Individual Freedom And Economic Planning

By DR. WILLIAM F. HAUBART
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. Cen¬
tainers of men and economists take the position that our former system is doomed, because, in their opinion, it is no longer ade¬
quately the need of the people and keep them all employed. An entirely new economic order is therefore ardently advocated. This new sys¬
tem aims to take the responsibility for economic production from individ¬
uals 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 eco¬

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:

line, Harris, Hall & Co., Chicago; Albert H. Gro¬
don, Kidder, Peabody & Co., New York; and Ed¬
ward Hopkins, Jr., Drexel & Co., Philadelphia; Vice-Presidents.

Among the principal speakers at the meeting were Fred M. Vin¬
son, Director of Economic Stabilization; George W. Spenney, Presi¬
dent of the Bank of Montreal; John F. Fennelly, Executive Di¬
rector of the Committee for Eco¬
nomic Development; John C. Fol¬
ger, the new President, and Jay H. Whipple, an associate. The special feature was a forum devoted to the problems of financ¬
ing the Government during the war and financing enterprise after the war. Speakers at that session were Edward B. Hall, former IBA President, who was serving as Asst¬
ant to the Secretary of the Treas¬
ury; Albert P. Iverta, partner in Paine, Webber, Jackson & Curtis, who is Chairman of the Massa¬
chussetts War Finance Committee of the Treasury Department; Al¬

The membership committee re¬
ported that the Association now has 598 members, 578 active mem¬
bers and 20 in the new "inactive" classification. This letter class of membership was authorized by amendment to the by-laws at the annual meeting in October, 1942. Of particular interest in the re¬
port 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.

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Dying

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"C" Steiner,

American

Power & Light, Pd.

B. Duval Heads

Garanizing Trust Dept.

Eugene W. Sttridge, President of the Guaranty Trust Co. of New York, has

appointment of

land Duval as Second Vice-

charge of the bank's trad-

ister, to the

in charge of municipal bond buying.

He was born in Houma,

and graduated from Prince-

University in 1929.

Kirchofer & Arnold

Open New D. G. Branch

Kirchofer & Arnold, Inc., in-

banks of Raleigh and

Charlotte, North Carolina, and

New York, announce that, in

association with J. G. White & Co.

branch office at 729 1st St., N. W., Washing-

R. C. Kirchofer, President of Kirchofer & Arnold, said that the opening of the Washington

office is a move in the direction of extending its facilities in serv-

ing investors throughout the Southwest.

A Message to Holders Of Municipal Bonds

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specialists, announce that a new

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fortunity to Holders of Municipal Bonds," in which is included a

chapter on the value of tax ex-

emption and the record of pay-

ment of municipal bonds versus

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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 is definitely foreseen.

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

(Continued from page 1988)

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Dealers Virtually Unanimous in Condemning NASD Profit Limitation Decree

Our Editor was literally swamped with letters, telephone calls on the subject, and reports of the reactions of the dealers were bent on condemning the action of the NASD in arbitrarily issuing a decree limiting the profit of its members. Many comments as to how can be accommodated in this issue are given below. (As in the past, we are fully observing the Finance Law which protects our identity by not revealing.) The only favorable one we received included: Additional problems appear in next week's paper unless the decree is rescinded in the near future. Because the NASD is “quite likely judging from a press conference last week” on Sunday indicating that the NASD, if it may not receive the full backing of the Securities and Exchange Commission, it is very likely that the members will not see this attack. The NASD is expected to issue a rule, which in the “Minutes” article that some of these members seem to have forgotten would be a good opportunity to provide a new disclosure and cooperation proposal which is opposed by the NASD.

DEALER NO. 1

How can the NASD reconcile its 5% profit ceiling on securities with the fact that it penalizes its members dealing in oily profits 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 dictate a minimum capital requirement, now a maximum profit. It is damnable that I have been driven at the point of a gun to pay the price of the day to liquidate a stock which would not be for his profit to sell short stop normal business operations. The NASD is trying to dictate a rule that would not stop short of normal business operations. The NASD is trying to dictate a rule that would be a good opportunity to provide a new disclosure and cooperation proposal which is opposed by the NASD.

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No Currency Dilation And Increasing Productivity Water Debt Problem: Spinnin

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

Believes Desire To Save Can Be Projected Into Post-War Years If Having Tests To Be Resistant To The Current War

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 forecast on the economic aspects of Canada's part in the war, George W. Spilky, 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 something like $4,000,000,000,000 of securities in our country in the form of security investments and branch plant ownership. Moreover, he said, "judging by records of day-to-day trading transactions across our border, that investment has been increasing even during the war years."

At the hearing on the boundary situation, Mr. Spilky has the following to say: "You may have observed that while our Dominion Government is paying 4% interest on its debt, 6% on its war loans. "We also have had the interest rate increased to 7 1/2% on our war bonds. Moreover, Mr. Spilky says that he "can see no reason why you should not be entitled to the same rate of interest as the Dominion Government."

Spilky also observes that "the tremendous industrial expansion of the last few years, in the last few years, has been at the expense of some $300,000,000 of expenditures by taxation."

"I'll tell you that a canning (Continued on page 1882)

Y�R END S$

Firm Bids On Active or Inactive Over-the-Counter Securities

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COMMERCIAL

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66, 1938

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

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

That the government itself can probably make the greatest single contribution toward maintaining production and employment at permanently high levels following the war 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 is foremost 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 of that of government: maintain production and, consequently, provide employment at high wages.

After 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 Mr. Anderson's thesis and the program of governmental policy suggested. A considerable number of these comments have appeared in these columns on Nov. 4; others are given below and ad¬
tional 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 tremendous loads during the past ten to twelve years that it is leaking badly and there can be no room for a vague or indefinite re¬

The Press of the United States should squarely get behind Dr. Anderson's theory that government cannot mind able to solve the eco¬

(Continued on page 1894)

New Orleans Traders
Elect Joes. H. Well

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

Joel McIntrye Co.
Opens In San Antonio

SAN ANTONIO, TEX.—Robert McIntrye has formed the Robert McIntrye Company with offices in the Milbank Building, New York City. Copies of these interesting memorandums may be obtained upon request from Hor¬

ors.
Future of St. Paul Bond Issues under various Plans
A New Letter
Copies Available to Brokers and Dealers
VILAS & HICKEY
Members New York Stock Exchange
49 Wall Street
New York 5, N. Y.
Telephone: Harmon 2-7900

Dealers Virtually Unanimous In Condemning NASD Profit Limitation Decree
(Continued from page 1321)
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 to the SEC is to be firm in the Dir. 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. 21 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 Board of NASD that, for the sake of the securities industry, should be scotched before it goes any further. That tendency is to increase 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 point you brought out that in any survey to determine the mark-up practice of every dealer firm, the large houses doing a large 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 and what is their practice in the real estate 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, it does not thereby “risk” the dealer’s clients. That theory could not possibly further 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.

Railroad Reorganization Securities

The order authorizing the call for redemption of the Receivers’ Certificates of the SEABOARD AIR LINE makes extremely pertinent our study of the Special Master’s Plan, copies of which are still available upon request.

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The award by Cook County, of a new $8,346,000 funding bond of the State of Illinois and transfer of the Salle Circle site last week, adds a new financing issue to the list of interesting current developments in the public utilities field. It has also been the subject of much interest, because the law making the issue possible, which authorized the financing, had been recommended by the Federal Reserve Board and the Board of Governors of the Federal Reserve System, the latter before Dec. 15. and will be offered in the amount of $397,000 in 1952, in annual equal 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 21¼% securities, none held, was $4,713,000, the equivalent of 161¼. Under this bid, the issue was to be split into two parts, each of which would be subject to the alternate resolutions of the board of commissioners. The first part was to be an 8% bond and the second a refunding bond with 8% and 21¼% bonds. The second part at such time as future as could be agreed upon by the commissioners, in place of the $4,726,000 of unpaid bills to be issued Dec. 15 by the Supreme Court. Both parts of the bids are to be delivered contemporaneously by the several opinions.

The question of which bid to accept posed a complex question for county fiscal officials. The firm of Seipp, Prinell, which had the lowest interest cost, was $15,725,000, or 2½% above the actual maturity date of the bonds, the Halsey, Stuart bid had the lowest interest, but $12,718,000, at the Under the Halsey, Stuart bid.

Arguement of Bidders

Mr. Prinell told the board of commissioners that the interest on the bond costs would be figured $12,718,000. The only legal obligation had to be paid under the act of the Illinois legislature and the representative of the Halsey, Stuart, which for the county's tax levy for the redemption of the bonds, the Halsey, Stuart bid was $1, 15,715,900, as compared with a net interest cost of $1,178,000 under the Halsey, Stuart bid.

The year 1941, and the Federal Reserve Bank of St. Louis as the trustee, has been the subject of much attention, both financial and legal. The law making the issue possible, which authorized the financing, had been recommended by the Federal Reserve Board and the Board of Governors of the Federal Reserve System, the latter before Dec. 15, and will be offered in the amount of $397,000 in 1952, in annual equal 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 21¼% securities, none held, was $4,713,000, the equivalent of 161¼. Under this bid, the issue was to be split into two parts, each of which would be subject to the alternate resolutions of the board of commissioners. The first part was to be an 8% bond and the second a refunding bond with 8% and 21¼% bonds. The second part at such time as future as could be agreed upon by the commissioners, in place of the $4,726,000 of unpaid bills to be issued Dec. 15 by the Supreme Court. Both parts of the bids are to be delivered contemporaneously by the several opinions.

The question of which bid to accept posed a complex question for county fiscal officials. The firm of Seipp, Prinell, which had the lowest interest cost, was $15,725,000, or 2½% above the actual maturity date of the bonds, the Halsey, Stuart bid had the lowest interest, but $12,718,000, at the Under the Halsey, Stuart bid.

Arguement of Bidders

Mr. Prinell told the board of commissioners that the interest on the bond costs would be figured $12,718,000. The only legal obligation had to be paid under the act of the Illinois legislature and the representative of the Halsey, Stuart, which for the county's tax levy for the redemption of the bonds, the Halsey, Stuart bid was $1, 15,715,900, as compared with a net interest cost of $1,178,000 under the Halsey, Stuart bid.
BANK STOCKS
CHICAGO-SUBURBAN ILLINOIS
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100 West Monroe Street

CHICAGO 3

15 years experience. Draft deferred. Available between normal business hours Monday and bonus arrangement.

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Chicago Stock Exchange

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North Central Utilities, Ptd.
Kansas City Public Service Co.
Interstate Co.
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BOARD OF TRUSTEES
120 South Wabash Ave.
Vend., 509 Merchandise Mart, Chicago

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Listed and Unlisted
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Burlington Street Bldg., Chicago

SAN ANTONIO, TEX.
Electric and Gas
Revenue Bonds

Hicks & Price

141 W. Jackson Blvd., Chicago

Board—Sold—Quoted

DANIEL F. RICE & CO.
15 E. Jackson Blvd., Chicago

Investment Securities
Public Utility
Industrial—Municipal Issues

E. H. Rolls & Sons
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135 South La Salle Street

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New York Stock Exchange

New York Stock Exchange

Chicago Stock Exchange

BOSTON—M.A.—L. Dallas Corbey
is engaging in a general
security business from offices
at 7 Wall Street, New York City.

Corbey was formerly with Trust Funds, Inc., of Boston.

September Rail Results

City of Chicago

Situation Wanted: TRADER WANTS CHICAGO CONNECTION

September 15 results are: Basic freight rates on Chicago products
were given an interesting circular
discussion by the C. C. A.'s "Monthly
Transportation Section," for September. Copies of this circular may be obtained from
Vilas & Hickey upon request.

FRASER

DIGITAL TEXT

Volume 138 Number 4228
THE COMMERCIAL & FINANCIAL CHRONICLE

1875

SERVING INVESTMENT DEALERS

We specialize exclusively in the
purchase of small blocks of securities, providing investment dealers
with additional customers to service their clients. Maintaining no retail
department of our own, we compete
utilized to the advantage of both our dealers and their clients.

FLOYD D. TEIFF CO.
Exclusive Wholesalers and Underwriters
129 South Wabash Avenue
Chicago

TheAllgemeine Posten

FRASER

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

The consolidated net profit was $4,256,659 equivalent to $3.40 per share, or $92,174.84 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 $7,977,070, equivalent to $61.64 per share, after setting up a reserve for contingencies of $750,000. The working capital indicates an increase of $10,394,331.

The combined net earnings of our Canadian subsidiary and Argentine subsidiary companies were $2,160,743, after interest, dividends and currency restrictions. There are no restrictions in this country on the transfer of current earnings to the United States. The ratio of 1943 was for the development of these foreign companies and their investments.

In addition to the earnings stated above, the Corporation and its subsidiaries earned in 1943 $21,344,214, amounting to $661,474 representing the undistributed equity in earnings of the Seneca Textile Corporation.

Deducting net charge to operations of last fiscal period amounted to $1,132,000, equivalent to $8.08 per common share outstanding. This charge is to be paid on a quarterly basis and is not chargeable with a previous period of semi-annual payments.

Directors were charged to operations of last fiscal period amounted to $1,132,000, equivalent to $8.08 per share for the previous fiscal period. The United States Armed Forces, whose activities consist of directing personnel and controlling market and accounts, have been made to the extent of current requirements. These advances are made against inventory values.

The Ross-Watson Agreement terminated on May 30, 1943, and we look forward to its early expiration. The Board of Directors felt that it was no longer a matter of concern.

As of June 30th an additional capital surplus of $2,500,000 was written into the Seneca Textile Corporation.

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.

TO OUR STOCKHOLDERS AND EMPLOYEES

WILMINGTON, DELAWARE

Annual Report

for the fiscal year ended June 30, 1943

The financial statement below are subject to become published in our annual report of the Company.

CONSOLIDATED-BALANCE SHEET AS OF JUNE 30, 1943

AFTER giving effect to the sale and issue of preferred stock in the amount of $10,000 per share

ASSETS

Current assets:

Cash on hand, on banks and in vault: $4,335,730.10
Cash on hand (July 2, 1943) from the sale of 60,000 shares of 7% Cumulative Preferred Stock: 4,564,000.00 $10,500,730.10
Trade accounts, notes and acceptances payable, less reserves of $213,450.00, 3,831,461.95
Accruals and taxes receivable purchased, less reserves of $200,503.56 7,070,717.21
United States and foreign government securities 10,891,024.24
Other receivables (including $626,046.44 due from associated companies for consolidated) 375,008.15 14,867,359.84

Liabilities and Share Capital:

Mercantile Investments: 3,597,478.13
Marketable securities and surpluses 7,391,496.57
Goods in process, including finished goods 7,450,616.95
Stockholders' equity: 2,833,104.84 15,059,297.74
Other receivables (including $262,965.44 due from associated companies for consolidated) 375,008.15 14,867,359.84

Total assets 56,985,008.30 51,991,032.47

The consolidated balance sheet as of June 30, 1943 shows the financial position of our Company. The financial statements are subject to become published in our annual report of the Company.

The Company continued to make a profit and to increase the financial strength of your Company in the current year. The management of your Company, keenly aware of the importance of current conditions, continued to pay heed to the demand of all of your customers, and to meet the necessities of the situation. Hence, often a system of allocation was in effect to ensure a proper distribution of our products. The Company's policy has been to promptly dispose of all merchandise as soon as possible, in accordance with plant requirements.

We now have 1,962 of our employees in the Armed Services. When peace returns we will return to normal, and every consideration will be extended to the Armed Forces for their re-employment and advancement.

In Conclusion:

Some of the year's activities I hope indicate the progress that has been made by the Company along various lines. Our resources and financial structure have been strengthened by the sale of approximately $1,150,000 worth of stock, par value of $6 per share. Our manufacturing and sales facilities have been expanded to meet the demands of our customers, who will be treated promptly, courteously, and without interruption, as most of our directing personnel in the textile industry are in a high degree of productivity.

In our manufacturing plants the man power situation at times has become strained, but due to the adaptability of the women to the requirements of the textile industry, we have been able to continue at peak production. Proceedings with respect to shortages and allocations are underway. While the effect, if any, which such rationing may have may not be definitely appraised at this time, we feel the results cannot be not materially affect this report.

The Executive Committee, appointed by the Board of Directors, works closely together 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 consumer, created 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.

This report contains the conclusion of the Company's operations for the year ended June 30, 1943, and is subject to become published in our annual report of the Company.

United Merchants and Manufacturers Inc.

J. J. SCHWARTZ,

President.

October 27, 1943.

FACTS FOR OUR STOCKHOLDERS

Note:

FINANCIAL STATEMENTS ATTACHED TO REPORT.
INVESTMENT BANKERS ASSOCIATION OF AMERICA

OFFICERS 1943-1944

Vice-President
Albert T. Armitage

Vice-President
John Clifford Folsom

Vice-President
Vic E. Breeden

Vice-President
Julian H. Collins

President

ALBERT
H.
GORDON

Vice-President
Edw. Hafkinson, Jr.

Vice-President
Alden H. Little

Vice-President

GOVERNORS

William Barney
F. J. Baschett
John E. Blunt, 3rd
William H. Brand
Ercul E. Buckner
Hargood Clarke
H. H. Dewar

Fairman R. Dick
Roy A. Dickie
Roth S. Dickson
Henry H. Egly
F. D. Farrell
John C. Flint
Newton P. Frye
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. 4 as President of the Investment Bankers' Association of America, expressed as it was 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 "some telling 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 tell a bit while 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." As to "our relations with Government agencies," Mr. Folger made it plain that "we are not seeking, nor do we wish to abolish the NK. 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 latter'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. Whitney, in full the address of Mr. Folger follows:

After my nomination, friends began congratulating me. One then 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. Until yesterday my nomination was not confirmed."

You will remember another occasion when a distinguished citizen went to bed erroneously 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 now comes 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 and speak my mind on a few subjects informally.

Some may think our work is rather dull business in these times. Many of our members have foreseen private enterprise for the moment. For the absent ones in the armed forces we save a special place in our 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 us 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 no ulterior motives and trained or expert in the fields of politics. Few would say we are monarchs of public opinion. But one thing we do know. Investment banking is coming out of the dog house. Other people tell us we 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 a thorough study of investment taxation to stimulate investment of private funds in productive enterprises."

Think what Legislation in stimulation to stimulate our business. What should be our policy? No, most of us are conservatives. Re- sponsibility and civility are the final, most telling shades of opinion in the world. Many different financial plans will enter 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 coming months.

I think we have been inclined to sit back and be unhappy about plans made by others. Frankly, I believe we should systematically urge our 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 moving into the future.

One practical thought, it usually happens that the fellow who speaks the final and explosive words at the beginning of a conference is seldom asked to sit in again. If you indicate that in his opinion everyone who disagrees with him is unhinged—his usefulness as a conference is limited. Let's be the Yankee Trucker who doesn't get mad. The subject of foreign finance is one we try to avoid. We are a volatile people. One day we vow we'll never invest another dollar in foreign money; indeed make loans to stop it. The next day we say: 'let's have a billion more.' And then we grew up, . . . have long trounced the merchant bankers, made great returns. To-day our attitude toward foreign investments. Are we going to reach into the bank and say: 'international banks'? If so, will it be a private or a government bank? who wears that once discarded mantle? Proponents of clearing unions say that if we don't import foreign goods, we should make foreign investments to balance trade. We have personal people urge that we let foreign economic conditions (Continued on page 1901)

From FARMS •• a pledge and a promise

"God grants liberty only to those who love it, Who are always ready to guard and defend it."

ONE hundred sixty-seven years is but a twinkle to a star but to a man it's nearly seven generations. One hundred sixty-seven years is not long in the reckoning of a hill but to a man it's long enough; long enough to know what freedom means, how to use it, when to fight for it. The men who left their bloody footprints in the snows of Valley Forge—they knew what freedom meant. The men who fought at Gettysburg, at Belleau Wood—they knew when and how to fight for it.

Now seven generations from the battle of Concord andLexington, Americans are again fighting for their lives and their liberty. But far from the wide-fung battle lines is another struggle—a struggle to produce the food to win a war and write a peace. Here are the farmers asking no quarter, giving none, determined that their children shall receive their heritage of freedom untrammeled and unbroken. From men beneath the rock spats of fishing boats in Gloucester, from the vast tany of busy cities, from farms spread thinly through the mountains, from farms nestled snugly in valleys, from farms throughout this broad land that is ours comes a pledge and a promise—a promise that liberty, conferred in suffering, in born, shall not perish. For here are the men of faith, men of courage, men who will not betray this, their finest hour. They will keep America free.

FEDERAL LAND BANK OF SPRINGFIELD
Springfield, Massachusetts
Fiscal Agent: CHARLES R. DUNN, 31 Nassau St., New York City
Serving New York, New Jersey, New England

Meeting today's Challenge - The American Farmer
Individual Freedom
And Economic Planning
(Continued from first page)

The past decade has contributed greatly to this trend by its
proved 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
governamentally regulated economy. But there are those of us
who have for some time been apprehensive lest the controlled
economy, which as an absolute essential in time of war, will be car-
ried over into the post-war era.

Historically, most economic sys-
tems have been operated by gov-
ernments. Some people are in-
clined to forget that until eco-
nomic production in modern times
had emerged from the shackles of
excessive government control did
our present standard of living be-
come possible. If they could get
an adequate picture of how the
workman of the 18th century lived and what sort of food, rai-
ment and shelter he enjoyed, or
had, they might not be so willing
to cast aside our present economic
system with its admitted imper-
fections. The late Sir Josiah Stamp, noted English economist,
said that the purely material
standards of well-being in Eng-
land had been multiplied fourfold
during the 18th century.

As citizens we should be inter-
ested in trying to determine what
will be the greatest economy, which is bound to result from ex-
cessive 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 sac-
fifice would be worth while if
poverty and unemployment could thereby be done away with. It
cannot be proven either from his-
tory or by economic analysis that
such a result would be attained.

Historically, governmental eco-
nomic control points to lack of political freedom and a low stan-
ard of living.

The test of an economic system
should be the degree of its suc-
cess in meeting the wants of
human beings for food, shelter and
raiment, and whether it can pro-
vide in addition a medium of the
luxurious refinements of our pres-
cent-day standard of living. Those
of us who strongly favor the re-
tention of our individualistic eco-
nomy, 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 citi-
zens 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 every 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 pro-
duction (income) which he will
have to use for the goods and
services which he himself de-
sires. When an individual makes
the choice between the satisfac-
tion of one want over another,
he is thereby making a judgment of values. Since this ac-
tivity 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 plan-
ning, does not have reference to
individuals. It involves central or
social coordination and is sup-
posed to embrace the economic
activity of the people within the
confines of an entire country or
state. If the defects of the present
order are seized upon as suf-
2116
ficient reason for having the state
engage in economic planning, at
least on a partial scale. Then, dur-
ing an economic depression, when
unemployment becomes extensive
and the spectre of want and suf-
fering stalks the land, the ques-
tion is asked, "Could not these
troubles be averted by resort to
extensive economic planning?"

There is in this question the im-
plcation that present day eco-
nomic activity is proceeding in a
haphazard fashion without rime
or reason. Economic planners,
therefore, wish to substitute for
what seems to them only confu-
sion, a plan, usually their own
plan. This is to fill the void of
what they consider to be planless-
ness. Broadly speaking, present
day economic production depends
upon spontaneous arrangements
and the general framework of law
and order. The govern-
ment is, however, needed
as an umpire to uphold the san-
city of contracts, to keep order,
and maintain stability. In a
sense, this procedure is largely
automatic, but nevertheless, the
system may be dignified by being
referred to as one plan for the

Thursday, November 11, 1914

production and distribution of
goods and services. At any rate,
it has been successful in raising
greatly the standard of living dur-
ing 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
efficacy of the government to plan
and carry on the mechanism of
economic production, we find
among the people at large a mis-
understanding of the fundamental
nature of the task which is in-
volved. Most often economic plan-
ning is thought of as an engineer-
ing 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. Dis-
turbances 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 all government-
mental economic planning as a tech-
ological problem, whereas, in
greatly, it is a value problem.
The engineer uses as a basis for
his estimates and map of living
the prices as he finds them in the
currents of ordinary government
control, once it has become all-
pervasive, there is no system of
prices available. While the en-
gineer in his calculation uses the
current costs of material, much
very labor as he finds them gov-
(Continued on page 1905)
A reminder that the first objective of the Investment Bankers Association of America "is to contribute to the job of financing the war," was given by J. N. Whipple, of Boston, 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 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 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 had been a net gain in membership since our annual meeting of a year ago. In that period we had 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 concerns.

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 possibilities 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 Commissions 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 last 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 relatively 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 Gamson Purdy, 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 our economic stability. It shall need badly the mechanical machinery of the expressed judgment, and the highest ethical standards of the leaders of our investment and banking fraternities...." One matter of vital importance to everyone is the question of compulsory competitive bidding and the answer can be found in the regulations of the War Risk Insurance Act of Congress.

State and Municipal Bonds

Local Housing Authority Securities

PHELPS, FENN & CO. (Continued on page 599)

The National City Bank of New York
No Currency Dilution And Increasing Productivity Key To Post-War Debt Problem: Spinney

(Continued from page 1871)

dian, married, with two dependents, and with an income of $5,000, now pays a Dominion income tax of $660, including $60 refundable portion which is subject to certain offsets for insurance premiums, mortgages, etc.,—when I point out that this compares with a total Dominion income tax of $90 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 my 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 piece-meal comparison of specific methods and results to show uniformity at all points.

"I sometimes think that though 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 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 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 of 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 past increase in Government debt? For them this is not an academic question. For the individual those 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. The money is as less satisfying in that he has already had some inking 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 payment 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 time be available."

(Continued on page 1018)
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 Saving & Sales

Making known that the War Finance Division is engaged in Loan, Edward B. Hall, Assistant to the Secretary of the Treasury, Association of America at its annual meeting on Nov. 4, the loan “must be sold.” It was brought out by Mr. Hall that “budget estimates requiring, during the remainder of this fiscal year, namely 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 “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.” 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

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Looking Into The Post-War World

(Continued from page 1870)

United States, we shall be under-
taking an object which is not
only impossible to accomplish, but
one which in my humble opinion is
incompatible with the free en-
terprise system, "which latter he
stated, "carries with it the right
to shift from one occupation to
another."

Mr. Fennelly stated that an in-
crease in the national output of
goods and services by 45% or
10% will make the demand for
additional capital "tremendous,"
adding that the "huge reservoir of
savings" induced by the great dis-
crepancy between wartime in-
comes and the lack of goods avail-
able for purchase, should provide
a "magnificent market for securi-
ties for many years after the war." Discussing some of the post-war
problems, Mr. Fennelly said a
prompt settlement of terminated con-
ttracts is necessary to avoid a
disastrous delay in recovery of
industry. As to the disposal of
Government plants and airships,
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. Fen-
nelly warned, however, that busi-
ness must be prepared to assume
its fair share of the cost of post-
war liquidation, particularly if it
wishes to ask for a similar liquida-
tion of wartime wages.

As to taxation, Mr. Fennelly be-
lieves that a substantial reduction
can be achieved as well as a bal-
ancing of the budget, if a satisfac-
tory level of post-war output and
employment is attained. Regarding the pros-
ppects for maintaining a free so-
ciety and a system of private en-
terprise in the United States, he
feels confident these problems
can be solved if we have the na-
tional will to do so. Mr. Fennelly's address follows in full:

I can say with complete sin-
certainty that it is an unusual plea-
ture 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 In-
vestment banking business to be-
come a Washington bureaucrat
more than two years ago. In the second
place, my work with the Commit-
tee for Economic Development has
led me to the study of post-war
problems which I am sure are of
as much concern to the invest-
ment banking profession as any
other group in the country, and I
am eager to discuss some of these
problems with you.

I am not the today to tell you
the story of the Committee for
Economic Development. I assume
that most of you by now are rea-
sionably 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 fi-
nancing. Nevertheless, it is impos-
sible 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 in-
vestment 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 stand-
ard problem for all of us in the
post-war world will be to avoid
the twin dangers of mass unem-
ployment and mass Government
employment. The CED starts with
its basic premise that the objective
may be stated as follows: to
create a high level of employ-
ment with a high level of produc-
tion.

We are convinced that in-
voked by at least an equivalent
level of high production, the ser-
sives is a self-defining objec-
tive and the surest road to na-
tional health.

When the war ends we are cer-
tain to face a highly political
and military problem to solve the
employment problem by spreading
the work. Thus, there is already
talk in certain labor circles of a
10-hour week with 40-weeks per
year. If the 40-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 of
a course highly desirable but it
will be nothing short of dis-
trust to assume that we can
lick our post-war problems by re-
versing the process and creating
employment by spreading the
work. This was the course fol-
lowed by the Republic of France
in the years immediately pre-
ceding 1919 and I believe more than
any other single fact was responsible
for making her an over-rige-
man to be buckled by the hard-
working Naze.

It is a fact that within ten years in
this country have already suffered
more than has been said about them.
Many States have laws forbidding
the working of children under ten.

The Institute of Labor and
Business has been, according to
my information, most active in this
matter under the leadership of
Governor Fernald of Connecticut
and such organizations as the Child
and such by the National Child
Labor Committee.

Mr. Fennelly has no more pro-
found conviction than the urgent
necessity of reversing this psy-
chology and accepting the fact
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 convic-
tion on the part of labor that
businessmen are honest and their
labor policies must be abolished, in
the conviction that the Govern-
ment that all unnecessary restrictions
and controls of wages and hours
must be removed. This in brief is
the core of the CED philosophy.

Some of the facts concerning the
specific post-war problems which I
are convinced 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
with a small unit profit, the
Government will largely take care of
itself, the great threat of post-war
inflation will be eliminated or greatly
reduced, and the problem of balanc-
ing our Federal budget and carry-
ning the tremendous load of gov-
ernment expenditures will be but a
shadow of what it is today. I am
now going to give you a few fig-
ures which bring out dramatically
the size of the employment and
production problems that lie ahead
of us.

Department of Commerce ex-
(Continued on page 1880)
Our Greatest Job On The Home Front

(Continued from page 1883)

...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 this portion of the debt which is widely held by the people written in terms that guarantee owners against loss is an influence for financial 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 prove 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...
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

Ascertaining 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 $3,000 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 the kind of decisions needed at a difficult time." He believed 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 continuation 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, fur, 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 purchaser needs vast quantities of the implements which are now essential to destruction of the enemies of freedom. Taxation is a compulsory transfer of income and wealth.

The problem is not just one of recovering industry to prewar production. That would be relatively easy to accomplish. What is called for is the much more difficult task of reconstruction accomplished by a new effective policy of investment and production.

1. One of the major tasks is the expansion of business and industry to meet the needs of the future. This will require capital for the establishment of new enterprises and for the expansion of old ones. Capital will be required, not only for replacement of productive capacity which was destroyed during the war, but also for the actual expansion of plant capacities. If I am working in the field of basic raw materials, such as steel, copper and aluminum, I believe that the war caused expansion was in excess of the demands of the immediate war period. This increase was in some part due to the fact that the war created new markets for domestic products.

2. Time is of the essence. If new high levels of production and employment are not rapidly attained, we shall be threatened with a dislocation 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 these facts for investment banking? They are, first, that the demand and supply factors are favorably disposed. 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 replacement of productive capacity which was destroyed during the war, but also for the actual expansion of plant capacities. If I am working in the field of basic raw materials, such as steel, copper and aluminum, I believe that the war caused expansion was in excess of the demands of the immediate war period. This increase was in some part due to the fact that the war created new markets for domestic products. What is called for is the much more difficult task of reconstruction accomplished by a new effective policy of investment and production.

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 recovering industry to prewar production. That would be relatively easy to accomplish. What is called for is the much more difficult task of reconstruction accomplished by a new effective policy of investment and production.

2. Time is of the essence. If new high levels of production and employment are not rapidly attained, we shall be threatened with a dislocation of war savings, with the destructive effects of inflation, and with the paralyzing influence of mass unemployment upon all policies, domestic and international.
Vinson Calls for Tax Bill To Prevent Inflation

(Continued from page 1896)

culated 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 advantage to becloud these simple issues by complicated smoke screens of argument and statistical legend. 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 Waterman, was discussing some of the fiscal and financial controversies of his day. "Marne Henry," he said rather sharply, "all of us cannot be educated political economists capable of nice, hair-splitting distinctions. For our part, the sum of our financial knowledge has not materially increased since the day we bought a ginger rake 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.

to search out new sources of man-power and wonnower. 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 peace-time 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, 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, wages 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 $317,000,000,000 worth of consumer goods and services. Of course, this does not mean that all of our income will or can be spent. Twenty billion dollars will be collected in State, local and Federal taxes, at existing rates. The Treasury estimates that approximately $9,000,000,000 will go into the government as ordinary long-term savings—payment of personal indebtedness, payment of insurance premiums, 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 magnitude of excess spending. There is also the vast amount of labor now devoted to war productive purposes which, it is claimed, could, if used in other fields, produce more food, more clothes, more shoes, more automobiles, more refrigerators, more homes, more houses and more goods and services of all types. In wartime, our national output is active in 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

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NEW YORK
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 costs 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. The course of 'Black Market' would develop. Men would again gather on the street corner as in primitive days and swap 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—will we, for instance, limit the position of chance for dishonest mistakes and no doubt there are enough of the latter. 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 merchants.

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 deposits of power which are more and more delegated to 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 upon 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, coming down to the lowest grade of despotism and ambition of political domination."

"In proportion as all real initiative resides in the government, and individuals habitually feel and act under its perpetual tutelage, popular institutions develop the characteristics of freedom, but an unmeasured appetite for power; and the tendency for the activity of the country from its principal business to a restricted competition for the selfish profits and petty vanities of office."

"Few will dispute the more than sufficiency of these reasons, to throw, in every instance, a strong voice against putting out a strong case, not on those who resist, but on those who recommend, government interference in business. In short, should be the general practice: every departure from the intellectual and moral laws of commerce an evil, and some great, 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 the poverty resulting from government bureaucracy, restrictions and the resultant decline in productive capacity 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 two thousand years ago, or with the effect of government management and bureaucracy since the 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 paternalism and costly detail 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 the result economic and necessary costs. Industry and production, so vital to the country's prosperity, are being strangled.

What is the reason for all this Bureau-Cracy 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 businesses? 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, 20 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 con-

trivance," and the term "manipulative, deceptive or manipulative act or practice" as used in Sections 15-C-1 and 15-C-3, respectively, of the (Securities) Act are hereby defined to include any act or dealer designed to effect, a sale to or a purchase from a cus-
tomer, by such dealer, of any se-
curity, unless such dealer, at or before the completion of each such transaction, discloses to such cus-
tomer in writing:

(1-A) The best independent bid and asked prices for the security at the time of the sale or pur-
chase 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 rea-
sonable diligence, is unable to as-
certain both a bid and an asked price;

(1-C) If neither such a bid nor such an asked price can be ob-
tained after the exercise of rea-
sonable diligence, the price at

which the dealer was able to ac-
tquire the security in that bona
fide transaction which is closest in point of time to the proposed sale to or purchase from the cus-
tomer, but which is not more re-

date than 60 days prior to such pro-

posed sale or purchase, pro-

erved, however, that if the dealer

has had no such transaction he

shall make the disclosure required by Paragraph 2 hereof; and se-

cndly,

If the disclosure is made pur-

suant to B or C of Paragraph 1

hereof, the fact that after the ex-

ercise of reasonable diligence he

was unable to ascertain a current
independent bid or asked price, if

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 re-

liable, if such be the fact, but that

he is unable to state that a trans-

action could be effected at the dis-

closed price or could not be ef-

rected 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 dis-

closed 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 follow-

ing the date on which the security is first publicly offered, pro-

vided that a registration state-

ment is in effect as to such se-

curity under the Securities Act of 1933, as amended, and pro-

vided further that the dealer in connection with such transaction, gives to the customer the propec-

tus 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;

4. Any transaction in an exem-

ted security, provided, how-

ever, that no transaction in an exempted security which is a dis-

crete obligation of or an obliga-

tion guaranteed as to principal or interest by a State or any politi-

cal subdivision thereof or any agency or instrumentality of a State or any political subdivision thereof or any municipal corpo-

rate 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.

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Vinson Calls for Tax Bill To Prevent Inflation

(Continued from page 1867)

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 bill 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.

How not let prices rise? Increasingly there are voices clamoring for this solution. Moderate inflation, they say, is a stimulant to the body corporate. It encourages production and forces up the circulation. After all, these spec-

with the same difficulty we had at the beginning—an excess of purchasing power over the goods and services available to meet the city with demand in the hands of consumers. This neo-saw of rising prices and wages is what we know in 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 permanent variety—strike and slowdowns, bitterness and class division. It is the broad highway to national disaster. That road we must not travel.

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

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

The critical question is not whether we must have more revenue, but how much revenue. And how much we need, we all agree. The Secretary of the Treasury, with the President's approval, has asked the Congress for $75,000,000,000 more. From the standpoint of economic stabilization, this is in my judgment a minimum and modest amount. By what method, then, shall this money be raised?

Taxation is somewhat like the magician and molluses 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 consider the member that the great mass of our citi-
The problem of inflation is not an abstraction. It is not a theory, an intangible will-to-be-rich. It is a monstrous evil that just must be prevented from destroying the America which we at home have the job of maintaining and keeping whole for the return of our fighting men, and to whom in this moment offering their lives for.

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 battlefields 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, through the irritations and restraints and restraints made necessary by war, and through the military news being erroneous 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-to-be-rich. It is a monstrous evil that just must be prevented from destroying the America which we at home have the job of maintaining and keeping whole for the return of our fighting men, and to whom in this moment offering their lives for.

And these boys, the best and bravest of them, do not lightly regard that which we at home have not too often in the past, and are thinking perhaps more than we of the America to which they long to return. Recently I was given a letter received by a friend of an enlisted man in West Allen. These lads have time to think clearly 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 continue reading (on page 197)
Real Estate in Post-War Period

BY H. R. AMOTT

Harry R. Amott Sees Building Boom After War Termi¬
nates and Expresses Belief That Even Though Build¬
ing Costs Are Now 27%, Higher Than 1935-39
Average They Will, If Anything, Rise Out
May Be Offset By Improved Pro¬
duction 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
stable condition. At present the con¬
struction of private dwellings is limited to war housing. Further¬
more, the program of war plant construction has largely been com¬
pleted. Conse¬
quently, building contracts awarded this year will show a sharp de¬
cline. 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 house building.

It is this state condition of the building industry that leaves no room for doubt, in my opinion, as to the huge needs for new con¬
struction 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 our¬
selves today with several million dwellings unfit for proper living. These dwellings must be replaced. Add to this the shifting of com¬
mercial and industrial centers; brought about by the war effort. Coupled with this we have wit¬
nessed and will continue witnessing a re-location of our population.

We can expect that a part of this new re-location of our people will be permanent. And, last but not least, the demobilization of our
vast military personnel will re¬
quire that new homes as well as jobs be made available for re¬
turning soldiers if the general welfare of our people and our national economy are to be main¬
tained on a wholesome plan.

While new building needs in the post-war era cannot be ac¬
curately charted because of the impossibility of estimating in any true sense the replacement fac¬
tor, 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 his¬
tory.

If private capital is to play an important role in the financing of re-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 deter¬
mine reality values are (1) the relationship between supply and demand for each particular type of property in its particular com¬
munity, (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 be¬
tween supply and demand but at 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 unwise; 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 of the investor.

The second factor deals with building material prices and re¬
placement costs. It is important because only if such prices are right can a wide-scale building program prosper. I do not per¬
ceive a decline in the costs of labor or materials. Today, these costs are approximately 27% higher than the 1935-1939 aver¬
age. If anything, such costs may continue to rise. However, I do not foresee a marked rise in interest rates. Even if, however, we have improved new methods of production which I feel, may insulate the construction of new and better buildings for less money.

The third factor, taxes, has an¬
tually a 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 a year ago had depreciated sub¬
tanatally. Taxes, therefore, play an important part. Unfortunately, the costs of government are more likely to increase rather than de¬
crease. Consequently, I foresee no re¬
duction in tax rates. In com¬
munities where over-development took place prior to the depression this factor may be a deterrent to new construction because of its evaluating effect upon existing structures. The over-all picture, however, does not appear objec¬
tionable.

We must come to the question of mortgage interest rates. For the present, because we have seen a constant decline of interest rates resulting from foreclosures, lack of refinancing and an increase in savings deposits. Furthermore, government cur¬
tailment 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 investments, 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 di¬
rectly to the part investors play in the financing schedule. Investors, I believe, will play their part as they have in the past.

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A Turning Point

We Americans know that the post-war years will find us
a leader in a very busy world. The task of building the undeveloped areas, rebuilding the war torn areas, sending
our planes and engineers and technicians around the globe
to teach men to higher standards, is the task before us.

Will yesterday's favorites be tomorrow's leaders? It is a
time to re-appraise your securities, a time to look for new opportunities. It is a time, after many long years of trial and error, to look to the future with faith, daring and optimism.

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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 is it make 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-39 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 point to an upward swing in the curve of rental rates. The continuation of that swing 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 will become more clearly defined.

A final thought: as a securities dealer who has been handling all types of investments including stocks, 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 looks 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 too remote a distance and that 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.

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 underwrite the bidding. Proceeds from the sale of the new refunding 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 4 1/4% and 5%, respectively.

Blackstone Valley Gas & Electric

Another issue which is expected to bring out several competing bidders 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 $11,500,000 of first mortgage and collateral 3% bonds, due 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, 1970, 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 $2,500,000 of new bonds.

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Looking Into The Post-War World

(Continued from page 1888)

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 emphasize critically every policy which tends to obstruct an expanding and dynamic economy.

We take a look now at some of the problems which are worthy of our attention. Your reports indicate that the subjects uppermost in your minds are those of terminated war contracts, disposal of Government plants and equipment, and taxation policies.

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A. M. LAW & COMPANY

(Established 1892)

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

(Continued from page 1872)

A. F. WHITNEY
President, Brotherhood of Railroad Trainmen, Cleveland, Ohio

I have read the article entitled "What Can the Government Do to Promote Post-War Re-employment" 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 prosperous 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 we will be contented 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)

subject. You will find in this report a series of recommendations for Congressional action all designed to expedite the release of buildings now tied up in war production. We are convinced that no less drastic action is taken by the Federal Government...
Congress in this connection that the reconstruction of industry after the war may be disastrously delayed. With regard to the disposal of Government plants and appliances, I agree with you that the Government should speedily announce its intention of turning over to private industry all those plants and appliances 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. Moreover, 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 public outcry is likely to be terrific and in the long run might do more harm to business than anything else. I am feeding toward the conclusion that perhaps the most satisfactory immediate policy for the disposition of plants and equipment may very well be on the basis of a simple leasing arrangement with possibly the right to purchase the real estate paid against eventual purchase price. Agreement, of course, we must 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 needed 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 words, business must be prepared to assume its fair share of the cost of post-war liquidation, particularly if it wishes to avoid a similar liquidation of wartime wages. Any other policy will slow down production and is from the three points of view of war inflations. Now with regard to taxation, I am sure we'll all agree that there is a cry of need for a tax reform which will remove the present important burden which is placed on business costs. Professor Sumner Slichter of Harvard has well said that if a group of motorists had come to this country with the intention of creating a tax structure which would ruin 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 essentially sound and constructive. I cannot as yet commit myself to 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 a Federal expenditures for the first post-war decade which will average around $25,000,000,000. 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 $40,000,000,000 when the war is finished and liquidated. This debt will require annual interest charges of at least $600,000,000 and perhaps $7,000,000,000 annually for the first post-war decade. Time does not permit detail 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 $40,000,000,000,000, without any further increase in taxes. If we achieve the post-war employment of all our former civilian workers, the national output of goods and services may be as high as $400,000,000,000 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 1946. This means that a gross national product of $140,000,000,000,000 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 $30,000,000,000. 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 go in reducing 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 remain 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 achieve (Continued on page 1896)

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Looking Into the Post-War World

(Continued from page 1890)

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 di-
rected primarily to the removal of the present intolerable burdens on business enterprise. For the past generation tax economists as a class have directed their atten-
tion 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 em-
ployment. 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 pres-
sure 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 dan-
ger 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 indi-
cate that individual savings by the end of 1944 may approximate $100,000,000,000. These funds pro-
vide our greatest assurance that the market will be ready to absorb a greatly increased output of goods and services. They also con-
stitute a very serious inflationary danger unless the goods and serv-
ices are speedily forthcoming.

Because of this danger most thoughtful students now recog-
nize the necessity of maintaining many of our present wartime con-
trols on prices, wages, rents, etc., for some time after the close of hostilities. What worries me, how-
over, is not what the Government may decide to do in this connec-
tion 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 can almost be sure that 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 meantime, 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 un-
willing to face the main issue if I pass lightly over this problem. I am, however, totally out of sym-
pathy 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 fal-
lacjy 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 de-
nirable improvements in our labor relations. Finally, if business man-
dgment can go into the post-war world with clean hands and with a willingness to assume its full share of responsibility then there should be greater hope of reaching satisfactory relationships with labor than at any time in years.

So far I have said nothing re-
garding 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 at-
tention very largely upon the de-
mistic aspects of post-war prob-
lems we believe we are leaving first things first.

Nevertheless, we are fully alive to the need for maintaining fully national political and economic re-
duction, which we so naively as to fancy that we can lift our-
pride from the battle and sit at our tables complacentiy.

Frankly, I am convinced that our post-war policies will be materially conditioned by the nature of the connection, I believe that the United States will do its part to achieve an interna-
tional peace, and for our own pros-
perity, stability, we should promote the economic unification of Continen-
tial Europe, to some extent, before the war.

These are just a few of the many things in which I hope to take a few mo-
tments to explain to you why I am so confident of our future.

We have a great and important war, and the rest of the world, I hope, will understand that the 26th Century is the century of great continental empires such as the ones we have created in North America. The development of internal transportation which has made possible our mass mar-
kets and mass production tech-
niques has at the same time made transportation and obsolete the watertight compartments on the small, nationalistic economies 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 pe-
riods of broad industrial expan-
sion in the western world. Each of these periods has lasted about 25 years, and has been motivated by some new economic develop-
ment. The first of these started about 1750 and was caused by the so-called agricultural revolution in England. The second, begin-
ning 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 opening of the railroad, which opened up our own West, and also transformed Germany from a group of medi-
vial principalities into a great mod-
ern State.

The fourth period of expansion which lasted from 1860 to 1890, I believe, motivated by the growth of corporate enterprise and the development of mass produc-
tion techniques, had its roots in the United States.

Sometime ago I was convinced that we have been living through a world-
wide era 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 clearly was a phase of similar political as well as economic phenomena. If this is the case, then in anything like the same way, we should now be at the end of this period of liquidation, and retired with 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 com-
parable with our own. In other words, I am satisfied that economic development has reached a stage where further progress will be difficult unless it is accompanied by industrial developments in other important areas.

So much for some of the prob-
blems. What about the prospects for maintaining a free society and a system of private enterprise in the United States? I have no doubts about the seriousness and importance of the problems which lie ahead. Neverthe-
less, I am confident that these problems can be solved if we have the national will to do so. Furthermore, if we fail to move forward man-
ual all our problems are solved, none of them can continue to haunt us.

I realize that at times in the re-
cent years we have all been guilty of a certain lack of faith. We were always sure that all, or most of Europe was
be communicative after the war and I have wondered how it would be possible for a free society to live after a war. The only proper answer to this is that we must really make it work sufficiently to solve our production and employment problems. It may be that 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 very important problem, and a great responsibility. I have already spoken of some of these problems. 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 predestination, 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. It is essential that you 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 cautious 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 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 win in all parts of the globe. Only thus can we do our share in winning the peace and preserving the kingly line of which we wish to return.

Visson Urges Anti-Inflation Tax Bill

(Continued from page 1991) consider carefully the words of this Amendment. It is not. This is not for you and me in the European theater of war. You will know, he writes his friend and old teacher, "the results of the war. But there will be even greater cause for journalistic concern. This time we will have many millions men and women from the military service who will form a formidable group if their plans are scattered 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 know what is not vitally affected by prices. Those of us in foreign service and in the black of others against the country in which we happen to do our small amount of buying. But I read about the price of furniture at home going up 100% or some other price index up to 100%. 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—de¬ nied ourselves many pleasures and we are dreaming of a down payment on a house, new clothes, or marriage, etc. But our air attacks will fall with a very discomforting thing when we find we can buy only half, a third, or some smaller fraction of the commodities we had planned. That is the protecting murmur 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 front fighting. He is calling for you and to me. He is beseeching us for himself and on behalf of his comrades to maintain the innumerable 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 Amer¬ ican 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 pro¬ gram. Let us keep faith with our fighting men. Let us keep faith with America's future.
An NASD Blunder
(Continued from first page)
for while they have decided
what is or is not reason-
able in particular cases, they
have consistently re-

trusted to define the terms
reasonably or unreasonable for

general construction, in

order that proper applica-
tion and definition may be

made of these terms in par-
ticular cases, based upon

the specific facts under in-

quiry.

The Board of Governors of

the NASD must have appre-
ciated or should have appre-
ciated the importance to

security dealers of the pro-

posed maximum profit rule.

They should have known that

if enforced, it would sound

the death knell of many of the

smaller dealers. Under the cir-

stances, a spirit of fair-

dealing required that the

Board at least submit the pro-

posed rule for the mem-

bers' approval. The Asso-

ciation's By-Laws and the

Maloney Act

making the rule as an "in-

terpretation" 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 measured and never has been uniform.

Drawing from the spread

between the purchase and

sales price alone, any infer-

ence of unfairness, dishonesty

or improper practice, is

bounced, and contrary to

our institutions as we have

seen them operate. It's bad

and un-American doctrine.

In the absence of fraud, misrep-

resentation, or concealment,

trading should be kept liquid,

and securities treated like any

other commodity.
The SEC has more than

adequate regulatory powers

to keep the sales going at times in their dis-

ease, become oppressive. The

NASD's attempt to play we

ter to the public in this in-

stance is a sorry sight.

Had the NASD willfully

started out to stir up rebellion

Another reason why NASD had

not done so more effectively

than by the evasive method

employed in the adoption of

this rule.

We believe that only the

fear of reprisals prevented

many members of the NASD

from raising a powerful storm

(Continued on page 1899)

Our Greatest Job
On the Home Front
(Continued from page 1883)
that occurred as a result of

the enthusiasm of local committees

and their anxiety to meet demands

that must be placed on the nega-

tive story with a considerable volume of "bad

selling." This included a lot of

sales that were the result of

switches from other local

Government issues; also a lot of

sales financed by direct borrowing from

banks. These bank credits on new pur-

chases cannot all be placed in the

1938 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 Third War Loan

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. Fortu-

nately the data for such an eval-

uation are at hand. Let me tell you

briefly the results of the Third

War Loan from the pro-

motional point of view.

The most important lesson

of the drive, as I have indicated, is

the importance of personal solici-
tation, the importance of person-

to-person canvassing. Of the in-

dividuals in cities and towns who

were personally approached by

extra bonds in September, ap-

proximately 35% 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 effective-

ness 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 than those who were not

solicited. Even though the solici-
tation campaign reached many

more people than before—ap-

proximately twice the number of

people in the Fourth War Loan

compared with April—the effective-

ness of solicitation remained undimin-

ished. 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.

The most important lesson of

the drive was the impact of the drive

itself. The Third War Loan

drive and bonds to many people

had more impact 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 pur-

ches, compared to 18% in April.

Roughly speaking, it appeared

that approximately 65—three-fifths of

income receivers, farm and non-

farm together, bought no extra

bonds in September. This means

that the September drive, ter-

rible 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

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Solicitor

(Continued from page 1885)
of public protest against the 5% rule. More 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.

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 group of securities dealers who are tired of continuing to support by compulsion an additional Gestapo nancing mostly for refunding purposes, by municipalities and pri-

municipal bonds.

We are pleasedly familiar with the particular. It is significant evidence of our nation's financial strength that the upheavals of the global war now four years old, our stock exchanges and other securi-
s, markets have been open every business day. And from the stand-

point of the New York Investors, 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.

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COMMERCIAL & FINANCIAL CHRONICLE
Business and Finance Leaders

Laud B. M. Anderson Plan To Promote Peace-Reemployment

(Continued from page 1894)

There is no lack of wage earners, and the devil takes the hindmost.

I would even challenge the morality 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, radio 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 our students as he said this year? A few business men could then make a lot of money manufacturing and selling the records and we could distribute 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 uninterested 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 emblazoned 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 pursitlone course, they will surely create a reservoir of ill will that may swamp us all in 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 allows certain specific suggestions with which I find myself in substantial agreement. It is doubtful if it is generally realized to what 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 the “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 worth 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 much discussion of theories of “full employment” and “postwar planning.” There is much danger that “postwar planning” may become as foolish as 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 must be terminated and all government, 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 Dr. B. M. Anderson’s “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.

J. M. CLEARY


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 Manchester Guardian

I have followed Dr. Anderson’s writings for years when he was an economics professor at the Chicago 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.

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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 appropriation 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 Loan, 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 hard or to hold onto—not easily borrowed—hard to retain. 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 stiff-legged 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 unhumbled. 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)
Folger Sees Great Investment Era
(Continued from page 1901)
and favor trading with the home one for the quick turn. There is
a tendency for buyers to think more and more in terms of price,
and to sharpen their pencils and hope to
representative and not
a buyer. It is
merchandising? the
half
single
sale
favor
That
referred earlier to the high
offices to which certain former
SEC Commissioners had been ap-
pointed. If their successors would
be less in love with the auction
block, less tolerant of private
place—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%
(or the present firms have been
organized since 1929. A new gen-
eration is growing up and with it
new ideas and a new approach.
People like to dramatize their
place—and 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 bank-
er down to his last yach! 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 invest-
ment banker has certainly lost his
glamour and it is equally true he
has lost his horns. Without much fuzz 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 brokers
of out-of-town houses. Today it
is the other way around. The large
share of the business is done by
strictly local houses. Ours is the
example of decentralization
of any line.
I have said we were coming out
of the big house. But fourteen
years, depressing years have taken
their toll in personnel, in capital,
and in new blood lost to others
lines of business. If we are to per-
form 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 enter-
prise, energy and courage. There
is now 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.

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Indianapolis, November 19, 1943
Real Second Front" Not Far Off: Stalin

President Marshal Josef V. Stalin, in a speech at Moscow on the eve of
the 30th anniversary of the Bolshevik revolution, said on Nov. 6:
"The real second front" in Europe "is not far off, but the Allies are not doing
close face with catastrophe.

Premier Stalin advised the British Press advice from London, which was
heard by radio, the following was
said:

Premier Stalin said that the
Allies are now fully deter-
metal of the occupied countries of Europe; in-
ment of a world order so firm that
the Allied powers, and now
the United Nations have fully de-
3,000,000 officers and men in Rus-
sia during the last year— 1,800,000
of them killed.

"The Allies are now fully deter-
ted to wage a common fight and
smash the enemy. The entire
Allied supplies are facilitating consid-
erable turning against Ger-
many.

"Premier Stalin laid down the fol-
main of Great Britain and the newly
formed Soviet Union; between them, they
can be released from the clutches
of the Fascist monster. The
officials of the United Nations
are now trying to find a way out of the war;
"The recent Moscow conference,
he said, gave "shining proof" of
favourable relations between the
great Allied powers, and now
the United Nations have fully de-
cided to deal concerted blows to
the enemy. He warned, however,
that "great exertions" will still
be necessary by the Allies before fi-
nal victory is achieved.

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

President Still Desirous
Of Meeting With Stalin
President Roosevelt said that he
was still desirous of confering
with Premier Stalin of Russia
Despite the absence of the latter of
the recently-concluded meeting
of the foreign ministers of the
United States, Great Britain and
France.

In response to questions at his
Nov. 3 press conference, the Presi-
dent said that he had invited
meetings growing out of the tri-partite con-
ference without being specifically called for.

The results of the Moscow con-
ference were reported in these columns of Nov. 4, page 1996.
J. N. Whipple Urges Sale of Government Bonds to Individuals

(Continued from page 1881) The problem and a matter of selling—including not only the actual war bonds themselves, but also selling the concept of saving and investing—for self-interested motives as well as for patriotic reasons, as well as whether the majority of war bonds will, if possible, be held to maturity, and whether the resources 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 from 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 easily 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 more serious than those relating to financing the war. It is now time to enlist all the best financial, money-handling, and public-spirited 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 (contrary to the Government of its unwavering intention to maintain the purchasing power of the dollar.

One first essential to success in this program is the constant demand

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

(Continued from page 1903)

The interval 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 assisting 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 possibilities.

3. Encouraging the careful investment of earnings 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 incitement 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 ordinarily has 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 needed a pair of overalls. 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, pans, washbats 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 child's toys and pillows, but most of them had to walk for new clothes. They 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 sight of the town nearly destroyed and other property usually cherished by country people, strewn about just as they were abandoned after having served their purpose during the intervals 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, a straw hut, and what he described as the scene of that fire was littered with buckets, pans, washbats 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 for 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 for production to civilian needs must be transferred to private ownership.

One of the country's industrial leaders says that in the immediate post-war period our machinery is archaic. The position is that the nation's industries will then be held by a new capital and that individuals have immensely available the billions of savings to supply the capital needed. The proportion of a single corporation, and so get down to sea level.

I know of one manufacturing concern whose 100,000 men and whose plants throughout the country have made but ware goods since a few months after Pearl Harbor. It was using 100,000 machine tools, 25,000 pre-war operations. Half, or 50, 000, of them could be used on its war production. Another 25,000 were turned over to other manufacturers who could use them for war production and 25,000 were not needed.

Today the company is again operating 100,000 machine tools but only 50,000 of these are for war work, 40,000 are owned by the Government and 10,000, 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 property, acquire the convertible part of the Government's facilities, replace machine tools not adaptable, and replace its...
Individual Freedom And Economic Planning

(Continued from page 1880)

The system of free enterprise. Capitalism, if it was characterized, was disintegrating. Finally it would fail of its own weight and then human volition would move to higher levels of well-being under the new socialist ideal, the adhesion of this expectedly devised system was so natural to enter into any analysis or discussion of the new phenomenon, in no case were any attempts to explain the probable working of Socialism. It is 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 Economists) 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 are imprudent, they bear the loss as individuals. This distributed 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 eventually adjust themselves quickly to public demand. They can allow for the introduction of new inventions and discoveries which will facilitate production. Government planning on the other hand, since they 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 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 planning is hardly forgetful.

(Continued on page 1886)

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Individual Freedom And Economic Planning

(Continued from page 1906)

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 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 naive 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 results 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 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 compulsory valuation of the goods and services 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 hot or mild fashion, and many would be the substitutes the citizens would have to accept or go with their wants entirely unfilled. 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 noon would be out of the question and only a limited table of choice 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 ordeal 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 insurmountable.

Those people who wish to provide for consumers through a govern-

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mental agency are possibly thinking of the satisfaction of only the elemental wants of human being. 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 too 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 collective ownership. What cannot be accomplished in a perfect manner by myriad 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 buckets 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 not 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 Don has been widely criticized. The effect of the River has won the admiration of many foreign travelers. But whether its construction can be justified from an economic point of view is doubtful. While it was being built, it is said, 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 is 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. Bruttius, 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 government (Continued on page 1608)
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 consid¬er¬able 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 in¬deed has been elevated to the po¬sition of a patriotic duty.

"Many people who 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 pro¬ected 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 an¬other 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 dearth which we see lurking in certain quarters today.

"The assumptions underlying this philosophy are that private enter¬prise is about played out; that in any event the limits of economic expansion have been reached and no new freestones remain; and that full employment and social wel¬fare 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 ex¬pansion of government debt, and that full employment and social wel¬fare can only be achieved at the cost of increases in the public debt continuing indefinitely into the future.

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For it seems to me that the concept of ever-increasing debt in peacetime years inevitably implies ever-increasing taxation or a con¬tinuous process of creeping de¬priva¬tion 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 maint¬ained.

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

"Basically, the condition neces¬sary 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 PRODUC¬TIVITY. This is the key to the problem of post-war debt.

(Continued on page 1609)

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Individual Freedom

(Continued from page 1907)

Mental economic control are value problems. Some one recently called my attention to the fact that we are faced with a situation which faced our government in a country where it wished to acquire an aviation field. Two opportuni¬ties offered themselves as prob¬ably making the possession of land rich in fertility for the pro¬duction of foodstuffs and general crops, and at the same time it possessed in other products 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 as compared with the other acreage.

I do not know what decision was made by the government. Certainly no sacrifice should have been made, we would say in ac¬quiring the very best aviation field possible. At present only one con¬sideration would be paramount. On the other hand, circumstances might arise under which the gov¬ernment would have to decide the fate of one million dollars worth of land, either as aviation fields, or for the production of food. In this way a value prob¬lem would be posed, such as governments have before them all the time if they attempt to oper¬ate the economic system. In this case only one sector of our econ¬omy was involved, but since our food program is becoming acute, there is no longer such a far cry between the need of land for aviation fields and its com¬parative utility for the production of foodstuffs.

Recognizing this, the more the government gets in control of the economic system—and this is true of all that the government does—so much the more high-minded the administra¬tion may be—the more the freedom of individuals will be cur¬tailed. This is not the result of the sinister plans of any particular group, but it flows from the na¬ture of the problem involved. The attempt to supply the individuals of a state with eco¬nomic goods and services is bound to end in failure so far as they are con¬sidered the individuals concerned. Every injection of failure will lead to more regimentation in the vain hope that greater control will bring about the desire for goods. And, finally, the freedom and lib¬erty of the individual will be so far sacrificed altogether. Hence, the general conclusion that only a sys¬tem of free enterprises 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 re¬establishment abroad.

The CHRONICLE invites comments on the views expressed by Dr. Albert in this article, or on any related phases of the sub¬ject under discussion. Comments should be addressed to the "Commercial and Financial Chron¬icle." 23 Street, New York 8, N. Y.
No Currency Dilution And Increased Productivity
Key to War Debt Problem

(Continued from page 1908)

No Currency Dilution And Increased Productivity
Key to War Debt Problem

in productivity and in the en-

hancement 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 dis-
tinguished 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

tom 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 interna-
tional boundary lines—a world in
which, between men of different
nations, undertakings great and
small may be initiated in confi-
dence 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 con-
template.
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 of those on which do not.

The following tabulation shows average annual net operating earnings per share for companies listed in the 19 years 1895 to 1914, for 19 repre-

sented fire insurance stocks, on a parent company basis vs. consolidated basis, together with comparison of dividend and earnings yields:

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<th>Company</th>
<th>Dividend Basis</th>
<th>Parent Basis</th>
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<td>Average</td>
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It will be noted that on a "con-
solidated" basis average divided coverage is 2.35 and earning yield 7.2%, compared with 1.68 and 5.0% on a "parent" company basis. Home has the lowest "con-
solidated" divided coverage of 1.31 and Hartford the highest of 3.64. Average consolidated coverage is 5.7% for New Hampshire and the highest is 8.2% for Equitable.

On a "parent" basis Home again has the lowest divided coverage of 1.20 and American the highest of 2.13, with Hartford and Prudential just behind at 2.04. Lowest earning yield in the group is 6.3% for Old Colony 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.

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<th>Company</th>
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<td>Average</td>
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It will be noted that the average divided coverage for this group is 1.54, compared with 1.68 for the larger group on the "par-
ent" basis and 1.31 for the "con-
solidated" basis. Average earning yield is 7.2% for the "parent" basis and 5.7% for the "consolidated" basis. Average earnings yield is 6.6% for the "parent" basis and 5.7% for the "consolidated" basis.

The significance of these sta-
tistics lies in the fact that, over reasonable investment periods, the relative appreciation of individual stocks during a sustained market advanced will be approximately propor-
tional to relative earnings. Thus, when the percent market appreci-
ation of each of the above-stated stocks, from the 1933 low to the recent high of Sept. 30, 1943, is plotted on a graph against the "earning yield" of each stock at the start of the period, a high degree of correlation is found, with the slope of the line as per to permit a definite upward trend-line to be drawn through the scattered groups of 29 points. For example, Continental and Old Colony had the highest "consolidated" earnings yields at the 1908 low, while 16.3% and 16.5% respectively and in 1918 the lowest "consolidated" earnings yields at the 1908 low, while 16.3% and 16.5% respectively. The market appreciation to Sept. 30, 1935 has also been the high-
est, viz: 124.4% and 112.9%, respect-
ively. The correlation of the other 16 stocks have been approximately 85%, which would fix a straight line through the points 85% of the time.

Another point of interest is that the market appears to favor the equities of companies which have the strongest supplementary subsidiaries over those which have none. Again, there are some exceptions to this which may be considered in the market appreciation of the 16 stocks during the period from 1908 low to Sept. 30, 1943, which were sometime ab-
solute, level or even (as during the period of 1933) low but than their 1933 level.

The seriousness of the above trend lies in the fact that the investor receives no income from the client unless he actually makes a sale or 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 bind stocks for payments, he may accumulatesec-
rate record of what transpires in the affairs of each and every corpo-
ration in which the client holds securities, he must keep the client informed continuously of how his securities are progressing. He may plough back capital in the business, and try to help investors to check securities. He calls on corporation officers to keep

short of developments. All of this consumes valuable time, adds to the effectiveness of his business, but for the most part it is free.

Unquestionably, the majority of NASD members do not have to be told that they cannot do it, they know that it is necessary, but it is difficult and inconsistent. NASD has made efforts to improve his technical knowledge, yet he actually gets no pay until he gets a commission. He is told to make more than 5% on the only source of income which he has!

The true situation boils down to the simple statement which was made in the American Stock Exchange: "You can't earn a living on a 3% profit of minimum. You have started a good fight to get investors to pay you what you can afford. You can't make a rather lengthy letter but we wanted to cover our thoughts on the sub-
ject. Kindly do not use name if we do not want your comments.

DEALER NO. 5

We want to commend you on your article pertaining to the NASD, as it appeared in your issue of Oct. 24th. You are surely right. Certainly, in a rule to be adopted as serious as this, the Associa-
tion members who are the ones supporting the NASD should be per-
mitted to be the ones to judge the rule on the record.

The serious point is that the majority of the membership does not have to be told that it is necessary to do it. They know that it is necessary, but it is difficult and inconsistent. NASD has made efforts to improve his technical knowledge, yet he actually gets no pay until he gets a commission. He is told to make more than 5% on the only source of income which he has!

We think it is a high time that the Association devise its time, money and personnel to make the job a good one. Any dealer who desires to have a good profit and an honest one, must deal with the stockholders, get a good deal from the stockholders, and be honest. An honest dealer does not need to worry about his knowledge, his clients. He will get the best out of his clients by giving them the right kind of treatment. It might be a good idea, and within the limits of possibilities to attempt to get investors to pay for what they get, and what they want. It will be a good idea in the long run, and within the limits of possibilities, it is not a bad idea.

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

The writer is a very high-priced policy in as much as interest rates may again be very different from one month to the next and the necessity for capital may be such that corporations may be desperately willing to pay even 15% to 20% for money for enter-
prise.

(Continued on page 1914)
Real Estate Securities

Seligman, Lubetkin & Co.
Incorporated
Members New York Security Dealers Association

41 Broad Street, New York 4
Hanover 2-2100

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 the figures of the 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:

<table>
<thead>
<tr>
<th>Month</th>
<th>Number of Sales</th>
<th>Dollar Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.</td>
<td>200</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Feb.</td>
<td>250</td>
<td>$12,000,000</td>
</tr>
<tr>
<td>Mar.</td>
<td>275</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Apr.</td>
<td>300</td>
<td>$18,000,000</td>
</tr>
<tr>
<td>May</td>
<td>250</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Jun.</td>
<td>225</td>
<td>$22,000,000</td>
</tr>
<tr>
<td>July</td>
<td>200</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Aug.</td>
<td>150</td>
<td>$15,000,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Month</th>
<th>Number of Sales</th>
<th>Dollar Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov.</td>
<td>100</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Dec.</td>
<td>100</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Jan.</td>
<td>150</td>
<td>$7,500,000</td>
</tr>
<tr>
<td>Feb.</td>
<td>150</td>
<td>$7,500,000</td>
</tr>
<tr>
<td>Mar.</td>
<td>125</td>
<td>$6,250,000</td>
</tr>
<tr>
<td>Apr.</td>
<td>100</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>May</td>
<td>100</td>
<td>$5,000,000</td>
</tr>
</tbody>
</table>

Tomorrow's Markets

Walter Whutey

Says

Market break no surprise
Steel signal last week.
Look for rally to carry few points.
Monday's lows now sound high.

By WALTER WHUTEY

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 Labor Day holiday last week and its implications that the war was over about. You also recall my comments on his procrastinating ability about taking profits, which hardly were the words out of his mouth that Herbert Hoover came out with settlement along the same lines. If you remember 1930-33 then you also remember Hoover's batting record. His prosperity is just-around-the-corner hurler was too fresh in my mind to accept it 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, seemed to hit a wall, while the stock market was rapidly rising on the wave of speculation which I had hoped as the logical leaders in any advance. The market was a kind of selling I didn't care for at all. What was the market was the action of a handful of stocks which were clearly becoming a poor technical general market performance. I called attention to the dangers inherent in such stocks by calling them "runaway affairs." I warned that any accident could break them down and keep them down long enough to be a virtual lock-out of accounting. Hardly were these words in print than the dangers warned against had materialized.

Last Friday the rails which three weeks ago I pointed out as having a top-heavy publicity following, broke through their September-October lows. The two Great Northern, now held at the old 136 figure, was the signal for the decline, however, already had been given by the rails.

Monday saw the first two big down days of the week, and the decline in bond and breaking markets, in many a month. And the stocks of Churchill Sees Europe

War Glomax In 1944

- (Continued from page 1671)

German is one of the prime causes of the continuing ruin of the French economy.

With reference to France, the Prime Minister said in part: "These are our thoughts today. We hope that France will rise to this true greatness and will play a worthy part in the process of recovery of Europe and the world. I rejoice in every increase of unity and cooperation between the British and the French. The French National Committee at Algiers, and the Toulouse group, at the growing power of the Franco British friendship and the rearmament and re-armed in North Africa and which will presently share their take in the liberation of France of all from the most hateful forms of foreign domination. 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 pray for victory in this war. We are all numbered in scores of millions—bodies of supreme duty, all of us, British and Americans alike, is to preserve the peace of the world and world peace and to share in the glory and heavy task."

"If this is said to one country or another which are provoking war or to seek or even militarily and un¬

true, there should be no angry words. If facts have to be stated, I hope they be stated with confidence to give our mind on full in the face that this is the thought which will dominate all our speech and action."

"My thinking is the fortunes of this fearful war but also the happen¬

ings to the fraternal associa¬

tion of Great Britain and the United States within, and without preparation this framework that will erected the peace and freedom of mankind."

Canadian Securities

By BRUCE WILLIAMS

The issue of the effect of peace on markets generally has been thrown a bit out of focus before us during the war. Inventories must do some fundamental thinking. Naturally, the Stock Exchange worked on the general utility as to what the particular course which business will take in the living up to this new state of existence.

This week's evaluation sets for the New York Bond market to some extent, recent sub¬

scriptions to Government issues but there was the creating of a profit and Stock Exchange bonds for the reason that their subscriptions in the Third Victory Loan. During the sale of Government issues in some volume were included in the gen¬

eral Stock Exchange. Otherwise the high-grade and especially the Government market should not be basically affected by the current developments out of a certain period of over-.

pathetic temporary reaction. War¬

time controls have been relaxed immediately after the final defeat of both German and Ja¬

pan. Until the government debt is materially reduced, it will be imperative to continue that system of managed interest rates. How are we to come to work as a normal pattern of pricing will the appear to be an immediate prob¬

lem in the general sense of weak¬

ness and uncertainty it was en¬
rapt in a serious situation. In Cana¬

adian securities to see this sec¬

tion of the U. S. Government market or future demonstrated its ability to weather very violent and rapidly critical period. It will be re¬

called that following Pearl Har¬

bor also the deaths of our part in the 

ing exception in the general subsequent decline in other markets.

There is little doubt that from now on the economic and commun¬

ity will be more discriminating and will examine and calculate the status of securities in the light of their likelihood of yielding the peace conditions. With re¬

gard to Canadian external bonds, in addition to the growing scarcity of supply, a large proportion of issues have the libelous dis¬

garded feature of optional pay¬

ment in the Canadian dollars or in Sterling.

The nearest trend of the year is approached, the danger becomes the problem of currency stabilization. This will mean the use of pe¬

ple pay feature of the large pro¬

tity, but the Long and short is likely therefore to become ex¬

tremely important for the near future. It is all the more interesting be¬

cause this advantage can be obtained in the oil fields and, at the same time, the securities themselves which will include the Dominion guaranteed, preference stocks, still offer attractive yields and would provide welcome diversification for a contempo¬

rary movement.

Turning in the market for the past week, although there was increased activity in the New York market for the past week, dividends offered at 189%. National Forest and Canadian Pacific were offered at 187% in price. Offerings of Ontario
Municipal News & Notes

In announcing on Nov. 1 that New York would cut the rate of its railroad improvement bonds to 5%, many railroad improvement bonds were sold at a discount. This policy was adopted in order to relieve indebtedness accumulated primarily during the World War. The bonds were issued to finance the war and relief operations of the Federal Government.

Amounted to $15,220,000 in 1943, net assets had increased to $2,005,792, compared with $1,717,010 in 1942. The net asset per share was $12.14 on June 30, 1943, compared with $10.62 at the close of the fiscal year ended on June 30, 1943.

By the end of the latest fiscal year, on June 30, 1943, the net asset per share of 104,000 shares of Tennessee stock was $12,140,000, compared with $5,780,000 at the close of the fiscal year ended June 30, 1943.

The company has declared a regular quarterly dividend of 30 cents per share, payable December 28, 1944, to stockholders of record November 21, 1944

GEORGE L. RUBIN
Treasurer

Union Bond Fund "A" Union Bond Fund "B" Union Preferred Stock Fund "A" Common Stock Fund "B" Union Common Stock Fund Special

Investment Trusts

From Investment Company Reports

Chemical Fund, Inc.—Net assets on Sept. 30, 1943, were $11,534,324, compared with $11,532,661 on June 30, 1943. Net asset 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 1,712,181.

Franklin Investors, Inc.—Net assets amounted to $9,023,196 on Sept. 30, 1943, with $15.62 per share on that date was $9.83 as compared with $18.12 on Dec. 31, 1942. Net asset per share increased 30% in the nine months ended Sept. 30, 1943, and showed a decrease of 5% for the three months ended on that date.

General Investors Trust.—Net assets amounted to $15,040,698 on Sept. 30, 1943, compared with $15,052,672, or $9.51 per share. The net asset per share for the period from June 30, 1943, to Sept. 30, 1943, was $9.51 per share.

Incorporated Investors—As of Sept. 30, 1943, net assets amounted to $15,930,654, a decrease of $133,510 year end Aug. 31, 1943, totaling $2,005,792, compared with $3,002,435 as of June 30, 1943. During the three-month period net asset per share showed an increase of $8.21 to $9.66.

Keystone Custodian Funds, "K", "B", and "S"—Net assets of Series "B", amounted to $11,520,000 on Sept. 30, 1943, having $10.70 per share as of June 30, 1943. During the three-month period net asset per share increased from $10.70 to $11.52 during this period. Series "B" had net assets of $10,963,826 at the close of its fiscal year, Sept. 30, 1943. This amount compared with $10,942,041 on Feb. 28, 1943, the date of the last previous financial statement. At this time, the net asset per share showed a decrease.

Broad Street Investment Corp.—Net assets totaled $6,500,521 on June 30, 1943, compared with $5,537,881. The net asset per share showed a decrease of $.57 to $.47 at the beginning of the bull market, April 26, 1943.

Capital Administration Comp., Ltd.—Net assets, after deducting bank loans, amounted to $4,526,560 on Sept. 30, 1943. This was equivalent to $8.87 per share for Preferred Stock and $14.50 per share for Common Stock.

General Corporation—Net assets on Sept. 30 amounted to $5,317,597, compared with $4,906,965 on June 30, 1943, a decrease of 5%.

The Investment Company of America.—Net assets stood at $7,077,367, equal to $22.66 per share on Dec. 31, 1942, and $16.84 per share on June 30, 1943.

National Bond & Share Corp.—Net asset value on Sept. 30 amounted to $3,247,250, equal to $21.54 per share of outstanding stock. This compares with a per share value of $26.91 on Dec. 31, 1942.

In 1943, the net asset value per share of $17.84 per share on Dec. 31, 1942, and $16.84 per share on June 30, 1943.

New England Fund.—Net assets on Sept. 30 amounted to $3,048,018, equivalent to 39% of the market value of the portfolio for the 251,040 shares outstanding.

George Putnam Fund.—Net assets amounted to $7,809,995, on Sept. 30, 1943, compared with $8,175,000 on June 30, 1943. Shares outstanding were 2,610,104, or $3.08 per share. On June 30, 1943, net assets included $7,670,000, or $3.12 per share.

Republic Investors Fund, Inc.—Net assets, after deducting $325,000 in the federal tax, amounted to $7,400,000, or $14.03 per share. The net asset value per share, on June 30, 1943, stood at $8,780,000, or $3.12 per share.

"UNDERVALUED GROUPS"

Ask your Investment Dealer for a copy of this booklet—or write to

DISTRIBUTORS GROUP, INCORPORATED
4 WALL STREET—NEW YORK

"...we believe that..." is the keynote of the successful investor. He believes in the Common Stock. This figure was equivalent to a sale price of $6.47 per share. Common Stock compared with $2.32 at the beginning of the bull market. The market was $5.62 on June 30, 1943.

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Calendar Of New Security Flotations

OFFERINGS

CHICAGO & SOUTHERN AIR LINES, INC.

Chicago & Southern Air Lines, Inc., has filed a registration statement for 1,000,000 shares of common stock, no par value. Of the shares registered, 160,000 may be sold at a maximum registered offering price of $25 per share and not exceeding the aggregate solicitation of $4,000,000. The offering is subject to prior redemption, purchase of options, at at par value, upon an aggregate public offering price of $350,000. Address—Municipal Airport, Memphis, Tenn.

Underwriting—Underwriters include W. R. Cahn & Co., Chicago, and W. E. McNichol & Co., St. Louis. The offering will be supplemented by a prospectus.

R除外

CHICAGO & SOUTHERN AIR LINES, INC.

C. M. Poling, president, has filed a registration statement for 1,000,000 shares of common stock, no par value. Of the shares registered, 160,000 may be sold at a maximum registered offering price of $25 per share and not exceeding the aggregate solicitation of $4,000,000. The offering is subject to prior redemption, purchase of options, at par value, upon an aggregate public offering price of $350,000. Address—Municipal Airport, Memphis, Tenn.

Underwriting—Underwriters include W. R. Cahn & Co., Chicago, and W. E. McNichol & Co., St. Louis. The offering will be supplemented by a prospectus.

Railway Equipment Stock Outlook Called Favorable

The outlook for manufacturers of railway equipment appears to be brightening. A study of the situation prepared by J. T. Weeks, vice president of McCormick Securities Corp., Nashville, Tenn., includes data on certain stocks which the analyst expects to advance at least $2 at this time may be had upon request from Hirsch, Lilienthal & Co.

Situation Attractive

The current situation in Struthers-Worthington situations offers attractive possibilities according to W. E. McNichol, vice president of Ryan-Nichols & Co., 185 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 attractive situation according to J. T. Weeks, vice president of McCormick Securities Corp., Nashville, Tenn. Copies of this interesting memorandum may be had from Hirsch, Lilienthal & Co.

Christiana Securities

Situation Attractive

Laird, Bissett & 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 Potentials

The "Rock Island" reorganization offers attractive profit possibilities according to J. T. Weeks, vice president of McCormick Securities Corp., Nashville, Tenn. Copies of this interesting memorandum may be had from Hirsch, Lilienthal & Co.

Empire Sheet & Tin Plate Situation Attractive

Empire Sheet & Tin Plate Co., 112 Broadway, New York City, members of the New York Stock Exchange, have prepared a prospectus for sale of preferred stock. Copies of this interesting memorandum may be had upon request.

Merrimack Mfg. Attractive

Merrimack Manufacturing Co., offering interesting possibilities according to a circular prepared by W. E. McNichol & Co., 225 Broadway, New York City, members of the New York Stock Exchange, a prospectus for sale of preferred stock. Copies of this interesting memorandum may be had upon request.

Cutting Tool Industry Outlook Attractive

The cutting tool industry offers attractive possibilities according to a circular prepared by W. E. McNichol & Co., 225 Broadway, New York City. Copies of this interesting memorandum may be had upon request from the firm by dealers on request.

Col. V. Merle-Smith Dies

Col. V. Merle-Smith died at a heart attack at his home in Orlando, Fla. His death was expected, as he had been ill for some time. Col. Merle-Smith was a partner in Dick & Merle-Smith, New York investment house.

PLEASE LIMIT YOUR CALL TO FIVE MINUTES

When a Long Distance circuit is crowded the operator will say: "Please limit your call to five minutes."

Observing this time limit on essential calls, will avoid all unnecessary calls, will help the whole war effort.

Arden Farms Attractive

Common stock of Arden Farms offers attractive possibilities according to a circular prepared by Hill, Thompson & Co., 225 Broadway, New York City. Copies of this interesting memorandum may be had upon request.

Public Utility Securities

General Gas & Electric "A" Among the low-priced utility issues, General Gas & Electric "A" has shown a somewhat improved market attitude this year. The stock rose from 173/4 last year to 27½ this year so that the important South Carolina properties could be sold for $40,000,000 to a Power Authority in that State. "A" is "stymied" by local interests the stock was sold and it did not participate in the broad market advance in equity utilities. Recently, however, there has been renewed interest due to expectations that there may be some modification of the General reorganization plan submitted last month to the SEC.

This plan provided for an exchange of 100 shares of a common stock for 60,000 shares of common stock, with the maximum number of shares to be registered, 60,000 shares of common stock, to be sold at $4.50 per share. Under the plan, 1529 Walnut Street, Philadelphia, Pa., members of the New York Stock Exchange, have prepared a circular for sale of preferred stock. Copies of this interesting memorandum may be had upon request from Empire Sheet & Tin Plate Co. on request.

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Wisconsin Dairies

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

The First Wisconsin National Bank reported total resources of $318,023,000, with book value of $19.17 a share in contrast to $18.37 on June 30. Control of this bank is owned by Wisconsin Bancshares Corporation.

The Marshall & Ivery Bank's total assets rose to $112,050,000, from $105,400,000 on June 30. The book value was $41.81 a share in contrast to $40.10 on June 30.

The Marine National Exchange Bank's total assets stood at $80,461,000 from $80,751,000 on June 30, but took a $423,001 a share in contrast to $398.62.

Koehring Company declared a regular dividend of 50 a share and an extra dividend of 60 a share, both payable Nov. 30 to holders of record Nov. 15. The current dividend will bring total disbursements for 1943 to $2.59 a share. In 1942 a total of $8 was paid.

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

Kearny & Trecker Corp. will pay a dividend of 40 a share on Nov. 15, bringing total payments for 1943 to $2.76 a share.

A large increase in earnings has been reported by Cutter-Hammer Inc., for the first nine months of the current fiscal year, the company having the first nine months, equal to $2.50 a share and an extra dividend of $1,001,001 in the corresponding nine months of 1942, equal to 65 a share. A post-war reserve of $1,001,000 was set up during the current period, against $450,000 in 1942.

China Sees War Lasting 12 to 18 Months

Dr. Tsaih Ting-Fu, Chinese chief delegate to the forthcoming United Nations Relief and Rehabilitation Conference in Atlantic City, revealed on Nov. 6 that expo-

sits in China think the war will be a year and a year and a half" according to the New York Journal-American of Nov. 7, which added:

Dr. Tsaih, interviewed at the Chinese News Service, 30 Rockefeller Plaza, declared that China's first need today is transportation facilities and urban subsides. When the war is over, she will also need aid to resume her cultural life in the postwar period.
Dealers Virtually Unanimous in Condemning

NASS Rate Limitation Decree

(Continued from page 1914)
of time and a 5% maximum does not permit sufficient profit to
make it worthwhile for dealers to exercise their option.

Another point of interest would seem to be the composition of
the Board of Governors in the future. Will all houses doing the same type of business?

Or, are member houses doing one type of business, non-members
another? We are told that it is the hope of the Board to
make the counter-houses doing a still third type of business?

More important to dealers, however, is the question of ideas of profit should apply to all three types of business alike.

In this connection, it is interesting to note that all our friend's name is not used publicly in the publication of this letter. This, incidentally,
provides another interesting commentary on the idea that "it is the public's money we are dealing with," or open as any opposition to this profit limitation might invite retaliation of some kind from the trade.

DEALER NO. 12

I have noticed for several weeks articles in your Thursday issue
concerning the matter of obtaining information from the

dealers. It seems to me that from the trend of the security business, a 5% profit is not a very large margin. That their exceptions
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.

It is conceivable that a 10% profit mark-up, like most small investors into buying, but in dealing with the public, as all of us do, either through other dealers, or through the public himself, it seems as though there is no way of thinking. I do not believe those dealers who cannot
satisfy their customers have a right to stay in business.

The above comments were made, for the most part, on the other side of the fence from those that you have been publishing, and I am not sure that the majority of investors into buying, but in dealing with the public, as all of us do, either through other dealers, or through the public himself, it seems as though there is no way of thinking. I do not believe those dealers who cannot
satisfy their customers have a right to stay in business.

Following is a list of issues whose registration statements
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THURSDAY, NOV. 11

Blackstone Valley Gas & Electric Company

WUKEE, INC.

Power Company

The offer will be made to the public

which will be made to the public.

Seaboard Air Line Plan

L. H. Rothchild & Co., 120
Broadway, N. Y. C., have pre-

pared a preliminary statement

of Special Master Taylor's plan of

organization of the Seaboard Air

Lines, which the firm feels is espe-
cially pertinent because of the

amount of resumption of the

ownership of the rail line

by the government.

Seas Cuba Sole Supplier of Sugar Production Deficit

The current bulletin of the New

York, which analyses the sug-

car situation, states that the

sugar deficit is leading to the

creation of a sugar shortage

due to the blockade causing

the war. Copies of this inter-

esting bulletin may be ob-

tained from Stran, Bros., upon

request.

To Improve Tax Position

Stran, Bros., La Salle Street, Chicago, Ill., members of the New York Stock Exchange and other principal ex-

changes, have prepared a preliminary statement entitled "Suggested Ex-

changes, which is of particular interest to investors. Copies of this

statement may be obtained from the firm upon

request.

Water Flotestock

OWNER OF THE FINANCIAL CHRONICLE

SPRINGFIELD, MASS. — Don-

ald H. Flotestock, owner of

Flotestock, Inc., with which he was associated for many years.

Natl' Terminals Corp.

Situation Interesting

National Terminal Corporation's present financial conditions appear

likely to be in a better position than many other corporations. The

firm's statement of financial position, as of January 1, 1915, shows that

the corporation's capital stock, including the capital stock of the New

York Stock Exchange, is $1,000,000, of which $500,000 is preferred stock and $500,000 is common stock.

The preferred stock is convertible into common stock at any time after one year from the date of issuance. The common stock is not convertible into preferred stock, and is entitled to a distribution of dividends in proportion to the number of shares held.

The corporation's net worth is $750,000, exclusive of the value of its real estate and other assets.

The corporation is in good standing with the various state authorities and is licensed to do business in New York State.

For further information, contact the Office of the Corporation, 221 Broadway, New York City.