 by Senator Tunnell (Dem., Del.), who declared that a detailed formula prepared at this stage of the conflict might later prove more embarrassing than helpful.

"The probability that any human being, or any collection of human beings, could at this stage prepare a treaty of peace that would include all of a plan which would be appropriate at the end of the war is extremely unlikely," Senator Tunnell stated, according to the Associated Press, which added:

He said that he had examined the four-Power declaration announced Nov. 1 at Moscow and remarked:

"I find nothing that in any way conflicts with the spirit of the resolution we are considering. I don't believe the Senate should simply indorse the Moscow conference and its conclusions, and drop its own resolution."

Railroad Securities

The opening week of the court hearings on the Special Master's reorganization plan for Seaboard Air Line (in a new court with Judge Chesnut presiding because of the death of Judge Way) brought little hope that this 13-year receivership may be completed soon. The opening sessions were devoted largely to the question of the proposed redemption of the remaining receivers' certificates. Later in the week this question was shelved indefinitely in favor of a comprehensive examination of the different earnings segregation formulae that had been devised and put forward by various interested groups during the earlier stages of the reorganization proceedings. Modifications made in the Kennedy formula by the Special Master in drawing up his proposed security allocations also received attention.

Observers at last week's hearings came away with the distinct impression that Judge Chesnut now considers the question of the merits of the various segregation formulae, and the reasons for the divergent results arrived at in applying them to system earnings, of prime importance. Until, and unless, the propriety of using one formula in preference to the others can be determined the chances of tangible reorganization progress appear remote. Some quarters are concerned over the possibility that the Court will finally decide that the question of which formula is to be used is a matter calling for the informed opinion of the ICC, and transfer the proceedings to Section 77 of the Bankruptcy Act.

Based on experience to date, Section 77 would certainly not carry any promise of early consummation of a reorganization. While such a move is a possibility, it seems more likely, in view of Judge Chesnut's expressed opinion that expeditious reorganization is highly desirable, that an attempt will be made to compromise the differences of the conflicting creditor interests. Having in mind the recent progress made in such Section 77 proceedings as Missouri Pacific, St. Paul, Rock Island and 'Frisco through the general distribution of large excess cash reserves, it is felt that a similar policy would go far towards settling the Seaboard controversy.

At the outset of the court hearings the receivers testified that gross cash balances by the end of the year would amount to approximately $50,000,000, and that after setting up various reserves there would be a net balance of $15,000,000 available for retirement of debt or for distribution to bondholders. Most students of Seaboard consider these estimates far below actualities. The $15,000,000 would certainly not be sufficient to establish a basis for serious compromise negotiations as it would not stretch far enough to satisfy any substantial groups of bondholders. The general feeling is that it would be feasible for Seaboard to release at least twice that sum for the benefit of bondholders.

In support of the contention that the receivers' estimates are unrealistic it is pointed out that the gross cash items as of the end of August totaled $47,360,000. On the basis of the receivers' own estimate of 1943 earnings (also presented at the court hearings) there will apparently be a net addition of at least $9,000,000 to cash in the last four months of the year, bringing gross cash balances to $56,360,000, and perhaps higher. Aside from this apparent discrepancy in the cash figures themselves, it is contended that there is no justification for the large reserves the receivers wish to set up in arriving at the $15,-

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Pennsylvania Brevities

Fair Practice Discussion

Talk in Pennsylvania financial circles, over the last fortnight, has centered largely in the implications arising from NASD's profit-limitation ukase which places a general limitation of 5% as the maximum mark-up permissible on unlisted transactions. It is generally accepted that the NASD action was taken by and with SEC approval as an alternative to dragging out and dusting off the abominable "full disclosure" rule which has been pigeon-holed for the last 15 months.

The latter proposal, which originated in the SEC, inferentially impugned the integrity of the dealer in every transaction in which he acted as principal by requiring him to publish an "inside" quotation to his customer simultaneously with his confirmation of sale. This Rule X-15C1-10 aroused such an immediate and nation-wide storm of indignation that it was hastily shuffled to the bottom of the deck. Apparently, however, it has not been forgotten.

Fred Fischer, Secretary of the Investment Traders Association of Philadelphia, has sent a "home front" letter to the 39 members of the Association serving with the armed forces. Percentage-wise, a fifth of the membership is trading bullets instead of bonds. In order that the boys may keep in touch with one another, a roster giving name, rank and organization has been compiled by **Fred Allen, Hecker & Co.**, and mailed to each. The Association has voted to hold its annual dinner on Friday, Feb. 11, 1944.

Corporation News and Notes

By a vote of $1,941,000 "for" to $148,000 "against," bondholders of **Philadelphia & Western Railway Co.** have overwhelmingly approved the company's plan of reorganization. Under its terms, bondholders will receive, for each old $1,000 bond, $400 in new income bonds and four shares of new common. Present outstanding preferred and common shares will be eliminated. The plan was favorably reviewed by the Court and adopted by the security holders in the face of SEC disapproval.

In its October statement, **Peoples-Pittsburgh Trust Company** reported total resources of $209,584,000, thus passing the $200,000,000 mark for the first time in its history. This represents a gain of 34% over the previous year. Total deposits of $191,299,000 were reported. Loans and discounts gained 21% to $30,222,000 compared with the June quarter.

Public holders of **Pittsburgh Railways** system securities, their eyes on approximately $12,000,000 in cash or equivalent held by the Trustees, are growing more restive. The above sum is approximately equal to all outstanding publicly held bonds. In view of continuing flush earnings, a termination of the trusteeship (Continued on page 1787)

H. S. Shevlin, Jr. Is With Reynolds & Co.

PHILADELPHIA, PA. — Harry S. Shevlin, Jr., formerly of Mackey, Dunn & Co., has opened a municipal bond department for Reynolds & Co., 1500 Walnut St., under the direction of John A. Murphy, resident partner of the firm.

S. Taylor Associated With Mackey, Dunn Co.

PHILADELPHIA, PA.—Stephen P. Taylor has become associated with Mackey, Dunn & Co., 123 South Broad Street, as a municipal bond trader under the direction of Robert L. Bouse. Mr. Taylor was formerly in the municipal trading departments of Salomon Bros. & Hutzler and Stroud & Co., Inc.

Why Pennsylvania Municipals Enjoy High Investment Status

By ALLEN D. SAPP

In this article we propose to discuss briefly and in a skeleton form some of the factors underlying Pennsylvania Municipal General Obligations which entitle them in our opinion to occupy the high position to which they have been assigned by the investor. The scope of this articles does not permit an exhaustive study nor a wholly inclusive one and the writer is conscious of many omissions and much incompleteness. The article will outline the Social and Economic Background of the State; Legal Factors of Strength; Comparative Statistics as to Bonded Debt, Tax Burden and proportion of Budget consumed by Debt Service of Counties, the bulk of the Cities and Urban Townships. These include some of those we regard as among the best credits and some we appraise as middle grade.

There are 5,212 units of government in Pennsylvania that levy general property taxes, excluding Poor Districts, viz., the State, 66 Counties, one City County, 47 Cities, 939 Boroughs, 1,576 Townships, one Town (Bloomsburg) and 2,582 School Districts. Effective Jan. 1, 1938, 2 City and 66 County Institution Districts replace the former (425) Poor Districts.

I. SOCIAL AND ECONOMIC BACKGROUND OF THE STATE

Pennsylvania is one of the Original Thirteen States; its social roots stem back to the early settlement and growth of the Nation. Over 85% of its population is Native white, large proportion of which represents the successor generations of early settlers or residents. It stands high in many ways among the States of the United States. It is

1) Second in population.

2) Leads the States in the number of metropolitan districts.

3) Second in value of manufactured products.

4) Only six States east of the Mississippi have a higher value of farm property; of the eleven northeastern States only New York has a higher value. In only seventeen of the 48 States are more people living on farms than in Pennsylvania.

5) Stands third in rail transportation facilities.

6) Has port facilities for ocean and coastwise trade; a port on the Great Lakes; and many navigable rivers.

7) It is second in income tax payments.

8) It has a broad diversity of mineral wealth—

a. It has the largest known anthracite area in the world.

b. One of the greatest bituminous coal regions of the world.

c. Substantial deposits of limestone, so important in smelting iron ore.

d. Chief slate deposits in the United States.

e. An important producer of cement, making about 25% of the total used in the United States.

f. An important producer of high grade oil.

g. Pennsylvania stands second in clay products, including pottery.

h. Leads the world in glass making.

The scope of this paper does not permit a discussion of soil and residual soil of the State although that is important in its bearing on the productivity of the soil and hence the stability of certain areas of the State.

Many of the good credits of the State are those that combine a diversity of manufacture with a rich agricultural tributary area. For example, York has one of the greatest industrial diversifications, according to the census, of any city in the country, yet it is situated in the heart of one of the leading agricultural areas of the State. Delaware County combines three important elements—a wealthy residential area suburban to Philadelphia, an important industrial area on the Delaware River centering in Chester, and at the same time the County includes farm land which is the second most valuable in the State. Carlisle is the county seat of Cumberland County, an important agricultural county, and is important industrially. Lancaster is in the midst of some of the richest agricultural land in the Nation and owes its nearly 60,000 people chiefly to employment in manufacturing oil cloth and linoleum, machinery and parts, watches and clocks, etc. The city has the largest stockyards in the East.

We alluded previously to the fact that there are more metropolitan districts in Pennsylvania than any other State. These are (Continued on page 1787)

Pennsylvania Brevities

(Continued from page 1786)

rather than a reorganization, appears to be a possibility. In this eventuality, a spirited scramble for securities would likely ensue with the **Philadelphia Company**, the Reluctant Dragon in the situation, running a poor second.

E. W. Scheer, President of **Reading Company**, announced the authorized expenditure of $8,500,000 for construction and purchase of five Diesel electric freight locomotives, 1,000 hopper cars, 1,000 gondolas and 50 cabooses. Together with the construction of 1,000 additional cars, previously authorized, which will start in December, new work amounts to approximately $11,000,000. Construction has been authorized by WPB. Employment in the Reading shops will be provided for about two years.

For the 12 months ended Sept. 30, **Baldwin Locomotive Works** reported consolidated sales of $227,586,922, compared with $144,459,044 for the preceding 12 months. Consolidated net profit before renegotiation was $6,159,211, or $4.71 per share, compared with $4,239,258, or $3.96 per share.

On application by the **Philadelphia Stock Exchange**, a hearing will be held before the SEC on Nov. 8 to consider striking from listing and registration no-par common shares of **Philadelphia & Reading Coal & Iron Corp.** The Exchange states that the only asset of the corporation is the capital stock of Philadelphia & Reading Coal & Iron Co., which has been declared valueless under reorganization plan approved by U. S. Court.

Aluminum Company of America stockholders have approved an increase in authorized common from 1,500,000 to 7,500,000 shares. Present stock will be exchanged at rate of three new shares for each present share.

Pennsylvania Electric Co., which sold $4,000,000 3⅛% 1st mortgage bonds and $3,500,000 Series B 4.40% preferred last August, proposes to offer shares of its 4.40% preferred in exchange for its presently outstanding 5.10% preferred on a share-for-share basis plus $1 in cash. Unexchanged 5.10% preferred would be redeemed at $108.75 per share. The company serves 200,000 customers in **Erie, Johnstown, Oil City, Bradford, Warren** and other communities in western Pennsylvania. Pro forma earnings for the 12 months ended Sept. 30 indicate that new preferred dividends and prior charges are covered approximately 3.25 times.

York Corporation, successor by merger to **York Ice Machinery Co.,** has registered $4,500,000 first mortgage sinking fund bonds to mature Oct. 1, 1958. Interest rate will be supplied by amendment. Net proceeds will be applied to redemption on or before April 1, 1944, at 101, of $3,913,000 6% bonds due Oct. 1, 1947, and the retirement of $378,000 serial notes. Prepayment of the present first mortgage issue will remove the barrier against dividends on the newly issued **York Corp.** common shares. The company's fiscal year ended Sept. 30, but final figures will probably not be available until December. Earnings are expected to approximate the $1.11 per share reported last year. Financial circles expect an initial dividend before the end of the calendar year.

Control of **York Safe & Lock Co.**, large peace-time manufacturers of bank vaults, safes and safe-deposit boxes, has been acquired by the **Chase National Bank** from the estate of **S. Forry Laucks.** The price was not disclosed. **Mr. Laucks** was the originator of the widely-followed **"York Plan,"** under which the company sublet portions of many of its construction contracts. Since the war began, the company has been an important producer of armament items for the Army and Navy.

Philadelphia managed **Crescent Public Service Co.** announces its intention of expending $237,000 for the purchase of its 6% income bonds, due 1954, in the open mar-

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Donald E. Nichols Now Pres. Of Ryan-Nichols

CHICAGO, ILL.—James E. Day has resigned as President and director of Ryan-Nichols & Co., 105 South La Salle Street. Officers of the corporation now are:

Donald E. Nichols, President; Leston B. Nay and Harry J. Nelson, Vice-Presidents; Donald B. Stephens, Treasurer and Manager of the trading department; Clifton P. Walker, Jr., Secretary and Manager of the sales and statistical departments.

Why Pennsylvania Municipals Enjoy High Investment Status

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important in examining the economic background of the broad picture of the State, although there are many fine credits that are not grouped in a metropolitan district.

Metropolitan Districts:

An area including all the thickly settled territory in and around a city or a group of cities. It tends to be a more or less integrated area with common economic, social and often administrative interests.

1. Allentown-Bethlehem-Easton Metropolitan District—		
Population of District		325,142
Allentown	96,904	
Bethlehem	58,490	
Easton	33,589	
Outside Cent. Cities	136,159	
2. Altoona Metropolitan District—		
Population of District		114,094
Altoona	80,214	
Outside City	33,880	
3. Erie Metropolitan District—		
Population of District		134,039
Erie	116,995	
Outside City	17,084	
4. Harrisburg Metropolitan District—		
Population of District		173,367
Harrisburg	88,893	
Outside City	89,474	
5. Johnstown Metropolitan District—		
Population of District		151,781
Johnstown	66,668	
Outside City	85,113	
6. Lancaster Metropolitan District—		
Population of District		132,027
Lancaster	61,345	
Outside City	70,682	
7. Philadelphia Metropolitan District—		
Population of District		2,898,644
Philadelphia	1,931,334	
Outside City	967,310	
8. Pittsburgh Metropolitan District—		
Population of District		1,994,060
Pittsburgh	671,659	
Outside City	1,322,401	
9. Reading Metropolitan District—		
Population of District		175,355
Reading	110,568	
Outside City	64,787	
10. Scranton-Wilkes-Barre Metropolitan District—		
Population of District		629,581
Scranton	140,404	
Wilkes-Barre	86,236	
Outside Cent. Cities	402,941	
11. York Metropolitan District—		
Population of District		92,627
York	56,712	
Outside City	35,915	

II. LEGAL SAFEGUARDS

1. Debt Limitation

A municipality may incur debt or increase its debt without the assent of electors to an amount not exceeding 2% of the assessed valuation.

A municipality (except a school district of the first class) may increase its indebtedness with the consent of the electors voting at public election to an amount not exceeding 7% of the assessed valuation.

NOTE—Under special constitutional provision Philadelphia may incur debt, with the assent of three-fifths of the electors, not to exceed 10% of the assessed valuation.

2. Laws Relating to Issuance

a) Complete and widespread notice must be given to the electorate at least twenty-five days prior to the election.

b) A statement must be filed with the Court of Quarter Sessions (County Court) by the authorized officers of the municipality showing: (1) Amount of existing gross liability and net debt; (2) amount of assessed valuation; (3) amount of bonds to be issued; (4) form, number and date of maturity of the bonds. The officer or officers preparing same must append his or their oaths of the truth of the fact therein stated.

c) The issuing ordinance must state, inter alia the estimated period of usefulness of the property or improvement for which the bonds are to be issued (except for funding or refunding bonds which are governed by special provision) and it is required that the bonds must mature within the period of the usefulness of the property or improvement but in no event more than thirty years from the date of issue.

d) All issues over $120,000 par value must be serial and for those of less than $120,000 there is a formula to preserve round amounts of each maturity and yet to produce spaced serials.

e) A special tax sufficient to pay interest, principal and State tax must be levied for each issue of bonds and the proceeds of that tax (both current and delinquent collections) be placed in a sinking fund to be used solely for the purpose of paying debt service on bonds of the same issue.

f) The corporate authorities must deliver to the Department of Internal Affairs (a State Body) a complete certified copy of the proceedings in connection with the incurring or increasing of debt together with a certified copy of the financial statement filed with the Court of Quarter Sessions.

The Department of Internal Af-

(Continued on page 1801)

I. B. A. Opens Thirty-Second Annual Meeting; War And Post-War Financing Discussed

The thirty-second annual meeting of the Investment Bankers Association, devoted to war and post-war financing opened yesterday at the Waldorf-Astoria Hotel in New York City.

The opening was addressed by Jay N. Whipple, of Bacon, Whipple & Co., Chicago, President of the Association, who declared in discussing the problems of industry and finance that a new crisis will confront the nation when the war is over and the task of re-converting to a peace-time economy is undertaken. He urged drastic curtailment of all Government expenditures not absolutely essential to victory and the constant demonstration by the Government of its intention to maintain the purchasing power of the dollar through price controls, rationing and a sound fiscal policy. Mr. Whipple also made a number of concrete suggestions for financing the war loan drives.

The IBA program for today includes a meeting of the board of governors in the morning, a luncheon with George W. Spinney, President of the Bank of Montreal, as guest speaker, and a general session in the afternoon at which war finance will be discussed and committees will make reports on post-war financing. John F. Fennelly, Executive Director, Committee for Economic Development, will address the meeting. Fred M. Vinson, Director of Economic Stabilization, will be the principal speaker at the dinner tomorrow night.

Long Island Lighting Co. Situation Interesting

The 6% and 7% cumulative preferred stock of the Long Island Lighting Company offer a better than average speculative appeal based on a sound book value, according to an interesting circular issued by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges. Copies of this circular discussing the situation in detail may be had from the firm upon request.

Also available from Ira Haupt & Co. is an interesting memorandum on St. Louis-San Francisco Railway Company containing a detailed tabulation of the allocations proposed by the Committees representing various bondholders and a discussion of the situation at the present time.

York Corp. Attractive

Common stock of the York Corporation offers an interesting situation, according to a memorandum issued by Peltason, Tenenbaum, Inc., Landreth Building, St. Louis, Mo. Copies of this memorandum may be had upon request from Peltason, Tenenbaum, Inc.

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.

Real Estate Securities

Our prophecy in December, 1942, of a possible rise in New York City hotel bonds has become a reality, as the following comparison indicates:

	High Price 1943	Price 12-31-42
Governor Clinton Hotel	44	23
Lexington Hotel	76	52
Park Central Hotel	52	24
St. George Hotel	55½	42
Savoy Plaza Hotel	40¼	9
Sherry Netherland	38	10
Waldorf Astoria	30¾	4½

The sharp rise in these prices has been caused by an unusual increase in the income of these various properties as a result of better occupancy of the hotels and in some cases, by higher rates for the rooms.

However on November 1st, 1943, the O.P.A. established a rent ceiling for hotel rates in New York City, requiring that on and after this date no rent could exceed that charged on March 1st, 1943. There is no question but that this ruling must affect the income of some of the hotels. Coupled with this is the fact that forced conversion from oil to steam has in some cases raised fuel costs. Increases in labor cost has been created by order of the War Labor Board to which must be added Old Age Benefit, Social Security payments, etc. War damage insurance is also an additional cost. In addition, the cost of practically all other operating items, such as paints, materials, equipment, linen and laundry, has increased. We would therefore suggest caution in further commitments of this type of security.

Conversely, there is no rent ceiling on office building or commercial building rents. Some time ago we suggested the possibility of a post-war shipping boom and a possible advantage in such an event to the downtown New York City office buildings.

Last week the Port of New York Authority issued an elaborate brochure in which they extolled the advantages of the Port of New York when the war is over.

Among the highlights of the Port of New York, according to their booklet, are the following:

"It contains 650 miles of waterfront.

"Ninety-five per cent of the sailings from New York to foreign countries are **direct** with no intervening ports of call. As a result, actual sailing time from New York to Europe, Africa and South America is the shortest available to the United States shipper anywhere.

"Rapidly rivalling in importance the normal peace-time services to European ports are the express schedules of United States flagships from New York to the South American trade.

"Every railroad reaches every ship at New York.

"Through the Port of New York each year moves the titanic total of a hundred and twenty million tons of commerce, valued at ten billions of dollars."

Considering what a magnet for trade and commerce New York has been, it can be easily visualized how stupendous this activity will become with the reconstruction and feeding of Europe after the war.

Space and organization will be necessary and needed to assist the importers and exporters in clearing this business. Where would there be a more natural location for these firms than in the downtown office buildings of New York?

Marketwise, the securities of the following buildings have not moved very much and we believe there should be some room for appreciation.

Building—	Price Nov. 1943	Price Nov. 1942
40 Wall	21¾	15¾
50 Broadway	18	18¾
61 Broadway	24	15¾
165 Broadway	29½	33½
Harriman Bldg.	23	15¾

Southern Union Gas Stockholders To Get Special Dividend

CHICAGO, ILL.—A special dividend of one-tenth of a share of new reclassified common stock of Arkansas Western Gas Company has been declared on each share of common stock of the Southern Union Gas Company, payable Nov. 15 to Southern Union Gas Company stockholders of record Nov. 1, it is announced. Southern Union's headquarters are in Chicago and Dallas. No fractional shares of Arkansas Western will be issued but instead stockholders will receive cash at the rate of $5 per share on Arkansas Western common. Approval of Southern Union's reorganization as a holding company, in accordance with SEC regulations, was announced Oct. 19.

Railway Equipment Stock Outlook Called Favorable

The outlook for manufacturers of railway equipment appears to be very favorable according to a study of the situation prepared by Hirsch, Lilienthal & Co., 25 Broad St., New York City. Copies of this study, which also contains data on certain stocks which the firm believes have appeal at this time may be had upon request from Hirsch, Lilienthal & Co.

Iowa Co., Inc., Formed

CEDAR RAPIDS, IOWA—The Iowa Co., Inc., of Cedar Rapids has been formed to buy and sell stock, bonds and mortgages. Officers will be Scott McIntyre, President and Treasurer; M. R. McIntyre, Vice-President; and Fred M. Hagen, Secretary.

The Preservation of Free Enterprise

(Continued from first page)

"if America is to contribute to the betterment of the world, she must be richer than the gift she makes."

Speaking of free enterprise as "a personal right" and as the "antithesis of State control," Senator Revercomb warned that the government threat to freedom of enterprise in America had birth long before war came and will still be faced when peace comes. He urged that enterprise and industry be encouraged as the "only sound and healthy way to provide work for men and women" and called for a return "to the principles that nurtured America into greatness."

The text of Senator Revercomb's radio talk follows:

Tonight, in most of the homes of this country, the deep, personal thoughts of those who are there, are of young men who have been sent into the armed services here in time of war. Those men and boys who have been called upon to fight a foreign enemy have met their duty with honor, with everlasting glory to themselves and their people, and with success. Many have died in the name of their country. Many have been badly wounded.

As has been said time and again, and as we must continue to say and feel until this war has been won, the first duty of all the people and of their government is to win the war.

That first duty is a policy that is fixed and immutable with this country, regardless of any turn in events affecting our course and regardless of who may be chosen to direct the affairs of the country.

To those of us, who through circumstances have **not** been called into the armed service, there is another high duty equal in importance to the defeat of the foreign enemy, and that is the preservation here of the liberties and rights that we inherited as freeborn American citizens and which were established by our fathers through their wisdom and their use of them.

Even in time of war the people and their government cannot forget the fundamental rights of citizens if we are to remain a nation of free people, as we have heretofore known the meaning of freedom.

Freedom can be lost through domination within a country as well as by domination from a foreign ruler.

In fact, a review of history from ancient times to the present time will reveal that people have been oppressed more often by those who dominated them within their own boundaries than by some foreign conqueror.

Naturally in a world conflict the people are prone to think today in terms of world relations, or relations with other countries. That subject is, always has been, and always will be, an important one, because we live in a world of separate nations. Undoubtedly it has become more important as progress in human invention has shortened time and space in our relationship with other countries and has drawn us closer to them and has caused us to deal more frequently with them. The subject of foreign relations is one that commands serious thought and planning. The part that we shall take in the affairs of the people of other countries is a grave subject that must be met fairly and realistically. But in seeking to be helpful to others, we must not forget those who still live here and are our own, nor must we forget that our own warriors should return to a land where opportunity is open to them.

America will be great in the world and a great benefactor to the world as long as she is a strong, healthy, wealthy country. She will be great and strong as long as she preserves for the people of this country the natural wealth that God Almighty placed here and preserves to them their individual liberty to turn that wealth into useful things. If America ever becomes an impoverished nation, which can happen through exhaustion of her resources or the destruction of free enterprise and the stultification of the liberties of her people, she will be dropped by the world as quickly as golddiggers drop a penniless friend. Worse still, she will then be the prey of some stronger nation that has preserved its strength.

So the time has come for those in government to plan the internal affairs of America as well as her affairs in relation to the other nations of the world. And the time is at hand when we must not only plan but act toward the accomplishment of a sounder nation internally. If America is to contribute to the betterment of the world, she must be richer than the gift she makes. If she is to be a world leader, she must be strong and have her own house in order.

Among the personal liberties and rights to which every American has fallen heir has been the right to live his own life under laws based upon a very long accepted sense of morality, which right we have called free enterprise. In this country the citizen, through generations of custom, has felt it to be his right to go about making a living for himself and his family without interference, so long as he does not encroach upon the right of his fellow citizen to live likewise. He has been entitled to gain the rewards of his effort and ingenuity and to achieve improvement for himself without limit upon his efforts. Perhaps this right has contributed more to the greatness of America than any other privilege which the citizen of this country has enjoyed.

America became a strong nation out of two fundamental blessings that came to her people: First, a rich endowment of natural resources by Almighty Providence; second a form of government that permitted men to develop and use those resources through their labor and industry without limit upon or strangulation of their efforts.

This created an incentive that brought forth new creations from year to year; an incentive that caused the resources of the land to be transformed into useful wealth for man's enjoyment and betterment. Not only did it create for us a more comfortable way of living, but it made us a materially strong nation.

Many other countries have been blessed with natural riches; some even more so than America. But through restrictive and oppressive governments their citizens were deprived of the liberty to develop their wealth, to make the most for themselves. Restrained by their own governments, they were deprived of the initiative that comes with earned reward, and, with wealth beneath them and all about them, they lived in poverty and stagnation and in national weakness.

When we speak of free enterprise we speak of a personal right. It is the right of every individual to choose his lawful work and to make a living, and through his own enterprise to gain without limit the fruits of his own work. Free enterprise is the only sound foundation upon which creative work is built, and the only method by which opportunity for work may be assured. It is the right of the citizen to establish his store, his shop, his own place of business, to better his job, and then to strive to improve it, without interference by his government.

Free enterprise is the antithesis of State control—or domination of business and labor by government.

It is an undoubted fact that in this country today there are persons who advocate a paternalistic control, through the powers of government, over the affairs and enterprise of our people. This means a strong regulation of our very lives. This paternalism has found its way into, and has now become entrenched in, the government of this country. There are those today active in the administration of government, who appear wedded to the idea of directing the lives of our people and the enterprise through which the people seek to live and better the condition of themselves and the nation.

Those who advocate that policy may believe that through such a control they can by directive and order give the citizen better government and a happier life. I do not believe so.

By whatever name such a method of government may be called, it is in essence tyranny. It has no place in America.

State control of the farmer as to what he shall plant and how much he may raise and what he may sell; control of the factory and the mine as to its output; control of the worker as to where he shall work and for whom he shall work—are controls that will end freedom in America.

It may be argued, with some merit, that in time of war there is need for an economic organization different from that needed in time of peace. But this government threat to freedom of enterprise in America had birth long before war came. And I venture to say to you that we will be face to face with the same problem, still, when peace has come. Its advocates will not want to lay aside the idea even then.

A high duty before the American citizen today is to see to it that these controlling measures, now excused by war, are not continued when war has ended.

When we once more set out upon a sound internal policy for this country, the road must be left open for free enterprise.

In normal America we want no more of government price-fixing, or allowances on food, or allotment of materials, or government control of what we may have to eat, or when or to whom we may sell the product of our labor.

Even though the idea of price regulation be justified by war, the manner in which it has been administered cannot be excused by war. Indeed, the people have been made to know, through unnecessary oppression and harassment, that government regulation of private lives and private enterprise has no place in this country.

We want the fields of business and work left in the control of the citizens; not for operation by government from Washington.

Enterprise and industry must be encouraged. That is the only sound and healthy way to provide work for men and women. We must begin even now to turn again to those principles that nurtured America into greatness. When every citizen shall be protected in his right to maintain his own home and live his own life under sound government. When men shall have the right and the freedom to work without obeisance to anyone and without the necessity of paying tribute or toll involuntarily to any person. When he shall be secure in receiving his just part of the wealth that he produces. When a premium is placed upon thrift and production and not upon indolence and waste.

When free enterprise shall be encouraged and not **crushed** through government edict and molestation. When the population of America shall rule America and no group, whomever they may be, shall seize the power of government for its own ends. And when government shall exist for the people and not attempt to dominate the people.

Whether this shall be accomplished depends entirely upon the courage and wisdom of the citizens of this land. It depends upon whether they are going to work and strive and vote for America or whether they shall act for some selfish interest at the command of some group leader.

This challenge was so clearly stated in a recent editorial appearing in one of the magazines, from which I quote:

"How are we going to behave and vote: As members of small groups, farmers, unionists, merchants, manufacturers? Or as citizens of a great nation, intent upon the common good?"

We hear much said about what shall be done for the boy that we sent into this war, when he returns home. No one can deny the fact that we owe him more than we owe any other people of our country. It will be all right to give him a sum of money to help him through the transition period, when he must change from the man of battle to the citizen of a country at peace. But it seems to me that that alone would be a very tawdry gift to him.

We owe to him, and to those who come after him, a sound America with the open road of opportunity for him and for every boy and girl who desires to accomplish something in this world. We owe to them all, the freedom to exercise their enterprise without closed and locked gates across the paths to the success they may gain through their effort and their industry.

If the people of America really want to do something for those who have faced the enemy in the name of the country, they will see to it that no limit shall be placed upon their opportunity to rise in good achievement and in service to mankind; that all shall have the reward of their labors. This we owe to every child reared under the flag of this country. Only in a free America—an America of free enterprise—can we hope to realize this life for our people.

Payments On Life Ins. Exceed Cash Benefits

Payments to beneficiaries by American life insurance companies in August exceeded the benefits paid to living policyholders for the first time in many years, according to the Institute of Life Insurance. They represented $107,-428,000 out of aggregate payments in the month of $200,094,000.

"The August experience represents a trend which has been evident for more than a year as death claims have increased somewhat and the call for cash values by policyholders for emergency use has declined sharply to a record low rate," the Institute points out. "Direct war claims have been a relatively unimportant factor in the increase in death claims which have been influenced primarily by the stresses and strains experienced on the home front. The decrease in payments of cash surrender values is, of course, a direct reflection of the improved condition of American families generally and of their greater ability to keep their life insurance protection in force."

Total benefit payments for the eight months are reported by the Institute to be $1,616,523,000, of which 47% or $758,278,000 were death claim payments. Last year, the death claims were 41%, in 1941 they were 40% and in 1940 they were 36%. Ten years ago, when the emergency calls for cash values were at their peak, they were 29%.

For the year to date death claims are 14% greater than in the same period of last year and calls for cash values are 36% less.

Calif. Business Advances

Business activity in California during September was 258.1% of the 1935-39 average, and compared with 254.5% in August, 1943, and 212.8% in September, 1942, according to the Wells Fargo Bank & Union Trust Co. of San Francisco.

Department store dollar volume in California in September was 10% greater than in September, 1942; and sales for the year to date are up 22%. Substantial gains in bank debits and newspaper advertising linage also were shown in the major cities covered in the bank's compilations.

Post-War Outlook With Special Reference To Savings And Investments

(Continued from first page)

spent suddenly and because "new things" will be coming out of the "greatest productive mechanism that the world has ever seen."

With respect to the political situation in the post-war period, Doctor Robey expressed the opinion that "we will not continue to have the New Deal as we have had it" and that, regardless of the Presidential race in 1944, there will be a Republican Congress.

He further declared that there will very definitely be "a reduction of debt in the post-war period and it will come in the face of and along with a reduction of taxes."

Doctor Robey called the savings bankers' attention to the fact that they will have the Government "as very real competition in the payment of interest" in the post-war period in view of the problem of whether to cash in Government bonds or withdraw money from savings accounts.

Private investment in the post-war period is the real problem facing this country, Doctor Robey concluded, calling for revision of the present tax system and the present kind of regulation.

Incident as to whether we are going to maintain private enterprise in the post-war period, Doctor Robey observed that we have a lot of men in Washington "who don't like private enterprise"; he added: "They like what they call a managed economy. They want to run everything, and they are sincere in their belief. They are as sincere as we are in our beliefs. They think that that is the way to improve the social welfare of this country. One of my friends calls them the 'new stealers.' It is not a bad term.

"Those boys are clever. You come up against them at a round table or forum, and they can make you look silly.

"Gentlemen, that is a real threat. If we don't win that fight none of the rest of what I have said amounts to anything."

Doctor Robey's address follows:

My subject, as indicated, is "Post-War Outlook With Special Reference to Savings and Investments." I am quite frank to say that I wouldn't think of discussing that problem with you except as a reporter. I seriously doubt if there is a single man in the United States who has the knowledge to speak on that problem as an individual authoritatively.

So what am I going to say, and all I am going to say, is merely a report of information that I have picked up as a result of very seriously having tried to gather opinions on this.

About two years ago I started to work with a group of business men and economists. We have continued to work right down to the present on the subject of what are the problems of our economy today and what are they going to be in the post-war period. I don't think we are appreciably farther from the end than we were before we started, but I wonder if we are any closer in that group. However, we are still working.

Last spring I decided it would be interesting to make an actual survey primarily of the opinions of business economists, the economists in our outstanding corporations and financial economists that I knew, and so on. I am afraid my editor thought that my interest was motivated by my wanting to get off on a vacation, and he may have had a point. But, anyway, I did. For weeks and weeks and weeks I rounded up everyone that I could find at almost endless dinners, and we discussed this thing up one side and down the other.

It happened that Kiplinger—whose Washington Letter most of you know, of course—apparently had about the same idea. He surveyed business men's opinions and wrote an article. I didn't know that Kiplinger was doing it. I didn't happen to see him during the time. However, when his results came out, I was amazed at how, item by item, we got practically the same conclusions.

I have often wondered if "Kip" had the same reaction when he saw his copy that I did, because when I wrote my first draft of the series which I was preparing, and read it over, I could scarcely believe the optimism that ran all the way through. I questioned it so much that I went back to many of the economists, and said, "Look, do you really believe this?" And they said they would stand back of it; that they did believe that.

Those are men in whom I have confidence; therefore, I will stand back of their judgment. I have found over a period of years that their judgment is worthwhile. They hold their jobs not because of political affiliations, but because they can appraise the future.

So, first, I would like to give you a very brief resume of what they told me; that is, the overall picture on various specific topics. Following that, I would like to say just a few words on opinions I picked up about your specific problem, the problem of savings banks in the post-war period. Finally, if time favors, I would like to say a little bit about the general investment problem.

First of the points in the overall picture is one of the political situation in the post-war period. What can we expect? It is necessary to bring this up first, because that is an assumption which, if I don't try to clear it up at once, will keep recurring to you through everything that I say. Are we going to continue to have the New Deal?—if we want to be brutal about the question. The answer, in my own opinion, is that we will not continue to have the New Deal as we have had it.

I mean by that not necessarily that you are going to get rid of this or that particular man. And I won't mention names. However, let me put it this way: The trend is running strongly in this country against certain things that go on in Washington. Let us say that the public likes President Roosevelt, and unquestionably the public does like him. But even though you like him, there are an awful lot of Congressmen down there that you can take a slap at. So I would be willing to bet you even money—if not too many of you came up—that regardless of the Presidential race in 1944, there will be a Republican Congress, and I ask you to think what that means.

A Republican Congress truly means the end of the New Deal, using that in its dirtiest sense. It will not continue the New Deal. As a matter of fact, we have had some very good government in this country when the President was of one party and the Congress was of the other party. So that is the basic political assumption that I make in what I am going to say: that the New Deal, as we have seen it develop, the constant reaching out for power, national planning, all of that kind of stuff will come to an end in the post-war period if not before.

Now let's get a little bit more into our own field of economics. First is the question of production and conversion. That is always the start. How long is it going to take us to convert back to peace-time production? Not long ago I was sitting at a dinner. There were about a dozen there. All of them were businessmen with the exception of myself. We were talking about post-war, and the problem of conversion, and they were very, very pessimistic about this problem of conversion. "That really is going to be a tough one. We can get along all right after that if they will just give us the time to reconvert."

Finally I said, "Now, let's stop a minute and go around the table and find out how long it is going to take each one of you to reconvert."

We went around the table. There was not a man there who even had a reconversion problem. That is, he would be producing and doing exactly the same thing at the end of the war that he is doing today, and he is doing the same thing today—except more of it—that he was doing before the war started.

No one knows exactly how much of American industry has a reconversion problem, but the estimate is that it is some place between 10 and 20%; that at least 80% of American industry is not faced with what we ordinarily think of as reconversion.

So I ask you to bear in mind the overall picture on production. Don't just think of the airplane industry. Of course, you can get down in the mouth when you think about that. Think of the economy as a whole, and don't listen too much to how long it is going to take.

One of the answers that I like best on this is when I asked a businessman, "How long is it going to take you to reconvert?" he said, "It is going to take me half an hour and cost me 50 cents."

The automobile industry, in its talks to the press, as you know, has said, "It will take us six months." Well, I talked to some of the men kind of off the record, and one of them said, "If cars aren't rolling off my assembly line in 60 days after we get clearance, there is going to be hell raised around here."

Well, I don't know what the real time will be, but we are not faced with the necessity of a complete collapse in this country because of reconversion. We have the machine tools, we will have the demand, and, perhaps most important of all, we will know what we are doing. When we started to produce war materials, it was a new problem, and we did an amazing job in doing it, too. This time we are going back to do something we know how to do.

I went through the Chrysler tank arsenal just as it was going into production. I was talking with Mr. Keller. I said, "How do you know that you have to put so many machines here in a line? How did you get it figured out?"

He said, "It's the engineer's job. We will make some errors, of course. We will find we have too many machines here. We will have to take one out here and put one in some place else."

When Mr. Keller of Chrysler and the rest of the industry start back to producing automobiles, they will know exactly how many machines they need to keep the cars rolling off that assembly line.

So, on the question of production and conversion, my conclusion is that it will be a problem, but it will not create a crisis. That kind of answers the second point; that of employment. I read that we are going to have perhaps 20,000,000 unemployed at the end of the war. Where in the devil are you going to get 20,000,000 unemployed? It must be based on the assumption that every factory which is turning out war materials is going to close down right then, kick all of its men out, do its reconversion problem by magic, not by using men, and that we are going to have the Army dumped right on our hands immediately, too.

Let's be a little realistic about that. Again, let's take the automobile industry. Perhaps Mr. Wilson of General Motors would like to have a year or 18 months in which to bring out a new product, be he knows, if he takes that time he will get the pants licked off him by Chrysler. He is going to be rushing production. He is going to be using every man-hour he can, to get those cars off that assembly line as quickly as possible. And so is everyone else. There is going to be real competition for markets. There is going to be a tremendous demand for goods.

With further regard to unemployment, our service industries today have been stripped to the bone. You probably all know about the difficulty of getting maids—try to get one! And you can go right down the line of the whole service industry. There will be employment for millions of people in this country as soon as it becomes as patriotic to work for civilian goods as it is to work for military goods.

Let me say that we will have an unemployment problem. Let's not belittle it. But, again, it will not be of a character to justify revolution.

What of prices? We have over $100,000,000,000 of deposits in our commercial banks. We will have $20,000,000,000 or more of bonds held by the public that are payable on demand. We have over $18,000,000,000 of actual money in circulation. We have paid off mortgages; we have reduced installment credit. Never in the history of the world has there been such an accumulation of purchasing power. That purchasing power will be coming along with the fact that for two, three or four years we have not been able to buy many of the things that we want—washing machines, radios, automobiles, and so on.

Aren't we pretty certain to have an explosion? Aren't we likely to run into all kinds of a real inflation? I don't think we are, gentlemen. I think we will have a rise of prices, but I don't think it is going to be a runaway rise by any means. In the first place, I don't think we should assume that every man who has a few dollars is suddenly going to become a spendthrift just because the war is over. And if there is any doubt in his mind as to the continuance of his job he is likely to hold back a little bit.

Secondly, we will have the greatest productive mechanism that the world has ever seen. We will be able to turn out goods the like of which no one ever saw before.

Thirdly, which will apply in a good many cases, there are going to be new things coming out. The washing machine we had before the war may be all right. It was pretty good at that time, but these scientists talk about the damnedest things, and maybe we had better wait a little while and see what they have up their sleeves.

And all of this is to say nothing of the perhaps $50,000,000,000 of civilian inventory in the hands of the Government, the kind of stuff that we need. I am not talking about munitions. I am talking about the kind of goods that we want, because our Government buys everything it sees and always asks for twice as much as there is.

The automobile industry is counting on a price rise of between 25 and 50%, or, I should say, the automobile manufacturers assume that the post-war automobile will cost from 25 to 50% more than the pre-war automobile. And those economists to whom I have talked—that is about the way they think on a general picture—a price rise of perhaps a quarter, perhaps a little bit more, but not a doubling, or a trebling, or a quadrupling of the price level, granted that we don't go crazy and start the printing presses.

So, again, yes, prices will be a problem, but it need not be ruinous.

Fifth, is the question of Government regulation. What of that? Are we going to continue to be regulated every time we turn around? Or are we going to reverse the past 10-year trend? I have already more or less answered that, and here I express my own opinion. I think, gentlemen, that the problem in the post-war period will be one of swinging back too far in the other direction. I happen to be one of those who think that in the 1920s there were a lot of things that needed some regulation that didn't have it, and I should hate to see the slate wiped clean of all that has been done in the past 10 years. I wouldn't object very much to seeing the way it has been done wiped clean, but that is a different problem.

I think, in a word, that the post-war problem will be one of holding good, necessary, desirable regulations, the kind of which I am sure all of you thoroughly approve as a way of protecting our economy. The problem will not be one, then, of being unable to turn around because there is some little bureaucrat alongside of you. So that part of the post-war situation worries me in reverse, rather than as a positive problem.

Now I get a little bit closer to your home. What about taxes and the public debt? It is not until one looks up the figures that he realizes what a whale of a job we are doing in taxing in this country. I have been yelling about the desirability of new taxes ever since the war started in Europe, and I was quite shocked the other day when I had occasion to look up how much we have increased the tax burden in the United States. In 1941-42 we were collecting between $5,000,000,000 and $6,000,000,000, and we were complaining bitterly. This year, according to estimates, we will collect $40,000,000,000. $40,000,000,000 is a lot of money even to a New Dealer. Just think what that means. I don't know what our public debt will be at the end of the war. You can take almost any figure out of the hat, $200,000,000,000, $300,000,000,000 — I don't know.

But suppose we collect $40,000,000,000 to $50,000,000,000 in taxes, Federal taxes alone. You can't keep us from having a surplus; that is, you can't, unless you hunt up some new rat holes to pour the money down. Within 12 months or 18 months after the end of the war, I think it is inevitable that the Federal budget will be balanced, and we will start paying off the public debt.

I don't like the size of the public debt. Again, it is going to cause us some troubles unless it is well handled. But I was quite shocked the other day when I had one of the outstanding financiers in the country tell me, "I can pay off your public debt for all practical purposes in seven years after the war is over."

I said, "What do you mean, you can pay it off in seven years?"

He said, "I don't mean just seven years, but what I would do would be to start progressively lowering the taxes, especially those that have to do with investment. We are going to have real prosperity in the post-war, and as I lowered the taxes I would get more and more money. I would pay off more and more debt. The first thing you know, we wouldn't have any appreciable debt left."

I think perhaps he is a bit optimistic, but we are not going to have a Federal expenditure in the post-war period of $40,000,000,000 or anything like it, and we are likely to have a national income of $200,000,000,000. Those are big figures to deal with. $300,000,000,000 public debt is an appalling thing if you are working against a national income of $75,000,000,000 or $80,000,000,000. It is still an appalling thing if you have $200,000,000,000, but at least you can see your way through. So I think we very definitely will have a reduction of debt in the post-war period, and it will come in the face of and along with a reduction of taxes.

The last point I want to mention in the broad field is that of international policy. There we just do crystal-gazing. What is it going to be? I think the easiest way for me to express my opinion is to make a three-fold classification of thinking on international policy at the present time.

We have people who are really isolationists. You can name some of them as well as I can. They, of course, are the ultra-nationalists. They are real nationalists. The autarchy of Germany was a real nationalistic movement.

Then, we have some who I think may properly be called anti-nationalist. That is the opposite extreme, the people who are willing to give up the sovereignty of the nation for some rather vague world order.

Then, thirdly, we have the internationalists, those who recognize that the United States has a real responsibility in the world, that it must accept that responsibility, do much better in accepting that responsibility than it has so far, and that that must be the basis upon which our international policy is based.

I don't believe that those whom I call the anti-nationalists will be able to sell themselves to the Middle West. I hope sincerely that the nationalists or isolationists get less rather than more numerous, and I really believe that the international attitude of America, when it all comes down, will be one of true internationalism, which will give us a wise policy in which we can take care of our part of the world problem.

That is the broad picture, as I see it, or primarily as I report, except as I have indicated otherwise, on what I have found.

About two or three weeks ago, after this particular subject was assigned to me, at a luncheon with rather specialized economists, I told them I was faced with this problem and asked them: "What do I say? What is the savings bank problem in the post-war world? That is specialized. You have to know something to talk about." Well, the group talked about it for quite a while, and I gained three points, which perhaps are worth passing along.

The first one—and if you believe this it ought to cheer you—was that of all the various segments into which you might divide our economic system, the savings bankers have the least to worry about. The reason back of that is that you are going to have lots of money and that you are going to have the wherewithal to keep it and keep it invested. Plenty of Government bonds will be around, and almost certainly there will be a big mortgage business, so that you will have the means for going ahead in that way, if you like.

The second point was not so pleasant. They said, "You ought to tell the savings bankers that they should take a closer hold of this thing, that by and large"—and they didn't know the Massachusetts situation, they were not speaking specifically to that point—"the only real planning in the field of endeavor where savings banks must work is being left up to governmental or semi-governmental organizations and that is dangerous business; that savings bankers in this country must take the initiative, if they want to be sure that they are to have a continuing function to perform in the type of finance which they handle."

The third point was completely left up in the air, and I merely throw it out for any conclusions that you may want to draw. In due time, as you all know, the Government bonds held by the public start bearing a higher rate of interest; that is, it becomes more and more expensive to turn them in as you approach maturity. In the last few years of the 10-year maturity of the bonds, the rate of interest becomes fairly handsome. At the end of the war there are going to be 20 or 30 million Americans that have a little savings in War Bonds. Many of them also will have savings in savings banks. If they want to spend money, which are they going to spend? Are they going to cash in their Government bonds, which they can figure out are then yielding them so and so much, or are they going to withdraw money from the savings banks? You know the answer much better than I do, because you know your depositors. But it is a problem.

Let me put it this way: There is a chance in the post-war period that you will be faced with withdrawal of deposits, because you will have the Government as a very real competitor in the payment of interest, and it may be a type of competition which it is very hard to meet, because your earnings may not be adequate to meet it dollar for dollar in interest rates.

Well, I merely throw those things out as what I gathered from this particular group.

Finally, I would like to say a little about the broad investment problem, and I think, had I been perfectly honest with you. I might have started in by saying, "Gentlemen, I have all kinds of stuff that I can say about employment, reconversion, prices, and it isn't of a d——d bit of importance. The only thing that is important is, will we get private investment in the post-war period?" That is the post-war problem, and you know it as well as I do.

We have a philosophy in Washington today that no man should be permitted to make more than $25,000, and apparently no one should be permitted to have less than $2,500. That is not an adequate income range, if we are going to have private investment. We have—and have had for 10 years—in Washington an economic theory that came true by wishing it so, an economic theory that said that the United States is now mature, that private investment will not be forthcoming, and consequently we must tax in order to spend and thereby support the economy. By taxing so that you can't have private investment, they very simply prohibit private investment, and then they say, "You see, boys, there is no private investment."

It is a beautiful way if you can get hold of that particular theory and believe it. However, if we are going to maintain private enterprise in the post-war period, we have to break that kind of cycle. You can't have private investment in this country with the present tax system and with the present kind of regulation.

Are we going to change it or aren't we? I don't think there is much use to mince words. We have a lot of men in Washington. I am not talking of Judge Vinson,

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

(Continued from page 1783)

affairs in the last few decades. Enthusiasts for government planning and spending should be still further reminded that the course of history, beginning some centuries B. C., is strewn with the wreckage of government economic plans.

Mr. Anderson's main thesis is that no one person or body of people can make one general plan for industrial revival. That being true, he requests the government to restrict its planning to the removal of unnecessary interference in the program for expansion of post-war economic production. This, indeed, would be the greatest contribution which the government could make. For this expanding economy will come not as a result of government planning and spending, but on account of the efforts of the individual producers (which includes labor as well as management).

We may sum up his reference to the labor problem by his statement that there should be an equality of bargaining power between labor and management. Does this equality of bargaining power exist today? Since I am not an employer of labor, I shall leave the answer to those who are. No one wishes to deny labor its due, and I believe that an expanding economy will benefit laborers more than anyone else.

It remains to be seen whether, in the post-war period, technological advances will be opposed by labor as a whole. The long time period favors the laborer when new inventions and discoveries are introduced. For the immediate short time period, it is natural that an individual laborer should feel himself aggrieved if he is displaced by a new labor saving device.

It is to be noted that Mr. Anderson shows that we were not helped in our recovery from 1921 to 1923 by favorable economic conditions in foreign countries. This would emphasize, it seems to me, the enormous recuperative powers which are innate in our nation and our economic system. Should we not have more confidence in these powers to carry us through the post-war period without depending upon special governmental planning!

GERALD M. LOEB
Partner, E. F. Hutton & Company

I think the Dr. Anderson article is good. In fact, so good I hate to see it buried in a paper whose readers are probably 100% in agreement with him. . . . Articles like Dr. Anderson's deserve to be not in our own press but in the opposition press.

F. J. LUNDING
President, Jewel Tea Co., Inc. Barrington, Ill.

The article by Dr. Anderson in the "Chronicle" of Thursday, Oct. 21, 1943, is one of the finest to have crossed my desk during recent months. I find myself in complete agreement with his approach, premises and conclusions.

Whether we will be able to reduce Government debt as rapidly during coming post-war years—on a percentage basis, that is—as was true during the years 1921 through 1923, is conjectural. It may be proven to be advisable to consolidated our Government debt and accept the service charge on it as a more or less permanent cost of doing business. But, regardless of this contingency, the fact remains that we will be able to neither pay the service charge on the debt nor retire it unless, as Dr. Anderson points out:

1. Individuals are free to do their own planning and have some assurance that their plans will not be negated by some super plan.

2. Capital is adequately compensated for the risk it must assume.

3. The credit of the Government is unquestioned, both domestically and internationally.

4. Prices, governed by the unrepealable law of supply and demand, are allowed to guide production to the attainment of an increasingly higher standard of living.

5. The profit motive is preserved to assure a maximum reward for personal and corporate initiative.

6. Collective bargaining is keyed to long-term national weal rather than short-term selfish consideration.

Of course, in the final analysis we know that high employment, wages, and sales are all the by-product of jobs well done. Under good leadership and with some of the restriction released, yet within the framework described by Dr. Anderson, we can look to these good jobs to solve many of our post-war problems.

It is understandable, convincing and stimulating. I sincerely hope it receives wide distribution among those who depreciate Dr. Anderson's type of thinking either through ignorance or selfishness.

C. F. CHILDS
President, C. F. Childs & Co.

You request reactions to Dr. Anderson's query "What Can the Government Do to Promote Post-War Reemployment?"

C. F. Childs

Why should people lean on the Government for a livelihood? From war expenditures, employment became abnormal. When that spending stops, abnormal employment stops. Then people should expect to again adjust themselves, according to their qualifications, to opportunities for re-employment. Compensation for services should be returned to the new economic conditions of business, industry, and trade.

Leaders of labor unions will retard business recovery and re-employment of its members if they attempt to maintain war standards when peace returns. The sooner the Government and the people abandon artificial props and socialistic crutches to support themselves, the sooner the nation will solve its reemployment problems.

GEORGE S. HOVEY
Chairman, The Inter-State National Bank Kansas City, Mo.

It seems to me that when the war is over and business is resumed, some plan must be worked out by the larger employers of labor, either a corporation or an individual, whereby after expenses art paid, a reasonable amount set aside for the day when earnings will be less than expenses and a reasonable dividend paid to the shareholders, the remainder should be and must be equitably divided between the employees and the shareholders.

V. H. ROSSETTI
President, The Farmers and Merchants National Bank of Los Angeles

I have read with deep interest the article on the subject: "What Can the Government Do to Promote Post-War Re-employment?" by Dr. Benjamin M. Anderson,

V. H. Rossetti

and unhesitatingly subscribe to his proposed plan, and I might add that I regard it as the most intelligent and comprehensive one that I have had the pleasure of reading.

W. W. McLAREN
Dept. of Economics, Williams College, Williamstown, Mass.

I have read B. M. Anderson's Memorial to the Senate Committee with great interest and am delighted to find that he has put the planning and spending by the Government in its place. I agree with his point of view on these matters and think that the statement is one of his most impressive efforts.

On the other hand, it will be very difficult to put his economics over in the academic community. The Keyenesian approach to the business cycle as interpreted by Hansen and applied to the decade of the '30s; the Seymour Harris application to the post-war period seem to be regarded as a revelation among many of the academics. The undergraduates who come in contact with the idea swallow it whole, and if encouraged by their instructors peddle it as a gospel. It's most discouraging to find so many otherwise sensible people among economists and teachers of economics who have taken up with this "new economic theory." To one old enough to recall the new economics of the late 20's which ran in terms of "universal prosperity," the new economics of the '40s is only another abberation, produced by the depression of the '30s and carried over into the '40s, with their defence and war prosperity, without a thought as to whether the circumstances did not call for a revision.

As a teacher of economics I have been bringing to the attention of undergraduates such small critical books as Moulton's **New Philosophy of the Public Debt** and Henry Simons article reviewing Hansen's **Fiscal Policy**, etc. Also, I have worked them through Crum's **Fiscal Planning**, etc., and have observed excellent results. In the language of Moulton, we have an all-important issue before us which can be settled only by the widest possible discussion of the matter of dealing with the cycle. Politicians will be certain to take the easy way, that is, yielding to groups which press for spending, unless the general public can be persuaded that unlimited spending is no cure of depressions but rather a factor which tends to "halt recovery in its tracks"—to paraphrase one of Hansen's phrases. By articles such as the one you have sent me, by publicising such excellent statements as Anderson's the necessary spade work involved in forming a solid opposition to the theory that unemployment and the other hazards of insecurity can be taken care of by the Government through the simple device of dishing it out, is being done, it may be that our Government's policy can be determined along lines that are desirable.

I would like to point out also that the Social Security programs of Great Britain and the United States are likely to produce a degree of rigidity in costs that will make it necessary in Great Britain, at any rate, to choose between a closed Empire or a currency depreciation war with the other trading nations. With us, I suppose, if the present Administration is still in office, there will be a repetition of the 1933 incident, when and if it seems desirable in the interests of our exporters. A campaign to educate the public on this subject is highly desirable.

Thanking you again for calling Anderson's Memorial to my attention, I am yours sincerely,

W. W. McLAREN.

WALTER HOVING
President, Lord & Taylor New York

I enjoyed immensely Dr. Anderson's article "What Can The Government Do To Promote Peace-Time Reemployment?"

I think that it is sound, sane, and unafraid.

C. A. HIGGINS
President, Hercules Powder Co., Wilmington, Del.

I have read Dr. Benjamin M. Anderson's article with a great

Charles A. Higgins

deal of interest. May I say that I thoroughly agree with his point of view, and I am passing the article around among my associates here.

H. D. BATEMAN
President, Branch Banking & Trust Co., Wilson, N. C.

Doctor Anderson's article, "What Can The Government Do to Promote Peace-Time Reemployment?" has been read carefully and unhesitatingly. I wish to say that it is a very able one. In fact, it is the only way I am able to see how we are going to manage things after this terrible war is over. Doctor Anderson is so clear and logical and so convincing, it would appear to me that his article will appeal to the business people of the country.

EDWARD S. JOUETT
Vice-President and General Counsel Louisville & Nashville RR. Co.

I have read Dr. B. M. Anderson's memorial to the Senate entitled "What Can the Government Do to Promote Peace-Time Reemployment?" with the keenest interest and appreciation and consider it the soundest discussion of this vitally important question which I have seen anywhere. His cogent arguments cannot, I think, be answered.

As the SEC does not have power to regulate railroad securities, with which I am more familiar, I have no definite idea as to whether or not his recommendation to entirely abolish that commission is justified, but that is not essential to the successful carrying out of the various wise policies set out in his valuable paper.

R. L. REDHEFFER
President, Merchandise National Bank, Chicago

I have read Doctor Anderson's article with a great deal of pleasure and satisfaction. It is a sad condition of today that the people who benefit most by this kind of an article will never see it. I am in accord with practically everything he said.

J. G. THORNTON
President, The Wilmington Savings and Trust Company, Wilmington, N. C.

I am in hearty accord with the statements and ideas expressed by Dr. Anderson, and believe that a wide distribution should be made of this article with a view to a restoration of sound and practical thinking in conection with post-war government.

DR. FELIX MUEHLNER
Niagara Share Corporation of Maryland, Buffalo, N. Y.

Dr. Anderson certainly makes a strong appeal for the return to the philosophy of "laissez faire," believing that economic life will flourish best if guided alone by the movements of prices and the profit motif. Consequently, he considers the government interference with economic life as the cause why the economic life has lost a great deal of its flexibility during the last decade.

We wish the answer to the economic ills of the past were that easy; however, we cannot see that the problems of our times are that simple.

As to government policies, we think we ought to distinguish between policies before and after the depression of the early Thirties. It seems to us that world politics before the depression have contributed a great deal to the maladjustment of world economics. Capitalism, as we understand it, can work effectively only in a world at peace within a mutually respected framework of Free Trade which permits prices to guide the profit motif. Dr. Anderson will probably agree with us that in the intervening years between World War I and the present war, neither Free Trade nor anything like real peace has been the foundation of economics. The fundamental basis of peace, i.e., cooperation was lacking.

As far as United States Government policies before the depression are concerned, there was relatively little interference with the domestic economic sphere.

Nevertheless, the depression occurred affecting the United States domestic economy as seriously as the rest of the world. If there is any lesson to be learned from that depression, it is the fact that apparently no nation can escape the consequences of a serious economic maladjustment within the world, even when one or the other nation applied sound economic policies in their own domestic field.

It seems to us that the trend of modern industrialization has made nations so interdependent, that, whatever happens somewhere in the world, has its repercussion in the other parts of the globe.

The depression of the early Thirties is a fact. Government policies adopted in the United States during the depression can therefore not be held responsible for the fundamental change which world economics has undergone already before. As the depression was so severe and world politics so complex, we realize that whatever government policies were adopted, they were governed by expediency, and, therefore, had naturally to be experimental. Apparently, public opinion was unanimous in approving the spending policies of the United States Government for the purpose of bringing about recovery from the depression. Opposition appeared when recovery legislation gradually developed into reform. We assume that it is the reform which Dr. Anderson opposes because of his conviction that economic planning by government in a democracy in peace time cannot work because "the wisdom does not exist and the knowledge does not exist, and,—the power does not exist, to know what 130 million people want and what they will pay for, and to have it produced for them."

We admit that we do not know whether or not Dr. Anderson's contention in this respect will prove in future to have been correct. What we know is the fact that reform legislation has been passed in a democratic way by the Congress of the United States, and, as Dr. Anderson points out, in his article, democratic people know what they want and what they like and we, therefore, abide by the expression of their will which has legalized reform.

We realize that there will be room for improvement of legislation as long as there is life, and we appreciate Dr. Anderson's article as an effort in this direction. However, we cannot agree with him in respect to his price policy. He asks to veto the continuation of price fixing for the purpose of preventing inflation. It is our opinion that abolishment of government price restrictions before the time when a workable agreement for the postwar world has been reached, is apt to accelerate a price inflation simply because people like to make money and are apt to make profits where they can get it without contemplating what a runaway inflation finally must mean to any country which does not understand to prevent it.

What we all hope is that the world will return to something like normal conditions with international agreements being again respected, thereby opening the possibility of further industrial expansion by putting the available excess purchasing power to work without an inflation.

In view of the many complex problems which will arise in the course of further industrial expansion, we believe that cooperation of Governments, Free Enterprise and Labor is apt to be more successful than to rely simply upon the market mechanism of supply and demand guided by the profit motif alone.

Government, Free Enterprise and Labor are the people in a democratic nation. As men are not living by bread alone, but are proving in this war that they want to uphold their freedom of expression, and of action, we have the confidence that together they will be able to build a world of their own choosing.

BOYD N. EVERETT
Treasurer, Continental Assurance Company, Chicago

I have read Dr. Anderson's article in the "Chronicle" with a great deal of interest. Let me say to begin with that I am very much impressed with Dr. Anderson's treatment of the subject and wish it were possible for more people outside of the financial and business field to read it.

I do feel, however, that the article has a certain flavor which will be identified by many as reactionary and although I do not know how this can be avoided, nevertheless it is certainly the case that those elements diametrically opposed to Dr. Anderson's thesis are superbly adept in applying that flavor to their writings which is most acceptable to the greatest number. We are beyond the academic stage of talking among ourselves about what is good for the country. Our problem is now how to become better salesmen for our proposals.

Realism, for example, may dictate the abolition of the SEC but I do not feel that the general public is yet prepared for the proposition that it should be abolished. Advocacy of the removal or transfer of those powers which are most objectionable in the hands of the SEC would meet with far more general favor and yet would accomplish virtually as much as the proposal to abolish the Commission.

The thesis that a strong and active speculative fraternity is essential to a healthy market and, for that matter, to capitalism, is one with which I am in complete sympathy; yet I do not believe that it is possible to make a case for it which can be comprehended by the average man and which can not be turned against you by a clever opponent.

I would like to see as much emphasis as possible given to the importance of equity investment in the creation of jobs and I do not know of anyone better qualified to argue this point than Dr. Anderson. It seems to me that the theory is simple enough in its conception to be "sold" to the masses, but if we are to be successful in directing the savings of the masses into equities we first have to make those equities attractive.

ROBERT STRUTHERS
Wood, Struthers & Co., New York City

The record supports Dr. Anderson's arguments and I think he is sound in all that he says. I am a little surprised that he did not go one step further and make some reference to the present capital gains tax. I find it difficult to visualize a broad and flowing securities market unless the present tax on capital gains is considerably reduced.

Robert Struthers

CHANNING POLLOCK
New York City

I find myself heartily in accord with the views expressed by Dr. Anderson in his article, "What Can the Government Do to Promote Post-War Re-employment?" and full of admiration of the clearness and cogency with which they are expressed. * * * Congratulations to you and Dr. Anderson.

To Elect Chicago Reserve Bank Directors

Balloting for the election of a Class "A" and a Class "B" Director of the Federal Reserve Bank of Chicago opened on Nov. 1 and will close on Nov. 16. Walter R. Frame, President and Director of the Waukesha National Bank, Waukesha, Wis.; Horace S. French, President of the Milwaukee Avenue National Bank of Chicago; and Ira A. Moore, President of the Peoples National Bank of Grand Rapids, Mich., have been nominated as candidates for Class "A" Director. Clarence W. Avery, Chairman of the Board and President of the Murray Corporation of America, Detroit, is unopposed as Class "B" Director to succeed himself.

The election is being held to fill the vacancy caused by the expiration of the term of Edward R. Estberg, Class "A" Director, who is not a candidate in the present election. The successful candidates will take office Jan. 1, 1944.

Post-War Outlook Discussed By Robey

(Continued from page 1791)

or people of that kind. I am talking of men who for the most part never get their names in the paper. We have a lot of boys of that character down there who don't like private enterprise. They like what they call a managed economy. They want to run everything, and they are sincere in their belief. They are as sincere as we are in our beliefs. They think that that is the way to improve the social welfare of this country. One of my friends calls them the "new stealers." It is not a bad term.

Those boys are clever. Many of them, I am sorry to say, are college professors. They are practically professional talkers. They run rings around you, if you meet them offhand. The only thing they do is to think up arguments and devise facts to support their case. You come up against them at a round table or a forum, and they can make you look silly because they know the kind of smart-alec tricks to embarrass you.

Gentlemen, that is a real threat. If we don't win that fight none of the rest of what I have said amounts to anything. Can we win that fight?

I think the job that private industry has done in the past two and a half years is without parallel. Private industry has shown that when it comes to turning out goods there is nothing else like it. It took Hitler seven years to get to where he was in production. It took Russia 20 years. In two years the United States surpassed both of them. That is quite a record, gentlemen, quite a record.

The American public knows that. All you have to do is be sure that the American public continues to know that. If you do, we will have an America of the kind that we like. If we don't, my subject should have been, been, "The Post-War Problem of Government Investments."

Cohoe Inducted As Chemical Society Head

Wallace Patten Cohoe of New York was inducted as President of the Society of Chemical Industry, international organization with headquarters in London, at a dinner meeting held on Oct. 22 at the Waldorf-Astoria in New York City. About 800 chemists and industrialists, including heads of America's leading chemical industries, attended.

The event was a continuation of the proceedings of the annual meeting of the Society held in London July 9, at which Mr. Cohoe was elected President to succeed Dr. William Cullen of London, and which was adjourned to reconvene in New York City. A cable message of felicitation from the Society assembled in London and signed by Dr. Cullen was read at the dinner, at which Mr. Cohoe delivered the inaugural address. Dr. Foster F. Snell, head of Foster D. Snell, Inc., of Brooklyn, and Chairman of the American Section of the Society, presided.

Mr. Cohoe is the sixth American to become President of the Society, which was founded in 1881 and has approximately 5,000 members throughout the world. Mr. Cohoe, who is technical adviser to corporations, principally in the fields of textiles, synthetics, paper, and cellulose, was born in Norwich, Ontario, in 1875 and has resided in New York since 1912. He was educated at McMaster University, Toronto, and at Harvard University.

Canadian Securities

By BRUCE WILLIAMS

The recent discussions in Ottawa between Solon E. Low, Provincial Treasurer of Alberta, and the Dominion Minister of Finance give rise to considerable conjecture concerning possible steps to be taken in connection with Alberta's debt reorganization. Although ostensibly the questions reviewed do not definitely touch on this main problem, it may be surmised, however, that this subject has undergone at least some clarification. All the points publicized have a definite bearing on the larger issue; the question of the Dominion advances in the form of treasury bills, and the Provincial seed loans to the farmers, both dating back to the depression era of the 'thirties, are definitely allied problems.

Mr. Low has made persistent efforts to end the present deadlock, and in his last budget speech expressed himself as follows:

"We want to refund the whole of the debt. We feel that it is possible to evolve a plan that will be satisfactory and equitable both to the Province and to the holders of our debentures."

As the current discussions indicate, he has strong views, however, concerning Dominion responsibility for the relief expenditures of the Western provinces during the depression years. If some compromise can be reached in this connection, it would remove one of the obstacles in the path of the entire debt reorganization.

As already pointed out, the course of interest rates in the past few years now makes the last proposal of the Alberta Government look more attractive. When the negotiations with the bondholders were broken off in June of last year, the situation was deadlocked on the refusal of the Government of Alberta to accept a rate of 4% as against its own proposal of 3½%, and also on inability to find a formula for the settlement of past due interest. **It is now rumored that a compromise might be possible on the basis of 3¾%.**

There is a further question that investors in Canadian provincial securities would do well to keep in mind. That is the relationship of the Dominion to the whole provincial debt situation. The recent Dominion Provincial Tax Agreements were only a part of the far reaching adjustments recommended as a result of the findings of the Rowell-Sirois Commission in May, 1940. It is to be anticipated that in the post-war period efforts will be made to bring about a fuller implementation of the proposals made by this body. In this event, the overall provincial debt structure would be strengthened and the credit of the financially weaker provinces especially would be beneficially affected.

Consequently, the various inter-provincial security switches previously suggested would be more than ever justified. There has been already some activity along these lines, but there would still appear to be ample scope for profit in such operations.

Economic progress throughout the Dominion has also tended to bring about a degree of equalization among the provinces, hence, in many cases, the existing differentials are accordingly unjustifiable. For example, holders of the comparatively low-yielding Ontarios and Quebec issues can still make attractive exchanges into British Columbias, Nova Scotias and New Brunswicks, and to a more limited extent into Manitobas.

During the past week there was greater animation in the market with a continuation of the absorption of available offerings. Direct Dominions were little changed but Nationals were higher with the 4½s of 1956 in demand at 116⅝. There was a considerable turnover in British Columbias and bonds offered were readily traded; the medium term issues are still on a 3.40% yield basis but the market supply has recently been greatly reduced.

Nova Scotias were inactive but the higher yielding New Brunswicks appear to be slowly moving into line with the issues of the former province; the New Brunswick 5s of 1959 advanced to 115¾ from the previous level of 115¼. Manitobas continued in demand but it was difficult to find offerings. Saskatchewans were quiet with the 4½s of 1960 still 90 bid. Firmness persisted in Albertas with the 4½s bid at 79 and the 5s at 80.

The market in internal issues was more subdued as a consequence of decreased fluctuations in the free exchange rate, which moved within the narrower limits of 10 to 10½% discount. Potential buyers of these securities are waiting until it appears that the special sales of exchange in connection with the internal issues called on Oct. 15 will not cause further violent movements in the free exchange market.

With regard to the market in general, next week will see the termination of the Fifth Victory Loan drive and with the Canadian security houses able once more to occupy themselves with their own business, there should be a resumption of activity and higher prices as a result of building up of inventories.

More Comments on Lewis Haney's Analysis of New Deal Theories

(Continued from page 1782)

upon free competition, to determine both what shall be produced and what prices shall be paid for goods and for labor." It may be said that this is the backbone of American business enterprise, the successful operation of which must be free from cumbersome government regulations "that are not necessary to maintain an orderly production and exchange of goods and services through which opportunities of employment are made available to all willing workers under conditions that will insure a livelihood corresponding with reasonable accuracy to the value of the worker's service to his fellow men."*

Under the smooth functioning of the American type of free business enterprise, it is a foregone conclusion that all communistic and socialistic schemes of planning are found to be unnecessary in that the average American business man is deeply imbued with the spirit of public interest and thus knows well the rules of fair play. And in my opinion the best kind of economic order that can be established in this country is to let the individual develop freely his ingenuity and to unshackle him from all idealistic "social planning" schemes which, if allowed to run their course, obviously, as Dr. Haney says, will tend "to make the individual exist for the nation, rather than the nation for the individual."

The former idea has been the root of all types of totalitarianism, be it Nazism, Communism, or Fascism. The evil consequences brought on the fate of mankind by these alien philosophies need not be pointed out here.

Perhaps it is not too late for us in this country to learn the cardinal truth as so ably brought forth by Dr. Haney. May his splendid article serve as a turning point in the political and economic thinking in the United States for the years to come.

*See Richberg, Donald F., "Government and Business Tomorrow," p. 156.

ALLEN B. EDWARDS
Mercer University, Macon, Ga.

You have invited comment on an article by Professor Lewis H. Haney, printed in the "Commercial and Financial Chronicle" of Oct. 7, 1943, and currently being circulated in pamphlet form by the Economists National Committee on Monetary Policy. I hereby offer such comment on the grounds that Mr. Haney distorts and obfuscates the objectives of the "crowd" under consideration and that many of the policies which he implies are part of the New Deal program are really war measures which have no permanent place in New Deal philosophy. The writer is not a New Dealer but even were we to consider the New Deal as a middle of the road philosophy there would be a huge area remaining between such a position and that taken by Mr. Haney.

Whenever change takes place in a social or economic system those who advocate a program to meet the conditions are inevitably referred to as heretics, radicals, etc., by others who always assume that the status quo is the culmination of all past experience, and this status quo finally becomes surrounded by a rational body of doctrine, "laws," etc., any departure from which is contrary to the "naturalism" of this status quo.

Accordingly, Mr. Haney believes that the depression of the Thirties was simply a particularly bad one but that the New Deal economists have reacted so as to oppose capitalism and the profits system. (Such generalizations about opposition to capitalism are bound to have a considerable element of falsehood and are always dangerous, as any opponent of Communism should well know.) Accordingly, among other things, the New Deal is accused of substituting a "managed currency." How radical is such a departure? Does not the fractional reserve system on the gold standard require a certain amount of central bank action which partakes of "managing the currency"? There might be disagreement as to technical terms but the principles are the same. Probably the biggest difference lies in the existence of a limit on money expansion under a fractional reserve system which managed currency may not have. Likewise, Mr. Haney calls the managed currency "fiat money" just as though bank notes and deposits have not at certain times turned out to be "fiat" in the past. He is simply introducing the familiar scare psychology. And does not the change in the status of the gold standard abroad call for adjustments in the domestic monetary system?

Next, we are reminded of surpluses being distributed, farmers being paid not to produce, and consumers being given money "on the basis of their needs" rather than on their productivity or their earned ability to pay. At this juncture the traditional economist would invoke the law of supply and demand with respect to agriculture. But the agricultural population is extremely immobile and the normal restriction of supply "in the long run" constitutes a much longer period than in most industries. Accordingly, the farmers look for subsidies of one kind or another in the face of their helplessness just as a business experiencing keen foreign competition looks to the tariff, a more subtle form of subsidy. From there Mr. Haney goes into the usual haranguing about socialists getting into Government with about the same amount of intensity as one can find in the "United Mine Workers Journal" or the "CIO News" on other subjects. Thus we arrive at more specific charges.

The New Deal is charged with promoting "National Thinking" with the idea of super-imposing collectivism. If we have interpreted correctly, Mr. Haney is apparently thinking of the war measures used in price control and rationing. We would all agree that regimentation of consumption without regard to subjective valuations or marginal utilities has been practiced. But the alternative would entail a free market to allow manifestation of these individual differences, a practical impossibility during war time. Mr. Haney knows very well a free market is currently an impossibility and he is also aware of the statistical difficulties of even allowing for certain "average" demand situations. But a freer market would bring inflation of a magnitude which would make his grievances against the New Deal seem petty indeed. One thing is conclusive; the difficulties of OPA show clearly that in peace times the market should be left to determine prices.

Apparently Mr. Haney objects to most Government projects on the ground that they are worthless, cannot be "eaten, worn, or lived in." From this belief he goes on to discredit the whole theory of the creation of purchasing power. It should be noted that unless the actual workings of public spending are clearly understood, by a few misleading remarks the whole concept can be made to appear ludicrous. Having read some of Mr. Haney's books, we are convinced he understands the principles involved but is phrasing the matter in such a way as to sway the layman. For instance, he leaves the impression that the created purchasing power will bring forth no new production of consumable goods, and therefore prices must rise proportionally, resulting in a higher national income and no increase in real income. Two observations are appropriate: First, the implication is made that because the government projects do not meet the test of the market, their direct utility is questionable, may not cover real costs, and at least are not subject to measurement. Government projects, local as well as national, have never met the test of the market. However, that does not constitute an argument against them; but about all that can be done is to leave their selection to elected representatives with the hope that net utility is not a negative figure. Any other procedure would involve "paternalism" against which Mr. Haney is so vigorously opposed.

The second observation is that expenditures on public works may stimulate production of other goods and services and thus increase the community's real income exclusive of whatever social utility the project has. We do not have to expound the theory (and thus be accused of being theorists) to prove the point. Real income in the United States increased in 1941 exclusive of whatever "value" we wish to put on the armaments constructed.

The whole concept of national money income comes in for criticism as though allowances were never made in such computations for changes in price level. While we would admit that the figures resulting from such allowances would probably not accurately measure real income, there is a strong probability that a national income of $90,000,000,000 would constitute greater real income than one of $80,000,000,000 if such allowances have been made.

It occurs to the writer that most of the criticisms of Mr. Haney emanate from his abstract thinking in "real" terms. In such a vacuum money becomes neutral, prices and wages are flexible, and labor is mobile. Granting all this, Robinson Crusoe economies make good analogies by which to explain modern economies. The weaknesses of such analogies have been pointed out before. Prices, wages, and output levels are frequently inflexible and labor is immobile.

Many of us are just as anxious to preserve capitalism as Mr. Haney. Hence, we would oppose the Wagner Act as now interpreted and administered, Social Security as suggested in some quarters and certain prerogatives of the SEC. Corporate income taxes must be lowered, farm subsidies removed, and many other things altered or abolished, but the approach used by Mr. Haney, we maintain, will contribute little. Most of his tirade is of a familiar name-calling variety, spiced with satire, and interspersed with standard economic terms to give it dignity. The approaches followed by the authors of the National City Bank News Letter, the Cleveland Trust Bulletin, and certain other publications will achieve much more while retaining a validity which Mr. Haney fails to achieve.

ARTHUR W. CALHOUN
Sterling, Kans.

Doctor Haney's "Economic Philosophy" article is smartly written and provides an impressively clever critique of New Deal economics. Very likely it is true that an economic system cannot for long straddle between capitalism and communism.

Nevertheless it seems to me that if Doctor Haney had been less anxious to be clever he could have caught a good many weak points in his own treatment and thereby strengthened his essay.

Not being myself an economist I am not able to say just who are economists and who merely call themselves such, but I should have supposed that A. H. Hansen would rate as an economist; hence I have a suspicion that some of the others mentioned might; and I wonder whether it is argument to deny the name "economist" to such as disagree with oneself.

Again, I have not observed that the "radical" economists of the past 20 years have tended to "minimize the problems of production." Indeed, I had thought that their major complaint was that whereas our economic system was capable of producing perhaps $135,000,000,000 worth of stuff a year it commonly produced maybe half that amount. On this point it would seem that the prodigies of present output rather substantiate the previous indictment, which certainly did not belittle the necessity of vastly increased production.

Doctor Haney seems to find the disposition to identify oneself with "the group" an "escape," which seems rather strange in view of the disposition of business men to identify themselves with groups, whether trusts, cartels, or combinations of specifically financial interests instead of insisting on playing a lone hand.

Or, to take the next point I have marked, it is exaggerating the achievement of Roll's "History of Economic Thought" to make it "little better than an elaborate Marxian tract." It is so long since I have read Haney's "History of Economic Thought" that I am not prepared to say that Roll represents that much of an advance over Haney.

It seems to me, too, in view of the sorry experiences one has when he tries to find merchandise that would meet one's "schedules of individual demand-prices" (and I am talking about the pre-war days, and the salesmen who told us in so many words, "You might as well be content to wear what everybody else is wearing," or who shrugged their shoulders when one asked why he can no longer get soda crackers not besprinkled with salt) that one might as well admit that the so-called "individual demand" has become little more than a mass conformity to what the market chooses to offer us. Moreover, this helplessness of the individual in quest of what he wanted was well established before the depression even.

As for Marx's "socially necessary labor time," I think most of us have supposed that meant a pretty definite thing—namely, that only such expenditure of labor as was necessary in order to meet demand according to standard methods of production was valid—a conception that counters Doctor Haney's assumption that the socialist "way of life" is not intended to "be productive in the sense of making things that people want and are willing to pay for." Of course, Marx was analyzing capitalism, but it is pretty clear that the concept mentioned was a sort of norm, and that it would keep its devotees from the notion that Doctor Haney attributes to them. Of course, if "New Dealer" and "Marxian" are in fact synonymous, there is no telling what Marx might be supposed to mean!

Again, the assumption of some recent "economists" that all income ought to get spent, certainly never meant "for consumers' goods, whether perishable or durable." It included what would have to be spent not merely to keep up but to enlarge and extend the productive equipment.

As for Henry Ford, his idea of a rising dynamic economy to be achieved by progressively raising wages and lowering prices probably did more to put into men's heads many of the ideas belabored in this essay of Doctor Haney's than did any other one thing, and there is no reason to think that Ford could not continue to continue the process indefinitely with profit to himself were he not balked by the general inertia of the economic system as a whole. Whether he would play the game if some one took the whole economic system in hand to make it follow his pattern, is doubtful, for he is a man of another generation; but there might be a successor that would.

As to the idea that "existing plant and equipment originated in individual saving, investment and enterprsie," perhaps the economists will tell us what proportion of the capital of our major industries is now furnished by gathering up the individual savings of individuals as compared with what comes from accumulated corporate surpluses kept together not in behalf of stockholders but because it suits the purposes of inside interests. At all events, this is surely a more likely way for the future than the traditional piecemeal process.

Very likely the New Deal is already well-past the point of decay, but what we are led to wonder is whether those capitalists that care to preserve capitalism will not be led to do with appropriate aplomb far more than the New Deal has ever tried to do in the way of making sure that all income gets spent and that there is a proper ratio between the amount spent for consumers' goods and the amount spent for equipment. They might even decide that to double or triple the volume of output by making sure that somebody had the money and the desire to buy what they make would pay better than to let things take their own course haphazard. It scarcely seems likely that men with business brains will be willing to let production recede very much from its present war-time level, or to trust to chance that there will be consumer demand (with power to pay) for such a total.

ALDEN A. POTTER
Bethesda, Md.

The seeds of financial disaster and political catastrophe lurk in the fallacy concealed in one glib little phrase in Professor Haney's article on "Economic Philosophy" in your issue of Oct. 7! That phrase is as follows: "Thus in 1933, in a great **post**-war depression . . ."

On what grounds does the good Doctor hold that it was not a great **pre**-war depression? In the matter of cause and effect, hasn't he got the cart before the horse? Professor Haney's unexpressed argument would seem to be purely a matter of chronology; yet such an argument works better the other way, for 1933 was only six years prior to the start of a far bigger and better war than that which it followed by 15 years!

Moreover, 1933 saw the birth of the earth's latest crop of New Deals, and these led on to the cutthroat competition of war; for all the earmarks of New Dealing were present in Hitler's program when he was elected as Germany's "great leader." Faced with the failure of his New Deal he finally went into munitions and Jew-baiting as an escape mechanism and smoke screen. The conflict that resulted furnished a very convenient escape and screen for our own politicians in a similar failure to make the pound of bureaucratic cure take the place of the ounce of financial prevention for economic disaster.

It is, indeed, difficult to comprehend how an informed writer like Professor Haney can discuss the current monetary program and virtually ignore the problem of the inflationary gap and the urgent necessity for taxation to close that gap **now**. We cannot amortize a war, for war is not self-liquidating like a private enterprise. It cannot be had at a bargain by shopping around in the interest of economy. War is essentially squandering, not investing; and to suggest that a war plant, at Willow Run or anywhere else, is a profitable investment discloses the basic fallacy of the Professor's thinking—a fallacy which sabotages his own objective of sound finance in a **laissez faire** economy. In war, whatever can be saved at one point must be spent at another to intensify destruction of every resource to the end of victory. Such strain and reversal of peace-time economics can lose the peace while winning the war through the inflation resulting from the use of credit in place of taxation to pay for the war as it goes on. As Albert Goss, Master of the National Grange, pointed out in his recent letter to the President on subsidies, credit financing is rapidly creating an ultimately uncontrollable inflationary gap in civilian purchasing power. We had better stop trying to put off the evil day of reckoning with that gap, by war bonds, price fixing, subsidies and rationing as our prime **modus operandi** in war finance. Innumerable trials throughout financial history have proved the futility of such illusory procrastination.

Incidentally, the corporate taxation we are practicing in the name of the ability-to-pay doctrine, with which it is wholly incompatible, has been properly excoriated by the Honorable Emanuel Celler; and it is difficult to see why the National Manufacturers' Association should appear before the Ways and Means Committee, allegedly in the interest of the white-collar worker whose savings are about to be swallowed up by inflation, with so unsound a case against high war taxes, when the Association had so sound a case to plead against corporation taxes and in the interest of free enterprise in manufacturing. Has the inflation bug taken over the N. M. A.?

Doctor Haney would deserve unstinted support from conservative thinkers for his interest in capitalism and a free market if his economic theory were the hard-boiled realism he alleges it to be. Plainly, however, his exposure of the idealistic wishthinking of New Deal economists cannot free him from the same charge of wishful idealism. His doctrine fails to comprehend the rigid and hard-boiled system of valuation by accounting which is inherent in capitalism. The human ledger is grounded, not on whimsical demands "arising from varied and changing desires," as the Professor avers, but on the physical necessities of "the individuals who are the people"—necessities that are not at all varied and changing but are the same for everyone everywhere, yesterday, today, and forever, as long as human life remains a mortal process of nutrition and reproduction. Man may not live by figuring alone, but when he does figure he is figuring about his daily bread and the most efficient way to get the most of it, and not about "varied and changing desires."

It is wishful thinking in its most subtle and insidious form to hold that values can be subjectively and whimsically **wished** onto a market without figuring out a precise balance in numerical accounting for maintenance cost and net income as the two essential elements that are the foundation of the structure of all tradable values in durable goods. True, such unsound, wishful markets may, and too often do, exist; but they cannot persist—which is what makes it generally but by no means always true that the existing market knows and sets up true value relations. The fact is that the modern market involves such a highly complex and intricately mechanized division of human labor and use of property values, as to make individual, profit-and-loss responsibility for the effective utility of every natural resource and every durable device, from the safety pin to the steel mill, the only possible way of holding society to the straight and narrow path of objective valuations that are figured out on a hard-boiled basis and not just wishfully conceived through "varied and changing desires."

Keep America American

Governor Saltonstall Urges Revamping Of Country's Tax System—Especially Needful To Enable Industry To Peace-time Production—Declares Taxes Must Not Be Such A Drain On Earnings As To Kill Incentive To Work And Get Ahead—This Applies To The Biggest Corporations As Well As The Farmer With One Horse And Cow—Sees Constant Reaching Out By National Tax Collectors Imperiling Local Governments—Holds The Government Is The Servant And Not The Master Of The People

"A clear-cut revamping of this country's entire taxation system" was called for by Gov. Leverett Saltonstall, in addressing the 26th State Conference of the Kiwanis International at the McAlpin Hotel in New York City earlier this month. In referring to the fundamental keynote sounded by Kiwanis in the theme of the country-wide campaign to "keep America American," Governor Saltonstall said:


Gov. L. Saltonstall

"I take that to mean an America which enjoys not only freedom of speech and worship and from fear and want but also freedom for men to get ahead in life by hard work, initiative and courage. Our first job is winning the war, but its sacrifices will not be worthwhile if they have not ensured the continued enjoyment of all the freedoms under which the average American can be confident that his Government is his servant, not his master."

Noting that "one of the most far-reaching problems when peace comes is the return of Government-owned industry to private enterprise," the speaker asked: "How can industry buy back its plants from Government," prepare a cushion for the future and be ready for the change to peacetime production of its taxes prevent it from accumulating sufficient reserves for these purposes." "In no case," said Governor Saltonstall," must taxes be permitted to drain a man's earnings to the point where they rob him of incentive to work and get ahead." Stressing the urgency of revising the country's taxation system, the Governor pointed out the need for according States and municipalities "a distinct and adequate source of revenue." These local units, "a vital part of American life, cannot," he declared, "function in the fields where they can serve best, if the Federal Government taxes the principal sources of revenue."

Emphasizing that freedom of opportunity and of enterprise are ideals deeply rooted in American character, Governor Saltonstall referred to the preservation of these freedoms as "vitally important in the years immediately ahead." Governor Saltonstall's remarks in part follow:

"In the present complex world we know that much Government regulation of business and industry and many phases of private life is necessary. In fact, the necessity is so clearly recognized that the chief question is not 'how much?' but 'how well?' and 'by whom?' A great concern of the ordinary citizen today is that the Federal Government is taking over or proposing to keep after the war functions which the States or communities have clearly proved that they can perform better.

"The relationship between Government and industry is another cause of concern. One of the most far-reaching problems when peace comes is the return of Government-owned industry to private enterprise. This must be accomplished as quickly and with as little loss as possible. But how can industry buy back its plants from the Government; how can it prepare a cushion for the future and be ready for the change to peace-time production if its taxes prevent it from accumulating sufficient reserves for these purposes, including deferred maintenance, alteration and depreciation from hard war service. Otherwise it will never be able to rebuild to peace-time service and provide jobs. In no case must taxes be permitted to drain a man's earnings to the point where they rob him of his incentive to work and get ahead. This applies to the biggest corporation or the farmer with one horse and a single plow.

"The average citizen feels his local community can far better administer to his needs than a paternalistic Federal Government. How much the Federal Government should enter the local picture, even with subsidies, depends upon this tax problem: the current need for revenue and the methods applied to raising it. The States want to return to their rightful place as partners in our governmental picture and not to be completely subservient to the dictates of Federal authority through the Federal purse. The progress of our country after the war will largely depend on the solution of this problem. Let us begin tackling it now with the same all-out energy that we are exerting in our march to victory.

"There must be a clear-cut revamping of this country's entire taxation system so that States and municipalities will have a distinct and adequate source of revenue. These local units, which are a vital part of American life, cannot function in the fields where they can serve best if the Federal Government taps the principal sources of revenue.

"Constant reaching out by national tax collectors is making it increasingly difficult for the State and local governments to collect enough taxes to carry on. In fact, if this trend persists, how can they continue to serve as they should serve? Right now we have the odd situation where the finances of States, cities and towns are the soundest since the turn of the century, while the Federal Government goes deeper and deeper into debt. But the end of the war will change the picture and we must be on guard. When the pinch comes, should the States cut down their own services, demand more of the Federal Government, abandon still more rights and duties, while Federal finances go further out of balance? Or should the States shoulder more burdens which they are able physically and financially to perform, while thereby helping the Federal Government to regain its financial balance. I think we all agree that the latter is the course which we must try to follow."

Shaw Says Foreign Policy Is Pronouncement Of Government And Citizens

Post-War Tasks Facing Foreign Service

In an address before the recent annual convention of the National Foreign Trade Council in New York City, G. Howland Shaw, Assistant Secretary of State, declared that "Our foreign policy, like our domestic policy, is not the pronouncement or the plan of any small and esoteric group in the Department of State or anywhere else, but is the result of the day by day interaction of Government in both its legislative and executive branches and of the citizens who control that Government and to whom it belongs."

Mr. Shaw described the Reciprocal Trade Agreements Act of 1934 as "one of the soundest and most significant developments in establishing a working procedure for the democratic formulation and implementation of foreign policy."

"Not only is the trade-agreements policy itself grounded in the bedrock of democratic processes whereby every individual and every interest is given a voice in the matter through the duly constituted representatives of the people in the Congress, but the Act, and the administrative procedures which have been established provide for the full and continuous operation of these democratic processes in carrying out prescribed legislative policy," Mr. Shaw said.

Mr. Shaw, explaining the activities of the State Department in foreign relations, declared that "post-war problems, political, economic, territorial and legal, have been classified, material has been assembled concerning them and, what is more important, those problems have been analyzed by 136 specialists in the department's employ and thoroughly discussed on a non-partisan basis with many members of Congress and with many persons representative of the constituent elements of American public opinion: labor, industry, and agriculture."

"The technique of international relations is no static affair," he said. "There was a time when international relations were conducted between sovereigns and their personal representatives—ambassadors. That conception was long ago broadened to include relations between Governments, and now in our day is being still further broadened so that international relations are coming to be thought of more and more as relations between peoples. Relations between peoples must be strengthened and those relations must be based on mutual knowledge, mutual understanding and mutual respect."

Mr. Shaw went into detail explaining the functions of the many various divisions of the State Department and the development of the Foreign Service personnel.

"It is certain," he concluded, "that the tasks which the Foreign Service will face at the close of the war will involve collaboration with other agencies of the Government dealing with such specialized problems as relief in various forms, the rehabilitation of industries, the rebuilding of bombed areas, and the restoration of normal trade and economic reconstruction generally. We shall find, therefore, that in addition to the trained Foreign Service officers which we now have—men with a general background of government, political science, administration, international relations, languages, etc.—we shall have an immediate need for specialized personnel—men to serve as attaches with technical training in agriculture, commercial, industrial and financial matters, mining, transportation, and at least for a time, in the field of social security and related matters.

"Of course, the Department of State and the Foreign Service are not perfect organizations. There is nothing perfect in a democracy except the democratic ideal and occasionally the quality of some of the efforts which are made to achieve that ideal. I want to leave with you, however, the picture of a group of officials, alert to their responsibilities to the public and keenly aware that we live in an age of rapid change. We shall do our part to the very best of our ability. We hope and we believe that you will do yours, so that together we may fashion a foreign policy worthy of our democracy."

President Meets With New Business Group

President Roosevelt conferred on Oct. 27 with a new business advisory group he has established, designed to improve the participation of business and industry in the national effort.

The business group, which will meet periodically with the President, is said to have discussed problems of war mobilization and those incident to demobilization at their first informal meeting with Mr. Roosevelt. Setting up of this business council is reported to correspond with the similar agricultural and labor groups which meet with the President from time to time.

The members of the business group are:

F. C. Crawford, President of the National Association of Manufacturers, New York; K. T. Norris, President of the Norris Stamping Co., Los Angeles; Eric Johnston, President of the Chamber of Commerce of the United States; Benjamin F. Fairless, President of the United States Steel Corp.; Richard R. Deupree, President of Procter & Gamble, Cincinnati; George H. Mead, President of the Mead Corp., Dayton, Ohio; David Sarnoff, President of the Radio Corp. of America, New York, and Cason Calloway, cotton textile manufacturer, Hamilton, Ga.

Presidential Secretary Stephen T. Early said that Mr. Roosevelt had sent out telegrams on Oct. 22 inviting these men to the White House with the idea of improving the participation of business and industry in the national interest.

Joseph Resigns As OPA Head In N. Y.

Sylvan L. Joseph, Regional Administrator of the office of Price Administration for the New York area, announced his resignation on Oct. 21, for personal reasons. As regional administrator, Mr. Joseph established all OPA offices and administered the various OPA programs in New York, New Jersey, Pennsylvania, Delaware, Maryland and the District of Columbia.

In a statement Mr. Joseph explained:

"In the many months I have been with the OPA I have permitted many personal matters to go undone. Now with the rationing, pricing and rent control programs well launched, I feel that I can step aside. I have had this step under consideration for some time, and at last was compelled to decide it was unavoidable."

Mr. Joseph became associated with the OPA on April 1, 1941, as a special adviser to Leon Henderson, former OPA administrator, in Washington. Previous to establishing the regional office in New York on Dec. 8, 1941, he assisted in organizing the Chicago regional office.

"Our Reporter On Governments"

By S. F. PORTER

The dealers are slowly getting cleaned out. . . . They've had some difficulty in reselling their positions—they were allotted $894,000,000 of the Treasury bonds in the third war loan drive—and they're unquestionably disappointed in the premiums received. . . . But they are getting out. . . . Report is a good percentage of the $92,000,000 of 2½% bonds allotted them has been passed along. . . . Comfortable amounts of the $480,000,000 of 2s they took down also on their way to "permanent" portfolios. . . . And the certificate allotment of $322,000,000 never has been any trouble. . . . Incidentally odds are not a single dealer has come anywhere near a loss on this deal because even if the premium to date hasn't been up to expectations, the carry on the 2s and 2½s has made up for a lot.

The importance of this shift in holdings needs no elaboration, of course. . . . What it means is that the pressure is slipping off. . . . Some of the "free riding" class undoubtedly have been discouraged and have been pushed out of the market. . . . Some of the in-and-out trading category beyond question have completed their operations and are back on the sidelines. . . .

The technical position of the market, in short, is better than it has been in several weeks. . . . And although this observer admits without hesitation that the extent of the recent reaction was not accurately forecast, there's no denying that the shake-out has given the market a better atmosphere, and a clearer outlook. . . .

There's a fair demand for the 2½s around now, incidentally. . . . Report a few days ago was that a million-share order was in the Street and it was filled on the way up. . . .

Insurance company re-selling and realigning of positions also is straightened out for the most part. . . .

The 2s may get their play in the near future, therefore. . . . As for ultimate prices on both issues, this analyst still thinks in terms of the ½-point premium level at first and then higher than that as the trading season rolls along. . . .

MAJOR SWITCHING

Talking about important switches without first analyzing the taxable position of an institution is futile and even dangerous. . . . The prime thing to know is whether or not an investor must consider taxes when buying or selling Governments. . . . The next step is to decide whether long-term exempts are best or intermediate taxables. It's really as simple as that once the information on taxes is established. . . .

If you're in the category of institutional managers not interested in exemption—and happy position that is!—your wise move well may be to get into various issues of the 2 per cent bonds. . . . The cheap ones. . . . Selling close to the "support" level of par. . . . The bonds in which the trading interest is widest. . . .

For instance, the new 2s of 1953/51. . . . Or the two loans due in 1952/50. . . . Or the 1955/51 issue. . . .

You might even consider going out of the older 2% bonds and into the new ones, especially if yours is a moderate-sized institution and you do not need the diversification of one of the giants. . . .

If you're in the classification of institutional portfolio directors interested in exemption—and that covers most of the nation's investors—then, your wise move is out of the expensive, short-term exempts and into the longer-term, cheaper exempts. . . . Protection in the long-terms is greater than in the shorts. . . . You need not be bothered with the problem of rolling-over your maturities. . . . You have a longer period into which to fit your amortization policy. . . . You get higher yields, of course. . . . You're helped by the popularity of the last four issues of partially tax-exempts. . . .

There have been more rumors around Wall Street recently about action changing the position of the exempts and lessening the value of these to tax-loaded banks and other investors. . . .

Again, this observer says poppycock. . . . Unless the rumors themselves compel Congress to take action on a situation it would rather ignore and unless the publicity given these stories brings about exactly the thing feared most by tax-exempt security holders, you may ignore them as the idle talk of the people unfamiliar with the Washington scene today. . . .

Frankly, the Treasury would prefer to hear no more about tax-exempts and would like to go along happily retiring the issues as call and maturity dates come along and substituting taxables. . . .

Frankly, most our our Congressmen are ignorant of the general situation and wouldn't know anything about it were it not for the idle talk referred to above. . . .

And frankly, you'd be in a more sensible frame of mind if you'd overlook that sort of talk and concentrate instead just on the point of taxables vs. tax-exempts in relation to your own needs. . . .

NICKNAMES

In reference to the recent comments here on the difficulty of finding nicknames for the huge loans now on the market, here are the ones finally decided upon for the several issues of 2½s sold since the war broke out. . . .

The first 2½% loan—due in 1967/62—is called the "taps," because of the fact that the method under which they were sold originally was called the "tap system" of financing. . . .

The second 2½% loan—due in 1968/63—is called "the Victories One". . . . Obviously, in reference to the idea of a victory financing. . . .

The third—due in June, 1969/64—is called the "Victories Two." . . .

And this last one—due in December, 1969/64—is called the "Victories Three." . . .

It's not so easy with the 2s, for there are so many of this maturity. . . . But the best way to identify what 2% loan you're referring to is to use the full maturity schedule. . . .

INSIDE THE MARKET

Latest reports on the fourth war loan place it in January, with the total running between $10,000,000,000 and $12,000,000,000. . . . Subject to change, naturally, but the smaller figure looks right, for Secretary Morgenthau could meet his various cash expenditures through the balance of this fiscal year with two $10 billion financings. . . .

Commercial banks would be excluded. . . . Absolutely. . . . And there's even talk about holding the loan to individuals and non-insurance company corporations. . . . That's unlikely but you can bet on the exclusion of commercial banks. . . .

Fifth loan—and there'll be a fifth, according to all present calculations—would come in April or May, following the income tax payment. . . .

Money position of banks still is tight and there's no questioning the difficult outlook for the money market. . . . Way dealers are gossiping now, definite action on part of Federal Reserve System may be necessary to ease money market to level where large-scale bank buying again will be possible. . . . Reduction in reserve requirements hoped for fervently by dealers (particularly those with plenty of 2s and 2½s in their portfolios) but odds are against this right now, as Treasury doesn't need a booming bond market at this time. . . . Accelerated purchases of discount bills by Reserve would accomplish a bit, but not solve the problem entirely, by any means. . . . Federal Reserve Banks already own billions of bills, are limited in their purchases by statistical total of bills outstanding and by logic of their repurchases. . . .

Dealers still virtually unanimous on prediction for higher Government bond prices in coming months. . . . Lack of bank offerings a dominant factor in their forecasts. . . .

Approach To Problems of Peace Should Rest Upon Reason, Not Emotions: Charles R. Carroll

(Continued from page 1782)

of industrial techniques throughout the world, which is characteristic of these decades, and enormously accelerated during the war, we have more than ever need for the protection of industrial property, that is patents, trademarks, copyrights and the like.

"Fortunately, this is now on the firm ground of the Convention of the Union of Paris for the Protection of Industrial Property, to which this country became a signatory, and has continued to be one since its adoption in 1883. Thus it is probably the longest-lived multilateral convention in force today, and I think that is due to its essential virtue of complete reciprocity. It is the view of most authorities that it must be regarded, from the fact that it has survived the wars of sixty-three years, as not abrogated by war. Its signatories and adherents include all the nations of real importance in industry. Our own country should not be less punctilious in its regard to the obligations assumed in this treaty, than it expects other nations to be. Our conduct, and the public expressions of intention with respect to enemy-owned patents, do not meet this test. In the one sphere in which international confidence and collaboration have been realized, this nation should not play saboteur.

"I cannot accept the view that has gained currency lately that by prolonging the war, and declining to make the formal peace, we can somehow take advantage of the rights we presently exercise as belligerents, weaving these supposed advantages into the activities of our war agencies abroad, and the war controls imposed here, so as to create some pattern of international economy which is unilateral in the sense that it stems only from our will and that of our military allies. In the first place, I believe both of our principal allies will prove rather difficult to convince of the advantage of such a plan. The rights of belligerents, as generally defined, are inevitably related to the conduct of hostilities, and have little or no relation to the commercial life of peoples not involved in warlike operations. Even the rights of a military force in occupied enemy territory are not extensive in theory, and certainly not too reliable in practice. As a famous French marshal once said, somewhat inelegantly, 'one can do anything with bayonets but sit on them.'

"In any event, a state of war, in the view of most authorities, does not continue indefinitely. It terminates by one of three events, the termination of hostilities, outright conquest, or the conclusion of a treaty of peace. An armistice settles nothing in most cases; it must be followed by a peace treaty or a resumption of hostilities, or submission to conquest. Only in the case of conquest, usually attended by a declaration of annexation by the victor, is the sovereignty of the defeated nation extinguished. If sovereignty is retained after the cessation of hostilities, we should not be misled by the phrase 'unconditional surrender,' which is of military and not political import. It simply means that no concessions have been made to induce the laying down of arms by the defeated party.

"Moreover, all but a few of the nations whose interests we are considering have not been our enemies in this war, therefore any premise of action based upon military power or belligerent rights is wholly meaningless as to them. North Africa is a case in point.

"I am urging that in our approach to the problems of peace, we call upon our reason, and be guided less by our emotions. The emotions which are constantly stimulated in this supreme war effort will pass when the clash of arms dies down. The extraordinary controls and the farflung activities of government will lose their prime motive, and no convincing motive will be improvised. Private enterprise will reappear. I believe too that nations will come to full realization of the necessity of respecting the sovereignty of other nations, and that the needed adjustments will be made by open covenants openly arrived at.

"Liberty for the individual, under the domestic law, and independence for the state, under international law, will again prevail—and as the echoes of clashing arms die down, we may hear again the voice of the law, the voice of reason and justice ruling the conduct of men and of nations—most of all, may we ourselves and our nation hear and heed it."

Payment On Rio Grande 7s

Ladenburg, Thalmann & Co., New York, as special agent, is notifying holders of State of Rio Grande do Sul (United States of Brazil) 40 year 7% sinking fund gold bonds, external loan of 1926, that funds have been deposited with it sufficient to make a payment, in lawful currency of the United States of America, of 17.50% of the face amount of the coupons due Nov. 1, 1941 amounting to $6.12½ for each $35 coupon and $3.06¼ for each $17.50 coupon.

Pursuant to the provisions of the Presidential Decree of the United States of Brazil, such payment, if accepted by the holders of the bonds and coupons, must be accepted in full payment of such coupons and of the claims for interest represented thereby.

No present provision, the notice states, has been made for the coupons due Nov. 1, 1931 to Nov. 1, 1933 inclusive, but they should be retained for future adjustment.

Michigan IBA Group Elects MacArthur Head

DETROIT, MICH.—The Michigan Group of the Investment Bankers Association of America at its recent annual meeting elected Reginald MacArthur Chairman of the Group for the coming year. MacArthur, partner of Miller, Kenower & Co., is a graduate of Boston University, College of Business Administration where he specialized in Investments and Finance, and of the Detroit College of Law. He began his business career in 1927 with the Bond Department of the Guardian Detroit Company and later was for ten years a sales representative of Grouse & Co. He is a member of the Bond Club of Detroit, the Securities Traders Association of Detroit & Michigan, Inc., and the Savoyard Club. MacArthur has for many years been active in the Michigan Group having served as a Director and as Secretary-Treasurer for the past year.

The others elected to serve with MacArthur are George C. Dillman, Harriman Ripley & Co., Inc., Vice-Chairman; and Harrison E. Thurston, Watling, Lerchen & Co., Secretary-Treasurer. These officers and Alonzo C. Allen, Blyth & Co., Inc.; Fred A. Bargmann, Braun, Bosworth & Co.; Merle Bowyer, Paine, Webber, Jackson & Curtis; Douglas H. Campbell, First of Michigan Corporation; Harold R. Chapel, Grouse, Bennett, Smith & Co.; William Moore, McDonald, Moore & Co.; Charles A. Parcells & Co., ex-officio; and Philip K. Watson, Campbell, McCarty & Co., Inc., Governor of the Michigan Group, constitute the Executive Committee.

The Committee appointments announced by MacArthur are: Municipal Securities, Douglas H. Campbell, Chairman; William M. Adams, Braun, Bosworth & Co.; Harold W. Rademaker, Detroit Trust Company; Jones B. Shannon, Miller, Kenower & Co.; and Harrison E. Thurston. Business Conduct, Ralph Fordon, Watkins & Fordon, Inc., Chairman; Harold R. Chapel; and Bertrand Leppel, Charles A. Parcells & Co. Education, Merle Bowyer, Chairman; Ralph A. Crookston, Hornblower & Weeks; and Ray H. Murray, Nationel Bank of Detroit. Legislative, William Moore, Chairman; William S. Gilbreath, Jr., First of Michigan Corporation; and Harry W. Kerr, Crouse, Bennett, Smith & Co. Membership, Fred A. Bargmann, Chairman; R. W. Miottel, Paine, Webber, Jackson & Curtis; and Philip K. Watson. Meetings and Entertainment, George C. Dillman, Chairman; Cyrus H. King, Merrill, Lynch, Pierce, Fenner & Beane; and Howard P. Parshall, Commonwealth Bank. Publicity, Alonzo C. Allen, Chairman; Ray W. Davis, E. H. Rollins & Sons, Inc.; and Wayne Spade, Merrill, Lynch, Pierce, Fenner & Beane.

The group meeting was addressed by Wm. H. McCaughey, Public Relations Director of the Automotive Council for War Production who spoke on "Today Shapes Tomorrow"; Richard T. Purdy, former Chairman of the Group now associated with the Automotive Council for War Production; Charles A. Parcells, retiring Chairman; and Philip K. Watson. Seventy-five members of the Investment Fraternity attended including two former Governors of the National Association, Charles B. Crouse of Crouse, Bennett, Smith & Co. and Henry Hart of First of Michigan Corporation. The National convention will be held in New York City Nov. 2 to 4.

Can The Small Dealers In Securities Be Forced Out Of Business In Defiance Of The Will Of Congress?

(Continued from first page)

they should have been excluded from the survey which the Association made to determine the mark-up practice of its members.

Dealers voiced indignation, too, at the slick, autocratic manner in which the decree was "put across," as they put it, by the executive personnel of the Association. They make a point of the fact that when all of the Governors of the Association were assembled in Cape Cod recently, their opinion on this 5% profit limitation proposal was deliberately not sought even though the old bid and asked disclosure rule which was closely related to the subject was brought up. Shortly after this meeting was held the executive personnel sent a copy of the letter it proposed sending to member firms advising them of the profit limitation decree to every Governor of the Association with the word "confidential" stamped all over it. The object of the "confidential" part of course being to muzzle the Governors and prevent them from discussing the proposal with others in the industry which they were obviously afraid would reveal opposition to their plan thereby putting a crimp in the whole scheme before they could contact each Governor and get them to OK the proposal.

The executive personnel, of course, saw to it that the letter was phrased in such a way as to create the impression that the whole proposal was innocuous and that the Governors were simply being asked to put their stamp of approval on what constituted the established practice of virtually every firm in the business. Boy, the wool sure was pulled over their eyes and they fell for it hook, line and sinker. The result was that the letter went out to all members a few days later advising them of the bad news.

As the "Chronicle" pointed out last week, the Maloney Act, under which the NASD came into being, states that an association shall not be registered 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."

Does this not make it clear that it was the intent of Congress that a Maloney association be conducted in a democratic manner which precludes the issuance of a profit limitation decree sounding the death knell of the small dealers in the towns and hamlets of the country? Certainly neither the Association's officials nor the SEC are prepared to argue that Congressmen are so moronic as to swallow the contention that the above paragraph in the Maloney Act simply meant that the association had to adopt a rule of fair practice, as it did initially, stating that all members "shall observe high standards of commercial honor and just and equitable principles of trade" and that thereafter Wallace Fulton or the Board of Governors or anyone else could say well that's all there is to it boys, hereafter we'll interpret that rule as we damn please and dictate to you in any manner we see fit with the exception of telling you how to vote.

Under the circumstances, it is clearly the duty of the Board of Governors of the Association to meet forthwith and rescind the 5% profit limitation decree and the duty of the SEC to see that this is done. The "Chronicle" believes, too, the Board of Governors should take steps to lift the veil of secrecy from the affairs of the Association so that its officials may forever in the future freely discuss what is going on with those in the industry and the press.

The "Chronicle" holds, too, that the phraseology of the Maloney Act does not make it mandatory for the Association to adopt a profit limitation rule, does not believe it in the interest of the public or the industry that it do so, and utterly opposes the attempt of Fulton or anyone else to issue a decree that shall determine whether the small dealers throughout the country shall be permitted to live and breathe, or die, without their having any voice in the matter.

Since the above was written press reports have it that the SEC is expected to act to prevent dealers belonging to the NASD from evading the decree by promulgating some sort of a similar order applying to the whole industry. The Commission for sometime has been trying to stretch the Securities Exchange Act in some manner, shape or form to make this possible. They first proposed a so-called bid and asked disclosure rule that in effect would make a dealer tell his customer what profit he would make on the purchase or sale of a security and more recently black-jacked a few firms into doing business, at least partially, on an agency basis. Both are ingenious devices to circumvent the will of Congress and limit the profits of dealers and thereby force thousands of small dealers out of business.

The whole thesis behind these efforts to curb the profits of investment firms is a deadly menace to free enterprise and the NASD and SEC are certainly prejudicing the war effort on the home front when they attempt to make a guinea pig of the securities business at this time.

The "Chronicle" invites comments on the attempt of both the NASD and the SEC, directly or indirectly, to limit the profits of dealers in securities. The names of those submitting comments will be omitted where requested. Communications should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce Street, New York.

Gallup Poll Shows Public In Favor Of National Sales Tax

Results of a survey by George Gallup, director of the American Institute of Public Opinion, made public in Princeton, N. J., on Nov. 2, discloses that the public favors a national sales tax instead of increased income tax rates, according to the "New York Times" of Nov. 3, which also had the following to say regarding the survey:

This fact is brought to light in a nation-wide study of public opinion in which field reporters put this question:

"If the Government decides to raise taxes, which would you prefer—that the extra amount be raised by a national sales tax on everything people buy, or that the extra amount be raised by increasing everybody's income taxes?"

The vote:

Prefer national sales tax	53%
Prefer increasing income tax	34
No opinion	13

When the question in the present survey is limited to those who pay income taxes, the vote in favor of the national sales tax is higher than that of the entire voting population. This is shown as follows by vote of income taxpayers:

Prefer national sales tax	57%
Prefer increasing income tax	31
No opinion	12

The majority of persons in all occupations, with the exception of the unskilled labor group, favor the sales tax. Even among the laboring group more persons prefer the sales tax than prefer the increased income tax.

Guests Of N. Y. Exchange

John P. Rogers, Vice-President of Farnsworth Television & Radio Corp., and Edwin M. Martin, Secretary and General Counsel of the company, were guests of Emil Schram, President of the New York Stock Exchange, on Oct. 29 on the occasion of the admission of the company's stock to trading. They were accompanied by Lloyd S. Gilmour, a Director of the company as well as a partner of Eastman, Dillon & Co., Henry L. Bogert, also a partner of that firm, and John Rutherford, specialist in the company's stock. After visiting the floor to witness the opening transactions in the stock, the party visited various departments of the Exchange and were entertained at luncheon.

Investment Trusts

Here is an example of the kind of investment thinking representative of alert investment company managements these days:

"Even the 'steel bears' are now beginning to say that they think the post-war outlook for the steel industry is all right, but that it is a question of 'timing' as to when steel stocks should be purchased. Your experience and mine along this line has usually been that the usual investor's 'timing' takes place after the stocks have had a pretty good advance — after the market 'shows' that a bullish opinion is justified.

"You cannot get away from this fact: YOU GET ABOUT TWICE AS MUCH FOR YOUR INVESTMENT DOLLAR TODAY IN STEEL STOCKS AS YOU COULD GET ON AVERAGE DURING THE PRE-WAR YEARS 1936-39, INCLUSIVE.

"In the pre-war years, 1936-39, inclusive, a representative group of steel companies earned an average of $2.33 per share. Taking the average price of these stocks during those years (and these are good years to take because they represent a pretty good cross-section of an average peace-time period), and bearing in mind that the average price is neither the high nor the low, but the average, the stocks had an average peace-time value of $42.50 per share. In other words, the average peace-time earnings of steel companies were valued on average 18.2 times by the market itself.

"Today, for an average price of 40, you get average earnings of $4.47.

"In other words, you can buy STEEL STOCKS today for only 9.0 times earnings, or at half the price of normal peace-time cost!

"I never found anything more fundamental yet in the security business than the pure question of how much earning power do you get per dollar of cost. In the case of STEEL STOCKS, the answer is:

"YOU GET TWICE AS MUCH AS YOU GOT ON AVERAGE IN THE YEARS 1936-1939, INCLUSIVE."

N. Y. Stock Exchange Weekly Firm Changes

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

The transfer of the Exchange membership of Anton W. Herbek to Myron A. Hofer will be considered today. Mr. Hofer, it is understood, will act as an individual floor broker.

Transfer of the Exchange membership of John Parkinson, Jr., to Constantine Hutchins will be considered today. Both are partners in Hutchins & Parkinson.

Gouverneur Morris Carnochan, partner in Butler, Herrick & Marshall, New York, died on Oct. 12.

Public Utility Securities

Consolidated Natural Gas Company

A new fashion in Big Board trading is the "when distributed" stock, similar to the familiar "when issued" method of trading. The new phrase was probably first used in connection with Philadelphia Electric and Public Service of New Jersey, recently distributed by United Gas Improvement to its stockholders. Consolidated Natural Gas is being currently introduced to the Stock Exchange on the same basis (it has recently been over-the-counter "when issued").

The new stock is being distributed by Standard Oil Company of New Jersey to its own stockholders of record November 15th. Distribution will be made on or about December 15th, according to present plans, and assuming there is no last minute hitch with SEC approval. Instead of giving scrip for fractional shares, cash will be distributed, based on the average market price on the Exchange November 15th. Distribution will be made in the ratio of one share of Consolidated for each ten shares of Standard.

Trading in the new stock represents the consummation of SEC proceedings under way for nearly two years. Standard Oil controls certain natural gas companies, some of which distribute gas at retail, thus becoming public utilities. Accordingly, Standard Oil was classed as a "utility holding company." Wishing to relieve itself of this status, the company decided to form a sub-holding company which would take over Standard's entire stock holdings of five gas companies, in exchange for its own stock, which would later be distributed to Standard's stockholders. While Consolidated will in turn be a "utility holding company" its system of four gas utilities and one wholesale gas company is well integrated, and while the SEC has not relieved it of any obligations under Section 11, it is thought that the system will probably not be disturbed in the future.

The operating subsidiaries in the order of size are Hope Natural Gas, East Ohio Gas, Peoples Natural Gas, New York State Natural Gas (the wholesale company), and River Gas, which is quite small. The five companies together have common stock with par value of about $76,000,000 (plus earned surplus of about $26,000,000), preferred stock of $10,000,000 (East Ohio), and a negligible amount of debt.

Since these companies have enjoyed considerable tax advantage in the past two years by being under the Standard Oil "tax umbrella" (Standard has been able to charge off substantial foreign losses), it has been necessary to readjust taxes upward. The pro forma earnings for Consolidated Natural Gas, based on the net earnings of the five subsidiaries as applied to the 2,728,359 shares of Consolidated stock to be outstanding, are as follows, including an estimate for 1943:

	Amount per Share	Federal Taxes per Share	Share Earnings before Federal Taxes
Est. 1943	$3.19	$2.82	$6.01
Pro Forma 1942	2.81	2.78	5.59
Adjusted 1941	3.80	1.13	4.93
" 1940	4.13	.84	4.97
" 1939	2.86	.37	3.23
" 1938	1.06	.18	1.24

While the last column has little significance, it is of interest as showing what would be earned excluding Federal tax levies. If excess profits taxes should be discontinued after the war (with the income tax still applicable to such earnings) this would probably mean a reduction of about one-third in estimated 1943 Federal taxes, and earnings might be raised to above the $4.00 level. Three pending rate cases (appealed to the courts) if lost by the subsidiaries would reduce earnings somewhat, but since most of this loss would be absorbed by Federal taxes, the adverse effect on earnings would not be very serious—probably not over 50 cents a share at the worst.

While it is impossible to make any definite forecast of dividend policy, it seems reasonable to expect that total annual payments would amount to at least $2, which at the recent over-counter price would return a yield of about 7%.

The Consolidated system will continue to draw its supply of natural gas, for distribution in its territory, from the Appalachian field, but in view of the heavy drain on this field in recent years and the declining reserves, the supply will be supplemented by additional gas obtained from the mid-west and southern fields, using Panhandle Eastern pipe line and also the big new line which it is planned to construct from the Texas fields to the east in 1944.

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.

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.

SEC Asks Court To Uphold Revocation Of Registration Of Broker-Dealer

Question Of Price Of Sale Of Securities Involved In Action

The request was made on Oct. 29 by the Securities and Exchange Commission to the Second Circuit Court of Appeals in New York that the Court uphold its order revoking the registration of Charles Hughes & Co., Inc., of New York as a broker-dealer for alleged violations of the fraud provisions of the Securities Exchange Act of 1934, Securities Act of 1933 and Commission rules. The New York "Times" in its advices in the matter from Philadelphia Oct. 29, reporting this, pointed out that the case is the first carried to a circuit court that directly challenges the principle applied by the SEC in several similar cases since 1939, that a dealer, by the nature of his business, impliedly represents to all his customers that he will deal honestly and fairly and that he works a fraud or deceit upon customers if he charges prices not reasonably related to market prices without disclosing the fact. The "Times" advices went on to say:

The Hughes firm, whose registration was revoked on July 19, petitioned the court on Aug. 12 for a review of the Commission's order that found the firm had wilfully violated Section 15 (B1) of the Securities Exchange Act and Section 17 (a) of the Securities Act through sales of securities at prices substantially in excess of prevailing over-the-counter market prices. The commission charged the company had made mark-ups ranging up to 40.9%. The SEC said all of the common stock of the company was owned by Anne Hughes, President.

The SEC, in a brief filed with the court, said that the company had misconstrued the Commission's order in some important respects, among them that the "Commission is concerned with a limitation upon the profits which a dealer may make."

"Petitioner then points out," the SEC continued, "that it is impossible to compute profits without taking into account overhead and other items. However, the Commission's opinion does not concern itself with profits. It is concerned only with the relationship between the prices charged and the prevailing market price.

"Thus, if a dealer purchases a security for $25 the anti-fraud sections of the securities laws do not prevent him selling that security at a later time for $50 or $100 if the market has risen correspondingly in the interim.

"The Commission is concerned only with the sale of securities at prices reasonably related to the price at which they may be obtained in the market and not with the profits the individual dealer may make on a particular transaction."

The SEC said that "in the over-the-counter market the position of the dealer is so specialized that the investor, as a practical matter, must rely for his protection almost entirely upon the probity of the dealer."

The petitioner also challenged the validity of section 15 (C1) of the Securities Exchange Act on grounds it was an unconstitutional delegation of power and that rule X-15C1-2 under the section was invalid because of vagueness.

The SEC contended that these claims were without merit and noted that the company had not questioned the validity of section 17 of the Securities Act, which, the Commission said, "imposes standards of conduct almost identical with those of section 15 (C1) and rule X-15C1-2."

The SEC refused today to permit two investment companies in New York to withdraw applications as broker-dealers and revoked their registrations under the Securities Exchange Act of 1934. The companies named were Hermann Graen & Co., Inc., 401 Broadway, and the Renaud Corporation, 120 Liberty Street.

The SEC said that it was found that the New York Supreme Court had enjoined the companies permanently from engaging in the sale of securities.

Approves Extension Of Rule On Commissions

Commissioner of Internal Revenue Robert E. Hannegan announced on Oct. 30 that employers may pay to employees any commissions earned on their own individual sales during the calendar year 1943, provided the rate of commission and the amount of any other compensation has not been increased since Oct. 2, 1942. The Treasury Department's announcement added:

"In making this statement, the Commissioner extended for the rest of this year a statement of approval for similar commissions earned during September and October which was issued on Oct. 7 by former Commissioner Guy T. Helvering. The extension includes payment which, in the normal course of business, may be made subsequent to Dec. 31, 1943, on account of commissions earned during 1943.

"The approval which Commissioner Hannegan extended does not apply to over-riding commissions such as commissions to an employee which are based on the sales of other employees. This type of commission also may be paid without approval if authorized by regulations issued Sept. 4, 1943.

In notifying its members of this action, the New York Stock Exchange on Nov. 1 said that it had been advised by the Treasury Department "that specific approval is necessary for the payment to a branch office manager or head of a department of that portion of his compensation which is based upon a participation in the net profits of his office or department, where the amount of such portion of his compensation, together with compensation otherwise received, would for the year 1943 exceed the total compensation paid to him during the year 1942."

The earlier statement by the Internal Revenue Commissioner was given in these columns Oct. 14, page 1506.

P. S. Rockefeller At Intra American Co

Perry S. Rockefeller, formerly in charge of the credit department of the New York Agency of the Bank of London and South America, has joined the Intra American Co., Ltd. This organization, which is already established in foreign trade, is planning in the future to concentrate its activities in the commercial financing field, specializing in the financing of imports and exports to Central and South America and other foreign shores. Dr. Max Winkler, economist and banker, is Chairman of the Board. Other officers are: G. M. Kaufman, banker, who is President, and Major Leonard Bickwit (now in the Army), Secretary. Charles Fulton Lawson, formerly with Standard Oil and now with the Government, is a Director.

Railroad Securities

(Continued from page 1785)

000,000 net figure of cash available for distribution.

There is a contingency reserve of $6,000,000 set up in the Special Master's plan. The receivers also want to set aside $16,000,000 for taxes and $4,000,000 against wage increases. While the latter figure appears somewhat excessive, both of these reserves are, in principle, valid. On top of the special $6,000,000 contingency reserve, however, the receivers ask for $5,000,000 of working funds and $5,000,000 for deferred maintenance. Bondholders claim that both of these items should be disallowed on the grounds that the avowed purposes of the funds are already covered by the $6,000,000 contingency reserve provided by the Special Master.

Considering the funds that have been spent on the properties during receivership—more than $28,000,000 of capital improvements to way and structures in addition to normal maintenance—it does not appear remotely possible that a large amount of deferred maintenance could have accumulated at this time. In addition, the receivers want to set aside $6,000,000 for deferred maintenance next year which would presumably be augmented by the additions and betterment fund provided in the reorganization plan. The latter would amount to $4,550,000 on the basis of estimated 1943 gross.

For the two years 1943 and 1944 the receivers apparently want to provide $21,550,000 in cash (exclusive of the $5,000,000 working fund and regular maintenance work) for the properties. In connection with the work that has already been done on the properties the proposal is patently ridiculous. The new funds requested by the receivers for the property plus additions and betterments during the previous years of the receivership would be equivalent to one and one-half times the face amount of new first mortgage bonds to be outstanding. If no greater benefit than this can be derived from property improvements such improvements are obviously not warranted. At this rate the bondholders would be better off if they just took the money being put into the properties and abandoned operations.

'When Distributed' Ruling Issued By NYSE

The Department of Member Firms of the New York Stock Exchange announced on Oct. 26 that the Exchange has ruled that transactions and positions in customers' cash and margin accounts in securities dealt in on a "when distributed" basis shall be treated as though the securities were "when issued" and shall be considered subject to the provisions of paragraph (q) of Rule 550.

The announcement issued to member firms further said:

"While provision is made for the use of a cash account for the purchase of 'when issued' or 'when distributed' securities pursuant to the customer's agreement that he will pay in full for the security and that he does not contemplate selling it prior to making such payment, such purchases should be effected in margin accounts wherever possible, reserving the cash account for transactions by customers who do not customarily purchase or sell securities on a margin basis."

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.

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; Ft. Pitt Tractions; and West End Traction 5s of 1938.

U. S., Britain, Russia And China Sign Pact—Closer Military Unity And Post-War Cooperation

Future Of Italy And Austria Also Covered At Moscow Conference

The Governments of the United States, United Kingdom, Soviet Union and China have joined in a declaration providing for closer collaboration in the prosecution of the war and setting forth the principles upon which the four countries agree that a broad system of international cooperation and security should be based.

This declaration was signed at the tripartite conference of Foreign Ministers at Moscow—the principal participants being Secretary of State Cordell Hull, British Foreign Minister Anthony Eden and Soviet Foreign Commissar Vyacheslaff M. Molotoff—which was in session Oct. 19-30.

The Chinese Government joined in participation in the joint declaration with the signing of the pact by the Chinese Ambassador at Moscow, Foo Tin-sheung.

Announcement of the agreement reached at the conference, together with the texts of declarations on restoring a non-Fascist Italy and a free Austria, and a statement on atrocities by President Roosevelt, Prime Minister Churchill and Premier Stalin, were made public simultaneously on Nov. 1 in Washington, London and Moscow.

In a joint communique, the tripartite conference agreed to establish an American-British-Russian "European Advisory Commission" in London to examine European questions arising as the war developed.

The Foreign Ministers also decided to set up an advisory council on Italy with representatives from the French Committee, Yugoslavia and Greece. The council on Italy will deal with day to day questions other than military preparations and make recommendations designed to coordinate Allied policy with regard to Italy.

The text of the joint communique and the other declarations, signed at the Moscow conference, follow:

Joint Communique of Tripartite Conference

The conference of Foreign Secretaries of the United States of America, Mr. Cordell Hull; of the United Kingdom, Mr. Anthony Eden; and of the Soviet Union, Mr. V. M. Molotoff, took place at Moscow from the 19th to the 30th of October, 1943. There were 12 meetings. In addition to the Foreign Secretaries, the following took part in the conference:

For the United States of America: Mr. W. Averell Harriman, Ambassador of the United States; Maj. Gen. John R. Deane, United States Army; Mr. H. Hackworth, Mr. James C. Dunn and experts.

For the United Kingdom: Sir Archibald Clark Kerr, Ambassador; Mr. William Strang, Lieut. Gen. Sir Hastings Ismay and experts.

For the Soviet Union: Marshal K. E. Voroshiloff, Marshal of the Soviet Union, Mr. A. Y. Vyshinski and Mr. M. Litvinoff, Deputy People's Commissars for Foreign Affairs; Mr. V. A. Sergeyeff, Deputy People's Commissar for Foreign Trade; Maj. Gen. A. A. Gryzloff of the General Staff, Mr. G. F. Saksin, senior official for People's Commissariat for Foreign Affairs, and experts.

The agenda included all questions submitted for discussion by the three Governments. Some of the questions called for final decisions, and these were taken. On other questions, after discussion, decisions of principle were taken. These questions were referred for detailed consideration to commissions specially set up for the purpose, or reserved for treatment through diplomatic channels. Other questions again were disposed of by an exchange of views.

The Governments of the United States, the United Kingdom and the Soviet Union have been in close cooperation in all matters concerning the common war effort, but this is the first time that the Foreign Secretaries of the three Governments have been able to meet together in conference.

In the first place there were frank and exhaustive discussions of the measures to be taken to shorten the war against Germany and her satellites in Europe. Advantage was taken of the presence of military advisers representing the respective Chiefs of Staffs in order to discuss definite military operations with regard to which decisions had been taken and which are already being prepared in order to create a basis for the closest military cooperation in the future between the three countries.

Second only to the importance of hastening the end of the war was the recognition by the three Governments that it was essential in their own national interests and in the interests of all peace-loving nations to continue the present close collaboration and cooperation in the conduct of the war into the period following the end of hostilities, and that only in this way could peace be maintained and the political, economic and social welfare of their peoples fully promoted.

This conviction is expressed in a declaration in which the Chinese Government joined during the conference and which was signed by the three Foreign Secretaries and the Chinese Ambassador at Moscow on behalf of their Governments. This declaration published today provides for even closer collaboration in the prosecution of the war and in all matters pertaining to the surrender and disarmament of the enemies with which the four countries are, respectively, at war. It set forth the principles upon which the four Governments agree that a broad system of international cooperation and security should be based. Provision is made for the inclusion of all other peace-loving nations, great and small, in this system.

The conference agreed to set up machinery for ensuring the closest cooperation betwen the three Governments in the examination of European questions arising as the war develops. For this purpose the conference decided to establish in London a European advisory commission to study these questions and to make joint recommendations to the three Governments.

Provision was made for continuing, when necessary, the tripartite consultations of representatives of the three Governments in the respective capitals through the existing diplomatic channels.

The conference also agreed to establish an advisory council for matters relating to Italy, to be composed in the first instance of representatives of their three Governments and of the French Committee of National Liberation. Provision is made for addition to this council of representatives of Greece and Yugoslavia in view of their special interest arising out of the aggressions of Fascist Italy upon their territory during the present war. This council will deal with day-to-day questions other than military preparations and will make recommendations designed to coordinate Allied policy with regard to Italy.

The three Foreign Secretaries considered it appropriate to reaffirm, by a declaration published today, the attitude of the Allied

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Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

An analysis of the sources and disposition of earnings of leading New York City banks during the past five years reveals a degree of constructive conservatism that bodes well for the post-war era. Bank management today appears to be governed by a sense of realism that was lacking in certain instances during the speculative era of 1925-1929.

This brief study is based on the reported figures of 15 New York City banks for the years 1938 to 1942, inclusive. Table 1 below shows annual aggregates for each year of the five-year period.

It will be observed that operating profits over the five years aggregated $438,717,000, while dividends disbursed aggregated $324,550,000; thus dividends have been covered 1.35 times by operating profits alone. Operating profits plus security profits aggregated $552,228,000; thus dividends have been covered 1.70 times by these two sources of earnings. Total earnings from the three sources, viz: operations, sale of securities and recoveries, as reported by the banks, totaled $585,122,000 and were disposed of as follows: dividends, $324,550,000 or 55.5%; surplus and undivided profits account, $106,005,000 or 18.0%; reserves and write-downs, $154,567,000 or 26.5%.

TABLE I

	Sources of Earnings				Disposition		
Year—	Operating Profits (000)	Security Profits (000)	Recoveries (000)	Total (000)	Dividends (000)	Surplus & Und. Profits (000)	Reserves & Write-downs (000)
1938	$82,474	$22,078	$4,517	$109,069	$66,450	$5,880	$36,739
1939	83,328	33,015	1,925	118,268	65,850	8,280	44,138
1940	86,154	27,438	11,880	125,472	65,850	25,620	34,002
1941	90,741	22,465	12,433	125,639	65,250	36,256	24,133
1942	96,020	8,515	2,139	106,674	61,150	29,969	15,555
Totals	$438,717	$113,511	$32,894	$585,122	$324,550	$106,005	$154,567

These figures, however, cannot be taken too literally because, until the form of reporting recommended by the American Bankers Association was adopted in 1942, there was no uniform system among the banks of reporting income. Some banks, for example, included security profits with operating profits, while others reported them separately; recoveries from items previously charged-off were reported in some instances and not in others. Even the new standardized form does not provide complete uniformity, but it is a big improvement over the previous multiform system. Thus, the figures presented in the above tabulation are not strictly accurate and comparable, nevertheless they do present a fair indication of the sources and disposition of earnings during the period.

The following tabulation shows figures for the year 1942 as reported by each of the 15 banks:

TABLE II

	Sources of Earnings				Disposition		
	Operating Profits (000)	Security Profits (000)	Recoveries (000)	Total (000)	Dividends (000)	Surplus & Und. Profits (000)	Reserves & Write-downs (000)
Bank of Man.	$3,620	—$1,300	$580	$2,900	$1,800	$1,100	----
Bank of N. Y.	1,242	----	----	1,242	840	402	----
Bankers Trust	8,475	925	375	9,775	3,500	3,975	2,300
Central Han.	6,048	283	----	6,331	4,200	2,131	----
Chase	13,394	1,702	----	15,096	10,360	4,736	----
Chemical	5,360	280	----	5,640	3,600	1,300	740
Corn Exchange	2,475	188	82	2,745	1,800	675	270
First Nat'l.	10,642	—876	28	9,794	8,000	1,766	28
Guaranty	14,652	1,269	----	15,921	10,800	3,078	2,043
Irving	4,200	350	----	4,550	3,000	700	850
Manufacturers	6,649	2,343	611	9,603	3,300	3,333	2,970
National City	13,516	2,666	248	16,430	6,200	5,890	4,340
New York Trust	3,030	630	215	3,875	1,750	1,150	975
Public Nat'l	1,140	----	----	1,140	600	540	----
U. S. Trust	1,577	55	----	1,632	1,400	—807	1,039
Total	$96,020	$8,515	$2,139	$106,674	$61,150	$29,969	$15,555

Operating profits in 1942 covered dividends 1.57 times, while operating plus security profits covered them 1.71 times. These figures compare with 1.35 and 1.70 times, respectively, for the five-year totals. Bankers Trust, which reduced its dividend rate in 1942, shows maximum coverage of dividends by operating profits with a ratio of 2.42; National City (including City Bank Farmers' Trust) comes second with a ratio of 2.18, while the two lowest in the list are Chase with 1.29 and United States Trust with 1.13.

In Table I it will be noticed that, although aggregate operating profits show a year by year increase, dividends have declined. Thus, operating profits in 1942 were 16.5% higher than in 1938, but dividends were 8% lower. Dividend coverage by operating profits was 1.24 in 1938, 1.26 in 1939, 1.29 in 1940, 1.39 in 1941 and 1.57 in 1942. Figures thus far revealed by the banks in 1943, indicate a coverage this year of around 1.70. Banks which reduced dividends during the period under review are: Bank of Manhattan, Bankers Trust, Corn Exchange,

(Continued on page 1800)

DIVIDEND NOTICES

ESSO

The Board of Directors of the

STANDARD OIL COMPANY

(Incorporated in New Jersey)

has this day declared the following dividends on the capital stock, payable on December 15, 1943, to stockholders of record at close of business, three o'clock, P. M., November 15, 1943:

Regular semi-annual cash dividend of 50¢ per share; and

Extra cash dividend of 50¢ per share.

There has also been declared a distribution on or about December 15th, 1943, to stockholders of record at the close of business November 15th, 1943 of certain assets of this Company, to wit, shares of capital stock of Consolidated Natural Gas Company of a par value of $15.00 per share, said distribution to be at the rate of one share of Consolidated Natural Gas Company stock for each 10 shares of stock held by each stockholder of record of Standard Oil Company (New Jersey).

No fractional shares or scrip for fractional shares shall be issued, but in lieu thereof there shall be distributed to each shareholder of record otherwise entitled to receive fractional shares, an amount of money equivalent to the appropriate fractional part of the weighted average market price per share of said stock of Consolidated Natural Gas Company established by all transactions in said stock taking place on the New York Stock Exchange on November 15th, 1943.

Distribution will be made by mail.

A. C. MINTON, Secretary

November 1, 1943

OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND No. 180
COMMON DIVIDEND No. 144

A quarterly dividend of $1.50 per share on the Preferred Stock and a dividend of 35¢ per share on the no par value Common Stock have been declared, payable December 20, 1943, to stockholders of record at the close of business on November 23, 1943.

Checks will be mailed.

C. A. SANFORD, *Treasurer*

New York, October 27, 1943.

EATON MANUFACTURING COMPANY

Cleveland, Ohio

DIVIDEND NO. 75

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Seventy-five Cents (75c) per share on the outstanding common stock of the Company, payable November 24, 1943, to shareholders of record at the close of business November 10, 1943.

October 29, 1943

H. C. STUESSY, *Secretary-Treasurer*

DIVIDEND NOTICES

THE ATLANTIC REFINING CO.

COMMON DIVIDEND — NUMBER 153

At a meeting of the Board of Directors held October 25, 1943, a dividend of twenty-five cents per share and a special dividend of twenty cents per share were declared on the Common Stock of the Company, payable December 15, 1943, to stockholders of record at the close of business November 22, 1943. Checks will be mailed.

W. M. O'CONNOR, *Secretary*

October 25, 1943

J. I. Case Company

Incorporated

Racine, Wis., November 1, 1943

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable January 1, 1944, to holders of record at the close of business December 11, 1943.

THEO. JOHNSON, 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.

Atlas Corporation

Dividend No. 29
on 6% Preferred Stock

NOTICE IS HEREBY GIVEN that a dividend of 75¢ per share for the quarter ending November 30, 1943, has been declared on the 6% Preferred Stock of Atlas Corporation, payable December 1, 1943, to holders of such stock of record at the close of business November 15, 1943.

WALTER A. PETERSON, *Treasurer*

November 3, 1943.

Cutting Tool Industry Outlook Attractive

The cutting tool industry offers attractive post-war prospects according to Loewi & Co., 225 East Maston St., Milwaukee, Wis., in an interesting study of the industry with particular reference to National Tool Company. Copies of the brochure prepared by Loewi & Co. on the situation may be had from the firm by dealers on request.

Post-War Outlook For Rail Equipment Stocks

Railroad equipment shares are drastically undervalued, both in relation to current earnings and to post-war outlook, according to a circular prepared by Distributors Group, Incorporated, 63 Wall St., New York City, which discusses the domestic and export situation affecting these issues. Copies of this interesting circular may be had from the firm upon request.

DIVIDEND NOTICE

SOUTHERN UNION GAS COMPANY

COMMON STOCK

A dividend of one-tenth (1/10th) of a share of new (reclassified) Common Stock, par value $5.00, of ARKANSAS WESTERN GAS COMPANY, on each share of Common Stock of SOUTHERN UNION GAS COMPANY has been declared by the Board of Directors, payable November 15, 1943 to SOUTHERN UNION GAS COMPANY stockholders of record at the close of business November 1, 1943. No fractional shares of the Common Stock of ARKANSAS WESTERN GAS COMPANY will be issued but, in lieu thereof, stockholders will receive cash at the rate of $5.00 per share of Common Stock of ARKANSAS WESTERN GAS COMPANY. Certificates and/or checks will be mailed November 15, 1943 by The Northern Trust Company, Chicago, Illinois, as Distribution Agent.

October 28, 1943

F. W. SMITH, Treasurer.

J. P. Morgan & Co. Admitted To Membership In Clearing House Association

The admission on Oct. 29 of J. P. Morgan & Co. Inc. as a member of the New York Clearing House Association was announced on that day by Edward L. Beck, manager of the Association. While 130 institutions have been admitted to the Clearing House as members since its establishment in 1854, mergers and absorption reduced the number to 19 members—the figure at the close of the year ending Oct. 3, 1943. With the admission of the Morgan bank the Association now has 20 members; the Federal Reserve Bank of New York and the Clearing House City Collection Department also make exchanges at the Clearing House, thus bringing the number of clearing institutions to 25.

J. P. Morgan & Co. Inc. is the first new member since 1931; its number in the Clearing House is 130.

Where's the Money Coming From?

(Continued from page 1784)

quite different characteristics." These characteristics Mr. Chase sums up in a series of basic statements of his own findings on government debt:

1. The national debt is at the same time an investment by citizens. You have invested in it, I have invested in it, so have your insurance companies, your savings bank, your regular bank, your trust funds, your college endowment funds, your charities. It is the place where our savings have chiefly gone since 1929. . . . If by some miracle the debt were paid off tomorrow, we should have such a stupendous pool of idle money in the system that the government would be forced to open the subscription books again lest the whole financial structure collapse. . . .

2. If the national debt is all internal, as ours is, the nation can hardly go bankrupt. The American people are on both sides of the balance sheet. Nations do not hand themselves over to outsiders in settlement of internal debts. Indeed they do not hand themselves over in settlement of external debts. . . .

3. There is no compelling reason why an internal debt should be paid off completely. In fact, the United States is said to be the only nation which has so far followed a policy of paying off its debt in a substantial way. The British are still carrying part of their internal debt from the Napoleonic wars. At certain times, when full employment has been reached and inflation threatens, it is advisable to retire some of the debt.

4. If private long-term investment declines, public investment must increase, or idle savings will cripple the system. This is axiomatic in an economy such as ours. It works both ways: if opportunities to invest in private debt or equities increase, then the public debt can be retired to a like extent. The savers have another outlet for their funds.

5. A national debt which is approximately twice the annual national income can be borne without too much difficulty, according to British experience. In 1936 the debt of the United Kingdom was 224% of the national income. On this basis, if we come out of the war with a national income of $150,000,000,000 (at 1943 prices) and can manage to hold it at that level, a debt of $300,000,000,000 could be sustained. This outside figure, however, should include state and city indebtedness for fair comparison with England.

6. The principal of the debt is a less important figure than the interest charge. A debt of $300,000,000,000 at 2% would be no more difficult to bear than one of $100,000,000,000 at 6%. It is possible, and even respectable, to convert a public debt to a lower rate of interest. The British did it with their consols in 1932, and there is no group in the world so financially orthodox as the City of London.

7. The payment of interest by the Government does not decrease the nation's purchasing power. True, the Government cannot spend this money, but those who receive the interest can. If they do so, the dollar circuit is unaffected. If they hoard it, however, the usual trouble results. For this reason it is most desirable that the public debt be held by investors from all classes of the population.

8. Government debt per se is **not** the cause of inflation. If the economy is on part time, an increase in debt cannot cause general inflation until full employment is reached.

The "Chronicle" invites comments on the thoughts and views expressed by Dr. Chase in the foregoing, which represents an official summary of the special report which he is completing for the Twentieth Century Fund.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1784)

a member of the Chamberlain government which saw "peace in our time." However, let's get back to the market and its current action.

* * *

Last week the market indicated higher prices. I said so. No doubt readers were confused. For while I said the market looked higher, I avoided recommendations of specific stocks. There was a reason for that neglect. The market was, and for that matter still is, honeycombed with specialties. One day a group shoots up, the next day it either falls asleep or breaks down. The old-line leaders continue conspicuous by their inability, or their refusal, to participate in any advance.

The question probably arises: why don't I recommend these specialties?

* * *

The answer is that few possess sufficient sustained market action to warrant more than a day-to-day holding. And any little accident can break them down and keep them down for so long it would create a virtual lock in accounts. Liquidity is one of the prime requirements of market speculation. And any stock which cannot be sold close enough to the market, in the event of a break, does not interest me.

* * *

Most of the present active stocks are one-way affairs. When they go up they look fine. But once they start going down the picture will be far from cheerful.

* * *

In order to trade one has to look for exits as well as entrances. And in the case of the liquor stocks, for example, the exits are likely to be so crowded that getting out in a hurry may be difficult, if not impossible.

* * *

The action of the steels is now disappointing. They are the logical leaders to start any general advance. The fact that they continue to hold back may mean that bullish indications appear only on the surface. If that is the case, discretion is certainly the policy to follow.

* * *

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.]

Bank & Insurance Stocks

(Continued from page 1799)

First National and New York Trust. No further reductions among this group of 15 banks are anticipated for the duration of the war, but neither are any increases, despite mounting earnings. Higher dividends must await the close of the war.

The constructive and realistic policy being pursued by bank management today is being reflected in the increasingly strong showing of their statements of condition. Well selected bank stocks at this time have much to offer the prudent investor.

"World Sugar Bowl"

Strauss Bros., 32 Broadway, New York City, have prepared a significant review of Cuba's strategic place in the world sugar picture, which appears in their latest bulletin entitled "World Sugar Bowl." A copy of the bulletin, together with reports containing interesting conclusions on securities of two Cuban sugar companies, may be had upon request from Strauss Bros.

Comments should be addressed to Editor, "Commercial and Financial Chronicle," 25 Spruce St., New York (8), N. Y.

Why Pennsylvania Municipals Enjoy High Investment Status

(Continued from page 1787)

fairs must carefully examine the same to ascertain whether the proposed debt is within limitations imposed by the Constitution and whether they conform to existing laws. If approved the Department gives its certificate of approval and if it disapproves it is unlawful for the municipality to issue any general obligations upon such proceedings unless such proceedings are subject to correction which correction has been approved by the Department.

g) Any general obligation bonds issued by such municipality pursuant to such proceedings and lawfully disposed of shall be valid obligations and the effect of such approval shall be to ratify, validate and confirm such proceedings absolutely except as to constitutional questions, notwithstanding any defect or error whatever in such proceedings.

3. Laws Relating to State Supervision as to Operation

a) The Department of Internal Affairs shall from time to time inspect and investigate the sinking funds of the municipalities for the purpose of determining whether such sinking funds are being kept in accordance with law and whether in the Department's opinion they will be sufficient to meet maturities of the debt for the payment of which they were created. The Department may take court action to mandamus their findings. Penalties also attach to all the municipal officials who are thus guilty of malfeasance or nonfeasance.

b) At the end of each year, each municipality must prepare and publish in at least one local newspaper a statement showing:

(1) The gross and net debt. (2) Assessed Valuation. (3) The Assets of the municipality and the character thereof. (4) The date of the last maturity of the respective forms of funded debt. (5) The assets in each sinking fund.

c) In order to make difficult the funding of operating deficits by the issuance of bonds, a municipality in order to fund such deficit must obtain the approval of the Court of Quarter Sessions of the County in which such municipality is located. The action of the court in authorizing or refusing to authorize the issuance of bonds for such purpose is final.

d) All local governmental units within the Commonwealth must enact an annual budget. This must be published and an opportunity thus given for the citizens to express themselves prior to its enactment.

Cities and counties, with the exception of Philadelphia, townships where annual expenses are in excess of $5,000 and boroughs must file with the Department of Internal Affairs copies of their annual budget on forms furnished by the Department. School Districts, with the exception of Philadelphia and Pittsburgh, file their budgets with the Department of Public Instruction.

The budget, after its enactment, becomes a legal document. Public money cannot be expended unless it has been appropriated, nor can a tax be collected unless it has been levied in a tax ordinance or resolution, which is a part of the budget document as received by the Department.

4. Tax Limitation

As the law now stands, the obligations of cities of the first and second classes (Philadelphia, Pittsburgh, and Scranton), boroughs, counties, townships of the first class and institution districts are payable from unlimited taxation.

Obligations of other municipalities are payable from taxes which together with taxes for general purposes are limited as follows:

Third Class Cities, 25 mills.
Townships of second class, 9 mills.
School Districts of the First Class, 11¾ mills.
School Districts of the Second Class, 20 mills.
School Districts of the Third Class, 25 mills.
School Districts of the Fourth Class, 25 mills.

Additional maximum rates for Third Class Cities for special purposes are: Maintenance and operation of Parks and Playgrounds, 2 mills; Establishment of Public Library (with electoral approval), 2 mills; Care of shade trees, 0.1 mill; Charity and welfare, 10 mills.

Undue concern is caused in our opinion as to tax limitation as applying to say Third Class Cities, which are largely represented by those analyzed herein. A few examples will show the wide unused margin of taxing power. Lebanon, being a third class city, is limited to 25 mills, i. e., 15 for operation and an additional 10 for debt service. The present rate is 6.75 mills for operation and 1¼ for debt service. Williamsport, 13¾ for operation and 1⅞ for debt service. Harrisburg, combined rate is 14 mills. York, 8.17 operation and 2.33 debt service. Wilkes-Barre, 11½ operation and 3 for debt service. Easton, total 12 mills. Pottsville, 11½ operating and 3 for debt service, and so on.

5. Tax Collection Procedure

a) Current Taxes.

Collected by an elected official (in some cases by an appointed official). There is usually a discount for payment prior to a certain date and a penalty after a certain interval, usually six months from due date.

b) Delinquent Taxes.

There are generally two systems for the collection of delinquent taxes. Under the first of these taxes are returned by the tax collector to the County Commissioners not later than the first Monday of May of the year succeeding the year of levy. Delinquent taxes are in turn certified to the County Treasurer, who is authorized to sell the real estate on which the taxes are delinquent on the first Monday of August of the second yead succeeding the year of levy. The other system is known as the Lien System. Under it delinquent taxes are filed by the solicitor of the taxing district not later than the third calendar year following the year of levy.

In cities of the third class, there is a third system under which the City Treasurer is authorized to sell realty on which taxes are delinquent on the first Monday of June of the year succeeding the year of levy.

III. SOURCES OF REVENUE

1. County

a) Real Estate Tax.
b) Personal Property Tax—4 mills per $1,000.
c) Gasoline Tax—Counties receive the proceeds of ½-cent of the State 3-cent per gallon pavement gas tax.
d) Miscellaneous.

2. City

a) Real Estate Tax.
b) Miscellaneous—fees, licenses, etc.
c) Occupation Tax.

NOTE—Philadelphia has a 1% Wage Tax levied on all those employed in the City of Philadelphia, regardless of their legal residence. This tax is collected at the source and remitted direct to the City Treasurer.

3. Boroughs

a) Real Estate Tax.
b) Occupation Tax.
c) Miscellaneous—fees, licenses, etc.

4. School Districts

a) Real Estate Tax.
b) Per Capita Tax.
c) State Appropriation (can only be used for operating expenses).

5. Townships

a) Real Estate Tax.
b) Miscellaneous revenues.

6. Institutional Districts

a) Real Estate Taxes.
b) Occupation Taxes.

IV. CERTAIN STATISTICS AND INDICES

It is unfortunately not within the scope of this paper to examine the over 5,000 governmental units and to tabulate the pertinent statistics. With a full realization of the incomplete character, therefore, of the following data it is nevertheless adduced to show a tendency. Many of the smaller units would show even more favorable statistics than those herewith given. We use therefore for the purpose of this section 65 counties and 33 cities of over 20,000 population.

County	Debt + or — Since 1930	Tax Collection (1941) Current	Tax Collection (1941) Current & Del.	Proportion of Budget for Debt Service	Net Direct Debt Per Capita	Ass'd Val. Per Cap.
Luzerne	—47.4	76.2	108.7	20%	$6.89	$1,012
Delaware	—38.1	86.3	104.3	21	14.50	1,700
Westmoreland	—56.5	83.1	102.4	18	1.02	1,117
Lackawanna	—33.0	67.2	93.7	18	3.60	989
Montgomery	—100.0		No debt			
Berks	+24.0	81.9	97.3	38	27.10	1,600
Schuylkill	—41.9	64.3	97.4	13	6.80	840
Cambria	—44.7	85.6	110.3	46	18.00	1,049
Lancaster	—100.0		No debt			
Washington	—38.3	87.7	101.0	23	14.50	1,228
Fayette	—64.6	70.1	94.6	27	6.80	1,120
Erie	—54.2	85.44	98.15	31	12.60	909
York	—67.0	89.8	102.3	14	7.47	1,134
Lehigh	—32.5	78.9	107.0	37	19.00	1,616
Dauphin	+120.0	85.15	99.58	22	13.70	1,510
Northampton	—31.9	86.5	105.8	50	46.60	1,650
Beaver	—40.2	83.5	87.3	47	23.50	2,420
Blair	—43.9	76.7	105.5	13	2.70	930
Chester	—40.0	87.7	108.0	4	1.74	1,700
Northumberland	+5.0	61.6	95.8	13	7.48	780
Bucks	—70.0			11	.59	2,500
Mercer	—8.6	70.4	89.4	39	21.21	1,316
Lawrence	—73.4	90.0	125.0	7	3.10	1,215
Lycoming	—55.0	76.6	101.7	8	5.90	1,218
Clearfield	—79.0	71.5	114.1	22	2.70	705
Butler	—43.1	77.5	129.8	19	10.20	1,540
Somerset	—7.0	72.0	---	25	10.00	776
Armstrong	—74.8	82.9	108.08	56	5.40	670
Indiana	—33.4	73.4	105.9	49	25.00	657
Cumberland	—78.0	92.9	112.4	12	6.60	1,016
Lebanon	—25.0	87.8	100.5	11	4.60	1,335
Crawford	—58.5	77.7	100.8	29	10.40	1,560
Franklin	—100.0		No debt			
Venango	—56.0	89.1	94.9	26	10.40	1,370
Carbon	—30.6	78.8	120.6	49	24.00	1,036
McKean	—67.3	84.8	110.9	3	2.27	2,311
Jefferson	—59.0	76.0	114.0	47	9.07	470
Centre	—33.0			9	4.50	969
Columbia	—53.0	68.3	106.7	12	3.78	797
Bradford	—65.0	77.5	223.6	15	3.34	630
Greene	—90.0	94.1	107.8	23	2.65	990
Mifflin	—46.0			13	3.40	1,303
Warren	—67.0	83.3	92.3	35	6.10	724
Huntington	—58.0			6	3.18	609
Bedford				11	3.90	455
Adams	—29.0			7	3.39	786
Clarion	—67.0			28	4.50	850
Tioga	—41.0	64.9	103.4	32	6.25	484
Clinton	—19.0			5	3.03	576
Elk	—56.0	73.5	102.0	9	3.89	550
Susquehanna	—3.0	70.3	115.0	23	15.70	601
Wayne	—87.0			16	1.50	780
Monroe	—44.5	69.4	104.1	8	6.70	1,340
Perry				No debt		
Snyder	—41.0			14	6.70	408
Union				No debt		1,230
Potter	—72.0			5	1.09	570
Wyoming	—27.0			10	3.30	492
Montour				1		
Juniata				No debt		
Fulton				No debt		
Sullivan				10		
Pike	—100.0			No debt		
Cameron				1		
Forest				2		

	Debt + or — Since 1930 or Peak Since 1930	Tax Collect'n (1941) Current	Tax Collect'n (1941) Current & Del.	Proportion of Receipts for Debt Service (City only)	Net Debt Per Cap. (Direct)	Net Debt Per Cap. (S. D.)	Total	*Assessed Valuation Per Capita
Allentown	—16.7	91.8	104.9	28%	$47.58	$28.28	$75.86	$1,456
Altoona	—19.3	88.2	113.5	17	24.35	35.23	59.58	1,052
Bethlehem	—28.3	91.6	108.5	22	24.63	26.14	50.77	2,051
Chester	—26.6	90.9	105.9	30	43.99	18.20	62.19	1,035
Erie	—30.6	93.0	104.2	19	39.12	34.00	73.12	1,061
Johnstown	—32.5	85.9	---	44	40.14	51.44	91.58	1,229
Lancaster	—28.4	92.3	102.3	29	40.03	37.50	77.53	1,847
McKeesport	+12.1	94.8	104.7	17	42.12	29.27	71.37	1,010
New Castle	—60.8	86.9	108.5	19	10.49	36.00	46.49	1,040
Reading	—40.5	91.0	100.2	21	24.60	53.26	77.86	1,304
Scranton	+2.0	79.8	83.5	14	20.24	43.11	63.35	990
Upper Darby	—27.0	92.2	96.3	23	41.00	48.70	89.70	1,756
Wilkes-Barre	—19.2	88.1	100.7	20	33.14	6.50	39.64	1,044
York	—28.0	93.2	102.6	16	16.32	33.55	49.87	1,428
Abington	—63.4	86.6	92.2	13	6.87	62.25	68.62	2,250
Butler	—26.3	95.2	108.6	37	36.88	4.40	41.28	1,510
Duquesne	—28.0	96.3	115.6	37	47.32	21.10	63.42	1,741
Easton	—20.6	94.6	104.	28	54.95	23.10	78.05	1,250
Harrisburg	—57.8	94.5	100.9	21	17.57	16.20	33.77	1,787
Haverford	—29.1	93.1	96.9	35	43.66	42.70	86.36	2,860
Hazleton	—26.9	84.6	101.6	32	39.13	32.50	71.67	1,236
Lebanon	—75.6	92.4	96.4	8	4.32	33.70	38.02	1,100
N. Kensington	—21.6	87.9	100.5	46	41.32	16.10	57.42	1,180
Norristown	—52.3	92.8	100.3	14	12.76	28.00	40.76	1,204
Oil City	—40.0	90.2	100	20	19.50	29.40	48.90	746
Pottstown	—20.6	93.5	110.7	27	29.36	30.50	59.86	1,017
Pottsville	—20.8	87.6	97.5	21	19.21	29.40	48.61	1,512
Sharon	+12.1	90.5	92.1	21	30.94	31.40	62.34	1,209
Uniontown	—4.0	71.6	111.7	22	28.62	29.00	67.62	916
Washington	—29.1	82.1	100.3	25	26.94	39.00	65.94	1,230
Wilkinsburg	—14.0	88.6	101.4	42	62.50	44.00	106.50	1,720
Williamsport	—34.3	92.1	110	10	9.93	14.70	24.60	1,120
Lower Merion	—100	96.5	99.5	--	--	71.70	71.70	4,510

*Assessed valuation equalized to 100% of Real.

Note—In some of the above instances complete statistics are not readily available. Where such are lacking, however, outstanding debt is relatively low.

V. DEFAULT RECORD

In respect to the number of municipalities involved and the par value of obligations thereof the number of defaults has been relatively small. Perhaps one of the best illustrations is in the experience of the State School Employees Retirement Board Fund. which over a period of the past twenty-five years has been one of the largest investors in Pennsylvania municipal bonds and whose purchases represent a cross section of the municipalities of the State. Their experience may be epitomized as follows: Over the past twenty-five years they have purchased over $500,000,000 of Pennsylvania municipal bonds. broadly diversified. They have never lost a penny of either principal or interest. At the present time there is in default approximately $150,000 principal amount and $50,000 interest which they ultimately expect to recover 100%.

The defaults and delays which have occurred have mostly occurred in special situations, notably in the areas where the extractive industries predominate. However, this is a specialized situation which would and should require special treatment beyond the scope of this paper.

Sources of data used in this article: Moody's Municipal Manual; Dun & Bradstreet Municipal Reports; Department of Internal Affairs Reports; Reports from Cities and Counties.

Pennsylvania Brevities

(Continued from page 1787)

ket. Bonds so acquired will be retired. Funds will be available from the sale of a subsidiary's electric property in Oklahoma. Procedure is taken by and with SEC approval and is in pursuance of a simplification program under the Holding Company Act.

Sun Oil Co.'s war conversion plans, costing approximately $20,000,000, have been completed with the opening and successful operation of its $13,000,000 Marcus Hook plant for the manufacture of 100-octane aviation gasoline, according to **J. Howard Pew, President.**

The **Philadelphia Transportation Co.**, to overcome the manpower shortage, is offering a $10 bonus to any employe who obtains a new worker who stays in service at least 30 days. Officials of P. T. C. said that more than 1,100 male employes have gone into the armed services and thus far the company has been able to obtain only 250 women replacements.

The **City of Philadelphia**, at present receiving $780,000 annual rental from the **Philadelphia Transportation Co.** for operation of city-owned Frankford Elevated and Bustleton surface lines, wants more money. City Council approved a resolution requesting the company to modify its present agreement. "The company," said a councilman, "is not paying sufficient rental. We have now reached a point where additional rental should come to the city to provide essential improvements." A lot of landords may feel the same way, but it is a poor rule that doesn't work both ways. Strangely enough, there doesn't seem to be any record of the city voluntarily ameliorating the transit company's burden under reverse circumstances.

Milo S. Meier Now Is With Paine, Webber Co.

MINNEAPOLIS, MINN.— Milo S. Meier has joined the staff of Paine, Webber, Jackson & Curtis, Rand Tower. Mr. Meier has been put on the inactive list by the U. S. Army in which he served as an intelligence officer with a combat squadron operating in Africa, with the rank of captain.

Prior to the war, Mr. Meier was engaged for many years in the securities business in Minneapolis.

SEC Takes Actions

The broker-dealer registrations of Hermann Graen & Co., Inc. and Renaud Corporation, both of New York City, were revoked by the Securities and Exchange Commission, which denied requests by both companies for the withdrawal of their registrations.

L. B. Van Ingen Dies

Lawrence B. Van Ingen, retired broker, died in the Le Roy Sanitarium, at the age of 45 after a long illness.

U. S., Britain, Russia And China Sign Pact—Closer Military Unity And Post-War Cooperation

(Continued from page 1799)

Governments in favor of the restoration of democracy in Italy.

The three Foreign Secretaries declared it to be the purpose of their Governments to restore the independence of Austria. At the same time they reminded Austria that in the final settlement account will be taken of efforts that Austria may make toward its own liberation. The declaration on Austria is published today.

The Foreign Secretaries issued at the conference a declaration by President Roosevelt, Prime Minister Churchill and Premier Stalin containing a solemn warning that at the time of granting any armistice to any German Government, those German officers and men and members of the Nazi party who have had any connection with atrocities and executions in countries overrun by German forces will be taken back to the countries in which their abominable crimes were committed to be charged and punished according to the laws of those countries.

In an atmosphere of mutual confidence and understanding which characterized all the work of the conference, consideration was also given to other important questions. These included not only questions of a current nature but also questions concerning treatment of Hitlerite Germany and its satellites, economic cooperation and assurance of general peace.

Joint Four-Nation Declaration

The government of the United States of America, the United Kingdom, the Soviet Union and China:

United in their determination, in accordance with the declaration by the United Nations of Jan. 1, 1942, and subsequent declarations, to continue hostilities against those Axis powers with which they respectively are at war until such powers have laid down their arms on the basis of unconditional surrender;

Conscious of their responsibility to secure the liberation of themselves and the peoples allied with them from the menace of aggression;

Recognizing the necessity of ensuring a rapid and orderly transition from war to peace and of establishing and maintaining international peace and security with the least diversion of the world's human and economic resources for armaments;

Jointly declare:

1. That their united action pledged for the prosecution of the war against their respective enemies, will be continued for the organization and maintenance of peace and security.

2. That those of them at war with a common enemy will act together in all matters relating to the surrender and disarmament of that enemy.

3. That they will take all measures deemed by them to be necessary to provide against any violation of the terms imposed upon the enemy.

4. That they recognize the necessity of establishing at the earliest practicable date a general international organization, based on the principle of the sovereign equality of all peace-loving States, and open to membership by all such States, large and small, for the maintenance of international peace and security.

5. That for the purpose of maintaining international peace and security pending the re-establishment of law and order and the inauguration of a system of general security, they will consult with one another and as occasion requires with other members of the United Nations with a view to joint action on behalf of the community of nations.

6. That after the termination of hostilities they will not employ their military forces within the territories of other States except for the purposes envisaged in this declaration and after joint consultation.

7. That they will confer and cooperate with one another and with other members of the United Nations to bring about a practicable general agreement with respect to the regulation of armaments in the post-war period.

Declaration Regarding Italy

The Foreign Secretaries of the United States, the United Kingdom and the Soviet Union have established that their three governments are in complete agreement that Allied policy toward Italy must be based upon the fundamental principle that fascism and all its evil influence and configuration shall be completely destroyed and that the Italian people shall be given every opportunity to establishment governmental and other institutions based upon democratic principles.

The Foreign Secretaries of the United States and United Kingdom declare that the action of their governments from the inception of the invasion of Italian territory, in so far as paramount military requirements have permitted, has been based upon this policy.

In furtherance of this policy in the future the Foreign Secretaries of the three governments are agreed that the following measures are important and should be put into effect:

1. It is essential that the Italian Government should be made more democratic by inclusion of representatives of those sections of the Italian people who have always opposed fascism.

2. Freedom of speech, of religious worship, of political belief, of press and of public meeting shall be restored in full measure to the Italian people, who shall also be entitled to form anti-Fascist political groups.

3. All institutions and organizations created by the Fascist regime shall be suppressed.

4. All Fascist or pro-Fascist elements shall be removed from the administration and from institutions and organizations of a public character.

5. All political prisoners of the Fascist regime shall be released and accorded full amnesty.

6. Democratic organs of local government shall be created.

7. Fascist chiefs and army generals known or suspected to be war criminals shall be arrested and handed over to justice.

In making this declaration the three Foreign Secretaries recognize that so long as active military operations continue in Italy the time at which it is possible to give full effect to the principles stated above will be determined by the Commander-in-Chief on the basis of instructions received through the combined chiefs of staff.

The three governments, parties to this declaration, will, at the request of any one of them, consult on this matter. It is further understood that nothing in this resolution is to operate against the right of the Italian people ultimately to choose their own form of government.

Declaration on Austria

The governments of the United Kingdom, the Soviet Union and the United States of America are agreed that Ausria, the first free country to fall a victim to Hitlerite aggression, shall be liberated from German domination.

They regard the annexation imposed on Austria by Germany on March 15, 1938, as null and void. They consider themselves as in no way bound by any changes effected in Austria since that date. They declare that they wish to see re-established a free and independent Austria and thereby to open the way for the Austrian people themselves, as well as those neighboring States which will be faced with similar problems, to find that political and economic security which is the only basis for lasting peace.

Austria is reminded, however, that she has a responsibility, which she cannot evade, for participation in the war at the side of Hitlerite Germany, and that in the final settlement account will inevitably be taken of her own contribution to her liberation.

Statement on Atrocities

Signed by President Roosevelt, Prime Minister Churchill and Premier Stalin.

The United Kingdom, the United States and the Soviet Union have received from many quarters evidence of atrocities, massacres and cold-blooded mass executions which are being perpetrated by Hitlerite forces in many of the countries they have overrun and from which they are now being steadily expelled. The brutalities of Nazi domination are no new thing, and all peoples or territories in their grip have suffered from the worst form of government by terror. What is new is that many of these territories are now being redeemed by the advancing armies of the liberating powers and that in their desperation the recoiling Hitlerites and Huns are redoubling their ruthless cruelties. This is now evidenced with particular clearness by monstrous crimes on the territory of the Soviet Union which is being liberated from Hitlerites and on French and Italian territory.

Accordingly, the aforesaid three Allied powers, speaking in the interests of the thirty-two United Nations, hereby solemnly declare and give full warning of their declaration as follows:

At the time of granting of any armistice to any government which may be set up in Germany, those German officers and men and members of the Nazi party who have been responsible for or have taken a consenting part in the above atrocities, massacres and executions will be sent back to the countries in which their abominable deeds were done in order that they may be judged and punished according to the laws of these liberated countries and of the free governments which will be erected therein. Lists will be compiled in all possible detail from all these countries, having regard especially to invaded parts of the Soviet Union, to Poland and Czechoslovakia, to Yugoslavia and Greece, including Crete and other islands; to Norway, Denmark, the Netherlands, Belgium, Luxembourg, France and Italy.

Thus, Germans who take part in wholesale shooting of Polish officers or in the execution of French, Dutch, Belgian or Norwegian hostages or of Cretan peasants, or who have shared in slaughters inflicted on the people of Poland or in territories of the Soviet Union which are now being swept clear of the enemy, will know they will be brought back to the scene of their crimes and judged on the spot by the peoples whom they have outraged. Let those who have hitherto not imbued their hands with innocent blood beware lest they join the ranks of the guilty, for most assuredly the three Allied powers will pursue them to the uttermost ends of the earth and will deliver them to their accusers in order that justice may be done.

The above declaration is without prejudice to the case of German criminals whose offenses have no particular geographical localization and who will be punished by joint decision of the governments of the Allies.

The Securities Salesman's Corner

Avoiding Some Common Pitfalls Inherent In Security Merchandising

Retailing of securities is full of pitfalls—probably no business has more natural (as well as artificial) booby-traps surrounding it than has the securities business. However, if these impediments are recognized in advance, the dealer or salesman who is so fortified can at least guard against becoming needlessly involved in avoidable difficulties.

One of the main stumbling blocks that often makes for trouble even for the most exacting dealer and salesman is where future events and unpredictable circumstances bring about a decline in the market value of a security, especially after it has had an emphatic recommendation and has been sold to the client with the usual amount of optimistic and persuasive sales effort.

When this happens, the customer sometimes assumes a very natural attitude (which most experienced securities men are able to recognize without any description on our part). This reaction of the customer may make itself known to the salesman by a mild reproof, or a bit of sarcasm tinged with a feeble attempt at humor, or it can even go so far as to unsettle the confidence of the customer to the extent that future business possibilities are endangered. Whenever a customer begins to believe that you have "lost face" with him, a great deal more than his future business is lost—you have lost the value of all the hard work you previously put into the development of the account. When you stop to consider how much time and effort is necessary to develop accounts which are profitable, unless you can keep them after you've got them, it's a pretty unsatisfactory situation from every angle.

Such being the case it is advisable to do everything possible to forestall such unfavorable reactions on the part of the customer, should you have occasions when a security you have recommended and sold has declined in price. This has happened in the past and it will happen again, and again, and again—so we might as well accept the inevitable and guide ourselves accordingly.

There are several cardinal rules to remember if you are to keep customer complaints at a low level whenever this takes place. First, DON'T SELL SECURITIES ADAPTED PRIMARILY TO PRICE APPRECIATION POSSIBILITIES TO CUSTOMERS WHO ARE INTERESTED MAINLY IN INCOME. If these customers are sold **income** producing investments, and if the emphasis during the sale has been directed toward **income**, AS LONG AS THE CUSTOMER RECEIVES THIS INCOME, INTERMEDIATE FLUCTUATIONS WILL USUALLY BE IGNORED.

Secondly, MAKE CERTAIN THAT YOUR CUSTOMER UNDERSTANDS THAT HE IS BUYING A SECURITY THAT IS SUBJECT TO ORDINARY PRICE FLUCTUATIONS, AND DO NOT SELL "PROFIT" AND "PROMISES OF QUICK GAIN" TO THE EXCLUSION OF OTHER FACTORS WHICH ARE INHERENT IN THE SITUATION. If a security is sold as an undervalued opportunity with price enhancement possibilities, try and point out the reasons for arriving at such conclusions and prepare your client's mind in advance for the possibility of a price decline taking place before a profit is eventually realized. On these special price appreciation situations, wherein considerable faith can be placed in the intrinsic soundness of a security, it is sometimes advisable to point out that if a decline takes place the client **is going to be asked to buy more of the same investment.**

Municipal News & Notes

Rock Island, Ill., To Redeem All Past-Due Special Assessment Bonds

The City of Rock Island, Ill., will redeem, starting about Dec. 1, 1943, all of its past due special assessment bonds and interest coupons, according to M. F. Rudgren, City Clerk. Although not legally liable for the payment of such indebtedness, the city nevertheless recognized a moral obligation to pay off the obligations and, as a consequence, it can say that no investor "has ever lost a cent to date on the principal of any City of Rock Island bond, whether it be general obligation, revenue or special assessment." In his letter of Oct. 29, the City Clerk said:

Please be advised that the City of Rock Island will pay all of their past due special assessment bonds and coupons, maturities 1932 through 1943, starting about December 1st of this year.

For quite a number of years the city of Rock Island has been accumulating reserves for this particular purpose and is now in a position to bid in at the regular tax sale all unpaid City of Rock Island special assessments, thereby closing out hundreds of warrants and making these funds legally available to pay the unpaid balance of these bonds and coupons, which heretofore had been paid on a pro-rata basis, as collections were received.

The city will receive tax sale certificates as evidence of payment of these special assessments at the sale, which will be carried as an investment of these reserve funds. This same procedure was followed through the 1920's and in 1930 and '31, but when the depression hit this community the city was forced to discontinue buying at tax sales due to lack of funds.

Through special assessment bonds are not legal obligations of the city, the city nevertheless felt a moral obligation to try and find a way to pay same. The completion of this procedure will put the city in a class of where no investor has ever lost a cent to date on the principal of any City of Rock Island bond, whether it be general obligation, revenue, or special assessment.

$183,000,000 Philadelphia Bonds Exchanged Under Refunding Plans

Completing the largest municipal refinancing operation of its kind on record Drexel & Co. of Philadelphia and Lehman Brothers of New York announced last Monday that total of City of Philadelphia bonds exchanged under the Refunding Plan of 1942 was approximately $100,000,000 when the offer of exchange expired at the close of business October 30, thus bringing to over $183,000,000 the total of the city's bonds exchanged under the 1941 and 1942 Refunding Plans which comprised the refinancing operation.

The refinancing was carried out by a nation-wide group of 39 leading investment firms and banks. Drexel & Co., and Lehman Brothers were account managers for the group.

Under the refunding plan of 1942 the city offered in exchange for certain of its out-

OUR REPORTER'S REPORT

The underwriting community is now waiting for the Securities and Exchange Commission to hand down its ruling which may clear the way for the sale to the public of 875,000 shares of common stock of the Public Service Co. of Colorado.

The Cities Service Power & Light Co., parent organization, has made a plea to the Commission asking that, because of the scope of the transaction, the sale be exempt from Rule U-50 of the Public Utility Holding Company Act which provides for competitive bidding in the sale of securities of utility holding firms.

An underwriting group has been formed to market the issue, when as and if, the Commission gives the "green light." Hearings closed more than a week ago and, naturally, bankers and dealers who make up the prospective selling group are becoming a trifle anxious.

The proposed common stock sale grows out of a plan put forward by the Cities Service Power & Light Co. aimed at relinquishing its control of the Colorado properties as called for under the Death Sentence Clause of the Holding Company Act.

If the Commission gives the company the "go ahead" signal, the public offering will constitute one of the largest single undertakings to date this year involving a straight equity sale.

Gone But Not Forgotten

One of the most closely guarded "open secrets" of the moment is the reason for the abandonment of the projected sale of $25,000,000, largely from John D. Rockefeller, Jr., personal holdings of oil company stocks.

Billed as the largest secondary offering on record, this sale was scheduled for Monday of last week, then postponed indefinitely, and finally abandoned altogether without explanation from any source for the action.

Mr. Rockefeller's representatives were mum, the bankers likewise were silent beyond the bare announcement of the decision, and the Securities and Exchange Commission, except for comment by the usual unidentified "spokesman," had nothing to say. But the SEC gets the blame, since it is the consensus that an admitted query from that source, relative to "registration," really upset the program.

Rochester Telephone Corp.

Another sbustantial equity offering is nearing the marketing stage in the form of plans for the sale of 380,000 shares of common stock of the Rochester Telephone Corporation.

The necessary registration has been filed with the Securities and Exchange Commission and as far as that angle is concerned the transaction should be cleared most any time now.

Meanwhile the company is awaiting action by the Public Service Commission of New York State on a recapitalization plan providing for the reclassification of 48,140 shares of 5% second preferred and 1,000 shares of old common stock, into 500,000 shares of new $10 par common.

Investment Bankers In Town

Yesterday found some 600 to 650 investment bankers in town for the three-day conference of the Investment Bankers Association of America on war and post-war financing problems.

Considering the travelling difficulties at the moment this was viewed, in interested circles, as a decidedly good attendance.

The principal speaker today, the first business session of the conference, will be George Spinney, President of the Bank of Montreal and Chairman of the first three Canadian War Loan drives.

Others who have acted as Chairman of their State War Finance Committees, including Edward B. Hall, former President of IBA, were also scheduled among the day's speakers.

Municipal News And Notes

standing bonds new refunding bonds which, where redeemable, have extended callable dates but bear the former rates of interest to the original callable dates and thereafter bear interest at 3¼%.

The 1942 plan, adopted by the city in November of that year, was originally scheduled for termination on May 1, 1943 but by action of City Council was extended to October 30.

Montana State Issue Of $2,401,000 Bonds Pending

W. L. Fitzsimmons, Clerk, State Board of Examiners, advises that the Board is now arranging for a legal opinion on a proposed issue of $2,401,000 refunding bonds, following receipt of which the Board will determine when bids on the issue will be received. Purpose of the forthcoming refunding loan is to refinance the outstanding balance of an original $4,500,000 issue of 1933 which was sold to liquidate general fund warrant indebtedness. The issue now in prospect was authorized at the last session of the State legislature and Jan. 1 next has been mentioned as the probable sale date.

Municipal Forum to Hear Debate on Revenue Issues

At the next luncheon meeting of the Municipal Forum of New York, to be held on Wednesday, Nov. 10, at Block Hall, 23 South William St., New York City, Dr. John Bauer, Director of the American Public Utilities Bureau, and Kinsey M. Robinson, President of the Washington Water Power Company, will discuss the investment features of municipal utility revenue bond issues, compared with the securities issued by privately-owned utility companies.

Dr. Bauer will uphold the merits of the securities of the publicly-owned utilities and Mr. Robinson, a leader in the public utility industry and a strong advocate of private ownership, will be his opponent.

Elimination Of Stamps In Payment Of Federal Transfer Taxes—Stock Exch. Announcement

New Federal regulations to permit payment of taxes due on sales, transfers and deliveries of securities through the New York Stock Clearing Corporation, eliminating the physical attachment of stamps, will become effective Nov. 15.

Appropriate regulations have been in effect with respect to the payment of such New York State taxes on sales executed upon a New York securities exchange since Aug. 2.

In a notice to members of the Stock Exchange on Oct. 29, signed by Max Jacquin, Jr., Assistant Secretary, it was explained that beginning Nov. 15 all Federal stamp taxes will be paid through the Stock Clearing Corporation. The letter further states:

"It should be noted that the New York Curb Exchange has agreed that, where members of this Exchange are also members of the Curb Exchange, payment of Federal taxes on transactions effected on the Curb Exchange shall be made through our Stock Clearing Corporation. For the time being members may take advantage only of that portion of the regulation having to do with the use of a certification on a memorandum of sale in place of the physical attachment of stamps. The use of a certification on certificates of stock gives rise to various mechanical and technical problems. We are hopeful that these problems will be solved in the near future when it will be possible to take advantage of this phase of the regulations.

"Attention is directed to the fact that this regulation covers all transactions by members, including bonds and over-the-counter transactions, as distinguished from the State regulations which apply only to transactions effected upon a New York securities exchange. We are hopeful that the New York State law will be changed at the next session so as to bring the State into conformity with the Federal regulations.

"It should be noted that both the State and Federal regulations apply to pair-offs and transactions in odd-lots, with respect to which payment of the required taxes must be made through Stock Clearing Corporation."

Morgenthau Returns From War Front Tour

Following a three weeks' tour of Mediterranean battle fronts, Secretary of the Treasurer Morgenthau returned to Washington Nov. 1. Mr. Morgenthau on his tour was accompanied by Harry D. White, Director of the Treasury Department's Division of Monetary Research, who drafted the American post-war stabilization plan.

A reference to Mr. Morgenthau's tour appeared in our issue of Oct. 21, page 1609, in which it was noted that he was expected to present the plan to the nations he visited as well as to discuss monetary matters with allied military commanders, presumably as to the use of invasion money by the armed forces.

To Form Ames Brothers

Stephen M. Ames and Paul S. Ames will form Ames Brothers with offices at 39 Broadway, New York City, as of Nov. 10. The firm will hold membership in the New York Stock Exchange, Mr. Paul Ames acquiring the membership of Raymond S. Rose.

Partners in the new firm were previously in business as Ames Brothers.

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.

Calendar Of New Security Flotations

OFFERINGS

E. R. SQUIBB & SONS

E. R. Squibb & Sons has filed a registration statement for 42,868 shares of $4.25 cumulative preferred stock, Series B, without par value, and 44,799 shares of common stock, without par value.

Address—745 Fifth Avenue, New York City.

Business—Engaged in the manufacture, distribution and sale of pharmaceutical, medicinal, chemical, biological, vitamin and household medicinal and toilet products.

Underwriting—	Pfd.	Com
Union Securities Corp.	11,934	8,899
Harriman Ripley & Co., Inc.	11,934	8,900
Merrill Lynch, Pierce, Fenner & Beane	8,000	7,000
Hornblower & Weeks	4,500	3,750
Kidder, Peabody & Co.	4,500	3,750
Harris, Hall & Co., Inc.	2,000	1,000
Glore, Forgan & Co.	None	4,500
Clark, Dodge & Co.	None	4,500
Eastman, Dillon & Co.	None	2,500

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

Proceeds—Of the net proceeds from the sale of the stock, $4,750,000 will be applied to the payment of the indebtedness of the company represented by bank notes and the remainder will be available for general corporate purposes, including use as additional working capital.

Registration Statement No. 2-5231. Form A-2. (10-14-43).

Offered Nov. 1, 1943, by Union Securities Corp. and Harriman Ripley & Co., the preferred stock at $105 per share plus div. and the common stock at $64 per share.

KANSAS-NEBRASKA NATURAL GAS CO. INC.

Kansas-Nebraska Natural Gas Co., Inc. has filed a registration statement for 12,500 shares of $5 cumulative preferred stock, without par value.

Address—Phillipsburg, Kan.

Business—Is an operating public utility company engaged in the purchase, primarily, of natural gas in the State of Kansas, and in its transmission and wholesale and retail distribution in the States of Kansas and Nebraska.

Underwriting — Underwriters are First Trust Co. of Lincoln, Neb., 5,625 shares; Beecroft, Cole & Co., Topeka, Kan., 2,250; Harold E. Wood & Co., St. Paul, 1,875, United Trust Co., Abilene, Kan., 1,500; Rauscher, Pierce & Co., Dallas, 625 and Bigelow-Webb, Inc., Minneapolis, 625 shares.

Offering—Offering price to public $105 per share plus accrued dividends.

Proceeds—of the net proceeds, estimated at $1,275,000, the retirement of the company's outstanding 9,824 shares of $6 cumulative preferred stock at $105 per share will require $1,031,520. All of the $6 preferred stock has been called for redemption on Sept. 15, 1943. Balance of net proceeds, estimated at $243,000, will be added to the company's working capital

Registration Statement No. 2-5186. Form S-1. (7-24-43).

Registration statement effective 5:30 p.m. EWT on Aug. 16, 1943.

Offered at 105 per share and **div.**

MONDAY, NOV 15

ROCHESTER TELEPHONE COMPANY

Rochester Telephone Corporation has filed a registration statement for 380,000 shares of common stock, $10 par value. The offering does not represent new financing by the company as the shares are now outstanding.

Address—335 Main Street East, Rochester, N. Y.

Business—Is an independent telephone operating company conducting a telephone business wholly within the State of New York, serving without competition the City of Rochester and the adjacent area.

Underwriting—The underwriters and the amount underwritten are as follows: (In shares) First Boston Corporation, 78,000; Union Securities Corp. and Smith, Barney & Co., 40,000 each; White, Weld & Co., 30,000; George D. B. Bonbright & Co., Goldman, Sachs & Co., Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster and Blodgett, Inc., 25,000 each; F. S. Moseley & Co., and Tucker, Anthony & Co., 20,000 each; Sage, Rutty & Co., Inc., 12,000, and Lee Higginson Corporation and Little & Hopkins, Inc., 7,500 each.

Offering—Offering price will be supplied by amendment.

Proceeds—Certain of the holders of the 500,000 shares of new common stock have agreed to sell an aggregate of 380,000 shares of such stock to the underwriters. The proceeds of the sale of the stock offered by the prospectus are to be received by the sellers, and not by Rochester Telephone Co.

Registration Statement No. 2-5239. Form S-1. (10-27-43).

DOW CHEMICAL COMPANY

Dow Chemical Co. has registered 309,741 shares of cumulative preferred stock, Series A, without par value, $4 dividend.

Address—Midland, Michigan.

Business—Engaged in the manufacture of a diversified line of inorganic and organic chemicals, also magnesium and magnesium alloys.

Underwriting—Smith, Barney & Co., New York, will head the group of underwriters. Others will be supplied by amendment.

Offering—Holders of record of common stock at the close of business Nov. 10, 1943, will be given pro rata rights to subscribe to an aggregate of 249,741 shares of cumulative preferred stock, Series A, in the ratio of one share for each five shares then held at a price to be supplied later. Such rights will expire at 3 p.m. EWT on Nov. 22, 1943. Company will offer to the holders of its 60,000 shares of 5% preferred stock the right to exchange such stock, share for share, for cumulative preferred stock, Series A, such right to exchange expiring at 3 p.m. EWT on Dec. 15, 1943. Underwriters have agreed to purchase any of the 249,741 shares of preferred, Series A, which are not subscribed for by the common stockholders. Price to the public will be supplied by amendment.

Proceeds—To retire the company's presently outstanding 5% preferred stock through exchange of such stock for the cumulative preferred stock, Series A, and to extent not retired through exchange to use a portion of the proceeds from the sale of the cumulative preferred stock, Series A, to redeem the 5% preferred stock at $105 per share and accrued dividends on Feb. 15, 1944, and to provide additional working capital.

Registration Statement No. 2-5240. Form A-2. (10-27-43).

CERTAIN-TEED PRODUCTS CORPORATION

Certain-teed Products Corporation has filed a registration statement for $6,737,300 4% cumulative income debentures (subordinated) to be due Oct. 31, 1973; 134,746 shares of common stock, $1 par value, and certificates of deposit for 67,373 shares of 6% cumulative prior preference stock.

Address—120 South LaSalle Street, Chicago, Ill.

Business—Business consists generally of manufacturing and selling asphalt roofing, shingles and related products, wallboard and gypsum products, boxboard and various other products.

Underwriting—Paul H. Davis & Co., Chicago, is named principal underwriter. or dealer manager and company will pay to selected dealers a commission for the deposit of shares of preference stock pursuant to an offer of exchange.

Offering—The company offers to the holders of the outstanding 67,373 shares of its 6% cumulative prior preference stock the right to exchange such shares for the new income debentures and shares of common stock on the basis of $100 principal amount of income debentures and two shares of common stock for each share of 6% cumulative prior preference stock. The registration statement states that the company proposes, under certain conditions, to issue to the holders of the 625,340 shares of common stock presently outstanding, common stock purchase warrants entitling the holders in the aggregate to purchase, at a price to be announced later, 208,446 additional shares of common, and to issue and sell such shares of common stock not taken up by the warrant holders. The company also proposes, under certain conditions, to issue and sell $5,500,000 principal amount of new serior debentures and to apply the proceeds of the sale of the new senior debentures, together with other funds, to the redemption of the outstanding debentures. There are $7,100,000 face amount of 20-year 5½% sinking fund gold debentures, Series A, due March 1, 1948, now outstanding. The interest rate of the new senior debentures has not been finally determined, but will not exceed 4½% per annum. The income debentures will be subordinated to the new serior debentures and to other indebtedness of the company. The company reserves the right to revoke the offer of exchange unless within a certain date holders of not less than 57,250 shares of the preference stock accept the offer. The proposal to issue common stock purchase warrants to present common stockholders and the procurement of a commitment for the purchase of any common stock not subscribed for by common stockholders and the issue and sale of the new senior debentures is contingent upon the exchange offer being declared effective by the company.

Proceeds—The proceeds to the company of the income debentures and shares of common stock offered will consist of shares of the preference stock exchanged and all such shares of preference stock will be retired and the capital of the company will be reduced by the sum of $100 for each share retired. For each share of common issued pursuant to offer, the sum of $1 will be deducted from capital surplus account and credited to capital account represented by such share.

Registration Statement No. 2-5241. Form S-1. (10-27-43).

(This list is incomplete this week)

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.

Sees Bright Outlook

Interstate Aircraft & Engineering Corporation offers an interesting situation with an attractive post-war outlook according to a memorandum issued by Scherck, Richter Company, Landreth Bldg., St. Louis, Mo. Copies of this memorandum may be had from the firm upon request.

House Group Nears Completion On Tax Bill—Kills Sales Levy And Revises Excise Rates

The House Ways and Means Committee has virtually completed action on a new tax bill, estimated to yield about $2,000,000,000 in new revenue, and it is believed the measure will be taken up by the House next week. The only remaining matter under study is possible amendments to the War Contract Renegotiation Act. A sub-committee is now considering various proposals on this question and its conclusions will probably be included in the bill to be reported to the House.

The major actions by the Committee during the past week were the rejection of a general sales tax and a rise in the corporation normal and surtax rate, and the revision of several excise tax schedules, including the levy on distilled spirits and postal rates.

The House group voted on Oct. 27 to turn down the Treasury's recommendation to increase the combined normal and surtax levy on corporation incomes from 40% to 50%. However, the Committee approved an increase in the excess-profits tax from 90% to 95%, estimated to yield an additional $616,000,000 annually, and reduced the invested capital credit under the excess profits tax for corporations with invested capital of more than $5,000,000,000. The group also voted to increase the specific exemption for the excess profits tax from $5,000 to $10,000.

On Oct. 28 the House Committee, by a vote of 16 to 8, rejected a proposal for a 10% national retail sales tax. This action came on a motion by Representative Robertson (Dem., Va.), whose sales tax plan carried with it a "cost of living" exemption certificate of $100 for each person and a ban on using a sales tax in computing parity prices and making wage determinations.

With respect to the postal and excise rates, the Ways and Means Committee rescinded on Nov. 2 earlier action (Nov. 1) increasing out-of-town first class mail from 3 cents to 4 cents an ounce and doubling the excise tax on cigars.

The Committee on Oct. 30 and Nov. 1 and 3 had revised several other excise levies. Among these were: reducing the proposed increase in liquor taxes to $8 a gallon instead of $10, from the present $6; putting the air-mail rate at 8 cents an ounce, instead of 10 cents, against the present 6 cents; increasing the previously-approved 4% tax on pari-mutuel betting to 5%; setting the tax on admissions at 20% instead of 30%; raising the retail jewelry tax to 20% from the present 10% and the tentative 15%, and removed toilet soaps from the new excise list.

The Committee on Oct. 29 received and immediately rejected a tax program offered by Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System. Mr. Eccles' program, totaling $13,800,000,000 in additional taxes and compulsory savings, provided for the following:

1. $10,000,000,000 from individual incomes, with $4,000,000,000 refundable after the war. The normal individual income rate would be raised from 6 to 10%, personal exemptions lowered from $500 to $400 for single persons, from $1,200 to $800 for married couples and from $400 to $250 for each child. The victory tax would be repealed and a super-surtax imposed.

2. $3,000,000,000 through additional excise taxes on so-called luxuries.

3. $800,000,000 through increased corporation taxes.

Senator George (Dem., Ga.), Chairman of the Senate Finance Committee, came out on Oct. 30 in support of the House group's action in rejecting the major proposals of the administration's tax program and called for cuts in Government spending to save $5,000,000,000 to $10,000,000,000 a year.

Yesterday (Nov. 3), the House Committee decided against making any change at this time in the 20% withholding tax rate on wages and salaries.

Previous action by the Committee on the tax question was reported in our issue of Oct. 28, page 1712.

Wyeth & Co. To Admit Philip Gossler, Jr.

Philip Gossler, Jr., member of the New York Stock Exchange, will be come a partner in Wyeth & Co., members of the Los Angeles Stock Exchange, as of Nov. 10. Partners of the firm will be Harry B. Wyeth, Jr., Thomas H. Heller, Carl L. Barnes and Mr. Gossler.

Wyeth & Co. maintain offices at 647 South Spring Street, Los Angeles, and 40 Wall Street, New York City.

Mr. Gossler recently has been doing business as an individual floor broker and prior thereto was a partner in Vietor, Common & Co.

Wm. B. Gilmore Joins Stoetzer Carr Staff

(Special to The Financial Chronicle)

LANSING, MICH. — William B. Gilmore has become associated with Stoetzer, Carr & Co., Penobscot Building, Detroit, Mich. Mr. Gilmore was previously a special partner in Keane & Co. and recently has been in business for himself.

Higher Cost, Prices And Wages Held Major Post-War Problem

National Bureau of Economic Research Study Warns Inflation Danger Not Yet Passed

Pointing out that industry can absorb present higher material and labor costs so long as the volume of output remains at capacity, Dr. Frederick C. Mills warns that "maintenance of today's cost, price and wage relations would present grave difficulties in the face of a substantial decline in output," in a study issued Nov. 1 by the National Bureau of Economic Research.

"How such a decline is to be avoided in the transition from war to peace," the study finds, "is perhaps the major economic problem we shall face at the end of the war."

The study by Dr. Mills on **Prices in a War Economy** is part of a series on "Our Economy in War" which is being issued by the National Bureau. Dr. Mills, Professor of Economics and Statistics at Columbia University, is a member of the research staff of the National Bureau. He was president of the American Economic Association in 1940 and of the American Statistical Association in 1934.

Inflation Pressure Continues

The present high cost structure, Dr. Mills points out further, is the result of the selective character of inflationary movements in recent years. "Price controls," he notes, "have exerted restraints on the tide of advancing wages and prices" but "shifting policy, varying coverage, and serious exemptions from such controls have made the working of these restraints uneven."

"The price system of 1943," the study concludes, "is under continuing inflationary pressures. Pushes from the cost side are strongly supplemented by the pressure of buying power in excess of the value, at present prices, of the consumer goods our productive system can turn out."

"How effective commodity price controls will be we do not know. Whether the inflationary forces that are still clearly present and powerful will be kept in check by vigorous taxation and more extensive investment in government bonds and, if they are not, where and how they will make themselves felt as the expansion runs its course are matters yet to be determined."

In a comprehensive analysis of the impact of wartime price and wage changes on the status of wage earners, farmers, manufacturing industry and consumers, the study reaches the following conclusions:

Wage Earners' Purchasing Power Increased 150 Percent

1. Wage earners in manufacturing industry have registered the greatest relative gains since the prewar period. Employment in terms of man-hours has expanded by about 113 percent between January-August 1939, and March 1943. The average purchasing power of one man-hour of labor has risen by 19 percent, so that the aggregate purchasing power of labor has expanded by more than 150 percent during this period.

Farmers' Purchasing Power 63 Percent Greater

2. Farmers in June 1943 were receiving 107 percent more for their products than in the year before the outbreak of the war in Europe. Prices they pay have risen only 39 percent, so that the average unit purchasing power of farm products was 49 percent greater. Allowing for the 20 percent rise in physical output of farm products between 1939 and 1942, the aggregate purchasing power of farmers in terms of goods and services increased fully 63 percent between these years.

Manufacturing Corporation Profits after Taxes 81 Percent Larger

3. Net profits after taxes, per unit of product, of manufacturing corporations in the first quarter of 1943 were 7 percent less than in 1939, but production rose by 94 percent, so that estimated profits after taxes were 81 percent larger. Estimated dividend payments by manufacturing corporations in 1942 were 4 percent lower than in 1939, indicating that larger wartime profits were not being distributed to shareholders.

Consumer Incomes Increase more than Prices of Consumer Goods

4. The normal lag between the rise in prices of producer goods and the increase in consumer goods prices that occurred in past eras of rising prices has not manifested itself during the current wartime price rise. However, while consumer goods prices are high by previous standards, consumer incomes are higher still.

Further increases in consumer goods prices are indicated because of steady upward pressures from the cost side, strongly supplemented by others from the demand side, since funds available for the purchase of consumer goods far exceed existing supplies, at present price levels.

Robt. Keane Is Now With Searl-Merrick

(Special to The Financial Chronicle)

LOS ANGELES, CALIF—Robert E. Keane has become associated with Searl-Merrick Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Keane was previously with Laswell & Co. and in the past was an officer of Edgerton, Riley & Walter.

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.

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