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Individual Freedom And Economic Planning

By DR. WILLIAM F. HAUHART

Dean, School of Business Administration, Southern Methodist University

The trend from an individualistic economy to increasing governmental control has been so strong in the United States in recent years that some persons have seriously asked whether we have absorbed an alien economic philosophy between the two wars. Certain public men and economists take the position that our present economic system is doomed, because, in their opinion, it is no longer able to meet adequately the needs of the people and keep them all employed. An entirely new economic order is therefore ardently advocated. This new system aims to take the responsibility for economic production from individuals and put it into the hands of the Government. There is usually a tacit assumption that this change will, beyond a doubt, eliminate most of our economic ills. Our government dur-

Dr. Wm. F. Hauhart

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In This Issue

Special material and items of interest with reference to dealer activities in the States of Illinois and Wisconsin appear in this issue.

For Illinois see page 1874; Wisconsin, page 1914.

General index on page 1916.

Investment Bankers Association Of America Holds 32nd Annual Meeting In New York City

John C. Folger is Elected President for 1943-1944 At I. B. A. Stream-Lined War-Time Session

The thirty-second Annual Meeting of the Investment Bankers Association, abbreviated this year because of war-time restrictions, was held in New York City at the Waldorf-Astoria Hotel Nov. 3, 4 and 5, and was devoted to a study of the problems of war and post-war finance.

Officers inducted at the meeting were: John C. Folger, Folger, Nolan & Co., Washington, D. C., President; Albert T. Armitage, Coffin & Burr, Inc., Boston; Vic E. Breeden, R. H. Moulton & Co., San Francisco; Julien H. Collins, Harris, Hall & Co., Chicago; Albert H. Gordon, Kidder, Peabody & Co., New York, and Edward Hopkinson, Jr., Drexel & Co., Philadelphia, Vice-Presidents.

John C. Folger

Among the principal speakers at the meeting were Fred M. Vinson, Director of Economic Stabilization; George W. Spinney, President of the Bank of Montreal; John F. Fennelly, Executive Director of the Committee for Economic Development; John C. Folger, the new President, and Jay H. Whipple, the retiring President.

A special feature was a forum devoted to the problems of financing the Government during the war and financing enterprise after the war. Speakers at that session were Edward B. Hall, former IBA President, now serving as Assistant to the Secretary of the Treasury; Albert P. Everts, partner in Paine, Webber, Jackson & Curtis, who is Chairman of the Massachusetts War Finance Committee of the Treasury Department; Albert T. Armitage, Coffin & Burr, Boston; H. Fred Hagemann, Jr., The Boatmen's National Bank of St. Louis; John S. Loomis, The Illinois Co. of Chicago, and Percy M. Stewart, Kuhn, Loeb & Co., New York City.

The membership committee reported that the Association now has 598 members, 578 active members and 20 in the new "Inactive" classification. This latter class of membership was authorized by amendment to the by-laws at the annual meeting in October, 1942.

Of particular interest in the report of the Finance Committee was a table giving the condition of the Association's finances during each of the past 20 years, the increase or decrease in the par value of the invested surplus representing quite accurately the net results of each year's financial operations because of the policy of keeping all available surplus funds invested.

An NASD Blunder

Maximum Profit Decree Affecting Security Transactions Condemned

By A. M. Metz and E. A. Kole*

In a letter addressed to its members dated Oct. 25, 1943, the NASD dealt them a stunning blow.

The letter started innocently enough by giving the title of the legislative act under which the Association was created. Here it is:

"AN ACT

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

That bit of history seemed necessary because the Board of Governors was about to pontificate on the subject of "just and equitable principles of trade" from a profit motif.

We read on:

"The Board of Governors believes that, in the light of its experience over the past four years, and with the record before it of the practices of the industry as shown by the study of questionnaires so far examined, the time has arrived when it can express its philosophy on what constitutes a fair spread of profit."

To arrive at its philosophy the Board refers to Section 1 of Article III of the Associa-

*Editor's Note—Messrs. A. M. Metz and E. A. Kole are members of the New York Bar and have successfully defended litigation involving "market price" and "mark up" practices.

(Continued on page 1898)

Looking Into The Post-War World

John F. Fennelly Regards Higher Production Level Solution To Unemployment, Inflation And National Debt Problems—Thinks New Capital Requirements Will Be Enormous In Post-War Period And That Interest Rates Will Gradually Work Higher Over Period Of Years

Visualizes Price Level 50% Above 1940 And Federal Budget Of $20 Billion For First Post-War Decade—Discusses Termination Of War Contracts, Disposal Of Government Owned Plants And Surpluses And Taxation

"Investment banking is faced with a great opportunity and a great responsibility" in the post-war world and new capital requirements will be enormous, said John F. Fennelly, Executive Director of the Committee for Economic Development, in a speech delivered on Nov. 4 before the convention of the Investment Bankers Association in New York City, who added that "new high levels of production will not be attained unless the necessary capital is forthcoming, and unless, God forbid, we are to continue the wartime practice of looking to Government as the chief source of capital, investment bankers must measure up to the task that lies ahead."

John F. Fennelly

Pointing out that the outstanding problem for all will be to avoid the twin dangers of mass unemployment and mass Government employment, Mr. Fennelly asserted that, if higher levels of production can be rapidly attained, "the employment problem will largely take care of itself, the great threat of post-war inflation will be eliminated or greatly reduced, and the problem of balancing our Federal budget and carrying the tremendous load of governmental debt can be solved."

Directing attention to important points with respect to the CED objective, Mr. Fennelly stated that "we are convinced that there is no more dangerous phrase than the term full employment, which is now so widely used." "If," he said, "by full employment we mean guaranteeing work to every man, woman and child in the

(Continued from page 1884)

SEC Bid and Asked Disclosure Plan Would Snuff Out Small Dealers and Impair Nation's Whole Economy

Would Drive Business Into Hands Of Large Firms, Strangle Venture Capital, Restrain Production And Strike Another Blow At Democracy In Favor Of Regimentation And Bureaucracy

What small dealer, exclusively or largely engaged in the over-the-counter business, could take time and provide the costs and services to comply with the proposed price or profit disclosure rules and make a living? That thousands of small dealers will be compelled to close their doors if such rules are imposed may be definitely forecast.

The proposed rules of the SEC on disclosures, which would in effect make a dealer reveal the wholesale price, or in other words the profit he expects to make on a trans-

(Continued on page 1888)

G. B. Duval Heads Guaranty Trust Dept.

Eugene W. Stetson, President of the Guaranty Trust Co. of New York, has announced the appointment of Gordon Bisland Duval as Second Vice-President in charge of the bank's municipal bond department. Mr. Duval has been associated with Halsey, Stuart & Co. as assistant to the Vice - President in charge of municipal bond buying. He was born in Houma, La., on May 19, 1907, and was graduated from Princeton University in 1929.

Gordon B. Duval

Kirchofer & Arnold Open New D. C. Branch

Kirchofer & Arnold, Inc., investment bankers of Raleigh and Charlotte, North Carolina, and New York, announce that, in association with J. G. White & Co., Inc., it is opening a branch office at 729 15th St., N. W., Washington, D. C.

R. C. Kirchofer, President of Kirchofer & Arnold, said that the opening of the Washington branch office is a move in the direction of extending its facilities in servicing investors throughout the Southeast.

A Message to Holders Of Municipal Bonds

Lebenthal & Co., 135 Broadway, New York City, odd lot municipal bond specialists, have issued a folder entitled, "A Message of Importance to Holders of Municipal Bonds," in which is included a chapter on the value of tax exemption and the record of payment of municipal bonds versus other securities. Copies of this interesting folder may be had from Lebenthal & Co. upon request.

Hofer In Washington

WASHINGTON, D. C.—Myron A. Hofer, member of the New York Stock Exchange, is doing business from offices at 815 Fifteenth Street, N. W.

P. W. Yowler Partner In C. H. Reiter Co.

CINCINNATI, O.—C. H. Reiter & Co., Union Trust Building, members of the Cincinnati Stock Exchange, have admitted Percy W. Yowler to partnership in their firm. Mr. Yowler has been with C. H. Reiter & Co. for some time as Manager of the Bond Department.

Interstate Aircraft Engineering Attractive

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

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

No Currency Dilution And Increasing Productivity Key To Post-War Debt Problem: Spinney

President Of The Bank Of Montreal Stresses Need For Assuring Holders Of Government Bonds That They Will Be Repaid In Coin With Same Purchasing Power As When They Relinquished It

Believes Desire To Save Can Be Projected Into Post-War Years If Act of Saving Continues To Be Respected And People Know That Savings Will Be Respected—Sees This As Meaning Abandonment Of Philosophy That Private Enterprise Is Played Out And That Full Employment Can Only Be Achieved By Continuous Government Spending

In response to a suggestion that he say a few words about the economic aspects of Canada's part in the war, George W. Spinney, President of the Bank of Montreal, speaking before the annual convention of the Investment Bankers' Association of America, in New York on Nov. 4, made the observation that "undoubtedly you have a very practical interest in Canada, not only as an ally in a great endeavor but also because in the days of peace United States investors acquired something like a $4,000,000,000 stake in our country in the form of security investments and branch plant ownership." "Moreover," he said, "judging by records of day-to-day security transactions across our border, this investment has been increasing even during the war years."


George W. Spinney

As bearing on the Canadian situation, Mr. Spinney has the following to say:

"You may have observed that while our Dominion Government is today spending at about 11 times the peacetime rate, over 88 cents of every dollar of this expenditure goes directly for war purposes and part of the remainder represents the indirect cost of the war.

"You will know something of the tremendous industrial expanson that is one of the material results of this war expenditure.

"You may have observed also that in the present fiscal year we expect to cover about half of our $5,500,000,000 of expenditures by taxation.

"When I tell you that a Cana-

(Continued on page 1882)

Dealers Virtually Unanimous in Condemning NASD Profit Limitation Decree

Our Editor was literally swamped with letters, telephone calls and personal visits from dealers from all parts of the country who were bent on condemning the action of the NASD in arbitrarily issuing a decree limiting the profit of its members. As many comments as can be accommodated in this issue are given below. (As in the past, we are fully observing the dealer's request that neither the firm's nor his identity be revealed.) The only favorable one received is included. Additional ones will appear in next week's paper unless the decree is rescinded in the interim. This seems quite likely judging from a press dispatch in the New York "Tribune" on Sunday indicating that the action of the NASD may not receive the full backing of the Securities and Exchange Commission. It was intimated in the "Tribune" account that some of those in the SEC thought that this would be a good opportunity to press their bid and asked disclosure proposal which is opposed by just about everybody in the industry. In any event, if the NASD profit limitation rule is not rescinded shortly or the SEC insists on promulgating a bid and asked disclosure rule it is now obvious that the fight against both will not stop short of Congressional action. The subject of the bid and asked disclosure rule is discussed in a separate editorial appearing on page 1870. "An NASD Blunder" is the caption of an article on the profit limitation decree which those interested in the subject will wish to read, too. It starts on the outside front cover.

DEALER NO. 1

How can the NASD reconcile its 5% profit ceiling on securities with the fact that it permits its members dealing in oil royalties to take 50%?

DEALER NO. 2

Thank you for the stand that you are taking against this further encroachment by the NASD in its 5% profit limitation proposal. First they tried to establish a minimum capital requirement, now a maximum profit. It is damnable that I have been driven at the point of a gun into an association which, by virtue of the dues I pay, should endeavor to help me stay in business, but on the contrary seeks to drive me out.

On the sale of 100 shares of stock at a price of $3 a share they would limit me to a mark up of $15, less $3.05 transfer taxes, or a net of $11.95. For this I have to call on the customer, get his order and check, transfer the stock and make delivery, all time and expense consuming and all for the munificent sum of $11.95. Of course the NASD probably considers that pure profit and conveniently disregards all overhead expense, including the annual dues which they have "hiked" 50%. Frankly speaking the NASD is as much help and need to me as a sixth toe and I will not in the future be governed by their inequitable ukases, but rather by my own sense of fair practice.

I am living for the day when we can throw off the yoke that regulation and regimentation has fastened about our necks. I regret that I must ask you not to use my name in any public reprint for it is foolish to invite the American Gestapo to one's door. However, I will gladly contribute to a fund to fight this rotten proposal.

DEALER NO. 3

Thought you might have lost sight of something. You are the best Champion the Securities Dealers of America have. The big boys in the NASD **timed** that 5% missile very nicely to suit themselves. Do you know that dues were payable by almost all members

(Continued on page 1873)

Churchill Sees 1944 As Climax Of European War—Warns Victory Will Be Costly In Lives

Prime Minister Churchill declared on Nov. 9 that the year 1944 will see "the climax of the European war" but warned that it "will see the greatest sacrifice of life by the British and American armies, and battles far larger and more costly than Waterloo or Gettysburg will be fought." In stating that "we must all brace ourselves for that task and strain every nerve for its successful accomplishment," Mr. Churchill cautioned that "this is no time for relaxation or for thoughts on the joys of peace and victory." The Prime Minister expressed the hope that those people who "may speak of an early end of the war in Europe prove right" but he said that it would be foolish "if we allowed our plans and actions to be based upon the prospect of an early collapse in Germany."

In his speech at the Lord Mayor's luncheon in London, Mr. Churchill also reviewed the past year of "almost unbroken victory in every theatre and on every front," mentioning Africa, Sicily, Italy and the war on the U-boats, but proclaimed the "glorious advance" of the Russian Army as "the outstanding event of this famous year." He also rated the Anglo-American air attack on

(Continued on page 1911)

Business and Finance Leaders Laud B. M. Anderson Plan To Promote Peace-Reemployment

A. F. Whitney, Labor Union Leader, Criticizes Program

That the government itself can make probably the greatest single contribution toward maintaining production and employment at permanently high levels following the war emergency was emphasized by Dr. Benjamin Anderson in his article captioned "What Can The Government Do To Promote Post-War Re-Employment?", which appeared in the "Chronicle" of Oct. 21. The author, 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, set forth a program of policies which the government can and should adopt in order to permit business and industry to do the job which is essentially the function of private enterprise and not that of government: maintain production and, consequently, provide employment at high wages.

Since publication of the article, a large number of individuals both in and outside of finance and industry have favored the "Chronicle" with their views regarding Dr. Anderson's thesis and the program of governmental policy suggested. A considerable number of these comments appeared in these columns on Nov. 4; others are given below and additional ones will be published in subsequent issues.

DAN W. HOGAN
President, City National Bank & Trust Co., Oklahoma City

Our ship of State has had to carry such tremenodus loads during the past ten or twelve years that it is leaking badly and there maye be some question whether our Congress can develop the courage and the patriotism to overhaul it along the lines suggested by Dr. Anderson, which I think are sound and feasible.

Dan W. Hogan, Sr.

The press of the United States should squarely get behind Dr. Anderson's theory that "There is no master mind able to solve the eco-

(Continued on page 1894)

New Orleans Traders Elect Jos. H. Weil

NEW ORLEANS, LA.—At the annual meeting of the New Orleans Security Traders Association, the following officers and directors were elected for the ensuing year:

Joseph H. Weil

President, Jos. H. Weil, Weil & Arnold; Vice-President Jac. P. Ducournau; Secretary - Treasurer, F. P. Breckenridge, Assistant Vice-President of Whitney National Bank.

Directors in addition to the officers are: J. W. Kingsbury, Kingsbury & Alvis, and Robert M. Woolfolk, Woolfolk, Huggins & Shober.

NY Security Dealers Elect New Members

At a meeting of the Board of Governors, Irvin Hood, Cohu & Torrey, and Sidney L. Feibleman, T. J. Feibleman & Co., were elected to membership in the New York Security Dealers Association.

The application of Peabody, Tyner & Co. Inc. for transfer of active membership from Kemper F. Peabody to Harry MacCallum, Jr., was approved.

The application of Syle and Co. for transfer of active membership from Frank Yale Cannon to Leslie F. Tarbell was also approved.

Robt. McIntyre Co. Opens In San Antonio

SAN ANTONIO, TEX.—Robert McIntyre has formed Robert McIntyre Company with offices in the Milam Building, to conduct a securities business specializing in Texas Municipal bonds. Mr. McIntyre was formerly a principal of McIntyre-McRoberts & Co.

Bioren & Co. To Admit

PHILADELPHIA, PA.—Bioren & Co., 1508 Walnut St., members of the New York and Philadelphia Stock Exchanges, will admit Walter D. Larzelere to partnership in their firm on December 1st.

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.

Dealers Virtually Unanimous In Condemning NASD Profit Limitation Decree

(Continued from page 1871)

on Oct. 1st AND so they showed real "smartness" in waiting to make their decision known until after Oct. 1st as they did. That is supposed to be FAIR DEAL by their body. No one can tell me they don't sit up nights to wonder how they can do such things. How can anybody resign without having his name blazed before SEC by NASD under suspicion. If the NASD had rendered that decision before Oct. 1st members just would have omitted paying their next year's dues and lost membership automatically while if they resign after dues payment they must subject themselves to a checkup by NASD before being permitted to become effective. Smart boys in NASD and SEC just as there are smart boys all around the world. My suggestion is that an organization be formed to combat SEC-NASD and called Unlisted Security Dealers of the U. S. A. and be for protection of dealers.

DEALER NO. 4

We were profoundly impressed by the article in the Oct. 28 issue on the subject "Securities Business Could Not Survive Under NASD Rule Limiting Profits."

This article certainly covers in a thorough going manner a trend in the policy of the governors of NASD that, for the sake of the securities industry, should be scotched before it goes any further. That tendency is to increasingly stifle the earnings of the profession. This is in direct conflict with the increasingly higher ethics that are demanded of the profession. If this unrealistic trend continues there will be one result for certain—the small dealers will have to go out of business. They cannot possibly survive.

The article in question brought out a very important point. That was the wholly fallacious argument that a 5% profit limitation should be applied to the whole profession. Such a ruling would be undemocratic, unAmerican, and would smack of a bureaucratic dictum because it would not be based on any vote or expression of opinion by the membership which constitutes the NASD. Perhaps the membership has nothing to say about it. Such may be the case.

The point you brought out that in any survey to determine the mark-up practice of every dealer firm, the large houses doing a volume of business should be excluded from the survey, was excellent. The large houses are in the minority. They are located in the financial centers. They enjoy a large volume of business and consequently can make profits with a much smaller margin.

But what about the vastly greater number of smaller dealers in all the lesser communities in our nation which are doing an outstanding job in servicing their clients? What is their composite opinion about the average mark-up which they must have in order to stay in business. That question, we think, should be answered.

Another fallacy in the whole line of reasoning of the NASD governors is the theory that because a small dealer has no commitment in an issue, and he buys it in the market as he makes the sales, that it thus becomes "riskless." This theory could not be possibly farther away from the truth.

The small dealer has a very personal list of clients. He has painstakingly built them up during the course of the years by care-

(Continued on page 1910)

Railroad Securities

Many rail men have recently been inclined to adopt a more conservative attitude toward the highly speculative sections of the railroad market, on the theory that regardless of how high the post-war level of railroad traffic and earnings may be this group will be particularly vulnerable marketwise to recurring waves of peace psychology. Too many speculators have had drilled into them the idea, fallacious as it may be, that railroad securities are undesirable holdings for the post-war.

In groups not supported by better informed investment buying in periods of general weakness it is felt that indiscriminate selling on any actual signs of the approach to the end of even the European war will bring a sharp paring of prices. With this in view there is a constantly expanding search for those situations where present prices are adequately supported by investment values but where there is still some room for speculative action if speculative favor for the rails should continue for a further extended period.

In this category the Kansas City, Fort Scott 4s, 1936, recently selling around 70, appear to offer interesting possibilities. Late in October it was announced that the various bondholders groups of the St. Louis-San Francisco had reached an agreement as to a proposed allocation of the new securities in reorganization. The original plan had been turned down by the court on the ground that the RFC and RCC had received preferential treatment at the expense of the other bondholders. This phase of the controversy was cleared up by compromise settlement of the claims of these agencies in cash. As the new proposal holds fairly well within the bonded debt and capitalization originally suggested by the Commission it is felt that the new compromise proposal has an excellent chance of success.

Under the new proposal the Fort Scott bonds are allocated $61.34 in cash, $733 par value of new 1st Mortgage bonds, and $267 in new income 4½s. Deducting the cash from the recent selling price of the old bonds gives an indicated appraisal of $638.66 to the new securities. On this basis the market is evaluating the new 1st Mortgage bonds at 87 and giving no consideration at all to the prospective issue of new Income bonds. Even in a severe war psychology market it is felt that the new 1st Mortgage bonds would be selling at a better level than 87 as a sound investment in a newly reorganized company. Thus, intrinsic investment worth is more than sufficient to support the present price of the old Fort Scott, an ideal situation for those inclined to adopt an optimistic view toward the probable further duration of the war.

At the same time that the present price is adequately supported by real investment value there is an obvious element of speculative promise in the Income bonds to be received. They will be worth at least something in the market no matter how pessimistically the public may view the railroad picture. In the event of a favorable speculative market the new Incomes might even command a price as high as 60 which would add approximately 16 points to the value of the old Fort Scott bonds. While this may not appear as a large potentiality percentagewise in relation to what one has become accustomed to in the reorganization field, it is a most adequate potentiality when weighed against the lack of investment risk inherent in present price levels.

The final consideration is the attractive yield afforded if the bonds are viewed as an investment. On the basis of only the fixed interest the income return on the "net" price of the bonds, after deducting the proposed cash distribution, would be around 4.6% and on the basis of both fixed and contingent interest on new securities it would be over 6%.

American Metal Co. Has Interesting Situation

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

Chicago Recommendations

Adams & Co., 231 South La Salle Street, Chicago, will send on request a recent analysis of **National Terminals Corporation.**

* * *

Brailsford & Co., 208 South La Salle Street, have compiled an analysis of **Chicago Surface Lines Junior Securities**, dated Oct. 27. Also available on request are September earnings record of **Chicago, North Shore & Milwaukee Railroad.**

* * *

Caswell & Co., 120 South La Salle Street, have recent figures on **Reliance Steel Common** and these data will be sent by the firm upon request.

* * *

Cruttenden & Co., 209 South La Salle Street, have compiled recent data on **Chicago, North Shore & Milwaukee Railroad** and on **Republic Drill & Tool Co.**, which will be sent on request.

* * *

Enyart, Van Camp & Co., 100 West Monroe Street, will send on request quotations on **Chicago and Surburban Bank Stocks.**

* * *

Fred W. Fairman & Co., 208 South La Salle Street, have prepared late data on **Interstate Aircraft & Engineering Corporation** and this descriptive brochure will be sent on request.

* * *

Faroll Brothers, 208 South La Salle Street, have prepared recent analysis of **Merchants Distilling Corporation** and copies are available on request. This stock was recently qualified for sales in Missouri.

* * *

Leason & Co., Inc., 39 South La Salle Street, have prepared a memorandum covering **Northwestern Elevated Railroad Co. First Mortgage 5% Bonds** due Sept. 1, 1941. This outlines the proposed treatment of these bonds under the Unification and the proposed Municipal Ownership Plans. Copies with dealer's imprint will be supplied at a nominal charge on request.

The firm has also prepared a study showing the practicability of public ownership of the **Chicago Surface and Elevated Lines.** Ask for **"Chicago Tractions Under Municipal Ownership."**

* * *

E. H. Rollins & Sons, Inc., 135 South La Salle Street, show latest data on **Wisconsin Hydro Electric Co.** 6% preferred stock in their new four-page analysis which is available on request.

* * *

Selected Investment Company, 135 South La Salle Street, have prepared an interesting booklet on Selected American Shares, Inc., entitled **"Outstanding Facts About Selected American Shares, Inc."** Copies of this folder may be obtained upon request.

* * *

Straus Securities Co., 135 South La Salle Street, have prepared up-to-date reports on **Central Paper Co. Common** stock, **Leece-Neville Co. Common** stock and **Kerlyn Oil Co. Class A** stock. These recent analyses will be sent on request.

* * *

Thomson & McKinnon in their current **"Weekly Review"** accord first place to the **Rubber Stocks**, reviewing the prospects for the industry and giving market statistics and estimated earnings of the leading companies.

Their **"Bond Review,"** this week, is confined to the **Rails**, with articles on **Western Pacific** and on the **St. Louis-San Francisco Reorganization Plan.**

In this connection might also be mentioned their recently issued, separate release **"Railroad Reorganizations — Progress and Capital Write-downs"** which enumerates some guiding principles very interesting to holders of rails, whether stocks or bonds.

During the past month they have also issued a special letter entitled **"Suggested Changes to Improve Tax Position"** embodying provisions of the statute, investment policy, market action, long-term gains and short-term losses. While not as recent as the other releases mentioned above, this article is nevertheless very pertinent and timely.

Any of the above is free on request. Address inquiries to **Thomson & McKinnon's Statistical Library**, 231 South La Salle Street, Chicago 4.

* * *

Strauss Bros., Board of Trade Bldg., have prepared a late bulletin entitled **"World Sugar Bowl,"** a significant review of Cuba's strategic place in the world sugar picture. Copies of Bulletin, together with reports containing interesting conclusions on securities of two Cuban sugar companies, sent on request.

NASD District No. 8 Nominating Committee

District No. 8 of the National Association of Securities Dealers, Inc., including the States of Illinois, Indiana, Iowa, Michigan, Nebraska and Wisconsin, has appointed the following committee: William A. Fuller, William A. Fuller & Co., Chicago, Chairman; William H. Brand, The Wisconsin Co., Milwaukee; Roy W. Leriche, Wheelock & Cummins, Inc., Des Moines; Elwood H. Schneider, E. H. Schneider & Co., Kalamazoo.

Nominations will be made to fill terms expiring Jan. 15, 1944. Regular candidates will be named for successors to the following officers: W. S. Gilbreath, First of Michigan Corp., Detroit; Howard F. Allen, Central Republic Company, Chicago; Paul S. Grant, The Milwaukee Company, Milwaukee; Walter E. Kistner, A. C. Allyn and Company, Chicago; John J. Quail, Quail & Co., Davenport.

Howard F. Allen is Chairman of the District No. 8 Committee.

Stanley Cgo. Exch. Member

CHICAGO, ILL. W. Edwin Stanley, partner of Mitchell, Hutchins & Co., 231 South La Salle Street, was elected to membership in the Chicago Stock Exchange by the Executive Committee, it is announced.

Chicago Brevities

The award by **Cook County, Ill.**, embracing the **City of Chicago**, of a new \$8,346,000 funding bond issue to the firm of Seipp, Princell and Company provided about the liveliest topic of conversation in La Salle Street circles last week, aside from the break in the stock market. This bond issue for some time had been the subject of considerable interest, because the law firm of **Chapman & Cutler**, which normally passes on new flotations of Chicago governmental units, had declined to submit an approving legal opinion, until certain of the claims to be funded were certified by the Illinois Supreme Court in a test suit.

When the bids were taken by the county last week, two offers were submitted, one by the firm of **Seipp, Princell and Company** and another by **Halsey, Stuart & Co., Inc.**, and associates. **Seipp, Princell**, with whom the firm of **Doyle, O'Connor & Co.** is associated, specified that it would accept the legal opinion of **Chapman & Cutler** or that of any firm of bond attorneys acceptable to the bidder. **Halsey, Stuart** conditioned its bid on receipt of an approving opinion by **Chapman & Cutler.**

Action by the county in awarding the bond issue was delayed for 24 hours after the bids were opened, and was preceded by a one-hour public session by the finance committee of the board of commissioners. Representatives of both bidders appeared at the meeting to press for acceptance of their offers. **P. P. Princell**, Vice-President and Secretary of **Seipp, Princell and Company**, informed the commissioners that he was reasonably certain that he would be able to obtain an approving legal opinion on the flotation within a short period of time, and he obtained the award. At the weekend there were unsubstantiated reports in La Salle Street that the firm had obtained an approving opinion.

Term of Flotation

The new bond issue is dated Oct. 1 and matures in 20 years. The bonds, however, are optional serially 1945-61. The purpose of the issue is to fund all outstanding judgments and unpaid bills of the governmental unit as of Dec. 1, 1942, the beginning of its current fiscal year. The funding operation was authorized by an act of the last session of the **Illinois Legislature.**

The \$8,346,000 of claims included in the issue is composed of outstanding judgments and interest of \$3,620,000 and unpaid bills amounting to \$4,726,000. The validity of the judgments already has been determined by the **Illinois Supreme Court**, and the firm of **Chapman & Cutler** expressed a willingness to approve a bond issue to fund those items. The law firm, however, declined to approve a bond issue to fund the unpaid bills, until the validity of them was also established by Supreme Court action.

The winning bid of **Seipp, Princell and Company** was par for the first \$3,633,000 of the issue as 1¾% securities and for balance of \$4,713,000 as 2½s. The \$3,633,000 of 1¾s are to be delivered by Dec. 1. They will be optional in the amount of \$500,000 in each year 1945-51, and \$133,000 would be callable in 1952. The \$4,713,000 of 2½s are to be delivered on or before Dec. 15 and will be optional in the amount of \$367,000 in 1952, in equal annual amounts of \$500,000 from 1953 through 1960, and \$346,000 in 1961.

Halsey, Stuart Bid

The **Halsey, Stuart** account bid for the issue as all 2¼% securities, naming a premium of \$120,024, the equivalent of 101.4381. Under this bid, the issue was to be split into two parts, each of which was to be covered by separate resolutions of the board of commissioners. The first part was to cover the \$3,620,000 of judgments and interest, and the second part was to cover the \$4,726,000 of unpaid bills. The first part was to be delivered by Dec. 1 and the second part at such time in the future as could be agreed upon by the county and the bidder. Under this bid, it was understood that the question of the validity of the \$4,726,000 of unpaid bills was to be submitted to the Supreme Court. Both parts of the issue were to be delivered accompanied by **Chapman & Cutler** opinions.

The question of which bid to accept posed a complex question for county fiscal officials. The firm of Seipp, Princell had named the lowest interest cost, if the cost were computed to the actual maturity date of the bonds. Figured to the call dates of the bonds, the Halsey, Stuart bid had named the lowest interest cost.

Figured to the full 20-year maturity of the bonds, a total of \$3,628,050 in interest would be paid under the Seipp, Princell bid. Under the Halsey, Stuart offer, a total of \$3,635,676 would be paid, taking into consideration the premium of \$120,024 named in the bid. Figured to the call dates of the bonds, the interest cost under the Seipp, Princell bid is \$1,915,472.50, as compared with a net interest cost of \$1,730,106 under the Halsey, Stuart bid.

Argument of Bidders

Mr. Princell told the board of commissioners that the interest cost on the bonds should be figured to full maturity, because the only legal obligation had was to retire the bonds in 20 years. A representative of the **Halsey, Stuart** syndicate pointed out that the county's annual tax levy provided for the redemption of the bonds serially through the exercise of call provisions, and that it would be logical for the government unit to figure the interest cost on the flotation to the optional redemption dates.

Commissioners and fiscal officials of the county expressed a preference for the **Seipp, Princell** offer, because it provided the prospect of completion of the financing operation within a relatively short period of time. It also offered the prospect of avoiding

(Continued on page 1875)

Chicago Brevities

(Continued from page 1874)

litigation before the Supreme Court. Moreover, the county is anxious to sell the $8,346,000 in one parcel, so that its judgments and unpaid bills can be liquidated together. The county has been adverse to splitting the issue into two parts. For that reason, it rejected an alternate proposal of Chapman & Cutler, providing for the sale of a $3,620,000 issue at this time to fund the judgments and the sale of another issue at a future date to fund the unpaid bills.

The fact that the county actually awarded the issue came as a surprise to some financial circles. They figured that the refusal of Chapman & Cutler to approve the entire $8,346,000 issue would result in a delay until the Supreme Court had an opportunity to pass on the validity of the unpaid bills.

Chicago Revenue Notes

A large syndicate of investment bankers, headed by **Harris, Hall & Co., Inc., The First Boston Corporation** and **Blyth & Co., Inc.,** and composed of more than 100 other firms throughout the country, has been formed to consider the purchase of revenue certificates which may be issued by the **City of Chicago** under the Mayor's recently announced plan for public ownership of transportation facilities. The syndicate's proposal regarding the securities, which would be issued to finance the acquisition by the city of the local transportation companies, would be subject to certain conditions, it was indicated. One of these conditions would be that the proposed unified transportation system be administered by non-political management and that all necessary safeguards be taken to protect investors in the securities, and to provide funds for modernization and improvements. **Mayor Kelly** has already insisted that these safeguards must be provided.

Emphasizing the urgency of proceeding with the unification of the Chicago transportation lines, **Mayor Kelly** proposes that all costs of acquiring, constructing and operating this unified transit utility be financed through the sale of certificates payable only out of revenues. It is proposed that attempt immediately be made by the **City of Chicago** to acquire the properties of the **Chicago Surface Lines, the Chicago Rapid Transit Company and the Chicago Motor Coach Company** by negotiation. Any price tentatively agreed on would be subject to approval by the Federal Court in the first two instances, by the Federal Works Agency and by the people on referendum, in all instances.

In recommending this action, **Mayor Kelly** points out that originally he hesitated to advocate public ownership and operation but he is now convinced that such ownership and operation will be economical and efficient and that while private ownership and operation of one unified transit company had been the preferred plan back in 1941, the companies' plan of reorganization failed to receive approval.

Mayor Kelly expressed optimism with respect to the city's ability to finance the proposed undertaking through issuance of revenue certificates, citing their tax exempt feature and the low interest rate prevalent. This rate, he said, would not exceed 4%. This type of financing has been employed in Cleveland and Seattle, and the Mayor calls attention to the fact that such municipal securities enjoy a rating which warrants their purchase by national banks and insurance companies.

Under the proposed plan, the City would acquire:

1. All the physical assets of the **Chicago Surface Lines, the Chicago Rapid Transit Company,** and the **Chicago Motor Coach Company.**

2. All licenses, patent rights, operating agreements, mortgages and accounts of these companies and the records of the Board of Supervising Engineers.

3. All cash and assets in the renewal funds and the undivided cash and assets of the Chicago Surface Lines; any cash in the depreciation funds of the Chicago Rapid Transit Company and the Chicago Motor Coach Company; the escrowed City Compensation fund; and any cash in the working funds of the three properties. As a condition of any such purchase agreement, it should be understood that the aggregate of these cash reserves to be turned over to the City will be not less than $27,500,000.

Thus a unified municipal system comprising all the properties of the Surface and Elevated Lines and the Chicago Motor Coach Company, would start business with cash in bank of $27,500,000 and a minimum amount of capital securities outstanding.

IBA Delegation

Chicago was well represented at the annual meeting of the Investment Bankers Association of America, held in New York. Among those in attendance were Jay N. Whipple, partner of Bacon, Whipple & Co., the retiring President of the Association, and Julien H. Collins, of Harris, Hall & Company, who was elected a Vice-President. Among other delegates were D. Dean McCormick, of Kebbon, McCormick & Co., and Newton P. Frye, of the Central Republic Company, who were named to the Board of Governors.

Crawford Warns Against Economic Nationalism And Economic Imperialism

An "International Business-Economic Conference to chart the new world roads of trade for the future" was proposed by Frederick C. Crawford, President of the National Association of Manufacturers, to the 1,500 delegates attending the 30th annual convention of the National Foreign Trade Council at the Pennsylvania Hotel on Oct. 26.

F. C. Crawford

"We should be joining with the business and economic groups of other nations to work out these problems of world relations before the days of peace conferences," Mr. Crawford said.

"Peace, if it lasts, is going to be predicated on trade factors, and trade factors that will not foment another world war are going to be predicated on economic fairness and justice.

"If we are to implement a lasting peace, we shall have to avoid both economic nationalism and economic imperialism. Economic realism based on mutual honesty and fair dealing will have to underlie our future international relations.

"It's high time we were protecting the future of the land we fight for—it is past time that a foreign policy based primarily on America's welfare were formulated. But in the kind of peace we hope for, the welfare of each nation will be consistent with the welfare of all nations. No other peace can last."

Kebbon, McCormick Co. Adds Wesley Blom

CHICAGO, ILL.—The investment banking firm of Kebbon, McCormick & Co., 231 South La Salle St., members of the New York and Chicago Stock Exchanges, announces that Wesley Blom has become associated with their sales organization. Mr. Blom was formerly with the Chicago office of Paine, Webber, Jackson & Curtis, having joined Jackson & Curtis in 1932.

Corbier Opens

(Special to The Financial Chronicle)

BOSTON, MASS.—J. Dallas Corbier is engaging in a general securities business from offices at 37 Ridgeway Road. Mr. Corbier was formerly with Trust Funds, Inc. of Boston.

Bernthal Heads Dept. Of Nat'l Securities And Research Corp.

National Securities & Research Corporation, 120 Broadway, New York, announce the association with them of Walter Bernthal as head of their Public Utility Department. Mr. Bernthal was educated at the University of Michigan where he received his B. A. Degree in 1924 and won a Research Fellowship to New York University. There he obtained his Degree as Master of Business Administration. Since starting his business career in 1925 Mr. Bernthal has had broad practical experience and has been an avid student of economics and investment. He was formerly with the Franklin Statistical Corporation and with Coming Events, Inc., as Economic and Research Analyst and as a writer of market forecasts and special articles. Since 1938 Mr. Bernthal has been in charge of utility investments for trust funds and estates for the Manufacturers Trust Company, and a member of their Trust Investment Committee.

Mr. Simonson, President of National Securities and Research Corporation, also announces that Miss Helen A. Hill has joined their organization as Sales Promotion Manager; Miss Hill has been in "Wall Street" since 1929. For nine years ending in 1942 she was connected with Administrative and Research Corporation where her principal duties were in connection with statistics and charting. Latterly Miss Hill occupied the offices of Vice-President, Treasurer and Director. Miss Hill was an honor graduate of the Katharine Gibbs School and took post graduate work in Advanced Statistics and Security Analysis at Columbia University and New York University.

September Rail Results

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have issued an interesting circular discussing the I. C. C.'s "Monthly Comment on Transportation statistics" for September. Copies of this circular may be obtained from Vilas & Hickey upon request.

Ohnemus Stationed at Cgo.

CHICAGO, ILL.—Lt. Paul M. Ohnemus of the U. S. Army Signal Corps is now stationed at the Chicago Signal Depot. Lt. Ohnemus was formerly a partner in Enyart, Van Camp & Co.

TO OUR STOCKHOLDERS AND EMPLOYEES:

With the approval of the Board of Directors, the annual report of the Corporation, showing the results of operations for the year ended June 30, 1943 is herewith submitted.

The consolidated net profit was $4,256,656 equivalent to $7.40 per share on the 575,174 shares of outstanding common stock. This is after deducting all charges, making foreign exchange adjustments, and setting up a reserve for contingencies of $750,000, on which taxes have been paid. The previous year's result was $3,787,902, equivalent to $6.41 per share, after setting up a reserve for contingencies of $750,000. The working capital shows an increase of $10,394,553.

The combined net earnings of our Canadian subsidiary and Argentine subsidiary companies were $2,180,743, after conversion into U. S. currency. There are no restrictions in either country on the transfer of current earnings to the United States. The natural growth and further development of these foreign companies looks promising.

In addition to the earnings stated above, the Corporation's share of undistributed earnings in companies not consolidated for the year ended June 30, 1943 amounted to $109,750. This does not include $201,144 representing the undistributed equity in earnings of the Seneca Textile Corporation.

Depreciation of fixed assets was $723,208 as compared with $564,146 for the previous year. New machinery and replacements to plant account amounted to $402,431.

Dividends paid during the past fiscal year amounted to $1,160,227 equal to $2.00 per common share outstanding. This year common stock dividends will be paid on a quarterly basis, compared with a previous policy of semi-annual payments.

Direct taxes charged to operations of last fiscal period amounted to $8,142,000, equivalent to $14.16 per share, in comparison with $6,393,000, equivalent to $10.83 per share for the previous fiscal period.

The United Factors Corporation, whose activities consist of commercial factoring, continued to enlarge its list of clients, and had a substantial increase in volume. Operations are confined to the purchasing, discounting and guaranteeing of the accounts receivable of its customers. No advances are made against merchandise inventories.

The ten year Voting Trust Agreement terminated on June 1st, and was allowed to expire. The Board of Directors felt that it was no longer required.

As of June 30th an additional 25% interest in the Seneca Textile Corporation and its subsidiaries was acquired. We now have an ownership of 75% of the common stock and the figures of these companies have been consolidated into our balance sheet; previously, they were included in "Investments in Associated Companies."

An important addition to the financial strength of your Company was effected through the sale of $6,000,000 of 5% Cumulative Preferred Stock to the public. The net proceeds received by the Company from the Underwriters was $6,045,000. The Company felt it prudent to provide additional liquid assets for post-war development to modernize plant and equipment, and to round out certain activities the Company has in mind for the future.

Our Research Laboratory continues to be of inestimable value; not only in the current running of our business, but for post-war planning and development. Looking forward, the technical and research staff of your Company is actively engaged in the development of new fabrics, including the use of new fibres, and in new finishes and manufacturing techniques for post-war presentation. Our laboratory is manned by experts in their special fields of research, and we feel this activity will not end with the conclusion of the War. A peace time world should continue to benefit by the solving of problems through research, and the practical application of the findings passed on to a consuming public.

The merchandising and sales divisions of your Company are conducting nation wide studies into potential consumer habits and needs, and into possible post-war changes in merchandising and distribution.

Conversion from war time activities, to the peace time demands of our customers, will be rapid, orderly, and without interruption, as most of our directing personnel is intact, and our mills and finishing plants are in a high state of efficiency.

In our manufacturing plants the man power situation at times has become strained, but due to the adaptability of women to the requirements of the textile industry, we have been able to continue at peak production.

Proceedings with respect to renegotiation are pending. While the effect, if any, which such renegotiation may have on our earnings, cannot be definitely appraised at this time, we feel the result cannot materially affect this report.

The Executive Committee, appointed by the Board of Directors, continues to meet monthly, and is in intimate touch with the current affairs of the Company at all times.

Business activity throughout the year was at a high level. The increased purchasing power of the people, generated by the war, found an important outlet in the textile industry. We have, however, continued to supply the Armed Forces with whatever textiles they required that were suitable for manufacture and handling in our Mills and Finishing Plants.

Prices throughout the year remained fairly stable, and the measures taken by the government to prevent sharp increases in the prices of commodities had a salutary effect.

The management of your Company, keenly aware of the importance of customer relations, endeavored to meet the demand of all of its customers, irrespective of size. Hence, often a system of allocation was instituted in order to assure a proper distribution of goods. Our selling policy has been to promptly dispose of all merchandise as soon as it is made available in accordance with plant schedules.

We now have 1,062 of our employees in the Armed Services. When peace returns, every consideration will be extended to those in the Armed Forces for their reemployment and advancement.

In Conclusion:

Some of the year's activities I hope indicate the progress that has been made by the Company along varied lines. Our resources and financial structure have been strengthened, and every precautionary adjustment to present conditions has been made. It is futile to try and predict what will happen during the year ahead. We face the possibility of changing conditions with the feeling that our organization can cope with any situation that may arise.

On behalf of the Board of Directors, we pay tribute to the men and women, and their families, who have joined the Armed Forces of the United States, serving all over the world. We are proud of these men and women, and hopefully look forward to their speedy and safe return.

I wish to express sincere thanks to the officers and employees of the Corporation and its subsidiaries, both here and abroad, for the exceptional service rendered. I also wish to extend to my associate officers and directors deep appreciation of their unfailing and helpful cooperation in the interest of the Company.

J. W. SCHWAB,
President.

October 27, 1943.

This report is not a representation, prospectus or circular in respect of any stock of this corporation and is not presented in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued.

United Merchants and Manufacturers Inc.

WILMINGTON, DELAWARE

15th Annual Report

for the fiscal year ended June 30, 1943

The financial statements presented below are subject to footnotes published in the annual report of the Company

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1943

After giving effect to the sale and issuance on July 2, 1943 of 60,000 shares of 5% Cumulative Preferred Stock par value $100.00 per share

ASSETS

CURRENT ASSETS:			
Cash on hand, in banks and in transit	$4,155,772.16		
Cash received July 2, 1943 from the sale of 60,000 shares of 5% Cumulative Preferred Stock	6,045,000.00	$10,200,772.16	
Trade accounts, notes and acceptances receivable, less reserves of $314,530.00		9,801,462.95	
Accounts and notes receivable purchased, less reserves of $209,920.56		7,078,737.73	
United States and Foreign Government bonds (redemption or market quotations $352,632.88)		352,168.71	
Merchandise Inventories:			
Raw materials and supplies	2,265,494.09		
Goods in process, including greige goods	7,468,450.75		
Finished goods	3,327,034.90	13,060,979.74	
Other receivables (including $216,767.44 due from associated companies—not consolidated)		373,063.08	$40,867,184.37
INVESTMENTS IN ASSOCIATED COMPANIES—not consolidated—book value as per balance sheets of said associated companies $1,618,999.42			720,630.30
OTHER ASSETS:			
Sundry receivables and investments (including $223,876.31 representing cash surrender value of life insurance policies and deposits with mutual insurance companies)		456,015.67	
Federal and Canadian post-war excess profits tax refunds		231,538.08	687,553.75
FIXED ASSETS:			
Land and buildings	4,926,317.48		
Machinery, equipment and leasehold improvements	11,511,467.94	16,437,785.42	
Less: Reserves for depreciation and amortization		7,710,506.93	8,727,278.49
DEFERRED CHARGES			988,402.56
PATENTS, GOODWILL AND TRADEMARKS			3.00
			$51,991,052.47

LIABILITIES

CURRENT LIABILITIES:			
Notes payable—banks		$ 4,064,000.00	
Credit balances of factored clients		3,169,299.79	
Trade accounts payable, sundry liabilities, accrued expenses, etc		5,727,567.31	
Reserve for Federal and foreign income and excess profits taxes	$8,251,665.86		
Less: United States Treasury Tax Anticipation Notes	2,215,000.00	6,036,665.86	$18,997,532.96
RESERVE FOR CONTINGENCIES			1,750,000.00
MINORITY INTEREST IN CAPITAL STOCK AND SURPLUS OF SUBSIDIARY COMPANIES—CONSOLIDATED			706,765.87
CAPITAL STOCK:			
5% Cumulative Preferred Stock, Par Value $100.00 per Share. Authorized	60,000 shares		
Issued—July 2, 1943	60,000 shares	6,000,000.00	
Common Stock, Par Value $1.00 per Share: Authorized	750,000 shares		
Issued (including 161.3 shares still to be issued in exchange under plan of capital stock readjustment) and stated at par value of $1.00 per share plus $5,911,790.00 added to capital by resolutions of the Board of Directors	600,000 shares	6,511,790.00	
SURPLUS:			
Capital surplus		438,319.87	
Earned surplus, since August 1, 1932		18,006,408.54	
		30,956,518.41	
Less: Held in treasury—24,826.2 shares of Common Stock at cost		419,764.77	30,536,753.64
			$51,991,052.47

FACTS FOR OUR STOCKHOLDERS

	Year Ended June 30, 1943	Year Ended June 30, 1942	Year Ended June 30, 1941	Year Ended June 30, 1940	Eleven Months Ended June 30, 1939
Net Profits (After Reserve for Contingencies)	$ 4,256,656	$ 3,787,902	$ 2,623,132	$ 2,021,620	$ 1,466,196
Earnings per Share on Outstanding Common Stock	7.40	6.41	4.37	3.37	2.44
Number of Shares of Common Stock Outstanding	575,174	590,528	599,903	599,658	599,956
Dividends Paid per Share on Common Stock	$ 2.00	$ 1.50	$ 0.50	$ 0.25	—0—
Book Value, Common Stock per Share (After Reserves for Contingencies and after deducting Preferred Stock at $104 per Share	42.24	34.96	29.59	25.47	22.45
Net Quick Asset Value Common Stock per Share (After deducting Preferred Stock at $104 per Share	27.17	19.43	15.72	12.52	9.62
Working Capital	21,869,651	11,475,098	9,435,368	7,514,932	5,771,526
Reserve for Contingencies	1,750,000	1,000,000	400,000	—0—	—0—
Capital and Surplus:					
Preferred Stock (60,000 Shares Outstanding)	6,000,000	—0—	—0—	—0—	—0—
Common Stock and Surplus	24,536,754	20,643,380	17,755,596	15,281,354	13,471,241
Taxes Paid or Accrued:					
Normal Income and Other	2,233,000	3,076,000	1,308,000	739,000	634,000
Excess Profits	5,909,000	3,317,000	322,000	42,000	—0—

INVESTMENT BANKERS ASSOCIATION OF AMERICA

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Albert T. Armitage

PRESIDENT

John Clifford Folger

Vice-President

Vic E. Breeden

Vice-President

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Vice-President

ALBERT
H.
GORDON

Vice-President

Edw. Hopkinson, Jr.

Exec. Sec. & Treas.

Alden H. Little

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F. J. Blanchett

John E. Blunt, 3rd

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Errol E. Buckner

Hagood Clarke

H. H. Dewar

Fairman R. Dick

Roy A. Dickie

Rush S. Dickson

Henry H. Egly

F. D. Farrell

John G. Flint

Newton P. Frye

GOVERNORS (Continued)


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Arnold Grunigen, Jr.


Carey S. Hill


Hubert W. Lofft


I. A. Long


John S. Loomis


Hugh D. MacBain


R. H. Macdonald


D. Dean McCormick


Stanley G. McKie


Walter J. Monro


Pat G. Morris


Maynard H. Murch


Gerald P. Peters


Augustus W. Phelps


A. E. Ponting


William J. Price, 3rd


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Frank M. Stanton


R. McLean Stewart


Joseph T. Walker, Jr.


Philip K. Watson


Elmer L. Williams


H. B. Wyeth Jr.


T. Johnson Ward

J. C. Folger, New IBA President, Sees Greatest Investment Era in Decade Following War

Holds Capital Will Venture Abroad Because of High Interest Rates. Advocates Streamlining of Securities Acts But Not Abolition of SEC. Condemns Compulsory Competitive Bidding

Asserting that "there is more liquid capital pressing for investment than ever before," John Clifford Folger, in his inaugural address on Nov. 5 as President of the Investment Bankers' Association of America, expressed it as his view that "the decade following the war should be the greatest investment era we have known."

Mr. Folger, President of Folger, Nolan & Co., Inc., of Washington, D. C., ventured the opinion that "with high rates abroad and low rates here, it seems highly probable that much of our capital will venture abroad." In his address he made known that he had asked certain members of the Association "to serve on a conference committee dealing primarily with post-war finance," and in stating that "something tells me that more and more of us will be studying Spanish and Portuguese after the war," he added that "the mechanism for foreign investment is something which our new Conference Committee might properly explore." It was noted by Mr. Folger that proponents of clearing unions say that if we won't import foreign goods, we must make foreign investments to balance trade." He went on to say that "some practical people urge that we let foreign economic conditions jell a bit before we talk about stabilization and foreign investments." "In any event," he averred, "here's where we come in. We may become involved to a degree hardly dreamed of now."

John C. Folger

As to "our relations with Government agencies," Mr. Folger made it plain that "we are not seeking, nor do we wish to abolish the SEC. Nobody," he said, "really wants the umpire removed at a ball game. We do think," continued Mr. Folger, "the securities acts need some practical streamlining. The little fellow with the big ideas needs easier access to the capital markets."

Commenting on the fact that "there has been a great change in the whole system of distributing securities," Mr. Folger pointed out that while in 1929 the bulk of the securities sold throughout the country was handled by branches of out-of-town houses," the lion's share of the business to-day, "is done by strictly local houses."

Elected as President of the Association at the concluding session of its annual convention in New York, Mr. Folger succeeds Jay N. Whipple. In full the address of Mr. Folger follows:

After my nomination, friends began congratulating me. To them I said: "Hold on . . . I'm just merely running for office!" I reminded them of a certain citizen once nominated to the Supreme Court. Someone asked him how it felt to be Supreme Court Justice, and he replied: "It makes me feel very humble." Unfortunately, his nomination was not confirmed.

You will also remember another occasion when a distinguished citizen went to bed erroneusly thinking he had been elected President of the United States. A reporter came to the door of his house and asked for an interview. A member of the family turned him aside with the words: "The President sleeps."

Until this hour, I have not felt humble, nor have I slept until I got myself elected. But I now confess a great wave of humility, especially with respect to the services of my predecessor, Mr. Jay Whipple, who has made such an outstanding and unselfish contribution.

A written manuscript will be filed in the Archives. I hope no one will deprive me of the opportunity to wave my arms a bit and speak my mind on a few subjects informally.

Some may think our work is rather dull business in these stirring times. Many of our members have foresaken private enterprise for the moment. For the absent ones in the armed forces we save a special place in our minds and hearts. It is with much satisfaction that we note the high places in government now filled with men trained in our field. A catalogue of such positions would be most impressive. Impressive also is the force and effect of our volunteer contribution in the War Bond effort.

Investment banking, as a business, suffers in war times, but let's put our worries aside for the moment and take a quick look at ourselves and at our standing in the community.

We represent no pressure group. We have few votes. We are not trained or expert in the fields of politics. Few would say we are moulders of public opinion. But one thing stands out. Investment banking is coming out of the dog house. Other people than ourselves are saying the machinery for distributing securities must not be further impaired.

An important government body recently set up as a chief recommendation: "That there be made a thorough study of incentive taxation to stimulate investment of private funds in productive enterprise." Think of that! Legislation to stimulate our business.

What should be our policy? Now most of us are conservatives. Responsibility for investing people's money is serious business and I think we should be conservatives. But it so happens there are many shades of opinion in the world. Many different financial plans will be put into the hopper. As a matter of fact, many are there already. What I hope is that when decisions are being made, we shall be permitted to sit around the conference table and when that time arrives we shall be ready and prepared to make some real contribution.

To that end, I have asked certain of our members to serve on a Conference Committee dealing primarily with post-war finance. This committee will treat with some of the most important subjects to come before us during the ensuing months.

I think we have been inclined to sit back and be unhappy about plans made by others. Frankly, I believe we should systematically seek out opportunities to sit around the conference table and present our views. Make no mistake—other people are having their say. Bankers in other countries are peering into the future.

One practical thought. It usually happens that the fellow who speaks the final and explosive word at the beginning of a conference is seldom asked to sit in again. If he indicates that in his opinion everyone who disagrees with him is unhinged—his usefulness as a conferee is limited. Let's be the Yankee Trader who doesn't get mad.

The subject of foreign finance is on every tongue.

We are a volatile peole. One day we vow we'll never invest another penny abroad; indeed make laws to stop it. The next day we say isolation is behind us. . . . We have grown up . . . have long trousers . . . and must take a mature attitude toward foreign investments. Are we going to reach into the bag and pull out the "International banks?" If so, will it be a private banker or a government banker who wears that once discarded mantle?

Proponents of clearing unions say that if we don't import foreign goods, we must make foreign investments to balance trade. Some practical people urge that we let foreign economic conditions

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Individual Freedom And Economic Planning

(Continued from first page)

ing the past decade has contributed greatly to this trend by its avowed desire to give the people at large what has been called a "more abundant life." In itself, this is a laudable purpose, but it is not as a rule appreciated that the means employed for this end are leading to a breakdown of our system of individual enterprise.

In time of war it is necessary in the interests of efficiency to have a governmentally regulated economy. But there are those of us who have for some time been apprehensive lest the controlled economy, which is an absolute essential in time of war, will be carried over into the post-war era.

Historically, most economic systems have been operated by governments. Some people are inclined to forget that not until economic production in modern times had emerged from the shackles of excessive government control did our present standard of living become possible. If they could get an adequate picture of how the workman of the 18th century lived and what sort of food, raiment and shelter he enjoyed, or had, they might not be so willing to cast aside our present economic system with its admitted imperfections. The late Sir Josiah Stamp, noted English economist, said that the purely material standards of well-being in England had been multiplied fourfold during the 19th century.

As citizens we should be interested in trying to determine what effect a collectivist economy, which is bound to result from excessive government control, would in reality have upon the political and economic well-being of our people. If some of us argue that the adoption of such an economy would cause the individual to lose his freedom, the reply is sometimes made that such a sacrifice would be worth while if poverty and unemployment could thereby be done away with. It cannot be proven either from history or by economic analysis that such a result would be attained. Historically, governmental economic control points to lack of political freedom and a low standard of living.

The test of an economic system should be the degree of its success in meeting the wants of human beings for food, shelter and raiment, and whether it can provide in addition a modicum of the luxurious refinements of our present-day standard of living. Those of us who strongly favor the retention of our individualistic economy, do not on that account deny its imperfections. All institutions are human, and they bear witness to this by their imperfections. In our thinking, therefore, we should try to determine which economic system can best supply the citizens of any commonwealth with their sustenance and maintain their personal freedom.

Coming now to the concept of planning in the economic sphere, it is clear that **planning** should and does pervade the economic activity of e v e r y **individual.** Hardly any person is in a position to satisfy all of his wants. He, therefore, must place these wants and desires in the order of his preference. In other words, he must grade them according to his taste and the sum total must not exceed the value of his own production (income) which he will have to use to pay for the goods and services which he himself desires. When an individual makes the choice between the satisfaction of one want over against another, he is thereby making a judgment of **value.** Since this activity of the individual implies alternative uses of parts of his income, it is one of the first steps in individual planning.

But what people have in mind in most instances today when they use the term economic planning, does not have reference to individuals. It involves central or social coordination and is supposed to embrace the economic activity of the people within the confines of an entire country or state. The defects of the present order are seized upon as sufficient reason for having the state engage in economic planning, at least on a partial scale. Then, during an economic depression, when unemployment becomes extensive and the spectre of want and suffering stalks the land, the question is asked, "Could not these troubles be averted by resort to extensive economic planning?"

There is in this question the implication that present day economic activity is proceeding in a haphazard fashion without rime or reason. Economic planners, therefore, wish to substitute for what seems to them only confusion, a plan, usually their own plan. This is to fill the void of what they consider to be **planlessness.** Broadly speaking, present day economic production depends upon spontaneous agreements and arrangements among private citizens within the general framework of law and order. The government is, indeed, needed here as an umpire to uphold the sanctity of contracts, to keep order, and maintain competition. In a sense, this procedure is largely automatic, but, nevertheless, the system may be dignified by being referred to as one plan for the production and distribution of goods and services. At any rate, it has been successful in raising greatly the standard of living during the past century. We may say, therefore, that we do not have before us an issue of a plan against no plan at all, but the issue turns upon the acceptability or effectiveness of one plan against another, or in the choice between at least two plans.

If we raise the question of the ability of the government to plan and carry on the mechanism of economic production, we find among the people at large a misunderstanding of the fundamental nature of the task which is involved. Most often economic planning is thought of as an engineering problem. All of us have a high respect for the masterful way in which American engineers have carried out gigantic undertakings and are contributing greatly to the well-being of humanity. Disturbances in economic production and distribution, therefore, some believe, could be handled in the same way in which an engineer plans and works out his projects. They think of overall governmental economic planning as a technological problem, whereas, in reality, it is a **value** problem. The engineer uses as a basis for his estimates and calculations the prices as he finds them in the market. In centralized government control, once it has become all-pervasive, there is no system of prices available. While the engineer in his calculation uses the current costs of material, machinery, labor as he finds them, gov-

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J. N. Whipple, Retiring President of I.B.A., Urges Sale of Government Bonds to Individuals

Outlines Plan To Make This Accomplished Fact

A reminder that the first objective of the Investment Bankers Association of America "is to develop means of increasing our contribution to the job of financing the war," was given by J. N. Whipple, of Bacon, Whipple & Co., Chicago, in his address as President of the Association at its annual convention in New York on Nov. 3. He cited as the second objective in importance, "the consideration of this industry's part in the restoration of the economy to a peace-time basis after the war."

Observing that "the great diffusion which is taking place in the ownership of capital will present a new problem," Mr. Whipple declared that "we must find improved methods of assembling this capital and making it available to industry through the private capital markets." "Unless we do," he warned, "the Government will lend business the money it requires and obtain it through taxes," and, he added, "the transition from Government loans to Government ownership is apt to be short."

Jay N. Whipple

The statement was further made by Mr. Whipple that "it is fundamental of our economy that capital from private sources will be forthcoming only if there is an incentive and if an environment favorable to economic progress is provided." As "one obstacle to the ready flow of private capital," Mr. Whipple mentioned "the heavy burden of taxes which is inevitable," but which, he said "must be distributed in such a manner as to leave the profit incentive to enterprise."

Five specific suggestions "as a means of stimulating and broadening the market for Government securities" were offered by Mr. Whipple as follows:

1. Concentrate the Fourth War Loan drive on sales to individuals by establishing state and local quotas for sales to individuals only. * * *

2. Make available a coupon, marketable bond in denominations as low as $100 in order to provide an issue which small investors who may be prejudiced against registered securities will buy. * * *

3. Establish a partial-payment plan under which individuals can be signed up during drives for larger amounts to be paid out in the intervals between drives. * * *

4. Place the Federal Reserve banks in a position of greater authority and responsibility in the bond selling program.

5. Outline the objectives of each War Loan drive and develop plans for them as specifically as possible at least four months in advance.

Mr. Whipple's suggestions, given in brief outline above, appear in full in his address which we quote in its entirety herewith:

The privilege of being President of the Association during the past year has not included the pleasure of the usual group visits and the opportunity they afford of renewing old friendships and forming new ones. It is therefore all the more a pleasure to welcome you here today to the thirty-second annual meeting of the Investment Bankers Association of America.

We meet under more favorable conditions than have prevailed in recent years, from the standpoint of the progress of the war, the prospects for economic conditions after the war, and the outlook for our own business.

To go one step further and speaking momentarily and a little more specifically of trends in the Association itself, I can tell you that for the first time since 1937 there has been a net gain in membership since our annual meeting of a year ago. In that period we have admitted 39 new members, and a few additional applications will be presented to the board tomorrow. Membership losses were 31 and include, as has been true for several years, many instances of members going out of business or consolidating with other members.

I digress to speak of membership because the stability of our organization in the face of unprecedented conditions is a demonstration of strength which is significant in considering at this meeting the responsibilities which we are called upon to face.

Our industry is fortunate in having favorable relations with those administering the laws under which we operate. Within the last few weeks spokesmen for both the Securities and Exchange Commission and the State Securities Commissioners have indicated an interest paralleling our own by emphasizing in public utterances the importance of having the investment machinery of the country in a position to fill its role in the critical times ahead.

Joseph W. Schneider, Securities Commissioner of Kentucky and retiring President of the National Association of Securities Commissioners, at that organization's annual meeting this Fall, said:

"The need for the investment banker immediately following the war will, in my opinion, be greater than at any time in the history of the world, and it would be unwise to burden the efficient and honest dealer with unnecessary restrictions. In the public interest the highly efficient and smoothly functioning machinery of the investment bankers must be maintained in order that America may pass from the government controlled and financed economy of war to the freer economy of individual enterprise."

A similar thought was expressed by Ganson Purcell, Chairman of the Securities and Exchange Commission, recently in Chicago when he said:

"Certainly a well-organized, smoothly operating financial mechanism is an essential requisite of a healthy economic system . . . We shall need badly the mechanical skills, the experienced judgment, and the highest ethical standards of the leaders of our investment and banking fraternities . . ."

One matter of vital importance to our business is the question of compulsory competitive bidding for railroad securities, which the Association has opposed in briefs filed with the Interstate Commerce Commission. Another is the consideration by the Treasury Department of stabilization of compensation of employees working on a commission basis. Conferences regarding this have been held with the Bureau of Internal Revenue and temporary relief obtained. Reports of the committees handling both these matters will be made this morning.

Despite the necessity of avoiding any slackening of effort, we can have confidence that the war is being won, but when we will have finally won it and at what cost is still uncertain. The most recent figures available indicate that more than 2,500 partners, executives or employees of member firms of the IBA are in active service. Many of them are making sacrifices which are beyond the reach of us as civilians.

Other members of our industry have, for the past two years, voluntarily contributed much of their time and energy to the sale of government securities. This is the way in which our professional experience can participate most effectively in the nation's total effort, and during war loan drives virtually all offerings of new securities other than governments have been voluntarily suspended. Out of 150 senior executives in 53 tate and district war finance committees in the Third War Loan, 80 were either commercial or investment bankers.

We are honored to have with us at this meeting certain Treasury officials including those responsible for the coordination of our activities in the Third War Loan.

When the war is over, on the hour of the armistice, a new crisis will confront the nation and we would be derelict if we failed to make plans for dealing with it. Therefore, our first objective at this meeting is to develop means of increasing our contribution to the job of financing the war, and second in importance is the consideration of this industry's part in the restoration of the economy to a peace-time basis after the war.

Let us first consider our part in the war financing program and what we can do to make the "know-how" of this industry more effective in contributing to its success.

It is obvious that in order to compensate for our lack of numbers, those engaged in our business must do a quality job. That is precisely what members of this Association have been doing, if the reports I have received are any criterion. However, as pro-

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No Currency Dilution And Increasing Productivity Key To Post-War Debt Problem: Spinney

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dian, married, with two dependents, and with an income of $5,000, now pays a Dominion income tax of $1,662, including $600 refundable portion which is subject to certain offsets for insurance premiums, mortgages, et cetera—when I point out that this compares with a total Dominion income tax of $80 before the war—you will have some idea of the personal readjustments which our austere but realistic financial policies have made necessary.

"No doubt you have looked into all these matters and, judging by current quotations on Canada's high-grade securities in your market, Canadian credit seems to be pretty well regarded in these United States, and requires no attempt at support from me.

"Statistical comparison of any particular phase of our respective war programs, besides being rather boring on an occasion such as this, is never, in my opinion, particularly helpful or enlightening.

"Each country is doing its war-time job under conditions peculiar to itself and there is no earthly reason why we should expect a piecemeal comparison of specific methods and results to show uniformity at all points.

"I sometimes think though that among our good friends here, we Canadians get better marks than we really deserve as far as the financial and economic aspects of our war effort are concerned.

"It is true that our experience in production, finance and price control has been, by and large, not unsatisfactory.

"But possibly some of our successes, such as they are, are due to the fact that we are still a small country in point of population, and problems of organization and control are therefore correspondingly less difficult to solve."

Mr. Spinney, who had for his subject "The Challenge of War Finance," stated that "once again we see the need for the power of a compelling idea—the thought that support of one's country's war effort through the purchase of war bonds or stamps must be a continuing thing; that he who buys a bond in the heat of the campaign and then subsequently succumbs to the first temptation to toss it back on the market without rhyme or reason is a deserted on the home front.

Turning to "another and very much broader phase of this matter of war finance," Mr. Spinney said:

"I think we have to expect that as the war goes on, and as individuals accumulate more and more of these engraved pieces of paper bearing the Government's promise to pay, that more and more their thoughts are going to turn to the intrinsic value of what they hold.

"People are going to ask, and are beginning to ask already, 'How can the nation carry this vast increase in Government Debt?' For them this is not an academic question. For to the individual these pieces of paper represent, as it were, his claim on the future which he has acquired through work, effort and willpower.

"It is not enough that he be answered that his Government can always find the money to meet this claim when it is presented for payment. The answer is the less satisfying in that he has already had some inkling of how the value of money may depreciate in the face of an upsurge in prices and living costs. He must be assured, not only of repayment, but repayment in honest coin that will return to him, in the future, the same power to purchase that he has relinquished today.

"Well, there is much that could be said about this, but time presses and I must limit myself to one or two observations. In the first place, I think we can try by all means in our power to make it plain that so long as the war lasts the best and surest way for anyone to ensure that the bonds he buys are going to be repaid in 'honest coin' is to throw his weight into the fight against inflation, to submit to increased taxation with good will and good understanding, and then to buy more bonds to the limit of his ability, and having done all this to go and influence his neighbor to do likewise.

"But looking ahead to the post-war years, the picture becomes a good deal more complicated.

"The patriotic urge to save will have disappeared; and some people will be anxious to cash their bonds to satisfy long-deferred wants.

"Indeed, fears are already expressed that the sudden rush to cash these claims and to spend them on goods that will for some

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GROUP CHAIRMEN

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Robert C. Kirchofer

Our Greatest Job On The Home Front

Fourth War Loan Of About $40,000,000,000 Planned Early In Year, IBA Is Informed By E. B. Hall, Treasury Assistant—Greater Emphasis To Be Placed On Individual Sales

Making known that the War Finance Division is engaged in preparations for the Fourth War Loan, Edward B. Hall, Assistant to the Secretary of the Treasury, advised the Investment Bankers Association of America at its annual meeting on Nov. 4 the loan "is planned for early 1944, probably in January." It was brought out by Mr. Hall that "budget estimates indicate that the amount of new borrowing, required during the remainder of this fiscal year namely until the end of June, will be about $40,000,000,000." In accordance with policy, said Mr. Hall, "it will be sought to obtain as much as possible from sources outside the banking system," and in consequence, he stated, a drive may be expected "with greater emphasis than ever on individual sales, and no less emphasis than before on sales to insurance companies, and all kinds of institutional investors other than commercial banks."

Edward B. Hall

In mentioning some of the problems that are being considered and discussed incident to the plans for the loan, he stated that "a compromise suggestion is that we have a drive for individuals only for three weeks or so, and then immediately on its conclusion announce supplementary quotas for sales of the same securities to non-banking institutions."

In his address, Mr. Hall indicated that from Oct. 15, 1942, to Oct. 15, 1943, the Government's interest-bearing debt increased $74,000,000,000, from $93,000,000,000 to $167,000,000,000. Savings bonds, he said, "amount to about 15% of the interest bearing debt." Mr. Hall took occasion to state that the Treasury's huge program of war financing "has been carried forward not only without disturbance in the money market, but without interfering with an open and fairly active market in other securities." And in conclusion, he declared that "from the standpoint of the general interest, it is well that investment banking and brokerage organizations are being maintained in healthy condition, because they will be needed in the post-war period."

Mr. Hall is serving as Assistant to the Secretary of the Treasury on leave of absence from Harris, Hall & Co., his Chicago investment house. His address follows:

I have attended many meetings of this Association and in quite a few different capacities, but it is a new experience to be here as a guest and I am honored to be speaking to this audience as a member of the national Treasury's bond selling organization at a time when the distribution of bonds is a larger, more urgent and more important task than it ever was in the nation's history.

This audience is made up of bond men—underwriters and distributors, bond specialists from banks and from stock exchange firms. Such has been your professional interest as well as your patriotic interest in the Treasury's war loan campaigns that I said to Ted Gamble, who is here today and who is National Director of the War Finance Division, that talking to you is just like addressing a gathering of War Finance Committees.

You are all in this job with the Treasury Department, not merely as volunteer workers, but as professional leaders who help give direction and guidance to the great volunteer army that takes part. Our best estimate is that five million men and women served as volunteer workers in the Third War Loan drive. Obviously no single segment of the population should ask credit for more than a small part of the accomplishment, which was just short of $19,000,000,000. But bankers and investment dealers play a part that is out of all proportion to their numbers—an indispensable part that deserves and receives the deep appreciation of the Secretary of the Treasury and of all concerned with the financing of the war.

The importance of your skilled help increases as it becomes more and more apparent that while day-to-day purchases of war bonds through payroll savings and otherwise are vital to the success of our program, it is the War Loan drives that provide the bulk of the money necessary to be borrowed from nonbanking investors.

A year ago, Under Secretary of the Treasury Daniel W. Bell made an address at your annual meeting. Much water has gone over the dam since October, 1942. He outlined in his speech "a clear and well considered pattern" for borrowing by the Treasury. This borrowing, he pointed out, while only part of the economic program that includes taxation and rationing, would necessarily be in unprecedented magnitudes. His statement included these policies:

First, to borrow from commercial banks only after every effort has been made to finance the deficit from other sources. Then the restriction of offerings to banks, not only to the smallest amount possible, but to securities with a term of ten years or less. That meant a maximum 2% interest rate on bank securities and the issuance of longer bonds at higher rates only in forms ineligible for commercial bank investment. He explained that limiting bank purchases to ten-year bonds and shorter maturities seemed desirable in the interest of bank liquidity and that with the current and prospective increases in bank deposits the 2% rate should be reasonably profitable.

The predictions involved in this program laid down a year ago have been borne out and I think you will agree that we can all find satisfaction in the success of these policies. No reason to change them is in sight.

In the intervening year, from Oct. 15, 1942, to Oct. 15, 1943, the interest-bearing public debt including guaranteed obligations has increased $74,000,000,000, from $93,000,000,000 to $167,000,000,000. Of this increase in the public debt about $70,000,000,000 is represented by a net increase in securities outstanding in the hands of the banks and the public. Perhaps the best way to bring home to this audience what it means to do $70,000,000,000 of new financing in twelve months is to point out that it is the equivalent of offering a $230,000,000 dollar deal every business day, including Saturdays. Of this $70,000,000,000 increase, the growth of bank hold-

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Looking Into The Post-War World

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United States, we shall be undertaking an objective which is not only impossible to accomplish, but one which in my honest opinion is incompatible with the free enterprise system," which latter he stated, "carries with it the right to shift from one occupation to another."

Mr. Fennelly stated that an increase in the national output of goods and services by 45% or even 30% will make the demand for additional capital "tremendous," adding that the "huge reservoir of savings, induced by the great discrepancy between wartime incomes and the lack of goods available for purchase, should provide a magnificent market for securities for many years after the war."

Discussing some of the post-war problems, Mr. Fennelly said prompt settlement of terminated contracts is necessary to avoid a disasterous delay in reconversion of industry. As to the disposal of Government plants and surpluses, he expressed the belief that the Government's policy will be to turn over to private industry all plants not required for purely military considerations. Mr. Fennelly warned, however, that business must be prepared to assume its fair share of the cost of post-war liquidation, particularly if it wishes to ask for a similar liquidation of wartime wages.

As to taxation, Mr. Fennelly believes that a substantial reduction can be achieved, as well as a balancing of the budget, if a satisfactory post-war level of production is attained. Regarding the prospects for maintaining a free society and a system of private enterprise in the United States, he feels confident these problems "can be solved if we have the national will to do so."

Mr. Fennelly's address follows in full:

I can say with complete sincerity that it is an unusual pleasure to be here with you today. In the first place, it feels more like coming home than anything I have experienced since I left the investment banking business to become a Washington bureaucrat almost two years ago. In the second place, my work with the Committee for Economic Development has led me to the study of post-war problems which I am sure are of as much concern to the investment banking profession as any other group in the country, and I am eager to discuss some of these problems with you.

I am not here today to tell you the story of the Committee for Economic Development. I assume that most of you by now are reasonably familiar with that story. If any of you are not, I shall be delighted to furnish you with plenty of literature on the subject. My purpose is to discuss, as best I can, the economic factors which have a bearing on post-war financing. Nevertheless, it is impossible for me to discuss the post-war problems in which you are interested without touching briefly the high spots of the philosophy and objectives of the CED.

The problems we are struggling with are exactly those which you are most anxious to see solved. If they are solved satisfactorily, not by CED alone but by all of us collectively who are interested in the preservation of a system of private enterprise, I am confident the investment banking business will be restored to a position of great importance and prosperity in the national economy. If the attempt fails, I am sure that investment banking business will go under along with the rest of our free enterprise system.

In other words, the post-war problems of investment banking are practically identical with those of American industry as a whole. On this assumption, I start with the conviction that the outstanding problem for all of us in the post-war world will be to avoid the twin dangers of mass unemployment and mass Government employment. The CED starts with this basic premise, and its single objective may be stated as follows: to stimulate and assist American business to make the maximum contribution that is possible on a sound business basis to high levels of employment and production after the war.

In this connection, I am particularly anxious that you observe two important points in the statement of the CED objective. In the first place, you will note that I am speaking of high levels of employment rather than full employment. After considerable study of this subject, we are convinced that there is no more dangerous phrase than the term full employment which is now so widely used by politicians, labor leaders and, I must confess, by a great many business leaders. If by full employment we mean guaranteeing work to every man, woman, and child in the United States we shall be undertaking an objective which is not only impossible to accomplish, but one which in my honest opinion is incompatible with the free enterprise system. The very idea of a free enterprise system carries with it the right to shift from one occupation to another, with the result that we are always certain to have a normal float of those who are in process of transfer from one job to another. By a high level of employment I mean therefore a level which is sufficiently high to eliminate the nightmare of mass unemployment and yet not too high to be compatible with the system of free enterprise.

You will also note that our statement of objective deliberately couples a high level of employment with a high level of production. We are convinced that increased employment not accompanied by at least an equivalent increase in output of goods and services is a self-defeating objective and the surest road to national disaster.

When the war ends we are certain to be faced with a strong political demand to solve the employment problem by spreading the work. Thus, there is already talk in certain labor circles of a 30-hour week with 40-hour pay. If the 30-hour week does not work, why then of course we shall be asked to adopt a 20-hour or a 10-hour week. The reduction in the hours of work which comes as a result of increased productivity is of course highly desirable but it will be nothing short of disastrous to assume that we can lick our post-war problems by reversing the process and creating employment by spreading the work. This was the course followed by the Republic of France in the years immediately prior to 1939 and I believe more than any other single fact was responsible for making her an over-ripe melon to be plucked by the hard-working Nazis.

For the past ten years we in this country have already suffered greatly from this same faulty psychology. Business policies, labor policies and governmental policies all have arisen out of a fear psychosis based on the assumption that ours was an economy of scarcity and that salvation was to be found in restricting output of goods by business, feather-bedding and other restrictive regulations by labor, and such policies as the plowing under of little pigs by Government.

Gentlemen, I have no more profound conviction than the urgent necessity of reversing this psychology and accepting the faith that we can, if we choose, create an economy of plenty. This faith would involve a conviction on the part of businessmen that the only sound policy is volume production with a small unit profit, a conviction on the part of labor that monopolistic and restrictive labor policies must be abolished, in the belief on the part of Government that all unnecessary restrictions to an expansion of the economy must be removed. This in brief is the core of the CED philosophy.

Practically everyone of the specific post-war problems which I shall discuss today can only be solved by the rapid attainment of higher levels of production than we have ever known. If we can achieve such levels of production the employment problem will largely take care of itself, the great threat of post-war inflation will be eliminated or greatly reduced, and the problem of balancing our Federal budget and carrying the tremendous load of governmental debt can be solved.

Now I must give you a few figures which bring out dramatically the size of the employment and production problems that lie ahead of us.

Department of Commerce ex-

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Our Greatest Job On The Home Front

(Continued from page 1883)

ings accounts for about $31,000,000,000, including an increase of about $5,000,000,000 in holdings of the Federal Reserve banks.

Since your last meeting all three of the War Loan drives of this war have been successfully conducted, accomplishing sales of Government securities to buyers other than commercial banks in an aggregate amount of more than $40,000,000,000. We wish these sales had been a larger share of total borrowings. This type of borrowing will have to be stepped up. And we can take encouragement from the steady progress recorded. Omitting the very short-time issues and including only Treasury bonds and savings bonds, individuals, mutual savings banks, savings and loan associations, insurance companies, and other non-banking investors bought bonds in the three campaigns as follows: First War Loan, $4,600,000,000; Second War Loan, $8,300,000,000; and Third War Loan, $11,600,000,000.

Of these amounts, individuals alone took Treasury and savings bonds: First War Loan, $1,300,000,000; Second War Loan, $2,900,000,000, and Third War Loan $4,800,000,000.

These figures show rapid progress in the public distribution of Government bonds.

For a long time now the financial community has discussed the advisability of the Government's issuing securities redeemable on demand—the Series E bond in particular. As you know, the Treasury has given more encouragement to the sale of this issue than to that of any other security. And I have no doubt it will continue to do so in the future, in its efforts to distribute bonds widely among small investors.

Savings bonds amount to about 15% of the interest-bearing debt, and it is believed that to have that portion of the debt which is widely held by the people written in terms that guarantee owners against loss is an influence for financial calmness, confidence and peace of mind—an influence similar in its purpose and effect to that of the Federal Deposit Insurance Corporation.

Also the redeemable bond has the virtue of permitting greater flexibility in interest rate policy in the post-war period, by reducing pressure on the Government to "stabilize" the market for Government securities and thereby giving the Government greater freedom of action. If negotiable bonds were sold to small investors in large amounts, the Government might be under pressure to maintain the entire market for high-grade securities (including those issued by private borrowers) in order to assure small investors against loss. But if small investors have been separately provided for by means of redeemable securities, the decisions with respect to the appropriate rate of interest on general market securities in the post-war period may be made irrespective of the special problem of small investors.

Another feature of savings bonds that has caused concern is the possibility that holders might cash them and endeavor to spend the proceeds at a more rapid rate than goods can be produced, and thus invite a post-war inflation. But it should be kept in mind that this danger would be equally great in the case of negotiable securities, which are, from the point of view of the holder, as liquid as those which may be redeemed at the Treasury. The only difference is the uncertainty with respect to price in the case of a market issue.

Finally, the graduated scale of redemption values on Series E bonds has these two advantages: First, it greatly reduces interest cost to the Government on money which proves to have been borrowed for short periods only; and, secondly, provides an incentive for continued holding of bonds in the form of a high interest rate for the remaining period. A Series E bond of $100 maturity value costs $75. In five years it can be redeemed at $82. Only $7 has been added. But in the second five-year period it will further increase in value by $18. After holding one of these bonds a few years the owner has title to an unusually profitable investment for the remaining period, and this feature cannot fail to become widely understood and appreciated.

Now I want to mention some of the lessons taught by the Third War Loan experience.

First, it demonstrated that large numbers of persons can be sold Government securities if the contact is on a person-to-person basis. Over 52,500,000 pieces of E bonds were sold, as compared to 33,000,000 in the Second War Loan drive. In dollars, nearly $2,500,000,000 of E bonds were sold, as compared to $1,500,000,000 during the Second drive.

Second, some new sales ideas that were introduced during the drive were successful. Among these were the plant quota and the campaign to sell an extra $100 in War bonds.

Then there was the marvelous cooperation of the huge volunteer sales army and of the people who had to handle the less glorious parts of the operation—the employees of issuing agents who had to get the bonds inscribed and the employees of banks and other business organizations who contributed much hard work tabulating local subscriptions in order to keep solicitors informed of the progress from day to day.

There were a number of things

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GROUP CHAIRMEN

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M. M. Grubbs

CENTRAL STATES

John E. Blunt, 3rd

Vinson Calls for Courageous Tax Program to Prevent Inflation

Declares That 20 Billions In Excess Purchasing Power, 40 Billions In Individual Deposits and 16½ Billions In Currency Held By People Constitutes Dangerous Inflationary Threat. Says Experience Demonstrates Inability to Rely Upon Further Increases In Voluntary Savings to Absorb Excess Purchasing Power. Solution Lies In Courageous Tax Program With Special Consideration to Substandard Groups

Asserting that "higher taxes, in combination with increased personal war bond purchases, afford the one safe fiscal road which we can travel in these perilous times," Fred M. Vinson, Director of the Office of Economic Stabilization, called on Congress and the American people on Nov. 4 to adopt "a courageous tax program" in order to "keep faith with our fighting men" and "with America's future." In addressing the annual meeting of the Investment Bankers Association in New York City, Mr. Vinson stated that "four-fifths of our national income is in the hands of individuals earning $5,000 a year or less; "if," he said, "we are to siphon off purchasing power from the levels of income where inflationary pressures are the most severe, those who fall in these income groups and whose incomes are above the level of decent war-time subsistence must bear a substantial portion of the increased burden. This can be accomplished by lowering the present personal and dependency exemptions, by raising the normal and surtax rates, and by placing sharply increased excises upon luxuries." "Such proposals or others similar to them," he added, "are I believe decidedly preferable to a general sales tax."

Fred M. Vinson

Warning that inflation is "a monstrous evil" that must be prevented, Mr. Vinson declared that "too many still seek to improve their economic position as individuals and as groups at the expense of total mobilization for economic stability in war and peace."

Mr. Vinson called the Treasury's program for $10,500,000,000 in additional taxes "a conservative request" from the standpoint of fiscal needs and from the standpoint of economic stabilization. With respect to the contention of some business and political leaders that the American people cannot pay more taxes, he cited figures to show that Americans "are this year spending astronomical sums for jewelry, furs, fine clothes and other luxuries."

We give as follows Judge Vinson's address:

Tonight I intend to talk about taxes. Fiscal policy is the heart of economic policy. This is particularly true in time of war when the government purchases such vast quantities of the implements which are now spelling certain destruction for the enemies of freedom. Taxation is a compli-

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Looking Into The Post-War World

(Continued from page 1884)

perts estimate that a satisfactory level of employment will be achieved only if we can provide jobs in the post-war period for somewhere in the neighborhood of 55,000,000 civilian workers. This total is some 9,000,000, or 22% greater than the aggregate of those similarly employed in 1940.

The problem is further complicated by the great strides in industrial technology which have been taking place during the war.

As a result of these advances, these Government experts estimate that, with 55,000,000 civilian workers employed in the immediate post-war period, our national output of goods and services could be about 45% greater than of 1940.

In other words, an increase of 22% in total employment would be accompanied by a gain of 45% in total production.

Looking at the problem from another angle, these same experts state that, if our national post-war production should be no greater than that of 1940, unemployment may reach the staggering totals of 15,000,000 to 19,000,000, compared with 6,000,000 to 8,000,000 in 1940.

From these figures, certain conclusions emerge:

1. If American business is to do its share in reaching the desired objective, it will have to raise its sights to much higher levels of production than ever attained before in times of peace. The problem is not just one of reconverting industry to peacetime production. That would be relatively easy to accomplish. What is called for is the much more difficult task of reconversion accompanied by a rapid and substantial expansion.

2. Time is of the essence. If new high levels of production and employment are not rapidly attained, we shall be threatened with a dissipation of war savings, with the destructive effects of inflation, and with the paralyzing influence of mass unemployment upon all policies, domestic and international.

What are the implications of all of these facts for investment banking? They are, first, that the demand and supply factors are amazingly favorable. If we are to achieve a 45% increase, or even a 30% increase, in our national output of goods and services, the demand for additional capital will certainly be tremendous. Additional working capital will be needed in large amounts to handle the increased volume of business.

Additional fixed capital will be required, not only for replacements deferred during the war, but also for an actual expansion of plant capacities. I am not worried about the possibility of great surplus capacities in many of our basic raw material industries, such as steel, copper and aluminum. I believe that the war caused expansion in these industries and is one of the important reasons why

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Vinson Calls for Tax Bill To Prevent Inflation

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cated business, but the underlying principles of a wartime fiscal policy are in essence simple and understandable. Naturally, it is the desire of some for economic self-interest or political advancement to becloud these simple issues by complicated smoke screens of argument and statistical legerdemain. Perhaps, in this field as in many others through which the winds of doctrine have blown so hard, we need what the late Justice Holmes called "education in the obvious."

Back in 1876 that distinguished Kentucky pundit, the late Henry Watterson, was discussing some of the fiscal and financial controversies of his day. "Marse Henry," he said rather sharply, "all of us cannot be educated political economists capable of nice, hairsplitting distinctions. For our part, the sum of our financial knowledge has not materially increased since the day we bought a ginger cake for five cents, traded it for a ten-cent watermelon and sold the watermelon on credit to a black boy, who afterwards repudiated the debt."

Certain facts about our wartime economic picture are indisputably true. From these facts there flow certain almost inevitable conclusions. Once these facts are stated and the conclusions drawn, many of the controversies which attend the construction of a wartime revenue system melt as mist before the sun.

I want first to state some of these facts, along with the conclusions which, to my mind, follow.

Our Federal Government is spending $100,000,000,000 a year for war. We are training, equipping and sending into battle a vast army, a vast fleet, and a vast air armada. Soldiers, sailors and airmen must be fed and clothed and supplied with the tools of war. This necessary equipment must be produced, assembled and transported to the battle grounds. To do this requires money, manpower, raw materials and machinery.

Sometimes I believe that it is impossible to comprehend the magnitude of this productive effort. In economic terms, it means that the unequalled resources of America are not only for the first time fully employed, but are directed toward a single objective—military might and military victory. Total mobilization for total war is our objective.

In peacetime, it is the aim of economic policy to secure the fullest employment for our human and material resources in the production of useful goods and services for civilian consumption. In peace time we all share the common desire to see jobs available for every man and woman who wants to work, so that we may produce more food, more clothes, more shoes, more automobiles, more refrigerators, more radios, more houses and more goods and services of all types. In wartime, our national objective is the very opposite. We not only witness full employment for every man and woman who wants a job, but we go into the highways and byways to search out new sources of manpower and womanpower. Men and women who formerly were able to get work only two or three days a week are now working long hours of overtime. But, contrary to our peacetime policy, we have cut the production and reduced the consumption of civilian commodities to the lowest level consistent with the maintenance of maximum productivity for our labor force. All the rest of our creative energies we are devoting, or at least we should be devoting, to the production of goods and services for use on foreign battlefields, rather than in American homes.

Financially, however, the story is quite different. The expenditure of unprecedented sums of money for war has created a national income at unprecedented levels. With every available man and woman working on a full time or overtime basis, wage and salary payments are at the highest levels in our history. Increased food and fiber production and the increased demand for the products of the farm has brought agricultural income to an all-time high. Business volume and business profits are also higher than ever before in our history.

Consequently, the total income received by all the individuals in the nation is at a record level. For the calendar year 1944 it will reach $157,000,000,000. During this period of time, we shall produce only $90,000,000,000 worth of consumer goods and services.

Of course, this does not mean that all of our income will or can be spent. Twenty billions will be collected in State, local and Federal taxes, at existing rates. The Treasury estimates that approximately $9,000,000,000 will go into ordinary long-term savings—repayment of personal indebtedness, payment of insurance permiums, building and loan funds and mutual savings accounts.

War bond purchases must also be taken into account. It is estimated that, during the calendar year 1943, individual investors will buy about $17,000,000,000 worth of war bonds. We may assume that these purchases will not decrease during the calendar year 1944.

If, however, we add up all these offsets against the national purchasing power—taxes, war bond purchases, and all other forms of individual savings, there will still be left a current surplus of $20,000,000,000 in individual purchasing power. And this is not the whole measure of excess spending power. We cannot ignore the $40,000,000,000 in individual demand and time deposits and the $16,500,000,000 in currency held by individuals.

In the realm of fiscal policy, the principal problem confronting the American people therefore is what to do with these billions of excess spending power. As I see it, there are three alternatives: First, people could, through the processes of democratic government, decide to levy taxes sufficient to absorb a substantial portion of the excess purchasing power. Second, the people could, acting individually and cooperatively, try to add to the volume of their individual savings through the purchase of more war bonds; or, third, and most disastrously, the people, individually and competitively, could set off a spending orgy in trying to outbid each other for the limited supply of consumer goods and services available. Such a spending spree would find its manifestation in a continuous rise in the level of retail prices and living costs—and it is that which we define as inflation.

No one of these methods of attack need be exclusive. In fact, we have, during the past two years, tried a combination of all three. Our tax burden has increased substantially since Pearl

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SEC Bid and Asked Disclosure Plan Would Snuff Out Small Dealers and Impair Nation's Whole Economy

(Continued from page 1870)

action, before accepting an order for execution from a customer, will not remedy the defects of the business but will deprive investors of the honest and efficient service being furnished now by thousands of small dealers throughout the country. To realize how monstrous the proposal is, one only has to reflect on what the effect would be on our economy if those in every line of business were obliged to reveal cost prices to their customers before selling merchandise to them. This aside from the fact that a reading of the proposed rule (given in full below) itself will reveal that the dealer would be called upon to do the impossible in many instances.

Some Effects of the Rule

If this rule should become effective the dealer in over-the-counter securities that was not forced out of business would be obliged to confine his transactions with customers to that body of securities in which there is a ready market and bid and asked prices are readily available. This group of securities would include large and widely distributed issues of over-the-counter bonds and a very few well known stocks in which dealers feel reasonably safe to take a position because of their ready market. The great mass of over-the-counter securities would be ruled out because a dealer could not take the risks of these transactions. The market for venture capital would be almost closed. Admitting the high moral purpose of the SEC no one could doubt the calamity to business enterprise of this result. Few dealers would be able to stay in business and those few would probably consist of those who are large enough to specialize in bonds and do a volume business with institutions. The public would be shut out of the over-the-counter market, and the present limited information and service would be closed to venture capital and enterprise. Of course a "Black Market" would develop. Men would again gather on the street corner as in primitive days and swop securities and barter. Perhaps this would be outlawed but it would go on anyhow because even the SEC cannot kill the spirit of freedom and enterprise, but they may greatly cripple the country's progress by driving a legitimate business to the underworld.

What is the purpose of this proposed rule? We suppose the purpose is to "protect" the investor, whatever that means. But shall we destroy a necessary business just because mistakes are made—and we, for our part, are willing to believe that most of these mistakes are honest mistakes. There is plenty of chance for dishonest mistakes and no doubt there are enough of them. But would not the proposed method of remedying this matter be too costly?

Can it be possible that the SEC has not analyzed the economic effects of this proposed rule? Certainly such destructive processes are not new in business and government. Down through the ages society has struggled for freedom; freedom from government restriction and destruction as much as freedom from dishonest men. For more than two thousand years society has had to fight the battle against government destruction of legitimate private business. J. S. Mill, one of the world's most renowned scholars in economics, finance, political science, government and philosophy, and who made his living as a practical business man, wrote in part almost a century ago, after a long life of experience:

"Experience . . . proves that the depositaries of power who are mere delegates of the people, that is of a majority, are quite as ready (when they think they can count on popular support) as any organs of oligarchy, to assume arbitrary power, and encroach unduly on the liberty of private life."

* * *

"A democratic constitution, not supported by democratic institutions in detail, but confined to the central government, not only is not political freedom, but often creates a spirit precisely the reverse, carrying down to the lowest grade in society the desire and ambition of political domination.

* * *

"In proportion as all real initiative resides in the government, and individuals habitually feel and act as under its perpetual tutelage, popular institutions develop in them not the desire of freedom, but an unmeasured appetite for place and power; diverting the intelligence and activity of the country from its principal business to a wretched competition for the selfish prizes and the petty vanities of office.

* * *

"Few will dispute the more than sufficiency of these reasons, to throw, in every instance, the burden of making out a strong case, not on those who resist, but on those who recommend, government interference. **Laissez faire**, in short, should be the general practice: every departure from it, unless required by some great good, is a certain evil."

This famous philosopher, experienced with long years in business and government, including international relations, further points out that the basic cause of the French Revolution was the depressed business conditions and poverty resulting from government bureaucracy, restrictions and the resultant decline in production and employment with the natural increase in poverty and hard times as a result.

Any one familiar with Brooks Adams' account of the "Decay and Fall of Civilizations," written more than 50 years ago, or with the effect of government regimentation and bureaucracy since World War I in European countries, cannot avoid being disturbed by the parallel developments in the so-called democracies, and especially in these United States. In this one particular — the capital market, the touchstone of free enterprise, and the foundation upon which all other freedoms rest — the unnecessary regimentation and costly detailed records that help no one, are retarding private business as well as production for war needs. Legitimate business is restrained and many of the most capable individuals are being driven out of business by these unnecessary costs. Industry and production, so vital to the country's prosperity, are being strangled.

What is the REASON for all this BUREAUCRACY and REGIMENTATION in the midst of a war where the nation's very democratic life is at stake in a fight for FREEDOM? The laws which the SEC

purport to be administering were enacted before the war began. But do these laws grant this administrative body any such power to force upon this useful and necessary business these impossible and destructive rules at a time when a large part of the active and skilled personnel in the over-the-counter business are fully engaged in war work and do not have either the time, money or permission from their duties to defend their business? Will they return and find their jobs regimented out of existence, and the freedom for which they are fighting abroad destroyed at home? Can we not promote administrative policies, and rules and regulations that will provide a premium on honest and legitimate business, instead of destroying it?

The CHRONICLE invites comments on the SEC's proposed Bid and Asked Disclosure Rule discussed in the above article and given in full below. Where the comments received are published, the names of the authors will be omitted where requested. Communications should be addressed to Editor, Commercial & Financial Chronicle, 25 Spruce Street, New York 8, N. Y.

Text of Proposed Bid and Asked Disclosure Rule

A — General Provisions. The term "manipulative, deceptive or other fraudulent device or contrivance," and the term "fraudulent, deceptive or manipulative act or practice" as used in Sections 15-C-1 and 15-C-2, respectively, of the [Securities] Act are hereby defined to include any act of a dealer designed to effect a sale to or a purchase from a customer, by such dealer, of any security, unless such dealer, at or before the completion of each such transaction, discloses to such customer in writing:

(1-A) The best independent bid and asked prices for the security at the time of the sale or purchase which the dealer is able to ascertain upon the exercise of reasonable diligence; or

(1-B) The best independent bid or asked price at such time, if the dealer, after the exercise of reasonable diligence, is unable to ascertain both a bid and an asked price; or

(1-C) If neither such a bid nor such an asked price can be obtained after the exercise of reasonable diligence, the price at which the dealer was able to acquire the security in that bona fide transaction which is closest in point of time to the proposed sale to or purchase from the customer, but which is not more remote than 60 days prior to such proposed sale or purchase, provided, however, that if the dealer has had no such transaction he shall make the disclosure required by Paragraph 2 hereof; and secondly

If the disclosure is made pursuant to B or C of Paragraph 1 hereof, the fact that after the exercise of reasonable diligence he was unable to ascertain a current independent bid or asked price, or both, as the case may be.

Disclosure in Notice

B — Nothing in this rule shall be understood as preventing any dealer from stating in the written notice required by Paragraph A hereof (1) that the bid and asked prices so disclosed apply to an amount of the security less than that sold to or purchased from the customer, if such be the fact; (2) that the information pertaining to the bid and asked prices disclosed to the customer has been obtained from sources believed to be reliable, if such be the fact, but that he is not able to state that a transaction could be effected at the disclosed price or could not be effected at a better price; and (3) any other fact, not inconsistent with the purposes of this rule, which the dealer may wish to disclose.

C—Records to be kept. Every dealer who makes a disclosure pursuant to Paragraph 1-A of this rule shall make and preserve a record of (1) the information so disclosed, (2) the date and time as of which such bid and asked prices were current, (3) the sources of the information disclosed and (4) the date and time such information was obtained.

Exemptions Specified

D—Exemptions. This rule shall not apply to the following:

1. Any transaction in a security during the 30-day period following the date on which the security is first publicly offered, provided that a registration statement is in effect as to such security under the Securities Act of 1933, as amended, and provided further that the dealer in connection with such transaction, gives to the customer the prospectus required by that Act.

2. Any transaction effected on a national securities exchange;

3. Any transaction which is a part of a secondary distribution approved by a national securities exchange and which is effected during the course of such distribution; and

4. Any transaction in an exempted security, provided, however, that no transaction in an exempted security which is a direct obligation of or an obligation guaranteed as to principal or interest by a State or any political subdivision thereof or any agency or instrumentality of a State or any political subdivision thereof or any municipal corporate instrumentality of one or more States shall be exempt from the provisions of this rule unless such transaction occurs in the course of a public offering of such security by the issuer thereof.

GROUP CHAIRMEN

MICHIGAN

Reginald MacArthur

NORTHERN OHIO

Claude F. Turben

OHIO VALLEY

Stanley G. McKie

Vinson Calls for Tax Bill To Prevent Inflation

(Continued from page 1887)

Harbor; our individual savings have also increased markedly; and the cost of living has undergone a sharp rise.

The question which confronts us today is whether we shall continue to try all three methods, or whether we shall increase the emphasis upon any one of them.

Theoretically, any one policy or any given combination of policies might work, though the consequences would by no means be the same. Certainly, the experience of the past two years does not indicate that we can rely upon further increases in voluntary saving to absorb the necessary billions of excess purchasing power. The success of such a policy would require the American people at least to double their individual war bond purchases during the coming year. I do not believe that we can take the risks inherent in any such optimistic hope. Certainly the record of purchases up to the present time would not give substance to the hope.

Why not let prices rise? Increasingly there are voices clamoring for this solution. Moderate inflation, they say, is a stimulant to the body economic. It encourages production and tones up the circulation. After all, these specious critics cry, higher prices are themselves deflationary, since they absorb excess purchasing power and thereby balance the demand for goods and services with the limited supplies which are available.

Such an argument assumes, however, that we can allow prices to rise while we freeze wages and salaries. Such an assumption, once it is stated, almost refutes itself. Manpower, like all the other factors of production, is at a premium in time of war, since we need more than we have. Men simply do not remain at work for fixed rates of pay while the prices of the things which they must buy are allowed to soar.

For some workers, particularly the sub-standard wage earners and the white-collared employees who live on relatively fixed incomes, rising prices mean an inability to buy the bare necessities of life for themselves and their families. Even if these millions of men and women were willing to work at fixed rates of pay in the face of soaring prices, their productivity would soon suffer.

It is plain as day that if prices go up, wages will soon follow them. Rising wages, of course, mean rising incomes, and we should soon find ourselves faced with the same difficulty we had at the beginning—an excess of purchasing power over the goods and services available to meet the effective demand in the hands of consumers. This see-saw of rising prices and wages is what we know as the inflationary spiral.

It results in the inordinate growth of the public debt, the destruction of all fixed values, the dilution of the people's savings, instability in the financial structure, in social conflicts of every pernicious variety — strikes and slowdowns, bitterness and discord. It is the broad highway to national disaster. That road we must not travel.

There remains, therefore, the alternative — additional taxation designed to siphon off the maximum amount of individual purchasing power from all those persons who possess incomes above the level of decent war-time subsistence.

Higher taxes, in combination with increased personal war bond purchases, afford the one safe fiscal road which we can travel in these perilous times.

The critical question is not whether we must have more revenue, but how we shall raise it, and how much we need.

Certainly, we need all we can get. The Secretary of the Treasury, with the President's approval, has asked the Congress for $10,500,000,000 more. From the standpoint of fiscal needs and from the standpoint of economic stabilization, this is, in my considered judgment, a conservative request—a minimum and modest amount.

By what method, then, shall this money be raised?

Taxation is somewhat like the sulphur and molasses our parents used to give us for tonic in the spring of the year. Everyone admitted that it was a highly beneficial elixir—for someone else to take. In this respect taxation is not very different from all the other tools of economic stabilization. Just as some want wages frozen while prices are allowed to rise, and vice versa, so do many join enthusiastically in the job of raising taxes—for the other fellow.

As for myself, I am thoroughly of the opinion that, when every alternative is canvassed and every argument exhausted, we had best stick to the tried and true principle of taxation based on ability to pay.

This does not, however, mean that we can afford to place the entire burden of new revenues upon a small minority of the population, while ability to pay is still, in my judgment, the soundest yardstick by which to measure tax proposals. We must also remember that the great mass of our citizenry possesses today a greater ability to pay taxes than ever before in our history.

Four-fifths of our national income is in the hands of individuals earning $5,000 a year or less. If we are to siphon off purchasing power from the levels of income where inflationary pressures are the most severe, those who fall in these income groups and whose incomes are above the level of decent war-time subsistence must bear a substantial portion of the increased burden. This can be accomplished by lowering the present personal and dependency exemptions, by raising the normal and surtax rates, and by placing sharply increased excises upon luxuries.

Such proposals, or others similar to them, are, I believe, decidedly preferable to a general sales tax, levied upon the necessities of life, irrespective of income and disregardnig the minimum subsistence needs of the marginal income recipients.

Any proposal which reduces ruthlessly the already imperiled living standards of the substandard groups— especially the 4,000,000 wage earners still earning less than 40 cents per hour and the millions of white collar employees whose modest incomes have remained at fixed levels in the face of rising prices—is wholly inconsistent with the most elementary standards of justice and fair play. Unless we were to suffer from a material impairment of their productivity, the enactment of an indiscriminate sales tax on the necessities of life would compel widespread readjustments in the wages paid to these employees. Such increases, themselves in part inflationary, would go far to neutralize the effect of the revenue program.

We must, therefore, forge a revenue policy which will draw substantial amounts from those earning $5,000 a year and less without cutting the living standards of those who suffer from substandard conditions. In this connection, and contrary to the impression widely prevalent, it should be noted that more than half of the total tax increases recommended by the Treasury, including both income and excise levies, would come from those in brackets below $5,000.

Some of our business and political leaders have argued that the American people do not possess additional capacity to pay more taxes. This contention is demonstrably false. The very perplexity which confronts us is an excess of purchasing power over goods and services available to consumers. The real question is not whether we can afford higher taxes but whether we can afford to try and get by without them.

Americans are this year spending astronomical sums for jewelry, furs, fine clothes and other luxuries. In department stores, for instance, women spent 104% more for furs in July, 1943, than they spent in July, 1942. Likewise, they spent, in the same month, 65% more for coats and suits, 37% more for dresses, 30% more for blouses, skirts and sportswear, 31% more for underwear, slips and negligees, 24% more for corsets and brassieres and 41% more for gloves.

Likewise, the American people are spending an increased amount to eat, drink and make merry. In August, 1943—in the middle of this second year of allegedly total war, receipts of eating and drinking places were 27% higher than in August of the previous year. Expenditures in theaters, cabarets, concerts and other places of amusement rose 30% over the same period. On flowers, the people spent, it is estimated, 30% more in August 1943 than in August 1942. Similar increases are estimated for beer, wines and liquor, for cosmetics and toilet preparations, and substantial increases for cigars, cigarettes and tobacco.

As compared with the average for the typical pre-war years, expenditures in clothing stores had increased 102%, at eating and drinking places 143% and in jewelry stores 218%.

Who, in the face of these startling figures, will contend that the American people cannot pay more taxes. I do not believe that the sober citizenship of this great democracy desire ease and luxury for themselves while their boys are dying on the battle fields of this titanic global war.

Some day our boys will return. Many will come back wounded, crippled and maimed. I pray God they may not come back to find that, through love of ease and pleasure, through political cowardice and personal ambition, we have betrayed them.

We are the fiduciaries of their freedom, the trustees of their future. I pity the political truckler and the sunshine patriot who must say, when called before the bar of judgment by the returning heroes, "I thought the American people could not afford to pay more taxes. I have passed onto your shoulders the financial burdens of this war which you have fought and won. I took the bread from the mouths of your wife and children while you fought for me, while the American people were spending their substance on luxuries and entertainment."

There may be some among us who regard inflation as a kind of abstraction—a theory concocted by the impractical visionaries who dream up ways to make our lives complex. There are others, known to me, who would welcome a touch of inflation and are exerting their pressure and influence to take off the lid. But I assert to you that unless we as people have the vision and the courage to accept without complaint the restraints necessary for stability, we will pay for our folly with a bitter and hideous coin.

We speak of sacrifices. Most of us at home have no basis to use the word seriously unless, perchance, a loved one has laid his life upon the altar of freedom. I do not pretend to preach or scold, but I say to you with earnestness that too many still seek to improve their economic position as individuals and as groups at the expense of total mobilization for economic stability in war and peace.

An incessant parade files through my office—and I welcome them and appreciate their concern—each seeking in his turn to claim exemption for the rules that have been laid down to keep our economy whole.

War can afford no occasion for privilege or immunity. Nor can all the old inequities in our economic structure be remedied in the midst of total war.

There is no easy road, no short cut by which to solve the problems that confront us at home. Our capacity for self-discipline must be equal to the irritations and restraints made necessary by war. And, though the military news be encouraging and our diplomatic achievements a proud moment in our history, we cannot relax our vigilance until the evil hordes of tyranny and brutality are eradicated from the face of the earth.

No, inflation is not an abstraction. It is not a theory, an intangible will-o'the-wisp. It is a monstrous evil that just must be prevented from destroying the America which we at home have the responsibility to keep whole for the return of our fighting men who are at this moment offering their lives for us.

And these boys, the best and bravest of our youth, do not lightly regard that which we at home too often ignore. They are thinking perhaps more than we of the America to which they long soon to return. Recently I was given a letter received by a friend from an enlisted man in West Africa. These lads have time to think soberly and, perhaps, more clearly and fundamentally than ever before. Their minds are directed toward simple, eternal, American values. And if you think inflation is to them a meaningless abstraction, I beg you to

(Continued on page 1897)

Real Estate in Post-War Period

By H. R. AMOTT

Harry R. Amott Sees Building Boom After War Terminates and Expresses Belief That Even Though Building Costs Are Now 27% Higher Than 1935-39 Average They Will, If Anything, Rise But May Be Offset By Improved Production Methods

The investment dealer, banker, broker, builder and business man who is interested in real estate in the post-war period should start now, if he has not already done so, to give thoughtful consideration to the problems of reconstruction which confront the building industry.

So long as the war exists the industry must remain in a relatively static condition. At present the construction of private dwellings is limited to war housing. Furthermore, the program of war plant construction has largely been completed. Consequently, building contract awards this year will show a sharp decline. The curve may flatten out in 1944 but until we see an end to the war there can be no wholesale release of capital for new home building.

H. R. Amott

It is this static condition of the building industry that leaves no room for doubt, in my opinion, as to the huge needs for new construction after the war. Actually, there was a building shortage before the war; the result of the depression of the decade from 1930-1940. Thus, we find ourselves today with several million dwellings unfit for proper living. Those dwellings must be replaced. Add to this the shifting of commercial and industrial centers; brought about by the war effort. Coupled with this we have witnessed and still are witnessing a re-location of our population. We must expect that a part of this re-location of our people will be permanent. And, last but not least, the demobilization of our vast military personnel will require that new homes as well as jobs be made available for returning soldiers if the general welfare of our people and our national economy are to be maintained on a wholesome plane.

While new building needs in the post-war era cannot be accurately charted because of the impossibility of estimating in any true sense the replacement factor, some observers believe there will be a need for a minimum of 1,000,000 homes a year for at least ten years. Other estimates run higher. In any event, nearly all forecasters appear to visualize the largest building boom in our history.

If private capital is to play an important role in the financing of new housing, etc. it is important to consider whether real estate in the post-war era will sell for more or less than its present level. Some of the factors which determine realty values are (1) the relationship between supply and demand for each particular type of property in its particular community, (2) building material prices, or replacement costs, (3) taxes, (4) mortgage interest rates.

As to the first factor I believe there will be a good balance between supply and demand but as a result of population shifts due to decentralization of industry and commerce and improved means of transportation, further expansion of some of the more populated pre-war communities may be economically unsound; but this should be offset by the growth of new towns and cities. Thus, proper selection of property to be improved will, as in the past, be a prime consideration.

The second factor deals with building material prices and replacement costs. It is important because only if such prices are right can a wide-scale building program prosper. I do not perceive of a decline in the costs of labor or materials. Today, these costs are approximately 27% higher than the 1935-1939 average. If anything, such costs may continue to rise. As an offset, however, we have improved methods of production which, I feel, may insure the construction of new and better buildings for less money.

The third factor, taxes, has another very direct bearing upon our problem. In New York, for example, we have seen very little reduction of real estate taxes although realty values up to a year ago had depreciated substantially. Taxes, therefore, play an important part. Unfortunately, the costs of government are more likely to increase rather than decrease. Consequently, I foresee no reduction in tax rates. In communities where over-development took place prior to the depression this factor may be a deterrent to new construction because of its devaluating effect upon existing structures. The over-all picture, however, does not appear objectionable.

We now come to the question of mortgage interest rates. For the past decade we have seen a constant decline of interest rates resulting from foreclosures, lack of new building, refinancing and an increase in savings deposits. Furthermore, government curtailment of spending during the war period is increasing our cash deposits. Thus, I foresee ample funds available for investment when hostilities cease. With huge cash resources at hand seeking employment, interest rates can perhaps be counted upon more surely than any other factor as the one thing least likely to increase. Capital should, as a consequence, be available at a reasonable rate.

This latter factor brings us directly to the part investors will play in the financing schedule. Insofar as private homes and residential apartment buildings are concerned, it appears that government aid through a continuation of FHA insurance will provide the backbone for stimulation of lending by savings institutions, insurance companies and private investors. Since most savings banks and Federal savings and loan associations need pay but relatively low interest rates to depositors they would be in a position as lenders to provide needed capital at moderate rates particularly if the element of risk can be largely discounted through FHA protection.

Slum clearance appears to be primarily a problem which can best be handled directly by governmental financing. The FPHA has completed some of this work to date with particular emphasis during this war period on construction of suitable housing facilities in defense areas. We can expect that the facilities of FPHA will be extended to all commercial centers where over-crowded living conditions exist after the war. But this organization's principal responsibility should deal wth the demolition of uninhabitable tenements and the erection of suitable low-cost housing projects for the so-called under-privileged classes. I believe it would be difficult to induce private capital to undertake and assume the risks of such a program.

So far we have not indicated the position of the investment banker. If underwriting of real estate mortgages is to prevail again after the war I believe that the investment banker fits best into the field of financing new business structures such as office buildings, hotels, factories, etc. and the refinancing of existing structures. There has been no new financing of office buildings and the like for almost a decade. Most refinancing has taken the form of reorganization plans with new capital, when needed, provided by lending institutions or the RFC. The RFC may continue to foster aid to recapitalization plans as well as new building but, if conditions are right, government financing in any form should not be necessary. Private capital has generally been willing to assume normal risks for a fair return on its investment. I feel reasonably sure it will continue its desire to assume such risks.

New construction of business properties must, however, await an increase in existing rental rates without a corresponding rise in costs of labor, materials and taxes. At present, it would be unthinkable to pay the price of new building in the light of the current average level of earnings of office buildings. But indications point to an upward swing in the curve of rental rates. The continuation of that upswing will depend upon the length or duration of the war and upon the possibilities of further inflation. It would be foolhardy to make predictions at this stage but the time should not be long at hand when the general picture may become more clearly defined.

A final thought: as a securities dealer who has been handling all types of investments including rails, public utilities, industrials and municipals, I have been in a particularly good position to judge the relative investor interest in real estate. And, from a dealer's point of view, I would say, that investor interest in the real estate securities market took a very definite upward turn at the beginning of this year and has continued to move ahead month by month to date. The present trend suggests that full restoration of the public's confidence in real estate may not be remotely distant and when that point has been attained I believe we may again anticipate a revival of public buying interest in new mortgage underwritings and in the refinancing of existing mortgages.

OUR REPORTER'S REPORT

Next week promises a rather full-blown revival of activity in the underwriting field what with one sizable railroad undertaking and two public utility underwritings up for consideration.

And to make it the more interesting, it develops that all three projects will be carried through under the auspices of competitive bidding, the two utilities naturally by reason of the Rule U-50 embodied in the Public Utility Holding Company Act, and the railroad financing as a matter of choice on the part of the issuer.

Bids will be opened at the New York office of the Southern Railway Co. on Monday for an issue of $15,000,000 of 20-year first mortgage bonds of the Atlanta & Charlotte Airline Railway.

From current indications, competition will be fairly keen for this piece of business with several groups reported prepared to enter the bidding.

Proceeds from the sale of the new refunders will be used together with $5,000,000 to be provided by Southern Railway Co., which operates the road under lease, against new second mortgage bonds, for the redemption of $20,000,000 of outstanding obligations.

The bonds to be retired are the series A and series B bonds, due next July carrying coupons of 4½ and 5%, respectively.

Blackstone Valley Gas & Electric

Another issue which is expected to bring out several competing bids is that of the Blackstone Valley Gas & Electric Co. on which bids will be opened in Boston next Tuesday.

Bankers will be bidding, in this case, for a total of $11,300,000 of first mortgage and collateral 3% bonds, due in 1973.

The company proposes, with the net proceeds from the sale of the foregoing issue, and such treasury cash as may be necessary, to redeem on Dec. 1, next, an equivalent amount of outstanding obligations.

Southern Colorado Power Co.

Smallest of the three issues now definitely in sight for next week is that of the Southern Colorado Power Co. involving the sale of $5,500,000 of new bonds.

Bids for the new first mortgage bonds, to carry a maturity of 25 years, are due to be opened in Chicago on Tuesday morning. Midwestern houses are expected to participate actively in the bidding here.

Equipments Eagerly Sought

Except in isolated instances, the new issue market has been a "seller's" paradise for many months past. Even some of the insurance companies who have continued to balk on new offerings yielding less than 3% return have been showing signs of weakening.

GROUP CHAIRMEN

TEXAS

John Rauscher

ROCKY MT.

Aaron W. Pleasants

MINNESOTA

Charles H. Loomis

Looking Into The Post-War World

(Continued from page 1886)

we may be able to achieve our goal of increased national output, and that these apparent surpluses are likely to be absorbed within a relatively brief period of time.

I have no idea what the actual volume of new capital requirements may be but I am sure it will be enormous, particularly if we achieve the desired objective of increasing the national output by 30 to 40%. Under such circumstances, I believe the reports you have been discussing today underestimate, rather than overestimate, the possibilities in this connection.

The supply factor in the capital equation appears at least equally favorable. Present estimates indicate that the volume of individual savings in the United States may aggregate $100,000,000,000 by the end of 1944. This huge reservoir of savings, induced by the great discrepancy between wartime incomes and the lack of goods available for purchase, should provide a magnificent market for securities for many years after the war. In addition, corporate savings in many areas, notably the railroads and utilities, have been substantial and will enable many of these companies to emerge from the war with greatly improved balance sheet positions. Most of the States and municipalities have been able to effect important reductions in outstanding debts during the war and, therefore, will be in a better position to borrow when peace returns.

It seems clear to me that the supply of capital will be sufficiently large to hold long-term interest rates down to very low levels for several years at least after the termination of hostilities. I believe, however, that we should anticipate a basic change in interest rates a few years hence. Except for one notable interruption between 1925 and 1929, long-term interest rates have displayed a secular downward trend ever since the spring of 1920. If, as I anticipate, the liquidation of the present war will be followed by one of the great periods of industrial expansion in modern history, we can look forward to a long, gradual rise in interest rates comparable to that which took place between 1903 and 1920. This secular change will probably not start for several years, and, in any event, is likely to be so gradual that it will be difficult to observe for some considerable time after it is under way.

Now, I know you will say that demand and supply statistics may be lovely things to contemplate, but, by themselves, mean very little. Investment banking, perhaps as much as any other business in the world, must also have a favorable climate of governmental policies in which to operate. We, in the CED are convinced that no matter how boldly or intelligently businessmen may plan for the future, the desired goals of production and employment cannot be attained unless governmental policies are favorable to the fostering of individual initiative.

It is for this reason we have under way a broad research program devoted to an examination of all important national policies, primarily those of Government, but also those of labor and business, which have a bearing on the attainment and maintenance of high levels of production and employment. Our objective is to examine critically every policy which tends to obstruct an expanding and dynamic economy.

Let us take a look now at some of the problems which are worrying you. Your reports indicate that the subjects uppermost in your minds are the settlement of terminated war contracts, disposal of Government plants and equipment, and taxation policies. I should like to comment briefly on each of these and add to this list for brief discussion a few words on the labor problem, and on the great threat of post-war inflation. The only problem on which we have formulated and announced a definite committee policy is that of the settlement of war contracts. On all the other problems which I have menioned I can therefore only give you some ideas of my own because the CED has not yet crystallized its own official position.

With regard to the settlement of terminated contracts, I think it would be better to save your time here and ask those of you who are interested to read the brief report which we have available on this subject. You will find in this report a series of recommendations for Congressional action all designed to expedite the release of business funds now tied up in war production. We are convinced unless drastic action is taken by the

Business and Finance Leaders Laud B. M. Anderson Plan To Promote Peace-Reemployment

(Continued from page 1872)

nomic problems of 130,000,000 people; that (it) is a piecemeal job for each industrial establishment" and insist that free enterprise be given a free rein to work out its own problems.

Should income taxes go much higher than they are, it would smother free enterprise. A man who risks his capital in a business venture should be allowed to keep enough of his earnings to justify his effort and risk. The business men of the United States will have the greatest opportunity after this war to participate in world trade since the founding of this Republic. If we take advantage of this opportunity, using our mass production and the nation's gold reserve, we might be able to pay off our national debt in 25 years. A 10% Federal sales tax will go a long way to preserve free enterprise. It would stop a lot of wasteful spending by the Government.

A. F. WHITNEY

President, Brotherhood of Railroad Trainmen, Cleveland, Ohio

A. F. Whitney

I have read the article, entitled "What Can the Government Do to Promote Post-war Reemployment?" with great interest, and might summarize my impressions by asking Dr. Anderson what it is he wants in the postwar world that we did not have during the false prosperity period of the administrations of Harding, Coolidge and Hoover. We all know of the disastrous conclusion of that period. Dr. Anderson's whole philosophy is that the primary purpose of economic production is profits, and that if we understand and follow that philosophy, jobs will be created as an incident thereto. Human considerations seem to be of incidental, if not of small importance to Dr. Anderson. In his

(Continued on page 1900)

Congress in this connection that the reconversion of industry after the war may be disastrously delayed.

With regard to the disposal of Government plants and surpluses I agree with you that the Government should speedily announce its intention of turning over to private industry all of those plants which it does not feel required to retain from purely military considerations. I believe, however, that there is very little cause for concern in this connection. In many discussions of this subject in Washington I find that practically everyone is taking for granted that this will be the policy of the Government. As I stated above, the CED has as yet no official policy on this problem. I can, however, assure you that our policy will be based on the assumption that the only proper objective will be to get these plants into operation under private management as rapidly as possible. In this connection I can also point out to you that the problem of disposing of these plants quickly by sale may be exceedingly difficult to work out because if they are sold at a price low enough to justify their purchase on a business basis the political outcry is likely to be terrific and in the long run might do more harm to business than otherwise. We are, therefore, tending toward the conclusion that perhaps the most satisfactory immediate policy for the disposition of plants and equipment may be on the basis of a simple leasing arrangement with possibly the right to apply the rental paid against eventual purchase price. Above all, we must not forget that our basic objective must be to get these plants into operation under private management at the earliest possible date, and not permit ourselves to become involved in long controversies over detailed methods.

The problem of disposal of surplus machinery and materials also presents serious difficulties. We all remember the disastrous effects on business of the dumping of war inventories at the end of the last war, and very few of us, I believe, wish to repeat that experience. Nevertheless, I think it is very important to bear one fact in mind. Businessmen cannot afford to insist on liquidation of wages and other factors of production and at the same time refuse to accept any liquidation in the prices of their own particular products. Again the objective must be to reach high levels of production as rapidly as possible and this will be impeded if businessmen insist on a policy of holding off the market wartime inventories and machinery which might otherwise be used. I think you will agree that the only sound policy for an investment firm when it has some bonds which cannot be sold at the original offering price is to mark them down to a price where they can be sold and move them out. These goods must be moved into circulation as rapidly as can be achieved without adopting a chaotic policy of wholesale dumping. In other words, business must be prepared to assume its fair share of the cost of post-war liquidation, particularly if it wishes to ask for a similar liquidation of wartime wages. Any other policy will slow down production and increase the threat of inflation.

Now with regard to taxation, I am sure we'll all agree that there is a crying need for a tax reform which will remove the present impossible burden which is placed on business enterprises. Professor Sumner Slichter of Harvard has well said that if a group of communists had come to this country with the intention of creating a tax structure which would convert our free enterprise system to a system nearer to their own hearts' desire, they could not possibly have achieved a better system for their purposes than the one we have built up over the past decade. I am very hopeful that we shall be able to publish in the near future a series of tax recommendations which will appeal to you all as eminently sound and constructive. I cannot as yet comment on these in detail because they are still in the formative stage.

I must point out to you, however, that no tax reform is possible except one that is related both to the expected level of the post-war Federal budget and in turn to the level of our national income. I have recently studied some very thoughtful estimates that have been put together on the post-war Federal budget and I am convinced we must look forward to annual Federal expenditures for the first post-war decade which will average around $20,000,000,000. On the most hopeful assumption that the war in Europe will be over before the end of 1944, and that with Japan before the end of 1945, we shall be faced with a total Federal debt of at least $250,000,000,000 when the war is finished and liquidated. This debt will require annual interest charges of at least $6,000,000,000 and perhaps $7,000,000,000 annually for the first post-war decade.

Time does not permit detailed discussion of the other items but I can assure you it is very difficult to reach a conclusion that our post-war Federal budget will average less than $20,000,000,000.

Now a few words as to the relationship between the Federal budget and the national output of goods and services. The latest estimates place the gross national product for 1943 at about $188,000,000,000. At this level, it is now believed that Federal tax revenue for the fiscal year ending June 30, 1944 will be over $40,000,000,000, without any further increase in taxes.

If we achieve the post-war employment goal of 55,000,000 civilian workers, the national output of goods and services may be as high as $140,000,000,000 in terms of 1940 prices. Post-war prices, however, are certain to be a good deal higher than those of 1940. My own best guess is that we must figure on an average post-war price level at least 50% higher than that of 1940. This means that a gross national product of $140,000,000,000 in 1940 prices would actually be $210,000,000,000 in terms of post-war prices.

The conclusions from these figures is that the existing tax structure, if maintained after the war, might yield over $40,000,000,000, as compared with an estimated budget requirement of $20,000,000,000. This means that a satisfactory post-war level of production may make possible a very substantial cutting of tax rates and still permit a balancing of the budget. The higher we can raise our national production the less will be our burden of taxes.

Now I don't want to give you the impression I think we are going to reach the millennium after the war. Twenty billion dollars is a hell of a lot of money at any level of production and prices, and taxes will be plenty high. Nevertheless, there are definitely encouraging aspects to the outlook which I should list as follows:

1. With a high level of production we can carry the tremendous load of governmental debt and balance the budget, while achiev-

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IBA PAST PRESIDENTS

1942-43	1941-42	1939-40-41
		
Jay N. Whipple	John S. Fleek	E. F. Connely

Looking Into the Post-War World

(Continued from page 1895)

ing a substantial measure of tax reduction.

2. We shall emerge from the war with the broadest income tax base in our history. This means that practically every wage earner in the country will for the first time have a direct and personal interest in governmental economy.

3. There are good reasons to hope that tax reforms will be directed primarily to the removal of the present intolerable burdens on business enterprise. For the past generation tax economists as a class have directed their attention almost exclusively to an equitable *distribution* of income and wealth. Now most of these gentlemen—and I can assure you their influence is very great—have suddenly discovered that what really matters is the *creation* of wealth and the provision of employment. As a result, they are being driven to conclusions on tax policies which they would have regarded as highly reactionary a few years ago. From this changed psychology will come strong pressure for reduction, and possibly eventual elimination of corporate income taxes, and a shift in the tax burden from corporations to individuals.

I mentioned earlier the post-war threat of inflation. Frankly, I am as much concerned about this danger as any other single thing in the post-war picture. At the end of the war the unused purchasing power in the hands of our citizens will be fantastically great. As stated above, present estimates indicate that individual savings by the end of 1944 may approximate $100,000,000,000. These funds provide our greatest assurance that a market will be ready to absorb a greatly increased output of goods and services. They also constitute a very serious inflationary danger unless the goods and services are speedily forthcoming.

Because of this danger most thoughtful students now recognize the necessity of maintaining many of our present wartime controls on prices, wages, rents, etc., for some time after the close of hostilities. What worries me, however, is not what the Government may decide to do in this connection but what the American people will stand for. When the end of the war removes the strong patriotic motive for compliance with unpopular OPA controls, I am afraid the pressure to rush into the market and buy everything in sight, regardless of regulations, may be overwhelming.

The only cure for this situation will be the attainment of new high levels of production at the earliest possible date. In the meanwhile, there will be the need for a degree of self-discipline and self-restraint on the part of the American people which may be very difficult to achieve.

I have said nothing as yet about the labor problem. I recognize that I may be accused of being unwilling to face the main issue if I pass lightly over this problem. I am, however, totally out of sympathy with those few businessmen who take the position that the only important post-war problem is the necessity of liquidating labor. I can assure you that any such general attitude on the part of business could only result in the liquidation, not of labor, but of business itself.

There is no easy solution of this problem, but I am sure the one hope is to keep always before us the basic objective of more and more production. This will enable us to concentrate on the issues that really matter, such as the fallacy of attempting to solve post-war unemployment by spreading the work. By preaching the gospel of production we may also be able to restore a satisfactory system of incentive wages, and other desirable improvements in our labor relations. Finally, if business management can go into the post-war period with clean hands and with a willingness to assume its full share of responsibility there should be greater hope of reaching satisfactory relationships with labor than at any time in many years.

So far I have said nothing regarding international post-war problems. The philosophy of the CED, in this connection, is very simple: we believe that a strong, free America is the best hope for the peace and stability of the world. In concentrating our attention very largely upon the domestic aspects of post-war problems we believe we are putting first things first.

Nevertheless, we are fully alive to the importance of our international political and economic relationships. We are not so naive as to fancy that we can lift ourselves up just by tugging stoutly on our own bootstraps.

Personally, I am convinced that our post-war prosperity will be materially conditioned by the character of the peace. In this connection, I believe that the greatest single factor for permanent peace, and for our own prosperity, would be the economic unification of Continental Europe after the war.

I should like to take a few moments to explain to you why I think this development is so important for us, and the rest of the world. It seems clear to me that the 20th Century is the century of great continental empires such as the one we have created in North America. The development of internal transportation which has made possible our mass markets and mass production techniques has at the same time made anachronistic and obsolete the watertight compartments of the small, nationalistic economics of Europe. Unless these economic barriers can be broken down after the war, I am afraid we shall have nothing but continued chaos in Europe, and a fertile seedground for future wars.

During the past 200 years we have had four clearly marked periods of broad industrial expansion in the western world. Each of these periods has lasted about 25 years, and has been motivated by some new economic development. The first of these started about 1750 and was caused by the so-called agricultural revolution in England. The second, beginning about 1800, was the period of the Industrial Revolution. The third, which began around the middle of the 19th Century, was clearly caused by the advent of the railroad, which opened up our own West, and also transformed Germany from a group of medieval principalities into a great modern State.

The fourth period of expansion which lasted from 1896 to 1920 was, I believe, motivated by the growth of corporate enterprise and the development of mass production techniques, chiefly in the United States.

Since 1920, I am convinced we have been living through a world-wide period of liquidation despite the abortive stock market boom of the Twenties. This period has been comparable to that which occurred between 1873 and 1896 and has had many similar political as well as economic phenomena.

If historical parallels mean anything, we should now be almost at the end of this period of liquidation, and on the verge of another period of broad expansion. In searching for a possible cause of this next expansion, it seems to me the most likely would be the economic development of other areas, such as Western Europe and Eastern Asia, to a point more comparable with our own. In other words, I am afraid our economic development has reached a stage where further progress will be difficult unless it is accompanied by comparable developments in other important areas.

So much for some of the problems. What about the prospects for maintaining a free society and a system of private enterprise in the United States? I have no desire to underestimate the seriousness and complexity of the problems which lie ahead. Nevertheless, I am confident these problems can be solved if we have the national will to do so. Furthermore, if we fail to move forward until all our problems are solved, none of them ever will be solved.

I realize that at times in the recent past I myself have been guilty of a certain lack of faith. I have worried over the prospect that all, or most of Europe would be communistic after the war and I have wondered how it would be possible to maintain a free society here. The only proper answer to this fear is the expression: "so what?"

Under such circumstances, we shall have an excellent opportunity to test our system against theirs. If free enterprise is as good as we think it is, and we can really make it work sufficiently to solve our production and employment problems, we shall have nothing to fear. If we cannot make it work, however, we shall deserve no better fate than to follow the rest of the world down the road to communism.

Investment banking is faced with a great opportunity and a great responsibility. I have already spoken about the opportunity. Now a few words about the responsibility. The CED is preaching throughout the length and breadth of the country that every businessman must get ready for the post-war world by bold and intelligent planning now. I see no reason why the same logic should not apply in the case of investment bankers. New, high levels of production will not be attained unless the necessary capital is forthcoming, and unless, God forbid, we are to continue the wartime practice of looking to Government as the chief source of capital, investment bankers must measure up to the task that lies ahead.

I do not mean by this that you should start at once to expand your offices and working forces. I merely mean that it is time to lay constructive plans to be ready to handle the volume of business that should be available shortly after the end of the war. The nightmare of the Thirties has left a heritage of extreme caution, almost defeatism, in the minds of investment bankers. You must shake this off and begin to look forward with confidence.

You should begin to study intensively the post-war problems which bear directly on the investment banking business. One such problem of prime importance is that of underwriting foreign securities. I earnestly hope you will approach this problem in a more constructive spirit than has been done in relation to similar problems in the past. The one sure way to kill the private handling of foreign financing will be to insist on a return to the chaotic conditions of the Twenties. Only the broadest and most sympathetic consideration of all the implications involved in this problem will provide a solution satisfactory to the American people, and, in the long run, to investment bankers themselves.

In conclusion, I want to say that I am proud to have been an investment banker and optimistic enough to be anxious to return to the business as soon as the war is over. I think there will be a lot of satisfaction for all of us in it during the next 10 to 15 years. Let us look forward with faith and courage worthy of our fighting men who are moving forward to victory in all parts of the globe. Only thus can we do our share in winning the peace and preserving the kind of America to which they will wish to return.

Vinson Urges Anti-Inflation Tax Bill

(Continued from page 1891)

consider carefully the words of this American boy who is fighting for you and for me in the European theater of war:

"You well know," he writes his friend and old teacher, "the results of inflation. But this time there will be even greater cause for discontent and unrest. This time we will have some ten million men and women from the military service who will form a formidable group if their plans are shattered by inflation.

"You might be surprised," this American dough-boy continues, "at the number of men who are making plans already for their return to civilian life. Publicly they may not say much about it, but I have talked to innumerable men who are saving all the money they possibly can for the time they get back. Some are married or plan to be married and they are putting their money into a house, a farm, or furniture. But this is rare. The majority are saving money—counting it carefully—and dreaming of the comforts it is going to buy.

"But the point is that they are dreaming of these things in terms of pre-war prices. We in the army are not vitally affected by prices. Those of us in foreign services chalk up differences against the country in which we happen to do our small amount of buying. But we read about the price of furniture at home going up 100% or some other price index up to 50%. But it does not strike home the way it would if we looked at a radio that we almost bought before the war for $25 and now find we have to pay $50 for it.

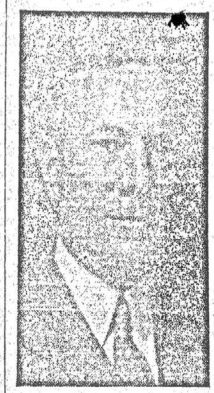
"After the war that is the experience that each and everyone of us in the army is going to have. We have saved our money—denied ourselves many pleasures and we are dreaming of a down payment on a house, new clothes, marriage, etc. But our air castles will fall with a very discomforting thud when we find we can buy only half, or a third, or some smaller fraction of the commodities we had planned. That is when the protesting murmurs of ten million hearts will swell to a crashing crescendo of condemnation against our Government. The results may well be catastrophic."

Those are the words of an American soldier on a foreign fighting front. He is calling to you and to me. He is beseeching us for himself and on behalf of his comrades to maintain the value of the dollars he is saving in the service of his country. He is praying that those of us at home will not fail him and that his dreams—dreams he conjures in the stillness of the desert night—will not be dashed to earth by timorous political time servers.

Marriage, a house, new clothes and an America of opportunity. I can only pledge that insofar as I have power to stop it, no orgy of inflation will prevent this American hero's simple dream from becoming a living reality.

I call solemnly and reverently upon the American Congress and the great American people to join with us in a courageous tax program. Let us keep faith with our fighting men. Let us keep faith with America's future.

IBA PAST PRESIDENTS

1938-39	1937-38	1936-37
		
Jean C. Witter	F. E. Frothingham	Edward B. Hall

An NASD Blunder

(Continued from first page)

tion's Rules of Fair Practice, to wit: "A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

Then follows the Board's so-called "interpretation" of that rule.

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

That is familiar doctrine nurtured in the lap of the Securities and Exchange Commission as anyone can readily see who has examined the releases of the Commission wherein he will meet with similar language frequently.

Based upon the above interpretation, the letter then goes on with the coup de grace and in effect advises the membership that the District Business Conduct Committees of the Association will regard 5% as the maximum profit that should be construed as being fair in cases where a dealer acts as principle, but had no commitment in the security bought or sold prior to the time the customer's order had been received.

The whole communication is tantamount to defining what shall be deemed a maximum, fair and reasonable profit in all security transactions within its range, a bit of temerity which goes further than what our courts have done, for while they have decided what is or is not reasonable in particular cases, they have consistently refused to define the terms reasonable or unreasonable for general construction, in order that proper application and definition may be made of these terms in particular cases based upon the specific facts under inquiry.

The Board of Governors of the NASD must have appreciated or should have appreciated the importance to security dealers of the proposed maximum profit rule. They should have known that if enforced, it would sound the death knell of many of the smaller dealers. Under the circumstances, a spirit of fair dealing required that the Board at least submit the proposed rule for the members' approval as provided in the Association's By-Laws and the Maloney Act.

Masking the rule as an "interpretation" was a breach of faith, a violation of the By-Laws and of the conditions set forth in the Maloney Act, and deprived the members of a voice on a matter which may affect the very commercial survival of many of them.

We submit that the rule is basically unsound. Speaking of a spread as a profit is pure nonsense for it completely disregards the cost of doing business. That cost cannot be and never has been uniform.

Drawing from the spread between the purchase and sales price alone, any inference of unfairness, dishonesty, or improper practice, is buncombe, and contrary to our institutions as we have seen them operate. It's bad and un-American doctrine. In the absence of fraud, misrepresentation, or concealment, trading should be kept liquid, and securities treated like any other commodity.

The SEC has more than adequate regulatory powers which at times in their exercise, become oppressive. The NASD's attempt to play wet nurse to the public in this instance is a sorry sight.

Had the NASD wilfully started out to stir up rebellion in its own ranks, it could not have done so more effectively than by the evasive method employed in the adoption of this rule.

We believe that only the fear of reprisals prevents many members of the NASD from raising a powerful storm

(Continued on page 1899)

Our Greatest Job On The Home Front

(Continued from page 1885)

that occurred as a result of the enthusiasm of local committees and their anxiety to meet quotas that must be placed on the negative side. Noted especially was a considerable volume of "bad selling." This included a lot of sales that were the result of switches from other Government issues; also a lot of sales financed by direct borrowing from banks. These bank-credit-financed purchases cannot all be placed in the category of bad selling, but most of them can.

So much for the lessons of the Third War Loan drive from the point of view of **financial** performance. Now, I would like to say a few words of the lessons to be learned from the drive from the point of **promotional** performance. It is only by thoughtful evaluation of our promotional effort—its high spots and low spots, its successes and its weaknesses—that we can form some idea as to how we should proceed in the Fourth War Loan drive. Fortunately the data for such an evaluation are at hand. Let me tell you briefly the results of the Third War Loan from the **promotional** point of view.

The most important lesson of the drive, as I have indicated, is the importance of personal solicitation, the importance of person-to-person canvassing. Of the individuals in cities and towns who were **personally** asked to buy extra bonds in September, approximately 52% did so. And of the individuals in farm areas who were personally asked to buy extra bonds, 61% did so. This is a starting tribute to the effectiveness of personal solicitation, for where individuals were **not** asked to buy extra bonds, only 20% in cities and towns got around to doing so and in farm areas only 12%. This confirms what we learned in April. In both drives more than two and one-half times as many of those solicited bought bonds as those who were not solicited. Even though the solicitation campaign reached many more people than before — approximately twice the number of people in September as compared with April—the **effectiveness** of solicitation remained undiminished. We have by no means reached the point of diminishing returns as far as it is concerned. This, I repeat, is the single most important promotional lesson of the drive.

Another important lesson of the drive was the impact of the drive itself. The Third War Loan drive sold bonds to many more people than did the Second. Among the non-farm population, 35% of the gainfully employed increased their bond purchases in September, compared to 20% in April; and in rural areas, 40% of the farm families increased their bond purchases, compared to 18% in April. Roughly speaking, however, approximately 60%—three-fifths of income receivers, farm and non-farm together, bought **no** extra bonds in September. This means that the September drive, tremendous as it was, had absolutely no effect on the bond buying of the majority of the American people. I am not saying, mind you, that a majority of the American people bought no bonds in September. I am saying that a majority of the American people bought no **extra** bonds in September. And that, after all, was the purpose of the drive as it applied to the average individual. Incidentally, it appears that about 15% of the adult population did not know there was a War Loan campaign going on.

Finally, there is the lesson as to where to place the emphasis in promotion—on the national, State, or local level. And here again the results of the Third War Loan merely confirm what was learned during the Second War Loan. The evidence is convincing that people's strongest ties, emotional and otherwise, are with the community of which they are a part, not with the nation or even large geographic regions. They like personal solicitation as against exhortations from afar, respond to local quotas rather than national quotas, prefer locally inspired radio programs, speeches, and entertainment by neighbors and friends rather than "canned" and other material emanating from distant places.

With these lessons in mind, the War Finance Division is engaged in preparation for the Fourth War Loan. It is planned for early 1944, probably in January. Budget estimates indicate that the amount of new borrowing required during the remainder of this fiscal year, namely until the end of June, will be about $40,000,000,000. In accordance with policy, it will be sought to obtain as much as possible from sources outside the banking system. So you may expect a drive with greater emphasis than ever on individual sales, and no less emphasis than before on sales to insurance companies and all kinds of institutional investors other than commercial banks.

The State Chairman of War Finance Committees are meeting at Washington next week to compare notes and discuss plans.

I want to mention some of the problems that are being considered and discussed in connection with plans for the Fourth War Loan in the hope of obtaining some good suggestions from this group. Workers tell us that a separate drive for individual subscriptions would be highly desirable, because it is believed from experience in previous drives that reports of huge subscriptions from insurance companies and other institutional buyers tend to make the ordinary citizen doubt that his $18.75 is really needed. This same influence is felt by canvassers for individual subscriptions. They wonder if it is worthwhile to make a second or third call in the hope of a small order. The other side of this problem is that the publicity and excitement of the campaign, plus the pressure of local quotas, are necessary to obtain good results in the sale of bonds to nonbanking companies, associations, and funds of various kinds. Therefore, it is argued, the drive ought to be a consolidated one. A compromise suggestion is that we have a drive for individuals only for three weeks or so and then immediately on its conclusion announce supplementary quotas for sales of the same securities to nonbanking institutions.

Another criticism commonly made of former drives is that in some cases it seemed too easy to make quotas with large sales to corporations, with resulting relaxation of the effort required to do a job with individuals. Also it is mainly in connection with such sales that certain national corporations, for obvious reasons, have wanted to allocate credit to a great many different counties and communities. Such allocations have taken time and attention which might better be devoted to selling bonds to individuals. Accordingly, it has been suggested that offerings in the next drive might well be restricted to savings bonds and Treasury bonds and that the Treasury bonds might consist of a long-term 2½% issue and a medium-term bond, 12 to 15 years, bearing interest at a rate between 2 and 2½% and, like the 2½s, made ineligible for commercial banks for a period of years. Proponents of this idea believe that offerings of certificates of indebtedness could be made successfully without quotas and that certificates might be offered to miscellaneous corporations and to commercial banks at the same time. Obviously any new approach adopted would require sensible consideration in fixing quotas.

We want the best advice we can get on these problems and shall welcome suggestions.

Finally, going back to the beginning of my talk and the review of financial events since your last meeting, no such review would be complete without reference to the fact that the Treasury's huge program of war financing, at the rate of a $230,000,000 offering every day, has been carried forward, not only without disturbance in the money market, but without interfering with an open and fairly active market in other securities, including quite a bit of new financing mostly for refunding purposes, by municipalities and private enterprises. You are all pleasantly familiar with the particulars. It is significant evidence of our nation's financial strength that through all the upheavals of a global war now four years old, our stock exchanges and other securities markets have been open every business day. And from the standpoint of the general interest, it is well that investment banking and brokerage organizations are being maintained in healthy condition because they will be needed in the post-war period.

An NASD Blunder

(Continued from page 1898)

of public protest against the 5% rule. Mere withdrawal from membership is not the answer, for there is still the SEC to be reckoned with, and there exists the belief that the liaison arrangements between the NASD and the SEC are such as to encourage a most rigid "supervision" of withdrawing members.

It seems to us that many dealers have long felt the passage of the Maloney Act created for them a halter, the noose of which is being tightened by the Association.

The attempt by the Association to set a ceiling on so-called profits, by an undemocratic method, contrary to its By-Laws, the Maloney Act and under the guise of an interpretation, is a pill difficult to swallow.

In the light of this and other abuses, the Maloney Act may find itself subject to future attack by a strong movement amongst security dealers who are tired of continuing to support by compulsion an additional Gestapo and who would welcome the repeal of that act in the interest of the public and in their own interest.

Comments are solicited from readers on the NASD's 5% profit limitation decree or related phases of the subject under discussion. If letter is published the name of the writer will be withheld if so requested. Communications should be addressed to Editor, Commercial & Financial Chronicle, 25 Spruce St., New York (8), N. Y.

IBA PAST PRESIDENTS

1935-36	1934	1932-33
		
Orrin G. Wood	G. W. Bovenizer	Frank M. Gordon

Business and Finance Leaders Laud B. M. Anderson Plan To Promote Peace-Reemployment

(Continued from page 1894)

plea for flexibility of wages, he restates the commodity theory of labor, which is of course consistent with the philosophy that the end of all production is profits, rather than the satisfaction of human wants and needs. His philosophy is a throw-back to Adam Smith, but is not as sound even as Adam Smith, as applied to our modern economic system, for Adam Smith opposed the idea of monopoly and conspiracy to maintain prices and limit production, and there is not one word of protest against this in Dr. Anderson's article. In fact, his desire to limit, if not eliminate, all governmental controls and even to abolish the Securities and Exchange Commission, shows that he wants a system of complete **laissez faire** and let the devil take the hindmost.

I would even challenge the morals of Dr. Anderson's views when he exhorts the business man "to plan how to make money in the post-war period," and not "to plan for full employment."

Dr. Anderson refers to the activities of the Musicians Union in opposing the "canning" on wax records of the musical culture of this country. Dr. Anderson, like the propagandizing newspapers, radios and magazines of this country, seems to be wholly unaware of the fact that human vocal chords will not function over an empty stomach. In a desire for profits these interests are so shortsighted that they would bring about a complete destruction of America's musical culture by putting the existing musical talent on wax records, thereby destroying the opportunity to make a living for all of our musicians and letting the people of a thousand years hence content themselves with hearing Bing Crosby's voice on a phonograph record. Why not carry this position to its logical conclusion and install recording machines in the classrooms of our schools and colleges and make records of what is said this year? A few business men could then make a lot of money manufacturing and selling the records and we could dismiss our teachers and save a lot of money and eliminate the need for taxes for our schools, which, by the way, are almost universally opposed by selfish interests. I assume Dr. Anderson is wholly unselfish in his philosophy, so the money-making and money-saving aspects of such a proposal should appeal to him, even though he might be one of the college professors whose talents would be embalmed on a wax record.

I warn the industrial and financial selfish interests of this country that they seem to have learned nothing from the depression and the war, and that if they continue in their purblind course, they will surely create a reservoir of ill will that may sweep us all to disaster in the post-war world.

MARK C. MILLS

Associate Professor of Economics, Indiana University, Bloomington, Indiana

Dr. B. M. Anderson's article on "What Can the Government Do to Promote Postwar Re-employment?" raises fundamental questions of public policy and also offers certain specific suggestions with which I find myself in substantial agreement. It is doubtful if it is generally realized to what an extent the governmental control of prices, wages and production which the war has seemed to make necessary has already led us to adopt the essential features of a "planned economy" which is the antithesis of an economy based upon the inter-play of market forces. Granting the necessity of retaining certain necessary forms of regulation, it should be the major objective of postwar governmental policy to get back to that system. In the past the term "economic democracy" has at times been used in a sense closely akin to socialism but in a very real sense there is a high degree of democracy in a system which permits consumers to vote with their dollars for what they want and encourages business men to produce what they can sell in commercially profitable quantities. Not all the goods and services offered are worthy candidates but neither are all the candidates for office under any system of political democracy yet devised.

Dr. Anderson is probably right in saying that for most business men it will be best to go about their everyday business of producing and selling goods and services as efficiently and cheaply as possible without too much discussion of theories of "full employment" and "postwar planning." There is some danger that "postwar planning" may become a fetish like the "technocracy" of a decade ago. There are bound to be some transitional pains in passing from war production to peace-time operations. To assume otherwise, no matter what plans are adopted, is to be unrealistic. Once the fighting has stopped, war contracts should be terminated as promptly as is consistent with the public interest, and business should be spared interminable negotiation. If this is not done it will be particularly hard on the smaller enterprises which in normal times play such a large part in a balanced civilian economy. All measures undertaken should be directed toward the end of creating an economic climate favorable to individual enterprise and the employment of venture capital. Doubtless some forms of rationing and of price control will be necessary during the transitional period.

W. P. BARNES

President, Louisiana National Bank, Baton Rouge, La.

I am so favorably impressed with the article by Dr. Benjamin M. Anderson headed "What Can the Government Do to Promote Postwar Re-employment?" that I would like for you to send me five additional copies to distribute to some of my friends.

M. J. CLEARY

President, The Northwestern Mutual Life Insurance Co., Milwaukee, Wisc.

I didn't have time to read Dr. Anderson's article until last night. I found it most interesting. I find myself in complete agreement with his suggestions and conclusions.

J. H. VAN DEVENTER

President and Editor, "The Iron Age."

I have followed Dr. Anderson's writing for years when he was an economist of the Chase National Bank and find in this, his latest study, that was reprinted in your publication the same sound thinking and common sense that have characterized most of his writings.

J. C. Folger Sees Greatest Investment Era After War

(Continued from page 1879)

jell a bit before we talk about stabilization and foreign investments. In any event, here's where we come in. We may become involved to a degree hardly dreamed of now. We are reminded that English capital helped build our railroads and that this is the way creditor nations such as ours keep the pot of international trade boiling. It might be pointed out that the English Government never became a partner in the Union Pacific Railroad, however, and I doubt if we would have welcomed this relationship.

With high rates abroad and low rates here, it seems highly probable that much of our capital will venture abroad. Something tells me that more and more of us will be studying Spanish and Portuguese after the war. The mechanism for foreign investments is something which our New Conference Committee might properly explore.

In the field of domestic finance, we are aware that our Government has advanced $15,000,000,000 to business for the purpose of stimulating war production. Reconversion of the war plant to private business falls peculiarly in our field. Some of this business will fold up—some will fade. The appraisement of investment values flowing out of this situation is our technical job.

The War dollar is a patriotic dollar. We have helped to make it a patriotic dollar. Our business has not faltered in support of the War Loans, nor will we cease in our efforts to aid the Treasury in every way possible. This war dollar is an emotional dollar. It is a dangerous dollar. Not the least of the re-conversion problems is the re-conversion of our own thinking in terms of the peace dollar—the same old cartwheel—hard to acquire, still harder to hold onto—not easily borrowed—hard to repay.

Too many business men are saying: "Why worry about this or that expense? It will go for taxes anyway." That attitude will never save us. If we don't get back to low cost production, we are licked.

In these days and times, more and more of our problems relate to the Government. By thoughtful contribution, we may channelize but we cannot stop that trend.

Speaking of our relations with Government agencies, what are we going to do with the SEC—rather, what are they going to do with us? Also, what are they going to do for themselves? On the latter score, they haven't done so badly. High honors have come to their alumni. There were spectacular publicity and spectacular advancements. This period would seem to be about over, however. Membership on the SEC is beginning to stabilize. Possibly removal to Philadelphia, that City of Brotherly Love, has provided a soothing background.

Some have pointed out that Americans are always a bit stifflegged about making their adjustments to authority. The old railroad operators locked horns with the ICC. Commercial bankers chafed under some of the regulations of the Banking Act. Few, however, would wish to turn back the clock. On balance, the results have been good. By and large, fear of regulation is usually worse than regulation itself. We are not seeking, nor do we wish to abolish the SEC. Nobody really wants the umpire removed at a ball game, although you may feel like throwing a pop bottle now and then. We do think the Securities Act needs some practical streamlining. The little fellow with the big ideas needs easier access to the capital markets. There are some restrictions and bottlenecks which should be removed.

I had my say on compulsory competitive bidding when that subject came up before the SEC. My head is bloody, but unbowed. My views are unchanged. The auction's method is not good merchandising. It may bring the top dollar in a rising market. Indeed, it may bring more than the top dollar. Most people believe in home securities for home people

(Continued on page 1902)

IBA PAST PRESIDENTS

1931-32

Allan M. Pope

1930-31

Henry T. Ferriss

1929-30

Trowbridge Callaway

Folger Sees Great Investment Era

(Continued from page 1901)

and favor trading with the home merchant. I certainly do. The last auction sale we held in Washington, the bonds brought a point and a half above the market and not a single Washington dealer figured in the winning bid. It that good merchandising?

The theory of the Securities Act is to protect the unsophisticated buyer. Heaven knows, the borrower enjoys a seller's market these days. It is the investor who needs a representative present when the bond trades are made. That representative should be a trained man of experience and character and not just a nimble fellow with large capital willing to take a chance at 10 deals to get one for the quick turn. There is a tendency for buyers to think more and more in terms of price, to sharpen their pencils and hope to Heaven the indenture is all right. All the jewelry you buy at the auction sale isn't 18 carat gold.

I referred earlier to the high offices to which certain former SEC Commissioners had been appointed. If their successors would be less in love with the auction block, less tolerant of private placement and more mindful of the fact you can injure the best of children by nagging them too much, I would say there was no office too high for them to aspire.

Looking backward, and drawing lessons from the past, certain things stand out. Fourteen long years have come and gone since the 1929 disaster. A new era is in the making. Call this period of 14 years what you will—the fact remains that it really is about time to stop waving the bloody shirt of 1929 at the investment banking business of today. There are many engaged in this activity who were not even in the business 14 years ago. Approximately 50% of the present firms have been organized since 1929. A new generation is growing up and with it new ideas and a new approach.

People like to dramatize their thinking. The pattern of the 'twenties was pretty much the same in most lines. But even yet writers and speakers occasionally regard it as especially pathetic to regard the poor investment banker down to his last yacht. The fact is that taking the country by and large, not many in the investment field have ever seen a yacht, much less owned or sailed on one. Those with aspirations had better pick some other business. The investment banker has certainly lost his glamour and it is equally true he has lost his horns.

Without much fuss or feathers there has been a great change in the whole system of distributing securities. In 1929, the bulk of the securities sold throughout the country was handled by branches of out-of-town houses. Today it is the other way around. The lion's share of the business is done by strictly local houses. Ours is the greatest example of decentralization of any line.

I have said we were coming out of the dog house. But fourteen lean, depressing years have taken their toll in personnel, in capital, and in new blood lost to other lines of business. If we are to perform our important function both at home and in competition abroad—a line must be drawn between regulation and harassment.

I hope and believe that line will be drawn. I have always felt our business was the most interesting in the world. There is never a dull moment. Potentially, it may offer the individual the greatest possible play for personal enterprise, energy and courage. There is more liquid capital pressing for investment than ever before. The decade following the war should be the greatest investment era we have known. Investment banking is a pretty good peace stock to hold.

"Real Second Front" Not Far Off: Stalin

Premier Marshal Josef V. Stalin, in a speech at Moscow on the eve of the 26th anniversary of the Bolshevik revolution, said on Nov. 6 that the opening of a "real second front" in Europe "is not far off" and that Germany now stands face to face with catastrophe.

In United Press advices from London, where the speech was heard by radio, the following was reported:

Premier Stalin said that the operations of Allied armies in southern Europe could not yet be regarded as a second front, but that, "nevertheless, this is something like it." He added: "It is clear that opening of a real second front in Europe, which is not far off, will considerably speed up victory over Hitlerite Germany. And it will consolidate still further the alliance of the Allies with the U. S. S. R."

The defeat of the German armies in Russia and the Anglo-American blows at the Nazis in Italy have "shattered the structure of the Fascist myth, which now is crumbling before our eyes," Premier Stalin said. He declared: "Fascist Germany is suffering an acute crisis and stands face to face with catastrophe."

The United Press further stated that in the speech, broadcast from Moscow, Premier Stalin declared also:

"Finland, Hungary, Rumania and other of Fuehrer Adolf Hitler's vassal states are now trying to find a way out of the war—taking to the bushes and trying to find a favorable moment to slip away unnoticed from the robber giant.

"The Germans lost more than 4,000,000 officers and men in Russia during the last year—1,800,000 of them killed.

"The Allies are now fully determined to wage a common fight and smash the enemy, and Allied supplies are facilitating considerably Russia's fight against Germany.

"Premier Stalin laid down the following program: Liberation of the occupied countries of Europe; insuring that the liberated countries are able to choose their own form of government; punishment for all war criminals; establishment of a world order so firm that Germany can make no future attempt at world domination, and establishment of full collaboration among the nations of Europe on a basis of full, mutual trust.

"The recent Moscow conference, he said, gave 'shining proof' of firm relations between Russia and the great Allied powers, 'and now the United Nations have fully decided to deal concerted blows to the enemy.' He warned, however, that 'great exertions' still will be necessary by the Allies before final victory is achieved.

"Proclaiming that Russia was a fortress 'which cannot be smashed,' and that Russia would finish the war 'even more powerful than before,' Stalin said that, contrary to Germany's expectations, friendship between Russia and the other Allies had grown as a result of the Moscow conference."

President Still Desirous Of Meeting With Stalin

President Roosevelt is reported as still desirous of conferring with Premier Josef Stalin of Russia despite the successful outcome of the recently-concluded meeting in Moscow of Foreign Ministers of the United States, Great Britain and Russia.

In response to questions at his Nov. 5 press conference, the President said that further meetings growing out of the tri-partite conference will undoubtedly be held.

The results of the Moscow conference were reported in these columns of Nov. 4, page 1799.

J. N. Whipple Urges Sale of Government Bonds to Individuals

(Continued from page 1881)

fessionals in the distribution of securities, let each one of us regard this problem as if it were his own individual responsibility.

Those of you who attended our annual meeting a year ago will recall the speech of Undersecretary of the Treasury Bell, from which I quote the following paragraph:

"I think you will have seen by now that our financing program has taken on a clear and well considered pattern. Naturally this program constitutes only a working framework of principles. We shall, of course, endeavor to improve it and in doing so may make further changes in the types of securities offered, especially to nonbanking investors, and in the methods of offering them."

While the sale of war bonds has been described as a crusade of all the people, and I do not quarrel with this conception, we in the securities industry have a background of experience which should enable us to make sound suggestions to the Treasury in the matter of types of securities offered and effective methods of offering them.

Recognizing this, Secretary Morgenthau at our Board of Governors meeting last June, asked that a man be nominated to represent the securities industry in the Treasury Department in Washington. With the enthusiastic endorsement of the NASD, New York Stock Exchange, Association of Stock Exchange Firms and Government Dealers Association, a former President of this Association, Edward B. Hall, on leave from Harris, Hall & Company, has undertaken the job and become an assistant to the Secretary of the Treasury. He accepted the appointment because of a patriotic and earnest desire to help, and I urge your cooperation with him to the end that all the talent and resourcefulness of our industry be placed at the disposal of the Treasury.

It is evident to all of us that despite the excellent results attained thus far, more effective methods of selling government securities to the people can be developed. The great hoard of uninvested funds in the hands of millions indicates how far short of a complete job has been done to date. Recent figures of the Federal Reserve Board show that business and individual demand deposits in banks have doubled since 1939 and now stand at $56,000,000,000. Currency in circulation has increased from $7,000,000,000 to over $19,000,000,000 in the same period. Time deposits in commercial and savings banks and in the Postal Savings System now total $31,000,000,000, as against $25,000,000,000 in 1939. In these vast sums there is a challenge to our business; an opportunity for greater service in financing the war and contributing to a sound economy after the war.

Its utilization is an investment problem and a matter of selling—not only the actual war bonds themselves, but also selling the concept of saving and investing—for self-interest motives as well as for patriotic reasons, so that the majority of war bonds will, if possible, be held to maturity, and the reserves that have been accumulated by the people will be retained, providing their holders with their own social security.

An official of the Government, who is not in the Treasury Department, said to me a few weeks ago: "The trouble with most business men is that they come down to Washington with a lot of half-baked ideas that they have not thought through and then resent the fact that their suggestions are not adopted immediately." Obviously, we and others not daily engaged in solving the problems confronting the various branches of the Government are not in a position to know the conflicting factors bearing on every decision and the reasons why certain actions should or should not be taken.

At the risk of having my ideas described as "half-baked" and basing them on my own observations and experiences rather than presuming to reflect the view of the Association (although I have discussed these questions with many of you), let me say that I am impressed with the fact that the social and economic importance of transferring the Government debt to the people has not been sufficiently impressed upon those who should concern themselves with the problem.

The demands of production for war resulted in an overwhelming response from every corner of the nation by those best qualified to contribute. Their problems are far nearer solution than those relating to financing the war. It is time now to enlist all the best financial, merchandising and publicity minds in the country in organizing the most effective selling force the world has ever known to plan and direct a crusade for spreading the gospel of thrift and saving to all the people, and the purchase of Government securities with those savings. There are 33,360,000 families in the country. The Government needs another army of over 8,000,000 salesmen, each one of whom is responsible for seeing that four families buy and retain war bonds to the limit of their ability.

One first essential to success in this program is the constant demonstration by the Government of its unwavering intention to maintain the purchasing power of the

(Continued on page 1904)

IBA PAST PRESIDENTS

1927-28

Henry R. Hayes

1926-27

Pliny Jewell

1925-26

Ray Morris

J. N. Whipple Urges Sale Of Government Bonds To Individuals

(Continued from page 1903)

dollar, not only through price controls and rationing and a sound fiscal policy, but by the drastic curtailment of all Government expenditures not absolutely essential to victory.

As a means of stimulating and broadening the market for Government securities, I urge consideration of five specific suggestions:

1. Concentrate the Fourth War Loan drive on sales to individuals by establishing state and local quotas based on sales to individuals only. No credit toward these quotas should be allowed for sales of tax notes and certificates.

2. Make available a coupon, marketable bond in denominations as low as $100 in order to provide an issue which small investors who may be prejudiced against registered securities will buy. This issue, like the series "E" bond, might well have certain features as to rate and redemption which require that it be eligible only for individual investment in limited amounts.

3. Establish a partial payment plan under which individuals can be signed up during drives for larger amounts, to be paid out in the intervals between drives. This should tend to increase the size of average purchase and reduce the number of pieces issued.

Arrangements to handle partial payment contracts could be made with the present issuing agents of series "E" bonds.

4. Place the Federal Reserve banks in a position of greater authority and responsibility in the bond selling program. As fiscal agents of the Treasury, their prestige should be fully utilized in enlisting the support of the most effective manpower in every community and, although state lines could still be preserved, their geographical locations provide a logical basis for organizational decentralization from Washington.

5. Outline the objectives of each War Loan drive and develop plans for attaining them as specifically as possible at least four months in advance.

This amount of time is needed for proper planning and organization in the field.

I do not believe that the importance of improving the organization and technique for selling war bonds can be exaggerated. Besides providing the Government the funds needed, over and above its revenues, to finance the war, a well-conceived program should have these additional objectives:

1. Popularizing personal economy and the feeling that living on a lower scale with the Smiths is smarter than trying to keep up with the Joneses.

2. Employing the surplus funds of individuals which otherwise represent an ever present threat to price control and have dangerous inflation potentialities.

3. Encouraging the careful investment of savings and the development of a broad new market for the securities of industry which will need capital in the post-war period.

Another immediate benefit will result through effective inculcation of the desire to buy and own bonds. This should provide an incentive to war workers, which will help to cure absenteeism. Even though manpower is now the critical bottleneck of production, a worker who would ordinarily have something he urgently wanted to buy or had to pay for, now frequently finds he has nothing to buy and takes a day off at will. We used to laugh about the old darkey who didn't want to mow the lawn for a quarter because he already had a quarter. Production men don't laugh at it these days.

Some estimates of the post-war capital requirements of business are included in the Industrial, Railroad, Public Service and Municipal Securities Committees reports which will be made tomorrow afternoon.

An industrial engineer who has been in war plants throughout the country recently described a childhood experience to illustrate his conception of the situation of our industrial plants the morning after the new Armistice Day.

When he was about ten, there was a big fire in his community, which had no fire fighting equipment of any kind and no water system except wells and cisterns for every house.

It was late, about midnight, he said, when people shouting "Fire" in the street woke up the town. The three-story frame hotel in the middle of the business block was on fire and everyone came running with ladders, buckets, pails, washtubs and anything that would hold water. The entire population over four years old turned out, formed lines to pass water from the nearest well, and ran back and forth to more distant ones. The hotel burned down, but the stores on either side were saved.

When the fire was finally put out, a few villagers found their pails and ladders, but most of them had to wait for daylight. As might be expected, the boys were the first back to the scene of the fire the next morning, and the vivid picture in his memory is the motley array of pails, pans and other property usually cherished by the careful country people, strewn about just as they were abandoned after having served their purpose in the emergency of the night before.

Much of our equipment and facilities have been turned over for use in our emergency, and this man visualizes the country, the morning after the armistice, strewn with war plants as the scene of that fire was littered with buckets, pans, washtubs and every kind of fire-fighting equipment.

We will have a part in retrieving those plants. Some of them, in the light of new technologies just waiting an opportunity for application in peace-time operations, will be as archaic as a bucket brigade. Modernizing them will call for capital. The Government owns $15,000,000,000 of the nation's factories today. The part of that installation that is adaptable to production for civilian needs must be transferred to private ownership.

One of the country's industrial leaders warned against stratospheric planning and urged sea-level planning instead. The proposition that the nation's industries will need billions of new capital and that individuals have immediately available the billions of savings to supply the capital need can be reduced to the proportions of a single corporation, and so get down to sea level.

I know of one manufacturing concern whose 100 or more plants throughout the country have made nothing but war goods since a few months after Pearl Harbor. It was using 100,000 machine tools in its pre-war operations. Half, or 50,000, of them could be used on its war products. Another 25,000 were turned over to other manufacturers who could use them in war production and 25,000 were scrapped.

Today the company is again operating 100,000 machine tools but of the 50,000 added for war work, 40,000 are owned by the Government, which has invested a total of a half billion dollars in plants and equipment for this one concern to operate.

It is impossible to put a figure today on the amount of capital this company may need to restore its own property, acquire the convertible part of the Government's facilities, replace machine tools not adaptable, and replace its military goods inventory with civilian goods inventory.

This company has approximately 400,000 stockholders and about the same number of employees, many of whom are also stockholders. Does it seem visionary to consider the possibility of these workers, whose savings are currently at the highest rate in history, buying securities of their company to finance in part its post-war rehabilitation?

The great diffusion which is taking place in the ownership of capital will present a new problem. We must find improved methods of assembling this capital and making it available to industry through the private capital markets. Unless we do, the Government will lend business the money it requires and obtain it through taxes. The transition from government loans to government ownership is apt to be short.

It is a fundamental of our economy that capital from private sources will be forthcoming only if there is an incentive and if an environment favorable to economic progress is provided. One obstacle to the ready flow of private capital will be the heavy burden of taxes which is inevitable but must be distributed in such a manner as to leave the profit incentive to enterprise.

Taxes will probably prevent corporations from obtaining a normal amount of their own capital needs through plowed-back earnings, which in the past have provided the major part of new capital for all industrial enterprises. From 1930 to 1939, business consumed capital instead of accumulating it. Since 1939, there has been some capital accumulated on balance, but in 1942 Federal taxes absorbed 68% of the net income of all manufacturing enterprises as against 18% in 1939.

Individuals with large incomes have a similar or even heavier tax burden, and the amount of new capital available from them will be limited. The contrast is sharp between this group and the large number of individuals of modest means who have savings which in the aggregate are fully adequate to meet the nation's capital requirements. Broadening the ownership of American business and encouraging those who work to own a stake in industry commensurate with their jobs are desirable by-products that can result, if we meet the challenge presented in this post-war situation of great need for capital on the one hand and great abundance but great diffusion of capital on the other.

In addition to the demands for capital by our domestic economy, the amount required to stabilize currencies and provide for the restoration and expansion of industry and trade all over the world will exceed anything we have known in the past. The formulation of sound policies governing foreign lending and investment is a subject that demands the immediate attention of our Association. The mistakes of 23 years ago will not be repeated.

We must assume much responsibility for determining whether the field of investment both at home and abroad is developed largely by private capital or government funds. I have full confidence that the members of our industry will bring to bear on the problems involved such intelligence, resourcefulness and vision that their solution will be one which insures the preservation of private enterprise and the way of life after the war which those now in battle are fighting to preserve.

Individual Freedom And Economic Planning

(Continued from page 1880)

ernment planners, if planning for the nation as a whole, have merely the primary factors of labor, land, capital, which they must put to their most effective uses in satisfying the needs of the citizenry. They are usually guided only by vague guesses or by statistics which are no longer current, since they can not be kept up to date in an overall fashion for the entire country.

In any economic order there should be a mechanism for ascertaining the wants of the citizens; and, second, a mechanism to organize production according to these wants. Under our present economic system the wants of the people are determined by their bids in the market. The collective demand of the citizens at large constitutes the social importance of any particular want. The problem then is how to combine in production the several resources available so that the maximum amount of wants can be satisfied. Business managers under our present system take the costs into account which are provided by the market. But in overall government planning the cost of using any resource for the satisfaction of a given want would mean the advantages which might be derived from the use of this particular resource in another way. This may be referred to as opportunity cost. Decisions would constantly have to be made involving the alternative uses of resources or primary factors of production.

The complexity of the attempt to take care of the wants of a whole nation through centralized control have until recently not been treated in even an elementary way. Socialism or Collectivism has been looked upon by many as the inevitable successor of our system of free enterprise. Capitalism, it was claimed, was disintegrating. Finally it would fall of its own weight and then humanity would move to higher levels of well-beng under the new socialistic economy. Adherents of this newly proposed system were cautioned not to enter into any analysis or discussion of the new plan. In no case were they to attempt to explain the probable working of Socialism. It was sufficient to know that it would succeed our present economic system when its final disintegration was complete.

Several decades ago, however, a few well-known economists, among them Von Mises, Hayek and Lionel Robbins (the last two of the London School of Economics) have shown that the government operation of any economic system cannot fulfill the hopes that have been staked upon it by its supporters. These authorities have been consulted in the preparation of this paper.

Generally, it is hard to realize how difficult the problem of a centrally controlled economy really is. Under our system of individual enterprise, the various producers make their forecasts. If their decisions are correct and the consumers are satisfied they stand to gain. But if they make wrong decisions, they bear the loss as individuals. This distributes the gains as well as the losses over the whole economy, and gives it an elasticity which cannot be attained in any other way. The individual producers usually adapt themselves quickly to public demand. They can allow for the introduction of new inventions and discoveries which will facilitate production. Government planners on the other hand, since they must rely upon vague notions of what the public requires, cannot quickly adjust themselves to the changing patterns of public demand, and losses sustained on account of their mistakes will have to be borne by the public in a lower standard of living.

In this discussion we are assuming that the people should judge what wants they desire to have satisfied. This may be a violent assumption in view of the well known disposition of some human beings to tell their fellows what their wants ought to be. Government planners could hardly forego

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IBA PAST PRESIDENTS

1924-25

Thomas N. Dysart

1922-23

John A. Prescott

1920-21

Roy C. Osgood

Individual Freedom And Economic Planning

(Continued from page 1905)

their desire to select for the people those wants that should, in their estimation, be satisfied. At any rate, there will always be a disposition on their part to identify the interests of individuals with those of the government. This attitude, as history shows, tends to become the prevailing one with the result that in the end citizens will be told what is good for them, and soon their liberties will have disappeared.

It seems reasonable that the most intelligent handling of our resources will be achieved under a system of individual initiative. Experience teaches that the average man is much better informed and less corruptible in the decisions which he makes as a consumer and a producer than in the decisions which he makes as a voter. Naturally, the managers of a governmental economy wish to perpetuate themselves in office. An American sociologist in a book written about a decade ago referred to the experiment going on in Russia, saying that we should not be disappointed in the results which were being attained, because politics had crept into that state economy. Presumably, he thought that other countries such as our own would be able to operate a state economic system without politics. If so, that was naivete extraordinary.

But even if we assume that government planners are men of unimpeachable integrity who desire to use the resources of land, labor and capital in such a way that the wants of the citizens may be provided for according to the consumers' free choice, the difficulties that lie ahead of these planners are insurmountable.

In passing we may draw into this discussion the problems which at present beset the OPA in its attempt to control prices. What confusion and working at cross purposes do we have, even though the men in authority are in most instances sincerely desirous of doing a good job for their country in this emergency! In time of war this attempt is no doubt necessary in order to avoid, if possible, the evils of run-away inflation. By and large it drives home the impossibility of having any group of planners interfere in a satisfactory and successful manner in our system of economic production and distribution.

In further elucidating the nature of economic planning it is necessary again to emphasize that it constantly involves the comparative valuation of the needs of human beings as well as the resources available to supply them. In a small way the problem is presented in the administration of a family. Parents interpret the wants of the members of the household in an appreciative way, and distribute the resources at hand in an understanding fashion.

But government planners for a nation have the task of interpreting the wants of millions of citizens, and this is an impossibility because in centralized planning no mechanism is provided to make these wants known to the group of planners who are in overall authority. The decisions would have to be made, by and large, in hit or miss fashion, and many would be the substitutes the citizens would have to accept or go with their wants entirely unfulfilled. One economist refers to our system of free initiative as offering what might be called an a la carte service. Under government operation of the economy this soon would be out of the question and only a limited table d'hote service of standardized articles could be expected.

Let us contrast with the government's problem in this instance the fairly simple situation of an isolated producer such as Robinson Crusoe. He would have no difficulty in making the most effective use of his time and other resources because he would have before him an accurate picture of the relative importance of his wants and would also be aware of the time and labor necessary to satisfy them. Possibly the head of a small patriarchal association or group could by method of direct evaluation bring the productive forces of the group into harmony with their preferences for goods and services. But for a country of millions of citizens, the problem would be insoluble. Those people who wish to provide for consumers through a governmental agency are possibly thinking of the satisfaction of only the elemental wants of human beings. But when we think of satisfying human wants in a somewhat more elaborate fashion, we are confronted by a diversity in human tastes and such variations in human demand that no single agency could begin to keep up with them. Only by having the responsibility for production scattered widely among the individuals of the economy can there be an adequate adaptation of the forces of production to the needs of the community at large.

It is a curious fact, however, that while most of us are opposed to extensive government interference because the problem is so complex and difficult, there are those who give the complexity of any economic system as the main reason for government interference and planning. With them it is an article of faith and they are willing to extend and expand such a program until it ends in all out collectivism. What cannot be accomplished in a perfect manner by myriads of individual producers—all with their ears close to the ground to divine the needs and demands of the public—these planners of a centralized economy have no fear of tackling if only they could get the authority to try their nostrums.

Some of the experiences of Russia during recent (pre-war) years may be of interest in this connection. It is conceded that in her experiment mistakes were made by too much construction of machinery, buildings, dams, etc., instead of using labor directly for the production of goods for immediate consumption, which the people so greatly needed. For example, tractors were used on too large a scale in farming. Even though we assume that grain production was increased by the use of tractors, the decision to use them to such a great extent was uneconomic anyway. It would have been better to have continued to use largely farm labor which would have been cheaper (in terms of bushels of grain produced) than tractors. The capital consumed by the excessive use of tractors could then have been used in another way. That is, it would have helped to increase the total economic production and thereby enhanced the well-being of the people. This was a case of relative evaluation of two factors of production—labor and capital. It shows that government planning of that sort is a value problem and only incidentally a technological problem. The comparative costs of labor and of capital as alternative factors in production were here involved. The costs could not be exactly calculated because under government management the cost of labor in any individual case is the use to which this same labor could be put in producing other commodities and services.

In other ways, too, the economy in Russia during the past few decades promoted an enormous expansion of its capital goods industries. For the people at large this meant what may be called forced saving. These large capital investments were naturally made at the sacrifice of the consumers and particularly of those in the agricultural areas. Many large buildings were constructed on a grand scale. They seem to have been regarded as ends in themselves, while they ought to serve, first of all, the requirements of the people. The construction of the great power station on the Dnieper River has won the admiration of many foreign travellers. But whether its construction can be justified from an economic point of view is doubtful. While it was being built, it is said, that there were no facilities available for building houses for the workers who had to live under very adverse conditions. The construction of a great deal of complex machinery was of doubtful utility from the standpoint of the people at large.

In concluding this reference to Russia, I should add that this centralization of economic power in the hands of the government was of advantage to Russia in fighting the war, though it is clear that in such cases the individual consumers have to pay the price. Brutzkus, a Russian economist, states that if the problem is to make any economic system serve extra economic ends, then a planned economy provides an excellent solution. That is one of the main reasons why Russia has been such a formidable force in the war.

Other instances may be brought showing that problems of govern-

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IBA PAST PRESIDENTS

1918-19

W. G. Baker, Jr.

1915-17

Lewis B. Franklin

No Currency Dilution And Increased Productivity Key To War Debt Problem

(Continued from page 1882)

time be limited in supply, indicates a danger of inflation in the immediate post-war years even greater than that which exists now.

"The concept of a mad rush to cash bonds at the end of the war is something that I myself am not inclined to accept without considerable reservation.

"The desire to save, to provide for the future is, I think, a pretty basic human instinct and a habit which very quickly takes root.

"It is true that in the pre-war years many people either were denied the opportunity of saving or lost the desire to save.

"During the war saving has again become respectable and indeed has been elevated to the position of a patriotic duty.

"Many people have had their appetite for saving whetted and are tasting for the first time the luxury of independence that only a reserve of savings can bring. I suggest that the desire to save can, in large measure, be projected into the post-war years IF we see to it that the act of saving continues to be respectable and that savings will be respected.

"Now that, of course, is just another way of saying that ONE of the conditions of a nation's ability to carry its public debt in the post-war years, without inflation, is continued confidence in the debt itself and in the currency in which it will be repaid.

"But to provide an enduring foundation for this confidence we shall have to ensure that the post-war years will give the lie to a philosophy of economic defeatism which we see lurking in certain quarters today.

"The assumptions underlying this philosophy are that private enterprise is about played out; that in any event the limits of economic expansion have been reached and no new frontiers remain; and that full employment and social welfare can only be achieved at the cost of increases in the public debt continuing indefinitely into the future.

"It is a philosophy that is almost grotesquely at variance with our deeply-rooted traditions of thrift and sturdy independence.

"But the point is, I think, that if we assume the indefinite expansion of government debt to be a sort of inexorable and inevitable 'wave of the future' which it is useless to oppose, then we must be content to foresee and to accept a progressive lack of interest on the part of the individual in the processes of saving and investment, with all the economic and psychological consequences that this would involve.

"For it seems to me that the concept of ever-increasing debt in peacetime years inevitably implies ever-increasing taxation, or a continuous process of creeping depreciation of the currency, or both.

"This is not an atmosphere in which private saving or private initiative can flourish or in which the value of savings can be maintained.

"And this brings me to another point. I suggest to you that the matter of the ability to carry debt without inflation cannot be considered apart from the whole range of economic and social objectives which will challenge us after the war.

"Basically, the condition necessary to the attainment of all these objectives is a high and increasing national income, NOT in terms of high and increasing prices, but in terms of high and increasing PRODUCTIVITY. That is the key to the problem of post-war debt,

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Individual Freedom

(Continued from page 1907)

mental economic control are value problems. Some one recently called my attention to a question which faced our government in a locality where it wished to acquire an aviation field. Two opportunities offered themselves as probably suitable. One piece of land was rich in fertility for the production of foodstuffs and general crops, and at the same time it possessed in other respects all the necessary attributes for a first class aviation field. The second piece of land was equally suitable for airplanes as regards terrain, contour, approaches and so forth, but the soil was decidedly inferior in fertility when compared with the other acreage.

I do not know what decision was made by the government. Certainly no sacrifice should have been spared, we would say, in acquiring the very best aviation field possible. At present only one consideration could be paramount. On the other hand, circumstances might arise under which the government would have to decide the particular use to be made of these two pieces of land, either as aviation fields, or for the production of food. In this way a value problem would be posited, such as governments have before them all the time if they attempt to operate the economic system. In this case only one sector of our economy was involved and when I first heard of this incident it did not impress me seriously, but since our food problem is becoming acute, there is no longer such a far cry between the need of land for aviation fields and its comparable utility for the production of foodstuffs.

Summarizing, the more the government gets in control of the economic system—and this is true of all governments no matter how high-minded the administration may be—the more the freedom of individuals will be curtailed. This is not the result of the sinister plans of any particular group, but it flows from the nature of the problem which is involved. The attempt to supply the individuals of a state with economic goods and services is bound to end in failure so far as satisfying the individuals is concerned. Each indication of failure will lead to more regimentation in the vain hope that greater control will bring about the desired result. And, finally, the freedom and liberty of the citizens will have been sacrificed altogether. Hence, the general conclusion that only a system of free enterprise can perpetuate our democracy. There is danger lest the democracy which we prize so highly will be lost at home under post-war pressure, after we have fought for its reestablishment abroad.

The CHRONICLE invites comments on the views expressed by Dr. Hauhart in this article, or on any related phases of the subject under discussion. Comments should be addressed to Editor, "Commercial and Financial Chronicle," 25 Spruce Street, New York 8, N. Y.

No Currency Dilution And Increased Productivity Key to War Debt Problem

(Continued from page 1908)

post-war employment and post-war prosperity.

"I do not think I am numbering myself among the starry-eyed and impractical optimists when I say to you that these objectives are not beyond our grasp.

"It is idle to ignore the magnitude and complexity of the problems which the post-war world will have to face, but it is equally idle to shut our eyes to the tremendous opportunities for enterprise and initiative which the very task of reconstruction will present, to say nothing of the horizons of material progress that still stretch ahead.

"To look only at this continent—despite our much-vaunted pre-war living standard, is all our housing adequate and up-to-date?

"Are the desires of the people for the material comforts and conveniences of life satiated?

"Have our production methods reached the stage of perfection wherein no further improvement is possible?

"Must we assume that the inventive genius of individual enterprise which has achieved so much in the vast effort of arms in which we are engaged will have nothing to offer for human well-being in the days of peace?

"Recently there came into my hands an old leather-bound volume, printed in 1821, entitled 'Transactions of the Society, Instituted in London, for the Encouragement of Arts, Manufactures, and Commerce.'

"The book contained, among other things, a list of prizes, 213 of them, which the learned Society had offered in 1820 to stimulate invention to meet the needs of the day.

"There was a prize of 10 guineas for a method of improving the wicks of tallow candles 'to remove the unpleasant consequences and waste from the sparkling or guttering of the candles in common use.'

"Thirty guineas were offered 'to the person who shall invent and discover to the Society a method for preventing accidents arising from stage coaches,' while a similar sum was dangled before the eyes of 'the person who shall invent a method of heating rooms superior to and cheaper than any hitherto known or in use.'

"There was a prize of 50 guineas for a method of 'permanently ventilating the apartments of hospitals, workhouses and other crowded places.'

"Lighting, speedy and safe transportation, air-conditioning and temperature control—what advances have been achieved in these fields alone since the Society concerned itself with improvements in tallow candles, stage coaches, and primitive methods of heating and ventilation. There is a lesson in this for the gloomy philosopher of economic stagnation that is too obvious to require any attempt on my part to develop it further. But I would say this—that private enterprise has had its play and its performance has been good.

"Looking out into the world beyond us—there are vast areas scarcely yet touched by the products of modern invention.

"Indeed there are many parts of the world where the material manifestations of industrialism have thus far been only the gun, the tank and the bombing plane.

"Until the teeming millions of the as yet undeveloped areas of the world have satisfied their last material desire, I do not think we need to worry about lack of markets or lack of opportunities. Nor do I think that as nations we need to start eyeing each other uneasily as post-war competitors in a restricted world.

"Historical parallels are often misleading, yet it is, I think, at least worthy of note that at the end of the great French Wars in 1817 England was left with a debt burden of about £850,000,000 as compared with a debt of about £238,000,000 25 years earlier when the wars began. For those days both the increase in the debt and its absolute amount at the end of the period appeared staggering.

"Yet in the era of vast commercial and economic expansion that characterized the balance of the 19th century, that debt was to sink into a place of relative insignificance.

"By 1913 not only was its carrying charge negligible in relation to the national income which had been then attained, but it had also been reduced in absolute amount to about £706,000,000.

"Moreover, the whole period between 1817 and 1913 was one in which the long-term trend of commodity prices was downward.

"As I have said, the analogy is by no means exact, but there is one lesson in the experience of the 19th century that we must take to heart today.

"For within that period there took place a RELATIVE increase in productivity and in the enhancement of material welfare which I do not think we have yet been able to duplicate in the 20th century.

"And if my reading of history is correct, the one thing that distinguished the period between 1817 and 1913 from the years which have followed, is that our forefathers of a century ago did seem to be able to evolve and maintain something in the nature of a workable system of economic internationalism which we in this century have not yet been able to achieve.

"It will be our task to endeavor to rebuild a world in which the ordinary day-to-day processes of commerce and enterprise will be forever pushing beyond international boundary lines—a world in which, between men of different nations, undertakings great and small may be initiated in confidence and in which promises may be fulfilled in honor and in safety.

"The rewards of success are dazzling. The consequences of failure are too bleak even to contemplate."

Federal Tax Courses Are Offered By NYU

Problems which attorneys, accountants and corporation executives will face in preparing 1943 Federal tax returns will be the subject of two series of lectures and discussions to be given by the New York University Division of General Education beginning Dec. 27, according to Prof. Paul A. McGhee, Acting Director of the Division.

J. K. Lasser, nationally known tax authority and Chairman of New York University's Institute on Federal Taxation, will conduct a series of 10 weekly meetings on the general topic of excess profits taxes on corporations, while David B. Chase, member of the New Jersey bar and author of several books on tax problems, will present a series of weekly lectures on a functional approach to income taxes.

This will be the third year in which New York University has offered special courses on the current year's tax problems. Over 450 practicing attorneys, accountants and corporate executives have attended these lectures in the past, according to Professor McGhee, who states that they are intended for those whose work requires them to have more than a superficial knowledge of tax problems.

FIC Banks Place Debs.

A successful offering of two debenture issues for the Federal Intermediate Credit Banks was concluded during October by Charles R. Dunn, New York fiscal agents for the banks. The financing consisted of two issues viz: $28,345,000 7/8% Consolidated debentures, dated Nov. 1, 1943 and due Aug. 1, 1944 and $28,575,000 0.95% Consolidated debentures, dated Nov. 1, 1943 and due Nov. 1, 1944. Both issues were placed at par. Of the proceeds $46,060,000 was used to retire a like amount of debentures becoming due Nov. 1, 1943 and $10,860,000 was for new money purposes. At the close of business Nov. 1, 1943, the banks had a total of $285,355,000 debentures outstanding.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

The investor in fire insurance stocks who is interested in their long-term investment characteristics and advantages, rather than in current dividends, would do well to keep an eye on "earning yield" rather than "dividend yield." Furthermore, he should pay some attention to earnings on a consolidated basis as compared with earnings on a parent company basis, and also give some thought to the relative desirability of the stocks of companies which own subsidiaries and of those which do not.

The following tabulation shows average annual net operating earnings per share over the eight years 1935 to 1942, for 19 representative fire insurance stocks, on a parent company basis vs. consolidated basis, together with comparisons of dividend coverage and earning yields:

	Asked Price 10-30-43	—Consolidated Basis— Net Op. Earnings	Div. Coverage	Earning Yield	—Parent Basis— Net Op. Earnings	Div. Coverage	Earning Yield
Aetna	$57½	$3.83	$2.25	6.7%	$2.80	$1.65	4.9%
Agricultural	82	6.24	1.95	7.6	5.81	1.81	7.1
American	16⅛	1.30	2.27	8.1	1.23	2.15	7.6
Boston	605	41.80	2.04	6.9	34.45	1.68	5.7
Continental	48¾	3.64	1.97	7.5	2.87	1.53	5.9
Fidelity-Phenix	50¼	3.98	2.12	7.9	2.94	1.56	5.8
Fire Association	71	4.86	1.94	6.8	4.58	1.83	6.4
Glens Falls	45¾	3.17	1.98	6.9	2.01	1.26	4.4
Great American	30¾	2.28	2.04	7.4	1.54	1.38	5.0
Hartford	101¼	8.28	3.60	8.2	4.71	2.04	4.6
Home	33½	2.14	1.31	6.4	1.95	1.20	5.8
Insurance Co. of N. A.	86	5.90	2.22	6.9	4.24	1.59	4.9
National Fire	62½	4.90	2.45	7.8	3.88	1.94	6.2
New Hampshire	40¾	2.83	1.62	5.7	2.63	1.50	5.3
Phoenix	90¾	5.56	2.02	6.1	4.09	1.49	4.5
Prov. Washington	39⅜	2.93	2.12	7.5	2.59	1.87	6.6
St. Paul F. & M.	311	21.70	2.63	7.0	15.14	1.84	4.9
Security	38⅝	3.10	2.22	8.0	2.41	1.72	6.2
Springfield F. & M.	131	10.09	2.12	7.7	9.08	1.91	6.9
Average			$2.15	7.2%		$1.68	5.7%

It will be noted that on a "consolidated" basis average dividend coverage is 2.15 and earning yield 7.2%, compared with 1.68 and 5.7%, respectively, on a "parent" basis. Home has the lowest "consolidated" dividend coverage of 1.31 and Hartford the highest of 3.60. The lowest "consolidated" earning yield is 5.7% for New Hampshire and the highest is 8.2% for Hartford.

On a "parent" basis Home again has the lowest dividend coverage of 1.20 and American the highest of 2.15, with Hartford a close second of 2.04. Lowest earning yield is 4.4% for Glens Falls and the highest is 7.6% for American.

Turning now to companies which have no subsidiaries, the following table is of interest. Net operating earnings again are the annual average for the eight-year period 1935 to 1942.

	Asked Price 10-30-43	Net Op. Earnings	Div. Coverage	Earning Yield
Am. Equitable	$21	$1.58	$1.34	7.5%
Camden	23⅛	1.81	1.81	7.9
City of New York	20⅝	1.61	1.44	7.8
Franklin	30⅞	1.85	1.37	6.0
Hanover	30¼	1.60	1.14	5.3
Homestead	16½	1.39	1.64	8.4
New Brunswick	34¾	2.52	1.52	7.2
Northern	95	8.40	1.77	8.8
North River	25⅝	1.46	1.46	5.7
U. S. Fire	52	3.81	1.90	7.3
Average			$1.54	7.2%

It will be noted that the average dividend coverage for this group is 1.54, compared with 1.68 for the larger group on the "parent" basis and 2.15 on the "consolidated" basis. Average earning yield is 7.2%, the same as the "consolidated" average, but higher than the "parent" average of 5.7%.

The significance of these statistics lies in the fact that, over reasonable investment periods, the relative appreciation of individual stocks during a sustained market advance is approximately proportional to relative earnings. Thus, when the percent market appreciation of each of the above 29 stocks, from the 1938 low to the recent high of Sept. 30, 1943, is plotted on a graph against the "earning yield" of each stock as of the start of the period, a high degree of correlation is found, with a few exceptions, such as to permit a definite upward trend-line to be drawn through the scattered groups of 29 points. For example, Continental and Fidelity-Phenix had the two highest "consolidated" earning yields at the 1938 low, of 16.5% and 16.9%, respectively; their market appreciations to Sept. 30, 1938 have also been the highest, viz: 124.4% and 112.8%, respectively, compared with an average of 55.7% for the 19 stocks which have "consolidated" earnings. The stock with the lowest "consolidated" earning yield at the 1938 low was Boston with 8.0%, and its market appreciation was also the lowest, being only 17.1%. Between these two extremes the relative market appreciation of the other 16 stocks have been approximately proportional to earning yield with remarkable consistency.

Another point of interest is that the market appears to favor the stocks of companies which have subsidiaries over those which have none. Again, there are sometimes exceptions. The average market appreciation of the 19 "consolidated" stocks from the 1938 low to Sept. 30, 1943 was 55.7%, whereas for the 10 stocks with no subsidiaries, the average appreciation was 26.2%. An exception in this group was Franklin which appreciated 55.8%.

The investor in fire stocks should study carefully the earning history, as well as the earning prospects, of leading companies in the field, and put his money, other factors being equal, where he can buy the most earnings, rather than dividends. According to the record he should then, in the long run, obtain better investment results.

Dealers Virtually Unanimous In Condemning NASD Profit Limitation Decree

(Continued from page 1873)

fully and intelligently recommending to them the securities which, in the judgment of the dealer, were best suited for their purposes. The dealers' success with these clients is based entirely upon his experience, his knowledge, his perspicacity in choosing the right securities. His clients become of a rather personal property nature because they depend entirely upon the dealer for their financial advice. By the nature of such a relationship does the recommending of any securities become "riskless"? Doesn't the dealer incur a risk every time he makes a recommendation? Doesn't that risk involve his reputation and his future business with that client?

Might there not be a fundamental weakness in the interpretation by the Board of Governors which says: "It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security." Does this interpretation adequately consider the tremendous amount of research work which may have been done before a certain security was recommended to a client as the best for their requirements? How is a dealer going to be compensated for this work?

The seriousness of the situation lies in the fact that the dealer receives no income from the client unless he actually makes a sale or a purchase. He may have scores of interviews with a client during the course of a year, advising the client on every aspect and problem of his investments, for which he receives no compensation. He may collect coupons, he may ship bonds for payments, he must keep accurate record of what transpires in the affairs of each and every corporation in which the client holds securities, he must keep the client informed continuously of how his securities are progressing. He makes personal visits to brokers and underwriters in the financial centers to check securities. He calls on corporation officers to keep abreast of developments. All of this consumes valuable time, adds to the effectiveness of his service, but for which he receives no direct compensation. Furthermore, he must subscribe to the best statistical services, he must do a great deal of study and analytical work in order to improve his technical knowledge, yet, he actually gets no pay until he SELLS A SECURITY. Is he not therefore entitled to make more than 5% on the only source of income which he has?

The whole situation boils down to the simple statement which was made in the article that the vast majority of small dealers cannot survive with a 5% limitation of profit. You have started a good fight and we sincerely hope that you can finish it. We have written a rather lengthy letter but we wanted to cover our thoughts on the subject. Kindly do not use our name if you publish our comments.

DEALER NO. 5

We want to commend you on your article pertaining to the NASD in your issue of Thursday, Oct. 28th.

Certainly, in a rule to be adopted as serious as this, the Association members who are the ones supporting the NASD should be permitted to vote on such a drastic regulation.

Unquestionably, the majority of NASD members do not have to be told what to do, or how to do it, they know what is fair and what is unfair. Naturally, the NASD was formed and has the support of those members who are just and fair in all their dealings. Therefore, let the NASD go after any members who might be on the "shady" side instead of trying to push through a rule affecting the majority of the members, who in reality need no policing.

I think it is high time the Association devote its time, money and energy to helping the security dealers instead of adopting the attitude of police officers and being a hindrance instead of a help.

Unquestionably, 90% of the security dealers of Chicago feel like the writer does and they are up in arms and want to know what we pay dues for and then get this kind of treatment. It might be a good idea, and within the realm of possibilities that lobbying be done in Washington to throw out this NASD business. Legitimate dealers have no fear of the SEC. Therefore, why should we be policed by the NASD and have to pay for it in the bargain?

DEALER NO. 6

The financial papers are carrying the item of news that the National Association of Securities Dealers, Inc., with the SEC would limit the mark-up on securities to 5%.

Our organization strongly opposes any such idea. We can see how houses like * * * & Co., * * * & Co. (names of firms deleted by Editor) and a great many other concerns who took from 12 to 15% on bonds plus bonuses of stock, etc., in the 1920's and made large fortunes can sit back today and make splendid profits due to the tremendous volume of business which they are able to handle through their large capital. Smaller houses, however, who make sales to small buyers would be just out of luck because certain stocks may be good but are not well known and it takes considerable effort to sell customers small amounts.

This whole movement looks like Fascism, to enable the large houses to monopolize the business and eliminate the small houses in the country.

It seems to the writer a very short-sighted policy in as much as interest rates may again be very different from what they are now and the necessity for capital may be such that corporations may be perfectly willing to pay 5% or even 10% to obtain money for enterprise.

(Continued on page 1914)

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 5s of 1932; Second Avenue Traction 5s of 1937; Southern Traction 5s of 1950; Ft. Pitt Tractions.

Real Estate Securities

Figures Compiled By Real Estate Board Of New York, Inc., Show Large Increase In Dollar Volume And Number Of Sales

A chart recently compiled from figures released by the Real Estate Board of New York, Inc. is extremely interesting in that it shows how sales activity in Manhattan Real Estate in 1943 has far exceeded figures for previous years as far back as 1938.

Unfortunately space does not permit the reproduction of this chart, but the following figures of various months of 1943 will give an indication of the increased interest investing capital has taken in real estate:

Month—	Number of Sales	Dollar Volume
January	150	$7,500,000
February	200	15,000,000
March	250	14,000,000
April	325	19,000,000
May	250	19,000,000
June	325	23,000,000
July	325	21,000,000
August	250	20,000,000

In comparison to former years, these figures show a very healthy trend as sales and volume have been fairly consistent while former years show a very erratic trend with certain peak months. The peaks for 1938 through 1942 are shown as:

Peak Month of Year—	Number of Sales	Dollar Volume
1938	210	$10,000,000
1939	275	22,000,000
1940	275	14,000,000
1941	275	17,000,000
1942	225	16,000,000

Tomorrow's Markets Walter Whyte Says—

Market break no surprise. Steels signalled it last week. Look for rally to carry few points. Monday's lows should now hold.

By WALTER WHYTE

Now that everybody has theorized about why the market broke down, I think I may be permitted to add a few ideas to the pile. You recall the Lord Halifax statement and its implications that the war was about over. You also recall my comments on his prognosticating abilities. But hardly were the words out of his mouth than Herbert Hoover came out with a statement along the same lines. If you remember 1930-33 then you also remember Hoover's batting record. His prosperity-is-just-around-the-corner blurbs are too fresh in my mind to accept his opinions with more than a casual yawn.

* * *

Two weeks ago I wrote here that the market looked all right but the action of the steels would have to confirm it. But while I thought the underlying trend pointed up I did not think it definite enough to advise purchase of stocks.

* * *

Last week the market situation changed radically. The gradual improvement, I thought I saw, seemed to hit a stone wall. The steels, for which I had hopes as the logical leaders in any advance, were meeting a kind of selling I didn't care for at all. What was equally significant was the action of a handful of specialties in the face of what was clearly becoming a poor technical general market performance. I called attention to the dangers inherent in such stocks by calling them "one-way affairs." I warned that any accident can break them down and keep them down long enough to create a virtual lock-in of accounts. Hardly were these words in print than the dangers warned against here materialized.

* * *

Last Friday the rails which three weeks ago I pointed out as having a top-heavy public following, broke through their September-October lows. The industrials also declined but held at the old 136 figure. The signal for the decline, however, had already been given by the rails.

* * *

Monday saw the first two million-share day, late tape and breaking markets, in many a month. And the stocks which this column warned most against—the specialties—melted like snow in the hot sun. The old 135 figure, everybody expected would stop the decline, didn't even get a nod. At the end of that day the first margin calls in a long time went out.

Yesterday's market continued its improvement, but the fright caused by Monday's break was too real for any follow-up by the mass and file.

* * *

Now what about the trend from here on? Well, if past performance can be a yardstick, the market should extend its rally to about 134 or so, then either go into a decline or turn dull. But there is still another factor the market has to cope with—inflation. That Congress is inflationary-minded is no secret. The farm bloc is in the saddle and, oddly enough, the interests who should fear inflation most, are helping them along under the guise of heading off

(Continued on page 1914)

Churchill Sees Europe War Climax In 1944

(Continued from page 1871)

Germany as "one of the prime causes of the extending ruin of the Hitler regime."

With respect to France, the Prime Minister said in part:

"There are many in our thoughts today. We hope that France will rise again to true greatness and will play a worthy part in shaping the progress of Europe and the world. I rejoice in every increase of unity and consolidation that I notice in the French National Committee at Algiers, and I also rejoice at the growing power of the French armies wihch are being re-created and re-armed in North Africa and which will presently take their share in the liberation of the soil of France from the most hateful forms of human bondage."

In noting that the year 1944 is also election year in the United States, Mr. Churchill concluded:

"A strange coincidence, but I am sure I speak for all those on both sides of the Atlantic who mean the same thing—and they are numbered in scores of millions—when I say that our supreme duty, all of us, British and Americans alike, is to preserve the good will that now exists throughout the English-speaking world and thus aid our armies in their grim and heavy task.

"If things are said in one country or another which are provocative, which are clumsy, indiscreet or even malicious and untrue, there should be no angry rejoinder. If facts have to be stated, let them be stated without heat or bitterness. We have to give our mind in full to the vast task and that is the thought which must dominate all our speech and action.

"Not only the fortunes of this fearful war but also the happiness of future generations depends upon the fraternal association of Great Britain and the United States within, and without prejudice to, the larger world structure that will be erected to secure the peace and freedom of mankind."

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.

Canadian Securities

By BRUCE WILLIAMS

The issue of the effect of peace on markets generally has been thrust pertinently before us during the past week. Investors now must do some fundamental thinking. Naturally, the Stock Exchange weakened on the general uncertainty as to the particular course which business will take in the post-war period, and the desire to liquidate the more speculative holdings.

This weakness even permeated the U. S. Government bond market to some extent; recent subscriptions to Government issues had shown immediate interesting profits and Stock Exchange houses had been encouraged to increase their subscriptions in the Third Victory Loan drive. Consequently, Government issues in some volume were included in the general Stock Exchange liquidation.

Otherwise the high-grade and especially the Government bond market should not be basically affected by the current developments outside of a certain sympathetic temporary reaction. Wartime controls cannot be relaxed immediately even after the final defeat of both Germany and Japan. Until the government debt is materially reduced, it will be imperative to continue the policy of managed interest rates. How soon we can revert to what we have come to consider as a normal peacetime economy does not appear to be an immediate problem.

In the general scene of weakness and uncertainty it was encouraging to investors in Canadian securities to see this section of the market once more demonstrate its ability to weather successfully a highly critical period. It will be recalled that following Pearl Harbor also the market was a striking exception in the general subsequent decline in other markets.

There is little doubt that from now on the investment community will be more discriminating and will examine more carefully the status of securities in the light of their likely behavior under peacetime conditions. With regard to Canadian external bonds, in addition to the growing scarcity of supply, a large proportion of issues have the hitherto disregarded feature of optional payment in U. S. or Canadian dollars or in Sterling.

The nearer the end of the war is approached, the more urgent becomes the problem of currency stabilization. **This unique multiple pay feature of the large proportion of Canadian securities is likely therefore to become extremely important in the near future.** It is all the more interesting because this advantage can be obtained without payment of premium, and, at the same time, the securities themselves, which include the Dominion guaranteed, provincial and municipal issues, offer attractive yields and would provide welcome diversification for a considerably wider investment field.

Turning to the market for the past week, although there was increased activity, it was still dominated by Fifth Victory Loan activities. Direct Dominions were a shade easier with the 3's of 1958 offered at 103⅜. Nationals were quiet and steady with little change in price. Offerings of Ontarios and Quebecs continued to be absorbed without affecting the price level. Activity in British Columbias subsided but the market was slightly firmer; the 4½'s of 1956 were quoted on 3.25% basis.

Nova Scotias, New Brunswicks and Manitobas were still in demand and the longer term issues now yield 3⅜%, 3.65% and 3⅞%, respectively. Saskatchewans were quiet with the 4½'s of 1960 offered at 90½. Albertas were less active and the 4½'s and 5's were quoted either side of 79 and 80 respectively. Calgary Power 5's of 1960 still attracted interest and were bid at 102½.

Internal issues were unusually quiet and the Canadian dollar in the free market moved between the comparatively narrow limits of 10 and 10⅜% discount, thus confirming the view that the exchange weakness caused by the recent bond redemption is almost at an end.

With regard to the market as a whole, now that the Fifth Victory Loan is terminated, and preliminary results indicate an outstanding success, we would shortly begin to see greatly increased activity with an upward trend of prices.

H. B. Gersten Joins Hettleman Co. Staff

Hettleman & Co., 52 Wall St., New York City, announce that Henry B. Gersten has joined their organization and is in charge of the trading department.

N. W. El. Interesting

Leason & Co., Inc., 39 South La Salle Street, Chicago, have prepared a memorandum on the first mortgage 5% bonds due Sept. 1, 1941 of the Northwestern Elevated Railroad Company, outlining the proposed treatment of these bonds under the Unification and the proposed Municipal Ownership Plans. Copies with dealer's imprint will be supplied by Leason & Co., Inc., at a nominal charge on request—ask for "Chicago Tractions under Municipal Ownership."

Investment Trusts

From Investment Company Reports

Chemical Fund, Inc.—Net assets on Sept. 30, 1943, were $11,534,331 compared with $11,644,323 on June 30, 1943. Net asset value per share was $9.83 on Sept. 30 as compared with $10.05 on June 30. During the three-month period shares outstanding increased 14,719, to a total of 1,173,181.

* * *

Fundamental Investors, Inc.—Net assets amounted to $9,523,196 on Sept. 30, 1943. Net asset value per share on that date was $20.91 as compared with $16.12 on Dec. 31, 1942. Net asset value per share increased 30% in the nine months ended Sept. 30, 1943 and showed a decrease of 3% for the three months ended on that date.

* * *

General Investors Trust—Net asset value on Sept. 30, 1943 totaled $2,005,792, or $5.11 per share.

* * *

Incorporated Investors—As of Sept. 30, 1943, net assets amounted to $47,214,451 compared with $31,115,710 a year earlier. Net asset value increased, in this period, from $13.39 to $19.82 per share.

* * *

Keystone Custodian Funds, "K1," "B4" and "S1"—Net assets of Series "K1" Fund at the fiscal year ended Aug. 31, 1943 totaled $6,757,216 compared with $3,367,735 a year earlier. Net asset value per share advanced from $11.53 to $15.22 during this period.

Series "B4" had net assets of $11,962,632 at the close of its fiscal year, Sept. 30, 1943. This amount compared with $9,542,041 on Feb. 28, 1943, the date of the last previous report. During this seven-month period net asset value per share increased from $8.21 to $8.66.

Net assets of Series "S1" amounted to $506,147 on Sept. 30, 1943, compared with $454,672 six months earlier. During this period net asset value per share declined slightly from $23.78 to $23.64.

Combined assets of the ten Keystone Funds stood at a new high of approximately $64,500,000 on Nov. 2, 1943, compared with approximately $41,000,000 a year ago.

* * *

Massachusetts Investors Trust—Net assets on Sept. 30, 1943 totaled $140,622,549, equivalent to $20.64 per share compared with $15.62 per share on the corresponding date last year. In the three-month period ended Sept. 30, 1943, shares outstanding increased 52,648 to reach a new high total of 6,813,108 shares. Net asset value of the Fund during this period declined less than 1%.

* * *

New England Fund—Net assets on Sept. 30 stood at $3,048,818, equivalent to $12.14 per share for the 251,040 shares outstanding.

* * *

George Putnam Fund—Net assets amounted to $7,889,993 on Sept. 30, 1943, equivalent to $13.26 per share. On June 30, 1943 net assets totaled roundly $7,678,000, or $13.32 per share.

* * *

Republic Investors Fund, Inc.—Net assets, after deducting $332,000 par value of Collateral Secured 4½% convertible bonds and $158,810 par value of Preferred Stocks, amounted to $916,537 applicable to the Common Stock. This figure was equivalent to a bid price of $3.47 per share of Common Stock compared with $2.19 at the beginning of the bull market, April 28, 1942.

* * *

Broad Street Investing Corporation—Net assets totaled $6,500,521 on Sept. 30, 1943, equivalent to an indicated liquidating value of $27.48 per share.

* * *

Capital Administration Company, Ltd.—Net assets, after deducting bank loans, amounted to $4,206,563 on Sept. 30, 1943. This was equivalent to $96.92 per share of Preferred Stock and $14.20 per share of Class A Stock.

* * *

General Capital Corporation—Net assets on Sept. 30, 1943 amounted to $5,947,293, equal to $31.54 per share of stock outstanding. This compares with a per share asset value of $26.01 on Dec. 31, 1942.

* * *

The Investment Company of America—Net assets stood at $3,737,367, equal to $22.66 per share of stock as of Sept. 30, 1943. This compares with a net asset value of $17.84 per share on Dec. 31, 1942 and $16.48 per share a year ago.

* * *

National Bond & Share Corporation—Net asset value on Sept. 30, 1943 totaled $3,488,800, equivalent to $23.58 per share of capital stock outstanding. This compares with net asset value of $23.81 per share on June 30, $20.19 on Dec. 31, 1942 and $19.08 on Sept. 30, 1942.

* * *

Dividends

Keystone Custodian Fund "S2"—A dividend of 50 cents per share payable Nov. 15, 1943 to stockholders of record Oct. 30.

Municipal News & Notes

In announcing on Nov. 1 that New York City would retire the last installment of the $81,000,000 relief indebtedness accumulated prior to adoption of the pay-as-you-go relief policy of the LaGuardia administration late in 1934, City Comptroller Joseph D. McGoldrick stated that "no better demonstration of the wisdom of this policy could be found than in the story of this indebtedness." Mr. McGoldrick charted the history of such borrowing, in a statement which is reproduced herewith:

In the years from 1930 to 1933 the city officials then in office refused to face the fact that the need for relief would be both large in amount and prolonged in duration. The problem was met hand to mouth by the issuance of certificates of indebtedness for relief. The pyramiding of these and other short-term obligations was one of the major elements contributing to the financial crisis of the year 1933. Moreover, the relief recipients during those years were kept in a constant state of anxiety and relief was frequently halted because of the city's inability to borrow funds. The food and rent tickets which the city then issued were frequently refused by grocers and landlords because the city treasury was unable to redeem them.

The situation was temporarily eased in 1933 by the negotiation of a $70,000,000 loan in the form of 10-year serial bonds. But this in itself was no solution. Seven million dollars was added to this in the closing months of 1933. Mayor La Guardia and those of us who took office with him in 1934 clearly saw that this simply could not go on. The continued piling up of relief indebtedness would impair and ultimately destroy the city's credit. It would keep relief uncertain and it would imperil the interest alike of city employees and of the business community and the city's real estate taxpayers.

Pending the adoption of a pay-as-you-go program in 1934 an additional $4,000,000 was added to this indebtedness but after May of 1934 not a cent of new indebtedness for relief was incurred. But the $81,000,000 total accumulated prior to that time has cost the taxpayers of this city $17,585,477 in interest.

I regard the pay-as-you-go relief program as one of the outstanding financial achievements of this administration. I know of no other major city in this country that had the courage to put its relief needs on a sound tax-supported basis. This has been almost the keystone of the reestablishment of this city's credit. But it also gave security to our unemployed during the long years of the depression and it was equally important in maintaining the volume of economic activity and halting the downward spiral of real estate values during this period.

Tennessee Has $38,000,000 Unemployment Ins. Reserve

A $38,000,000 reserve fund has been accumulated by the State of Tennessee for paying unemployment compensation benefits to insured employees of covered Tennessee employers, announces Tennessee Taxpayers Association in the report covering its 12th annual survey of the State government for the fiscal year ended on June 30, 1943.

By the end of the latest fiscal year, on June 30, the State had collected U/C payroll taxes from Tennessee's covered employers of eight or more persons (except agriculture, domestic service, governmental employees, teachers in public schools, etc., which are not covered by the Federal Social Security Plan) which aggregated $16,700,000 for the one fiscal year, or $66,000,000 for the eight years since Tennessee's system of job insurance was enacted late in 1936.

Benefits paid to the covered unemployed during the fiscal year ended on June 30, 1943, aggregated $3,300,000. (North Carolina, with a larger total taxable payroll, paid out in benefits during the first six months of 1943 only $487,000. During the same six months Tennessee paid benefits aggregating $1,289,728.)

Benefits paid since 1938 (when the first benefits became payable) aggregate $28,558,000, an average of over $5,500,000 a year.

The reserve fund on hand on June 30, 1943, amounted to $38,063,000.

Existing Debt Burden Seen Obstacle to Highway Programs

Advocates of large-scale highway construction programs for the post-war period are reminded by the American Petroleum Industries Committee official organ that "there is no magic in building roads with borrowed money" and that there is presently outstanding close to $3,000,000,000 of the $4,000,000,000 debt incurred by States and counties for road building purposes in the two decades ending with 1940.

Interest payments on the original indebtedness have already amounted to $2,000,000,000, it is noted, and this fact, coupled with "exceedingly slow retirement of debt," offers little encouragement for the States to undertake "grandiose" building programs in the post-war era. "During the two decades, from 1921 to 1940," the API observes, "there was a colossal increase in the States' automotive-tax revenues, yet very little progress was made in leveling off the mountain of road debt."

Attractive Situation

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

Calendar Of New Security Flotations

OFFERINGS

CHICAGO & SOUTHERN AIR LINES, INC.

Chicago & Southern Air Lines, Inc., has filed a registration statement for 107,989 shares of common stock, no par value. Of the shares registered, 60,000 shares, to be evidenced by voting trust certificates registered under a separate registration statement—see statement below—are to be offered by or through underwriters at a proposed maximum public offering price not exceeding $16 per share and not exceeding in the aggregate $960,000; and 47,989 shares are registered for issuance, pursuant to options, at $8 per share, being an aggregate public offering price of $383,912.

Address—Municipal Airport, Memphis, Tenn.

Business—Operates as an air carrier of passengers, mail and express between Chicago, Ill., and New Orleans, La., and between Memphis, Tenn., and Houston, Texas.

Underwriting — Principal underwriters named are Kebbon, McCormick & Co., Chicago, and I. M. Simon & Co., St. Louis.

Offering—Offering price to the public will be supplied by amendment. A new voting trust under which the common shares registered will be offered will be dated Oct. 1, 1943. The old voting trust will be terminated prior to or concurrently with the delivery of common stock to the underwriters.

Proceeds—The net proceeds may be applied to any one or more of the following purposes: Purchase of additional equipment to be used on present routes or on proposed new routes; payment or reduction of present bank loans; for working capital or other corporate purposes.

Registration Statement No. 2-5220. Form S-2. (9-27-43).

CHICAGO & SOUTHERN AIR LINES, INC.

Carleton Putnam, voting trustee, has filed a registration statement for voting trust certificates under voting trust agreement dated Oct. 1, 1943, for 500,000 shares of common stock, no par value, of Chicago and Southern Air Lines, Inc.

Address—Municipal Airport, Memphis, Tenn.

Business—Voting trust.

Underwriting — See registration statement above. Carleton Putnam, sole voting trustee, is president and a director of the company.

Offering—As soon as practicable after the effective date of the registration statement. Under the terms of the voting trust agreement there may be deposited thereunder any authorized shares of the capital stock of the corporation. It is also proposed to offer to the public voting trust certificates representing an aggregate of 60,000 shares of common stock as shown in statement above and voting trust certificates will be offered to persons exercising stock purchase options and acquiring shares of common stock pursuant thereto. The offer to holders of common stock to deposit stock under the agreement will terminate Oct. 1, 1944, unless extended by the voting trustee.

Registration Statement No. 2-5221. Form F-1. (9-27-43).

Chicago & Southern Air Lines, Inc., has filed an amendment to its registration statement with the Securities and Exchange Commission in which it gives the offering price on the voting trust certificates for 60,000 shares of common stock to be sold to the public at $12.50 per share.

The underwriters, with amounts underwritten, follow: Kebbon, McCormick & Co., Chicago, and I. M. Simon & Co., St. Louis, 17,500 shares each; Hornblower & Weeks, New York, and Courts & Co., Atlanta, 7,500 shares each; Milwaukee Company, Milwaukee, 5,000 shares; Equitable Securities Corp., Nashville, and Reynolds & Co., New York, 2,500 shares each.

Proceeds will be used for the purchase of new equipment to be used on present or proposed new routes, reduction of bank loans and for working capital.

Offering—Voting trust certificates for 60,000 shares of common stock offered Nov. 9 at $12.50 per share by Kebbon, McCormick & Co., I. M. Simon & Co., Hornblower & Weeks, Courts & Co., The Mil-

(Continued on page 1915)

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.

Situation Attractive

The current situation in Struthers Wells Corporations offers attractive possibilities according to a special memorandum issued by Ryan-Nichols & Co., 105 South La Salle Street, Chicago, Ill. Copies of this interesting memorandum may be had from the firm upon request.

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.

Christiana Securities Situation Attractive

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting circular on Christiana Securities Company. Copies of this circular may be had from the firm upon request.

Profit Potentialities

The "Rock Island" reorganization offers attractive profit potentialities according to a detailed circular on the situation issued by McLaughlin, Baird & Reuss, 1 Wall Street, New York City, members of the New York Stock Exchange. Copies of this interesting circular may be had upon request from McLaughlin, Baird & Reuss upon request.

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.

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.

Cutting Tool Industry Outlook Attractive

The cutting tool industry offers attractive post-war prospects according to Loewi & Co., 225 East Mason 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.

Col. V. Merle-Smith Dies

Colonel Van Santvoord Merle-Smith died of a heart attack at his home at Cove Neck, Long Island, after an illness which commenced while he was serving with our armed forces in Australia. Col. Merle-Smith was a partner in Dick & Merle-Smith, New York, investment house.

Public Utility Securities

General Gas & Electric "A"

Among the low-priced utility holding company stocks, General Gas & Electric "A" has proven somewhat disappointing marketwise this year. The stock rose from ⅝ last year to 2¾ earlier this year on hopes that the important South Carolina properties could be sold for $40,000,000 to a Power Authority in that State. When this deal was "stymied" by local interests opposed to it, market interest in the stock waned and it did not participate in the broad advance in utility equities. Recently, however, there has been renewed interest due to expectations that there may be some modification of the GenGas recapitalization plan submitted last May to the SEC.

This plan provided for an exchange offer of new Florida Power common to GenGas common stockholders. A merger of Florida Public Service and two smaller companies into Florida Power has been approved by the SEC and should be consummated within the near future, it is expected. One and a half shares of the new common would be issued, under the proposed plan, in exchange for each share of GenGas bought prior to Oct. 31, 1932, while holders who purchased their stock subsequent to that date would receive a half share. This particular date was based on an order of the New York Stock Exchange directing the company to mail to stockholders a detailed report, so that anyone purchasing the stock after that date "can be said to have been damaged by the 1929 transactions" (the "A" stock sold as high as 112 in that year, following which it was split 5 for 1).

However, to carry out this distinction between the two classes of stockholders would raise many legal problems and it seems a little dubious whether important holders of the stock who purchased since Oct., 1932, would be satisfied with this treatment. Whether the offer of one and a half shares will be extended to all holders or some alternative proposal worked out, cannot be forecast, but it appears logical to expect that the proposed offer will be "sweetened."

Even if the current plan (with the anticipated modification) should prove disappointing, just as last year's proposal of sale of the South Carolina companies failed of consummation, stockholders may still have a fair chance of eventually realizing better prices than the present market level. The intrinsic value of the stock is difficult to estimate because of the many factors involved, but estimates seem to range between 1½ and 6. The principal reason for the wide range in estimates is the extent to which Associated Gas may consent to "subordinate" its holdings of GenGas debt, preferred stocks and common stocks. Associated has already agreed to a considerable amount of subordination and might (under SEC pressure) be persuaded to go even further, though it is always possible that the Trustees might decide on a court appeal if they felt that the SEC was unfair.

There are several ways in which the potential value of the GenGas holdings may be estimated but the simplest is to take the current earnings for the twelve months ended June 30 as a base, and deduct the estimated preferred dividend requirements following a recapitalization. Such dividend requirements would seem to be in the neighborhood of $300,000 for publicly-held issues, allowing for the increased amount to be issued in lieu of dividend arrears. Deducting this amount from consolidated net income leaves $876,000, equivalent to some 40 cents per share on publicly held "A" and "B" common shares. To this could be added further anticipated savings from bond refundings, etc. While a "ten times" earnings multiplier would be over-liberal on a holding company basis, it might not be unreasonable once the operating companies (principally the new Florida Power, South Carolina Electric & Gas, and Virginia Public Service) are distributed to stockholders. On this basis, with complete subordination of Associated holdings, GenGas "A" might have a theoretical value around 5 and this seems supported by an analysis of the individual holdings and cash assets of GenGas. Thus while complete subordination seems unlikely, the potential result seems favorable for long-pull GenGas stockholders—subject to the usual vicissitudes of SEC rulings and the market.

Arden Farms Attractive

Common stock of Arden Farms 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.

Wisconsin Brevities

Record footings were shown by leading Milwaukee banks in their recent statements:

The **First Wisconsin National Bank** reported total resources of $518,623,000, with book value of $19.17 a share in contrast to $18.37 on June 30. Control of this bank is owned by Wisconsin Bankshares Corporation.

The **Marshall & Ilsley Bank's** total assets rose to $112,530,000, from $103,490,000 on June 30. The book value was $41.61 a share in contrast to $40.10 on June 30.

* * *

The **Marine National Exchange Bank's** total assets jumped to $99,461,000 from $86,751,000 on June 30, with book value of $42.13 a share in contrast to $39.92.

* * *

Koehring Company declared a regular dividend of 50¢ a share and an extra dividend of 50¢ a share, both payable Nov. 30 to holders of record Nov. 15. The current dividend will bring total disbursements for 1943 to $2.50 a share. In 1942 a total of $3 was paid.

* * *

Chain Belt Company will pay the usual 25¢ quarterly dividend on Nov. 24 to stock of record Nov. 10.

* * *

Kearney & Trecker Corp. will pay a dividend of 75¢ a share on Nov. 15, bringing total payments for 1943 to $3 a share.

A large increase in earnings has been reported by **Cutler-Hammer, Inc.,** for the first nine months of the calendar year—$1,531,000 for the first nine months, equal to $2.32 a share; against $1,021,000 in the corresponding nine months of 1942, equal to $1.55 a share. A post-war reserve of $1,000,000 was set up for the current period, against $450,000 in 1942.

China Sees War Lasting 12 to 18 Months

Dr. Tsiang Ting-Fu, China's chief delegate to the forthcoming United Nations Relief and Rehabilitation Conference in Atlantic City, revealed on Nov. 6 that experts in China think the war will be over "in a year or a year and a half", according to the New York "Journal American" of Nov. 7, which added:

Dr. Tsiang, interviewed at the Chinese News Service, 30 Rockefeller Plaza, declared that China's first need today is transportation facilities, and then medical supplies. When the war is over, she will also need aid to resume her cultural life in the postwar period.

W. Sullivan Opens As Investment Counsel

MILWAUKEE, WIS.—William H. Sullivan has opened offices at 135 West Wells St., to act as an investment counsel.

Mr. Sullivan's career in the investment field began in 1910 with the Wisconsin Trust Co. In 1916 he left the trust company to serve in the Army. He returned from overseas duty with the 32nd division with the rank of captain in the 128th Infantry. He rejoined the trust company in 1919 and was with it when it merged with the First Trust Co. to become the First Wisconsin Trust Co.

He resigned in January, 1921, and became associated with the City Bank & Trust Co. when it was opened. He was head of the bond department and later of the special service department, and was an officer and director of the bank when he resigned on Aug. 1.

Talks On Mexcan Railway Debt Held

Jerome S. Hess of the New York law firm of Hardin, Hess & Eder, counsel for the Mexican Government, on Nov. 9, made the following announcement:

"Conferences have been held in this city for the past several weeks between the Mexican Finance Minister, Eduardo Suarez, and International Committee of Bankers on Mexico in connection with the Mexican Railway debt. No definitive arrangements have as yet been agreed upon. The Minister has returned to Mexico."

Dealers Virtually Unanimous In Condemning NASD Profit Limitation Decree

(Continued from page 1910)

We hope this whole situation will be aired so that a true picture of the nature of the investment business as a whole may be better understood. With selling commissions in syndicates at the low figure of ¼ of 1% to ¾ of 1%, as against 2 to 4% 15 years ago, and municipal bonds trade on a ¼ of 1% against 1 and 2% 15 years ago, the only way a small house has of taking care of expenses and overhead is by dealing in securities that are not so well known but offer such a future to the investor that time and effort can be spent in not only selecting suitable securities of this type but a compensation for the effort in selling them.

We greatly appreciate your article in your number of Nov. 4, calling the attention of investment bankers generally to this situation which has been kept pretty well under cover.

DEALER NO. 7

Congratulations upon your position and the forthright manner in which you state it.

We, here, question the applicability of the alleged figures compiled. To be of any value, the "profits taken" should be broken down between the **major classifications** of business done. Surely, the mark-ups on municipal bonds and high-grade corporate issues has no bearing at all on what is fair on local utility or industrial stocks.

The Association should be honest enough (somehow) to give us some figures which really set forth the true picture, even though it hurts! I believe it can easily be demonstrated that any conclusions drawn from their "over-all" data would be utterly unfair and even untrue in this light.

Can you "pressure" them into revealing the figures? Carry on!

DEALER NO. 8

We are in thorough accord with this ruling, which we understand was made after a resume of questionnaires submitted by the membership-at-large.

It seems that with a cross section of the activities and practices of the representative houses in our business, that the Directors of the NASD should be able to rule upon a fair profit on a non-commitment transaction and the abuse in a great number of cases can be traced to those not willing nor able to place their own funds in the securities in which they are merchandising or retailing and there is an out, where justifiable, of a larger than a 5% profit.

We commend you for your interest and activity in behalf of the Securities Dealers.

DEALER NO. 9

Profit Limitation Rule would do nothing but kill the little fellow. Most damnable.

DEALER NO. 10

The following comments are in relation to the recent 5% profit limitation decree. We thoroughly agree with the opinion expressed in your article appearing in the "Commercial & Financial Chronicle" of Nov. 4. There is no doubt in our mind, but that a large number of dealers will be forced out of business if such a working basis becomes the operative decree—and we will probably be among them.

It is ironic that in the face of increased costs of doing business, a proposal limiting profits to a prohibitive basis should appear. In the interest of trying to give our clients a complete investment service, we subscribe to not only the basic statistical services such as Standard-Poors, Moodys, and National Quotation Sheets, but also certain special services applicable to particular industries currently attractive; we make trips to New York and Chicago, and other financial centers in maintaining valuable sources of information and operate a stock watching service, passing on by bulletin and letter current information to the clients—and this all costs money! The large organizations or Exchange members with a large volume of business may be able to do it on 5% or less profits, but the smaller organizations such as ours—nine producing men including the officers—can't make it. The logical result will be organizations such as ours, earnestly trying to fully serve the clients, wil have to drop all their services and use the "guess" method, to the detriment of the client.

We operate on a limit of four points on bonds and 8% on stocks, but our average is much lower because these are maximum mark ups and not standard to each transaction. A large per cent of our business is done on 2% to 5% and practically all listed stocks at no profit, but we need the 6%, 7% and 8% deals to make the lower ones possible.

Firms operating strictly as brokers—no service or solicitation—or large organizations with institutional accounts may be able to operate on a 5% or less limit, but service organizations such as ours can't do it. It is our opinion that at least 95% of the industry is sincerely trying to operate fairly and take profits directly in relation to the market and there are sufficient policing powers to maintain such a continuing condition. The other 5% should not penalize the total industry and present policing bodies should and can clean them up.

For reasons peculiar locally, please do not publicise the above comments over our name. Power to you in your fight and we are with you 100%.

DEALER NO. 11

In response to your letter regarding the NASD profit limitation, I want to go on record as being extremely opposed to this not only because of the manner in which it was presented, but the fundamental idea of limitation in itself.

A matter so far reaching and so vitally affecting our business as a profit limitation should have the most detailed and public discussion among the members of the NASD, and a decision arrived at only with the complete accord of all members. As far as I know, no member was consulted and none of the details leading up to this decision were made public to the members. The matter of profit limitation is so revolutionary that it should not be imposed on the members without having the benefits of the greatest study, publicity and understanding of its purposes and implications by each and every member.

As to the limitation of profits in itself—we have probably half of our organization located in rural areas where expensive operation is great and travel to see the customer consumes a great deal

(Continued on page 1915)

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1911)

any fourth-term bid. The situation is tense and about as clear as mud. The stocks that should act best during any inflationary period are acting the worst.

* * *

The steels which control their raw material costs to their final selling charges should by all logic benefit by inflation. Yet we know the steels were the first to signal a reversal in the market. It might be argued that the steels are not a good example because they can't control labor costs. But that argument doesn't impress me. Labor costs have not kept pace with prices. The Little Steel formula was doomed to failure when Congress refused to stabilize food prices. The only thing that can stop inflation is a sensible tax program and rigidly controlled price programs. I don't like to pay taxes any more than you do, but I prefer them to wild-eyed runaway prices. When the market will take cognizance of the above is something the market itself will answer. The answer has yet to be given.

* * *

Technically, the breakdown Monday, down to about 131, should be the low point on the current move. But until I see a confirmation I repeat the last phrase in last week's column: ". . . . 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.]

Dealers Virtually Unanimous In Condemning NASD Profit Limitation Decree

(Continued from page 1914)

of time and a 5% maximum does not permit sufficient profit to make a living.

Another point of interest would seem to be the composition of the Board of Governors of the NASD and also the composition of its membership. Are all houses doing the same type of business? Or, are member houses doing one type of business, so called high-grade houses doing another type of business, and the run-of-the-mine over the counter houses doing still a third type of business? If this is the case, the question arises whether or not the same ideas of profit should apply to all three types of business alike.

In closing, we would ask particularly that our name not be used publicly in the publication of this letter. This, incidentally, provides another interesting commentary on our present situation in that we are reluctant to come out into the open as any opposition to this profit limitation might invite retaliation of some kind from some body or some governmental agency.

DEALER NO. 12

I have noticed for several weeks articles in your Thursday issue concerning the 5% profit limitations on the sale of securities by dealers. It seems to me that from the trend of the security business, a 5% gross profit is a very fair margin. I believe that a great many of the older and more conservative dealers in this business would consider that they would be very lucky to have a 5% gross mark-up. Naturally, a dealer would like to make as much profit as possible, but in dealing with the public, as all of us do, either through other dealers or the individual clients, the tendency, it seems to me today, is for the customer to know what the trade cost him. A profit of 5% gross certainly does not set well with the customer, at least to may way of thinking. I do not believe those dealers who cannot satisfy their customers have a right to stay in business.

The above comments are naturally on the other side of the fence from those that you have been publishing, and I am not sure that I want to go into a publication in order to draw arguments from a lot of dealers, but I thought you might like to know that there are some of us who believe that the customers are entitled to a smaller mark-up than 10%.

P. S.—If this letter is published, it must be anonymous.

DEALER NO. 13

Your excellent publication has long been called "The Bible of Wall Street"; and that term should now apply anew, in my opinion, because of your voluntary leadership in trying to bring the small dealer out of a wilderness in which the NASD should assume leadership. Certainly the NASD, whose life depends upon the assessments paid by its members, does nothing to clear the path but, instead, bites the hand that feeds it by failing to look after the rights and liberties of its parents.

It seems to me that it is high time for the NASD members to get together and put their so-called representatives on the carpet for an outright statement of their real aims and why, with plenty of ammunition, a quisling attitude is assumed.

When the proposed "Disclosure of Profits" rule was talked of last summer—I mean the summer of 1942—I wrote Mr. Fulton rather fully. Briefed, I said that the larger Stock Exchange houses usually catered to the experienced buyer and that their executions could be likened to a man walking into a store and buying what he wanted; in other words, no sales effort. On the other hand, the unlisted dealer contacts and educates the small investor into buying something of which he very likely knows nothing; and much effort is more frequently necessary than not. Weeks of personal contact has frequently been necessary to educate the small buyer, and then, as has been my experience, a whole day has been taken to buy a $500 bond with a profit of from $10 to $15.

To disclose the profit on a listed bond in addition to the Exchange commission, in which, of course, we do not share, would result in quite a howl; and so, to protect himself against a squabble, the dealer acts as principal. Nevertheless, if the customer happens to see the bond quoted, there is quite a protest. One of my customers, in the ladies' custom tailoring business, admits a $100 profit on a suit which did not cost $125, yet the roof is raised if I disclose $25 on a carefully selected listed bond around 66.

I am much inclined to the belief that the larger houses want the small dealer eliminated and his unlisted offerings dealt in on some existing or possible future Exchange.

In connection with Exchange business, I think the NASD should interest itself in the matter of obtaining compensation for the small dealers who voluntarily give business to the Stock Exchange houses. At present nothing is received, and for the life of me I cannot see why we should not be recompensed in some way for the preliminary and final work which we do. To talk this over without elected representatives(?) on the NASD committees I find gets us nowhere.

Again reverting to the percentage of profit: There should, in all fairness, be an appreciation of the work done by the unlisted dealer as against the comparatively easy movement of the bigger houses, who can and frequently do sell 50 bonds or more with far less effort than the small fellow expends on a $500 order. And there is another point, e.g.: The price of a Holding Company bond drops sharply with the SEC's "death sentence." With the interests of his customer foremost, the small dealer, unable to buy a good unlisted bond at the then price of the Holding Company issue, takes time to look over the whole listed market and decides on a "legal" railroad bond at 65. I cannot see why he isn't entitled, in such a circumstance, to add $25 net profit as principal or as a service charge—approximately 4%. He could very easily, without effort, buy a doubtful utility at that price, with that or more profit.

I hope that what you have started so splendidly will awaken the small dealer to a demand that the NASD represent him fairly and properly instead of seemingly agreeing, without a whimper, to what to all of us appears to be manifestly unfair.

DEALER NO. 14

With reference to the recent ruling of the NASD as to the limitation of profits, we would like to say that our particular "gripe" in the matter is the way it was handled. If, as you say, the executive personnel of the NASD neglected to present for the consideration of the Board of Governors at their recent meeting at Cape Cod their proposed ruling, then I think Wallace Fulton should be removed from this responsible position and replaced by someone who is going to better serve the members of the Association who, after all, are the fellows paying his salary.

Secondly, we feel it was the duty of the Board of Governors to put a serious matter like this to an entire membership vote.

Third, we feel that the Association primarily should have for its Governors members of Over-the-Counter houses who are not Stock Exchange members. A lot of the dealers who have called the writer are members of smaller houses, and they do not seem to feel they can get proper representation from a member whose primary purpose is to protect his interest as a member of the New York or other national exchange.

We have a number of men who work in the country, and many times drive as much as 30 to 40 miles to make a sale of a speculative bond, let us say, that costs us 20. It is the writer's honest opinion that a price of 21½ (or $15 per bond) is certainly a conscionable profit, particularly in cases where the salesman may sell only two or three bonds. Even after the recent ruling it will be our thought to continue this practice. Of course, if the man sold 15 bonds on such a trip the margin per bond should be reduced.

It is the writer's opinion that members owe it to themselves to become more active in the election of a Board of Governors and the engaging of the executive personnel, so that each member will get proper representation and that his voice shall be heard before a rule is laid down that might eliminate him from a business which he has spent a lifetime building.

P. S.—This letter is not to be used over our signature, and if published should be done so anonymously, as we have found from experience—as distasteful as it seems—the fellow who tries to do a conscientious job publicly subjects himself to having his head chopped off.

DEALER NO. 15

We are definitely opposed to any limitation of profits inasmuch as such a restriction would tend to destroy free enterprise as you point out in the last paragraph of the above mentioned article. No doubt as you say the restrictions on profits proposed by the NASD would force a great many small dealers out of business. We are against any philosophy of government which would advocate interference with trading for profit when the transactions are conducted in a proper manner both from the legal and ethical viewpoints. Unquestionably such a ruling would be a step in the direction of National Socialism which our armed forces are fighting against in Europe and Asia. It is certainly anomalous to encourage practices and legislation which would produce the same governmental conditions that exist in Germany.

You may put this corporation down as in agreement with your argument on the subject, backed incidentally by 25 years experience in the securities business.

DEALER NO. 16

I have instructed my lawyer to write to Henry G. Riter, 3rd, 40 Wall Street, New York City, who is Chairman of the Board of Governors of the NASD to determine whether or not the Governors mean to meet and rescind their maximum profit decree in view of the point the "Chronicle" makes that it is obligatory under the by-laws of the Association and the Maloney Act to follow democratic procedure in matters of this character. I do not want to come out in the open in the matter at this time and have, therefore, asked my lawyers not to reveal the name of their client in writing to Mr. Riter. I think that every dealer should do the same and find out how we all stand. If the decree is not rescinded I will, and hope all other dealers will, come out and fight openly.

Calendar Of New Security Flotations

(Continued from page 1913)

waukee Co., Equitable Securities Corp. and Reynolds & Co.

YORK CORPORATION

York Corporation has filed a registration statement for $4,500,000 first mortgage sinking fund bonds series due Oct. 1, 1958. The interest rate will be supplied by amendment.

Address—Roosevelt Avenue, York, Pa.

Business—Activities principally devoted to the manufacture and sale of refrigeration and air conditioning equipment.

Underwriting—Stone & Webster and Blodget, Inc., heads the group of underwriters. Names of others will be suppied by amendment.

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

Proceeds—Net proceeds from sale of the bonds will be applied to the redemption on or before April 1, 1944, at 101% of $3-913,000 principal amount of first mortgage 6% sinking fund gold bonds due Oct. 1, 1947, to the payment at 100% of $378,550 principal amount of notes, and for other corporate purposes. In addition, at the time of settlement for the bonds due 1958, there will be made available to the company to provide for additional working capital the proceeds of $1,000,000 principal amount of bink notes.

Registration Statment No. 2-5235. Form S-1. (10-20-43).

York Corporation filed an amendment on Nov. 8 with the Securities and Exchange Commission to its registration statement covering proposed issue and sale of $4,-500,000 first mortgage sinking fund bonds which fixes the interest rate at 4¼%.

Offering price to the public will be 102½ exclusive of accrued interest from Oct. 1, 1943.

The underwriters and amounts follow: Stone & Webster and Blodget, Inc., New York, $850,000; Biddle, Whelen & Co., Philadelphia, $150,000; Blyth & Co., New York, $400,000; Bosworth, Chanute, Loughridge & Co., Denver, $150,000; Alex. Brown & Sons, Baltimore, $150,000; E. W. Clark & Co., Philadelphia, $150,000; Drexel & Co., Philadelphia, $400,000; Graham, Parsons & Co., Philadelphia, $300,000; Kidder, Peabody & Co., New York, $400,000; Lee Higginson Corp., New York, $300,000; W. H. Newbold's Son & Co., Philadelphia, $400,000; Paine, Webber, Jackson & Curtis, New York, $300,000; Union Securities Corp., New York, $400,000, and Yarnall & Co., Philadelphia, $150,000.

Offering—$4,500,000 1st mtge. sinking fund bonds 4¼% series due Oct. 1, 1958 offered Nov. 10 at 102½ and int. by Stone & Webster and Blodget, Inc.; Blyth & Co. Inc.; Drexel & Co.; Kidder, Peabody & Co.; W. H. Newbold's Son & Co., and Union Securities Corp.

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing (unless accelerated at the discretion of the SEC), except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930 (b).

Offerings will rarely be made before the day following.

THURSDAY, NOV. 11

BLACKSTONE VALLEY GAS & ELECTRIC CO.

Blackstone Valley Gas & Electric Co. has registered $11,300,000 first mortgage and collateral trust bonds 3% series due 1973.

Address—55 High Street, Pawtucket, R. I.

Business—Operating public utility company engaged in the electric and gas business.

Underwriting—To be supplied by post-effective amendment.

Offering—Company proposes to sell the bonds at competitive bidding pursuant to the Commission's Rule U-50. Offering price to the public will be supplied by post-effective amendment.

Proceeds—Net proceeds will be applied to the redemption of $7,300,000 of outstanding mortgage and collateral trust bonds, Series C, 4%, due 1965, at 106% requiring $7,738,000, and $4,000,000 of outstanding mortgage and collateral trust bonds, Series D, 3½%, due 1968 at 107% requiring $4,280,000. Treasury funds will be used to make up any balance, if necessary, while if proceeds from bond sales are in excess of the $12,018,000 needed for redemption, such excess will be added to the company's general funds.

Registration Statement No. 2-5236. Form S-1. (10-23-43).

ILLINOIS IOWA POWER CO.

Illinois Iowa Power Co.—name to be changed on Nov. 1, 1943, to Illinois Power Co.—has registered $65,000,000 first mortgage and collateral trust bonds series due 1973.

Address—134 East Main Street, Decatur, Ill.

Business—An operating public utility company engaged in the electric and gas business in Illinois.

Underwriting—Names will be supplied by post effective amendment.

Offering—Company proposes to sell the bonds through competitive bidding pursuant to Commission's Rule U-50. Price to the public will be supplied by amendment.

Proceeds—Company proposes to use the net proceeds from the sale of bonds, with $4,000,000 to $5,000,000 to be borrowed on bank notes and a portion of its treasury funds to redeem its first and refunding mortgage bonds as follows: Redeem on April 1, 1944, $30,681,500 face amount, Series A, 6%, due April 1, 1953, at 104½% and interest, and on June 1, 1944, $39,-175,100 face amount Series C, 5%, due Dec. 1, 1956, at 105% and accrued interest. Total redemption cost exclusive of accrued interest of the two issues is $73,196,022. In addition, company has or will redeem or pay off $17,321,900 face amount of its funded debt including $15,827,400 face amount of its first and refunding mortgage bonds Series B—the entire issue—to be redeemed on Dec. 1, 1943 from proceeds of recent sale to Continental Gas & Electric Corp. by Illinois Iowa of its entire interest in Des Moines Electric Light Co. and Iowa Power & Light Co. for $15,220,-000. The company redeemed on Oct. 1, 1943, $500,000 first and refunding mortgage bonds, Series A, and will pay at maturity on Dec. 1, 1943, $994,500 face amount of underlying mortgage bonds.

Registration Statement No. 2-5237. Form S-1. (10-23-43).

(This list is incomplete this week)

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 order authorizing the call for redemption of the Receivers' Certificates of the Seaboard Air Lines.

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

Sees Cuba Sole Supplier Of Sugar Production Deficit

The current bulletin of Strauss Bros., 32 Broadway, New York City, which analyzes the sugar situation, states that "world conditions are leading to the point where Cuba will be placed in the position of being the sole supplier of the deficit in sugar production caused by the war." Copies of this interesting bulletin may be had from Strauss Bros. upon request.

To Improve Tax Position

Thomson & McKinnon, 231 So. La Salle Street, Chicago, Ill., members of the New York Stock Exchange and other principal exchanges, have prepared a timely study entitled "Suggested Exchanges to Improve Tax Position," which is of particular interest to investors. Copies of this study may be had from the firm upon request.

Flood With Estabrook

(Special to The Financial Chronicle)

SPRINGFIELD, MASS.—Donald B. Flood has become associated with Estabrook & Company, 1387 Main Street. Mr. Flood was previously local manager for Paine, Webber, Jackson & Curtis, with which he was associated for many years.

Nat'l Terminals Corp. Situation Interesting

National Terminals Corporation offers interesting possibilities according to an anlysis of the situation prepared by Adams & Co., 231 South La Salle Street, Chicago, Ill. Copies of this memorandum may be had from the firm upon request.

"Our Reporter On Governments"

By S. F. PORTER

The "weak sisters" still are getting out . . . . Especially out of the 2s of 1953/51 . . . . Some getting out of the 2½s, too . . . . This week selling from Stock Exchange firms reached a climax . . . . Simultaneously, the stock lists were 'way off, on the recurrence of peace reports and fears of conversion difficulties, so the coincidence of the liquidation is not hard to justify . . . . There's no point in hiding our heads beneath a bushel of market propaganda . . . . The fact is, this new loan has not acted well, the market hasn't acted well and the number of disappointed free riders is legion and spreads from coast to coast . . . . Which brings us directly into the reasons for the situation and the possibilities from this point on. . . .

To be honest about it, every one of these sales is a good thing to get out of the way . . . . The people who have been dumping their 2s and 2½s on a lazy and disinterested market shouldn't have been in the picture in the first place . . . . And don't miss this major point . . . . The sooner they're out entirely, the better . . . . And the more attractive will be the market and the more rapid will be the recovery . . . . Because, unless the Treasury has gone utterly insane and unless every knowable factor is a snare and a delusion, this market cannot be permitted to go down much more . . . . The decline may be over even as you're reading this, as a matter of fact, for these words are being written early in the week and you presumably are reading this analysis on Thursday. . . .

The reasons? . . . . They're not hard to find . . . . To be specific:

(1) The money situation today is definitely aggravated . . . . Money is tight in the big city areas, commercial banks are in no position to enter the lists and pick up 2s and other bonds on a large scale for the simple reason that they haven't the cash. . . .

(2) The short war psychology now is at a new high point . . . . The Moscow parleys plus the optimistic statements coming from many and varied expert sources have encouraged that psychology to a degree where only the worst of possible war news would change it . . . . And a short war means problems of reconversion and cash demands and Government borrowings and corporate competition in the market, ad infinitum . . . . Problems the experts are well aware of and puzzles they've been bothering about for months. . . .

(3) The report is out around Wall Street that Lloyds of London is taking bets that the war in Europe will be over by January 1. . . .

What does all this mean? . . . . Well, the market since the middle of last week has been discounting an early peace in Europe—much earlier than had generally been anticipated—and was discounting it exactly at the time when free riders were unloading and banks were unable to come to the practical rescue . . . . Result, the 2s hit 2/32 bid . . . . The 2½s hit 1/32 bid . . . . Tax-exempts were virtually without bids for hours at a time. . . .

No, it hasn't been a pretty market . . . . But, again, this observer goes over the line with the forecast that higher prices will be seen, and soon . . . . And as of this moment, buying is a lot smarter than selling. . . .

THE PAR SUPPORT

The level of par is not only of major significance to all holders of low-premium securities, and especially the new 2s, but it also has an almost magical psychology importance . . . . Par cannot be broken! . . . . If par is broken, then the decline must be stopped there and switched around on an instant's notice . . . . The authorities must step in and act quickly and without quibbling over the extent of direct and indirect support . . . . These are the opinions of dealers and traders throughout the nation . . . . In fact, they are the convictions . . . . And that fact alone is enough to make the story true. . . .

You've been witnessing an interesting illustration of the virtues of holding low-premium securities recently . . . . The bonds selling down to the close-to-100 level are critical in any reaction . . . . They're the ones which are given official support first . . . . And as for high-premium bonds, not only are they not important for support purposes but they also get none of the outside speculative buying on any drop. . . .

It's a good lesson . . . . Whenever you can, shift to a low-premium bond, take whatever profit you have in the high-premium issue and get the added protection of "official support when, as and if necessary." . . .

That applies to the taxables, of course . . . . And to the tax-exempts even more so. . . .

THE JANUARY LOAN

Preparations on the Fourth War Loan are going along at a high pace now . . . . Latest authoritative stories place it around January 10, indicate it will concentrate on individual sales, point to complete exclusion of commercial banks. . . .

Now here are some items of importance, gathered at the Investment Bankers Association's 32nd annual convention held in New York from November 3 through 5 . . . . The conference on war and post-war financing was attended by top-notch money experts in private life and by the Treasury's war finance men. . . .

First, there's definite reason to believe the "basket" in the Fourth War Loan will contain a different type of security than has been offered to date . . . . The Second and Third War Loans were virtually identical . . . . The time has arrived to bring some new life into the loan, to give buyers a shot in the arm with a security that has originality and attractiveness. . . .

That is recognized by official and private sources . . . . News is that a change will be made, and only argument now is exactly what type of bond to offer individuals and perhaps non-banking corporations. . . .

One man, close to the Treasury, insists a 2¼% interest-bearing, non-negotiable bond will be tendered in the next loan . . . . Non-negotiability does away with threat of competition with the outstanding 2s, also meets Secretary Morgenthau's strong oppostion to placing a negotiable bond in the hands of millions of little people. . . .

Another says a Series H bond, bearing interest on an ascending scale and always redeemable at par, is under serious consideration at Treasury headquarters . . . . Bond would meet objections of holders of the Series G bonds that the redemption prices are below par and the general feeling among those investors that redemption means sacrifice of principal. . . .

A third believes Morgenthau's objections to a negotiable bond will be overcome and that a low-denomination, interest-bearing bond will be sold . . . . That's rather a question, for it's fairly well known that Morgenthau shudders every time he thinks of what happened to the Liberty loans in 1920 . . . . When those bonds sank to the low 80s and millions of unhappy citizens sold at the low . . . . (Which always occurs, as may be seen again in last week's free riding results). . . .

Authoritative report is that with two exceptions of men on the Treasury's staff, every key person in the Treasury is in favor of issuing a low-denomination, coupon bond in the Fourth War Loan . . . . Possibly the denomination would be $100. . . .

Second, there's tremendous power behind a movement to permit sale of bonds on the installment plan in the January loan . . . . Individual could subscribe to the total of bonds desired during the drive, could pay up his order between drives. . . .

Trouble here is that there's not much point to an installment plan unless a negotiable bond is sold. . . .

Third, the feeling among the bankers and officials at the IBA conference is that the Fourth Loan should not total more than $12,000,000,000 at the outside . . . . Despite the reports that it may range up to $20,000,000,000. . . .

From now on the Fourth War Loan is the news of the market . . . . We've only two more months before it arrives . . . . And, incidentally, the market will have to be in shape to absorb it . . . . You know what that means. . . .

INSIDE THE MARKET

If this market doesn't pick up steam soon, the chances of a decrease in reserve requirements will be better than at any time so far . . . . The Federal Reserve authorities will not permit a sloppy market to interfere with financing plans or with confidence in the Government market, it is believed by every man close to the market. . . .

"Peak of U. S. borrowing" is now admitted to have been passed by no less an authority than the Federal Reserve Bank of New York . . . . In its last bulletin the bank observed that increased tax receipts, the Third War Loan and stabilization of month-to-month war expenditures have combined to indicate the end of the huge war loans. . . .

Dealers took this week's decline in stride . . . . There was surprisingly little bearishness considering the extent of the fall. . . .

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Bond Club Of Denver Elects New Officers

DENVER, COLO.—At the annual election of officers of the Bond Club of Denver, Elmer G. Longwell of Boettcher & Co. was named president of the Club, succeeding Malcolm F. Roberts of Sidlo, Simons, Roberts & Co.

Ernest Stone, Stone, Moore & Co., was elected vice-president; Miss Helen Swearingen, Earl M. Scanlan & Co., was chosen secretary, and Phillip J. Clark of Amos Sudler & Co., was re-elected treasurer.

Four new directors elected were: J. H. Myers, Harris, Upham & Co.; Orville Neeley, Merrill Lynch, Pierce, Fenner & Beane; L. W. Linville, John G. Perry & Co.; and Malcolm F. Roberts.

Miss Swearingen is the first woman to be elected to an office in the Denver Bond Club, an affiliate of the National Security Traders Association.

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.