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Investors, Corporations And Our Federal Excess Profits Tax System

Gustave Simons Sees Corporation Earnings Doubled Or Trebled If Full Advantages Of Law Are Capitalized On

In an address last month before the Association of Customers' Brokers, Gustave Simons of the New York law firm of Simons and Greeley said:

"The subject which I am going to review today stems from our work in connection with trade associations, whose members feel that taxation has become a subject of very great importance, and to assist your association I am going to try to be intensively practical. I am going to address myself to those factors which in some measure will assist you gentlemen to do a better job and make more money, because of an increased understanding of our Federal Excess Profits Tax system.

Gustave Simons

"The Excess Profits Tax is a tax of 90% on excess profits. The measurement of excess profits depends, of course, upon the definition of what constitutes normal earnings. Everything over that is deemed by Congress to be excessive and the proper subject of a tax, which is almost equal to confiscation. In fact, in renegotiation, which has a very close relationship to this subject, the entire amount of excessive profits is recaptured for the Government." The balance of Mr. Simons' address follows in full:

If you could know in a given case that an amount equal to 40% of the earnings of a given corporation in the year 1942 or 1943 was to be added to the income available for distribution to stockholders, you would be in a very

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In This Issue

Prof. Spahr For Return To An International Gold Standard

Return to an international gold standard is imperative regardless of any attempt to facilitate or simplify international exchanges through establishment of a simple international clearing house or an international bank, says Professor Walter E. Spahr, Professor of Economics, New York University.

Dr. Walter E. Spahr

Dr. Spahr points out that even if the latter can be successfully undertaken in the face of the complex

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Free Enterprise

Dr. Wriston of Brown University Urges Business To Avoid Collectivism And Not Attempt To Manage Economy

Sees Post-War Period Furnishing Fresh Test Of Faith In Freedom But Warns Against Repeating Mistakes Made In 1933 Crisis In Form Of NRA

"In the interest of free enterprise, business should avoid collectivism" and "stick to its true function" of producing and marketing what the people want and "should not attempt to manage our economy or to govern," Henry M. Wriston, President of Brown University, declared on Dec. 10 in an address in New York City at the Second War Congress of American Industry sponsored by the National Association of Manufacturers.

Henry M. Wriston

Pointing out that "the return to peace will furnish a fresh test of faith in freedom," Dr. Wriston stated that "thus far our political leaders have exhibited concern for security, dread of unemployment, fear of social tensions, doubts about labor relations." "They seem," he said "immersed in problems rather than fired with enthusiasm for freedom. Fear still appears more frequently than faith in their basic vocabulary." "Until," he warned, "the public reverses that psychology, we will hear more and more of the managed economy, and enterprise will not again be free." "Businessmen," declared Dr. Wriston, "must work towards that reversal of emphasis, for free enterprise can never be recovered as a thing apart." He went on to say that "no demand for freedom for business as such will succeed. It can come only as an integral part of the larger idea of human freedom." According to Dr. Wriston, "if we believe in free enterprise, we must make individual enterprise possible, not only within the framework of the State, but also within the structure of the union, and within the fabric of the corporation."

In a reference in his remarks as to the NRA, Dr. Wriston made the statement that it "failed to cure unemployment." He not only said that "it destroyed an essential of free enterprise" but that it "encouraged Government to modify the sound techniques developed by long experience, and employ methods which disregarded the democratic process, and functioned only at the sacrifice of freedom."

Declaring that "the NRA was the product of crisis," Dr. Wriston added that "the NRA was not the product of theorists, determined to commit us by devious means to a managed economy. It was dominated by practical men who knew so little theory that they did not recognize obvious similarities to fascism." He further said that

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Price Fixing & Securities Business

Dangers of the 5% Spread and the Disclosure Rules

By A. M. METZ and EDW. A. KOLE*

We are accustomed to price fixing in a war economy in aid of the national effort. Hence, the placing of ceilings on commodities by the Office of Price Administration is a justifiable emergency measure to stem the tide of inflation.

Is the NASD 5% spread rule a comparable "philosophy"? Let us analyze it. In the first place, the creation of the SEC is considerably pre-Pearl Harbor, and the NASD is but an arm of the SEC, a supplementary policeman, born

*Editor's Note—Messrs. A. M. Metz and Edw. A. Kole are members of the New York Bar and are the authors of numerous articles which have appeared in the "Chronicle" pertaining to the legal aspects of "market price" and "mark-up" practices.

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Outlines Industry's Program For Economic Planning

Walter B. Weisenburger Asserts Half Slave and Half Free System Won't Provide Post-War Jobs—Views Encouragement Of Risk Capital A Prerequisite To Post-War Jobs—Urges Overhauling Of Investment Laws To Eliminate Fear-making, Excessive Regulations That Hang Like A Sword Over The Head Of The Would-Be Enterpriser—Proclaims Need For Revision Of Tax Structure To Stimulate Production.

Walter B. Weisenburger, Executive Vice-President of the National Association of Manufacturers Congress of American Industry, in an address on Dec. 9 at the Waldorf-Astoria, in New York City, said that the National Association of Manufacturers' agenda for a Better America, is not economic planning in the collectivist sense, "it is a program—action, not just planning!" "Ours," he said, "is a program to win the victory by establishing fully, the principles for which we fight." Mr. Weisenburger said "the first step to post-war jobs is an overhauling of the investment laws to attract savings on the assumption that free enterprise is good and that private job-making should be encouraged." He further stated that "the most stimulating thing that could happen to business in the post-war period would be a reduction of taxes." Mr. Weisenburger concluded by saying "what we need is an age of common sense. Common sense has never failed us yet when we've used it." We give be-


W. B. Weisenburger

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The Present Position Of Railroads

By MICHAEL PESCATELLO*

For a number of years the railroads have been fighting a rear-guard action with the odds against them. During years of good business activity this action has been in the nature of resistance to further withdrawals rather than successful counter-attacks.

The recent rise in traffic to new peak levels and a vast improvement in financial position for the railroads have combined to create the impression that their problems are solved. There are a considerable number of optimists, in fact, who have seriously concluded that railroads have entered a new era more favorable than any period since the last war. In support of this view, it has been suggested that: (1) the public and responsible officials have only recently come to recognize the importance of railroads as a backbone of the national economy; (2) the exigencies of war have resulted in a degree of efficiency which has brought about important reductions in costs of operation; (3) the substantial reductions being made in their debt mean lower fixed charges, thus easing a burden that has plagued the roads for years.


Michael Pescatello

Probably no other argument has been carried to a greater extreme than that regarding reduction in debt. So far, as all the Class I railroads are concerned,

*EDITOR'S NOTE—Mr. Pescatello is Investment Analyst for one of the country's largest philanthropic institutions with investment funds of over $150,000,000.

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Lehman Bros. Will Admit Paul Manheim

Lehman Brothers, 1 William Street, New York City, members of the New York Stock Exchange and other exchanges, announce that Paul E. Manheim will become a general partner of the firm on Jan. 1, 1944. Final arrangements are subject to formal approval of the New York Stock Exchange.


Paul E. Manheim

Mr. Manheim has been associated with the firm of Lehman Brothers since 1928. A graduate of the University of Virginia, he had previously been the American Consul in British Guiana. He is a director of All America Corp., American Cable & Radio Corp., and Air Express International Agency, Inc. As Chairman of the Reorganization Managers of the Postal Telegraph & Cable Corporation, he directed the reorganization of that company in 1939-40, and was active in the recent consolidation of the successor company with Western Union.

Smith, Barney & Co. Will Admit Five

Smith, Barney & Co., 14 Wall Street, New York City, members of the New York Stock Exchange and other leading national Exchanges, will admit James Cheston 4th, Holden K. Farrar, C. Cheever Hardwick, W. Fenton Johnston, and Norbert W. Markus to partnership on Jan. 1, 1944. All have been associated with the firm for some time, Mr Cheston and Mr. Markus in Philadelphia; Mr. Farrar in Chicago, and Messrs. Hardwick and Johnston in New York.

Cohu-Torrey To Admit Link, Robson, Walton

Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Harry W. Link, Jr., George U. Robson, and Fred Eugene Walton to partnership in their firm as of Jan. 1, 1944.

Mr. Link and Mr. Robson have been officers of Robson, Link & Company, Miami, Florida investment firm with offices in the Alfred I. du Pont Building. Mr. Walton has been in charge of the firm's Newark office at 24 Commerce Street.

Edmonds To Admit

Edmonds & Co., 115 Broadway, New York City, members of the New York Stock and Curb Exchanges, will admit Mildred A. Carter to partnership in the firm on Jan. 2, 1944.

Now A Partnership

CHICAGO, ILL. — Woodruff, Hayes & Co., Incorporated, members of the Chicago Stock Exchange, with offices at 134 South La Salle Street, has been dissolved and has been succeeded by Woodruff, Hayes & Company, a partnership. Partners are Douglas Hayes, Elliott Parker Woodruff, and Fred P. Woodruff, formerly officers of the corporation.

M. G. Darby Trustee Of Bronx Savings Bank

Myron G. Darby, senior partner of Darby & Co., 1 Wall Street, New York City, has been elected a trustee of the Bronx Savings Bank, it is announced by T. Arthur Nosworthy, President of the bank.

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Economic Problems At War's End

Professor Schmidt Declares We Cannot Expect To Have Full Employment Unless We Are Willing To Allow More Flexible Prices And Wages—Says Profit Expectations Must Be Maintained To Encourage Risk Capital — Sees Patient Readjustment For Effective Transition To Post-War Prosperity—Warns Against Possible Replacement Boom Lulling Country Into False Sense Of Security.

Years of patient re-adjustment of the nation's economy will be required in the post-war era because of the war's global character before the economy is brought back to a self-sustaining system, it was asserted by Prof. Emerson P. Schmidt, of the University of Minnesota, and Economist of the Chamber of Commerce of the United States, at a recent conference of the Research Bureau for Post-War Economics in New York City.


Dr. E. P. Schmidt

Declaring that while it is possible the country will experience a short-lived replacement boom after the reconversion period, Prof. Schmidt warned of the great danger of this boom, if it does come, blinding "our eyes to the underlying maladjustments created by the war" and lulling "us into a false sense of safety and security," whereas, he said, "we must remove the imbalances and distortions before we can have long-time prosperity."

As to the greatest danger for the post-war period, Prof. Schmidt said that "if we resist the necessary readjustment we may unconsciously contribute to the formation of a dictatorship." "Instead of every group trying to get more money in the post-war," he said, "the economy must be allowed a high degree of flexibility under which more competition and volume of output should be the goals rather than mere dollars." He added "unless we are willing to allow more flexible prices and wages to make constant adjustments with changing supplies and

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NASD Willing To Sacrifice Small Dealer Firms To Appease SEC

Economic Life Of Numerous Small Dealers To Be Sacrificed On Altar Of Expediency

In an address before the Bond Club of Philadelphia last week, Henry G. Riter, 3rd, of the New York Stock Exchange firm of Riter & Co., and Chairman of the Board of the National Association of Securities Dealers, Inc., in endeavoring to justify the 5% mark-up decree said in effect that fear that the SEC would step in and impose something more drastic on the industry was responsible for the Association's action in the matter.

Now isn't that a fine how do you do? Mr. Riter is really letting the world know that he does not give a hoot about the fact that there ARE PLENTY of small firms in the towns and hamlets of the country that just can't get by on a 5% mark-up basis. In other words, he is perfectly willing to see these small fellows thrown to the wolves just so long as he can avert the possibility of the SEC imposing some rule that would hurt houses like his own. While Mr. Riter did not put it that bluntly, when you analyze what he said it means just that.

Now Mr. Riter may feel that way and the SEC may be content to be an indifferent onlooker while the life blood is squeezed out of the small dealers but we are sure that CONGRESS will not sit supinely back and enjoy seeing the tentacles tightening around their necks. We predict Congress will not only see to it that these dealers are permitted to exist but will also abrogate in quick order any such destructive measure as a bid and asked disclosure rule, if the SEC should dare to promulgate one.

The truth of the matter is that the SEC has been doing nothing more nor less since 1940 than bend its efforts toward changing the entire custom of the securities industry with respect to normal mark-up practices and the whole industry has become anemic as a consequence.

And don't forget if your mark-up practices are not consonant with "trade custom" you are automatically in a position where you are perpetrating a fraud on your customer unless you disclose your mark-up to him when you consummate the transaction.

This is why we said last week that IT WAS FORTUNATE that dealers were ignoring the 5% mark-up decree and that many of those serving on Business Conduct Committees were doing likewise. The members of the committees that are so doing are properly insisting that each and every transaction stand on its own feet. They deserve the thanks of the whole industry for the stand they are taking and thereby not permitting the illegal 5% decree to change the trade custom.

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Mackubin, Legg & Co. Announce New Partners

BALTIMORE, MD. — At the Southern Hotel, Mackubin, Legg & Co. entertained 80 employees at a dinner-dance, this party being the 19th annual such affair held by the firm.

Bonuses were distributed aggregating 10% of yearly salaries, and it was also announced that, subject to the approval of the New York Stock Exchange, two new partners would be admitted to general membership in the firm as of Jan. 1, 1944—C. Gerard Morgan, Jr., who has been manager of the firm's government bond department for the past 11 years, and Walter C. Pohlhaus, member of the sales force in the investment department for over 12 years. Both are well known in the financial district.

Delafield & Delafield Will Admit Four

Delafield & Delafield, 14 Wall Street, members of the New York Stock Exchange, will admit Caroll Coleman, Thomas F. Lennon, Leslie H. Thompson and Theodore P. Tsolainos to partnership in their firm effective Jan. 1, 1944.

Mr. Coleman, Mr. Lennon and Mr. Thompson have all been associated with the firm for some time. Mr. Tsolainos was a partner in Parrish & Co.

New Partnership

On Dec. 31, 1943, the present partnership of Kerngood & Co. will be dissolved, a new partnership consisting of S. George Kerngood, member of the New York Stock Exchange, and Blanche R. Kerngood being formed as of Jan. 2, 1944.

Rakestraw, Betz To Be NY Exchange Members

PHILADELPHIA, PA. — With the acquisition by Roy R. Coffin of the New York Stock Exchange membership of John McShain, Rakestraw, Betz & Co., Fidelity-Philadelphia Trust Building, members of the Philadelphia Stock Exchange, will become members of the New York Exchange. Partners will be Roy R. Coffin, George W. Betz, Jr., general partners, and John McShain and Edward H. Rakestraw, limited partners. Mr. McShain is a new partner in the firm.

Scheffmeyer & Co. To Be Formed In New York

Effective Jan. 2, 1944, the New York Stock Exchange firm of Scheffmeyer & Co. will be formed with offices at 26 Broadway, New York City. Partners will be J. Eldridge Scheffmeyer, the Exchange member; John E. Scheffmeyer, general partners, and Samuel K. Mitchell, limited partner. J. Eldridge Scheffmeyer has been a partner in Pollard & Company for a number of years.

Interesting Situations

The current situation in Queens Borough Gas and Electric Company and Chicago, Rock Island & Pacific Railway Company, offers interesting possibilities, according to memoranda issued by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national Exchanges. Copies of this memoranda, discussing the situation in some detail, may be had from the firm upon request.

Manifestations Of Inflation Are Lacking: Hoving

Finds "Bugaboo Of Inflation" Swallowed By Misguided People—President Of Lord & Taylor Sees Indications Of Trend In Opposite Direction—Sensible Policy He Says Is To Continue Price Controls, Adjustments In Prices And Wages And Stop Using Cry Of Inflation For Political Reasons.

According to Walter Hoving, President of Lord & Taylor, "there are no signs at this time that widespread inflation is taking hold on the nation, but there are strong indications of a trend in the opposite direction." "The fact that Christmas business since the first of December is below expectations is a clear indication that no excessive spending spree is being indulged in by the public," said Mr. Hoving, who on Dec. 18 stated that "this condition must be a great disappointment to those few who are trying to scare the public with the inflation bugaboo. They are saying that we must avoid at all cost the awful calamity of inflation which would, as in Germany in the early 1920's, result in housewives going to market with baskets full of money. It is just one more evidence of the sanity of the American people and their refusal to believe that inflation is just around the corner." Mr. Hoving in his statement also had the following to say:

Walter Hoving

"It is hard to understand the motives behind such talk. Some of the people who are crying inflation undoubtedly are sincere, some are misguided people who have swallowed hook, line and sinker, the bugaboo of inflation. Some undoubtedly are trying to make higher taxes more palatable, and some apparently are hoping to sell subsidies to the American people. Whatever their motives, the fact remains that such wolf-calling if carried too far might result in catastrophe.

"The inflationists would have us believe that the American public is so improvident that they are apt to go on a drunken spree and spend every cent they are earning. They are earning, they say, $36,000,000,000 more than they can spend. Now why should we conclude that the American public are so foolish that they will insist on spending all they have left over above their normal purchases for this year?

"They have not done that in any other year in the past, so why should they do it now? If we feel that they will be stampeded into spending the $36,000,000,000 why

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Advocates Graduated Sales Tax

Edwin J. Schlesinger, investment counsel of this city, sends us a copy of the following letter which he sent to Henry Morgenthau, Jr., Secretary of the Treasury:

"In connection with the new tax bill, proposed by your department, I read the following statement by you:

"'We know where the bulk of the new money lies, and where, therefore, lies also the greatest danger of inflationary pressure. Today four-fifths of all the income of the nation is going to people earning less than $5,000 a year.'

"In visiting department stores and shops, I seem to sense that unbridled buying is taking place; and I am wondering whether the bulk of this buying is not being done by those in the income class to which you refer.

"A sales tax would not only increase taxes, but would also be a powerful weapon in the fight against inflation.

"I believe a sales tax with graduated rates would be feasible, with merchandise that is not a necessity bearing an extremely heavy tax."

Huge Travel Increase Seen If R.R.'s Provide Modern Coaches

"Almost limitless" increase in post-war travel was predicted by Edward G. Budd, President of the Edward G. Budd Manufacturing Co., Philadelphia, in an address at the annual meeting of the American Society of Mechanical Engineers in New York earlier this month, if the railroads have the foresight to provide cheaper, faster and more comfortable coach trains and generally modernize their facilities.

Edward G. Budd

Speaking on "Passenger Cars After the War," he said that war-time travel by young men and women in the armed services would make them and their families travel-minded and that the public generally would want to travel more when peace comes. While he believes that luxury travel cannot be promoted to much greater volume than in the past, he saw an opportunity for "extraordinary" mass travel in modern, comfortable coach trains operating on fast schedules and with cheaper fares, especially long-distance travel.

He said that the phenomenal success of a few such modern passenger trains before the war demonstrated the possibilities and popularity of that kind of accommodations and that a post-war increase of 500% in travel in certain sections is a reasonable estimate. His entire address emphasized, however, that to meet the post-war competition of other forms of transport, the railroads must modernize their equipment and gear their service, schedules and charges to the needs of the vast majority of "the great public."

"It is our belief," he said, "that there will be an extraordinary amount of passenger travel as soon as there is a suspension of fighting. The desire to travel will manifest itself on the railroads, on the highways and in the air. Many people will use the air and the airways will have a flood of travel, but the air passenger mileage will be small compared with that on the rails and on the highways.

People's Geography Expanded

"A victorious people will have visions and will dream dreams. Their geography has been vastly expanded by the news of the war. Their sons, relatives and even their daughters will have seen strange places, and will come home with stories which will arouse the curiosity of the family and inspire all of us to go and see those places with our young people, so that we older folks can catch the vision which the young people have gotten in their strenuous experiences in out-of-the-way places.

"The Government has transferred our youth from camp to camp for the various types of training. Thus the boy who was brought up in the East will have traveled, say, to the Marine Barracks at Key West, Florida, or to Boeing Field at Seattle, Washington, or to any one of hundreds of military stations throughout the country. The desire to travel will be there. How will we meet it?

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Railroad Securities

The various securities of New York, Chicago & St. Louis have been attracting considerable attention in the past week or so, and at fairly sharply advancing prices. This latest speculative spurt dates from the rejection by the Interstate Commerce Commission of the Chesapeake & Ohio's request for permission to issue new preferred stock as a dividend on its common. As Chesapeake & Ohio's proposed distribution of preferred stock as a dividend was purportedly to facilitate eventual merger with various of its subsidiaries (including Nickel Plate), the renewed speculative interest in the Nickel Plate securities just at this time may well indicate a growing belief that the merger, when it does come, will contemplate a more favorable offer to Nickel Plate security holders than had originally been considered likely.

Be that as it may, any speculation in Nickel Plate securities now based on merger possibilities is, to say the least, apt to prove premature. There is little likelihood that any concrete progress will be made for a matter of years. Excluding consideration of merger, however, the Nickel Plate securities have considerable merit on their own in the opinion of most rail men.

As a primary consideration in this bullish attitude towards Nickel Plate, it is pointed out that even in the depths of the depression of the '30s there was little, if any, apprehension as to the road's ability to support the charges on its debt. What fears there may have been as to the continued solvency of the road centered largely around the recurring maturity of the 6% unsecured notes. These will finally be eliminated in their entirety through call for redemption on Jan. 1, 1944.

Secondly, the Nickel Plate management was one of the first in the railroad industry to recognize the necessity for utilizing earnings to reduce debt, and this program has been followed consistently to date. Moreover, there can be little doubt, judged by management statements, that they will continue retiring bonds to the extent that net earnings are available for that purpose. In this debt retirement program the company has reduced its fixed charges to an indicated level of between $5,200,000 and $5,300,000. This represents a cut in obligatory requirements of approximately $2,500,000, or about one-third below the level supported without undue strain in the early '30s. Considering that the traffic outlook remains favorable over the visible future there seems to be little question but that the road will enter he post-war era with fixed charges below $5,000,000. On such a basis the road would appear virtually depression proof.

In addition to the lower charges arising from debt retirement, the road's position has been improved materially by the gradual elimination of near and intermediate term maturity problems. In addition to retirement of the 6% notes, the company has called for redemption on Jan. 1 the entire issue of Lake Erie & Western 1st 3s, 1947 (outstanding as of the beginning of the year at $6,036,000) in connection with which it is proposed to contract a short-term bank loan of $2,000,000. Aside from this bank loan and regular serial equipments the company will have only two divisional liens maturing within the next 10 years—some $15,000,000 of 1st 3½s in 1947 and $6,500,000 Toledo, St. Louis & Western 1st 4s in 1950. These should obviously present no problem to a road of the stature of Nickel Plate and the balance of the debt is represented by the roundly $86,000,000 of refunding mortgage 4½s and 5½s which do not mature for more than 30 years.

The final consideration in the bullish feeling towards Nickel Plate is the favorable post-war earnings picture. An important factor is the road's present heavy excess profits tax liability. This affords a substantial cushion and would absorb a large part of even a substantial decline in traffic and revenues from present war-peak levels. It is the general feeling, also, that the excess profits tax will be repealed with the end of the war so that if business is maintained at reasonably high levels, even though considerably below present levels, the road could actually experience a post-war earnings upturn.

N. A. McKenna To Be Partner In Reynolds

Norbert A. McKenna will become a partner in Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other leading Exchanges, as of January 1st. Mr. McKenna in the past was a partner in Eastman, Dillon & Co.

Cowen & Co. To Admit

Cowen & Co., 54 Pine Street, New York City, members of the New York Stock and Curb Exchanges, will admit Daniel F. O'Hara to partnership in their firm on Jan. 1, 1944. In the past Mr. O'Hara was with Talbot & Co.

Public Utility Securities

Pending Utility Stock Offerings

The three important utility stock offerings this year—Houston Lighting, Idaho Power, and Public Service of Colorado—have proved so successful (following the investing public's apathy in 1941-42) as to encourage holding company executives to market holdings in additional subsidiaries, where such liquidation is deemed essential to retire senior securities. Thus far, no important stock sale has occurred with the idea of distributing the cash to common stockholders of the holding company, and it seems doubtful whether this will be done, though this method of creating a sponsored market for the issue would perhaps be more profitable to stockholders than handing them the stock. Following are some of the issues which may be offered by underwriting groups in the next few weeks or months:

Derby Gas & Electric, subsidiary of Ogden Corp. (formerly Utilities Power & Light) has registered with the SEC 91,577 shares of common stock out of 146,606 shares outstanding. Minority stock is traded over-the-counter at about 20½-21¼ currently. Divestment of Ogden's interest is mandatory under an SEC order of May 20th. The company has requested an exemption from competitive bidding. The corporation is a registered holding company, owning the stock of an operating company of similar name and two smaller companies in Connecticut, stocks of the two operating companies being pledged under the collateral 3s due 1949. In the twelve months ended June 30th the consolidated earnings statement reflected share earnings of $2.66 (compared with $2.20 in the previous twelve months), but some adjustment of this figure may prove necessary. The company does not pay any excess profits tax. Earnings in previous years had been somewhat irregular due to rate changes, etc.

Central Vermont Public Service Corp. has been in the headlines recently. The holding company, New England Public Service ("NEPSCO") has planned a rather complicated series of transactions and changes in order to make the issue marketable. When the company asked for competitive bids only one was submitted, by a group headed by Harriman Ripley & Co. and First Boston Corp., at $13.25 a share for reoffering to the public at $14.25. Almost immediately after rejection of this bid by the company, a privately negotiated sale to a group headed by Coffin & Burr, Inc. was reported under consideration. With a reduced number of shares and certain other changes designed to "sweeten" the offering, it was said that the stock could be sold to the new group for $14.92, with a public offering at $16.00, if the SEC should approve the deal. It is understood that the latter price is approximately ten times current adjusted earnings.

Central Illinois Electric & Gas is being sold by its holding company, Consolidated Electric & Gas. The SEC held a hearing Dec. 14 to consider the sale. The company has asked for exemption from competitive bidding. Latest published earnings (for the 12 months ended Sept. 30) would be equivalent to about $2.59 a share on the proposed new capitalization of 400,000 shares of $15 par value.

Other new common stocks are expected shortly to reach the public by distribution instead of sale. United Gas Improvement is scheduled to distribute Delaware Power & Light shortly on the basis of 1/20th of a share to each share of its own stock outstanding. (Several months ago it distributed Philadelphia Electric). It is estimated that the new stock may have a market somewhere around 16.

After pending negotiations with the SEC are completed and the necessary accounting and financial changes are completed, National Power & Light is expected to distribute to common stockholders its holdings of Carolina Power & Light common and Birmingham Electric. A reported attempt to initiate a when-issued over-the-counter market in the former stock apparently proved unsuccessful for technical reasons.

Many other distributions by holding companies appear likely over the next year or so as these companies complete the retirement of senior securities and "clear the decks" for final dissolution, or merger with one of their operating subsidiaries.

Shufro Rose To Admit

Shufro, Rose & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Archie L. Cohn to partnership as of Jan. 1, 1944. Mr. Cohn was previously with Cowen & Co. and Laird, Bissell & Meeds.

Doremus Co. Announces New Vice-Presidents

William H. Long, Jr., President of Doremus & Company, has announced promotions of five members of that organization, four in the New York office, and one in Boston, effective Jan. 1, 1944.

Named vice-presidents in the New York office, are the following members of the staff:

Dewey B. Holland, who has been associated with the agency for

Dewey B. Holland W. Howard Millar Geo. A. Erickson Wm. J. Kelley

23 years and for the past 18 has been account executive and production manager. He was named secretary of Doremus in 1941. Prior to joining Doremus & Company Mr. Holland served as production manager for the McJunkin Agency and in a similar capacity with the Corman Cheltenham Agency;

W. Howard Millar, who has been employed with Doremus as an account executive for the past 11 years and has been actively engaged in the financial advertising agency business for the past 27 years;

George A. Erickson, who has been an account executive in the New York office of Doremus for the past 10 years and prior to that was associated with Stone & Webster and Blodget, Inc., and before that, with the Metropolitan Newspaper Service;

William J. Kelley, who joined the Doremus organization in 1942 and formerly was an account executive with the Hawley Advertising Agency and secretary of that firm. Before entering the advertising field he was active in publicity work in New York and Washington.

In the Boston office, Charles W. Morse, who has been associated with the Doremus organization since July of 1936, has been named vice-president. Previously he had been with the Shawmut since October 1927, first as assistant to the sales manager of the Shawmut Corporation, an investment banking affiliate and after 1931, with the Bank as analyst and statistician in the investment department. For a year prior to going with the Shawmut Corporation he wrote a daily column in the Boston "Herald" and for several months previous to that in the Boston "Evening Transcript" where he also headed the unlisted securities quotations department. He was at one time with the investment counsel firm of Kimball, Russell & Co., now Russell Berg & Co. of Boston.

In making the announcement of the promotions, Mr. Long stated that this realignment of officers will strengthen both the financial and general advertising departments of Doremus & Company. It represents a policy of advancing personnel within the organization and offers some of the younger executives positions of wider responsibility.

Tax Season Opens As New Forms Appear

Most Complicated Ever Devised, Say Experts, Pointing Out Highlights

By PETER GUY EVANS and J. STANLEY HALPERIN

Attorneys, Tax Consultants, and Co-authors of the Best Seller, "For Personal Income Tax," Now on Sale.

Last Friday morning the Treasury Department released for publication, the 1943 individual income tax forms. That the forms are the toughest and most complicated ever devised cannot be denied. The sale of aspirins and other headache remedies is bound to increase after the first of January when 50,000,000 taxpayers sit down to figure their taxes.

The tax return to be filed by March 15, 1944, being the official return for the year 1943 will show the true tax for 1943. The declarations of estimated tax filed on Sept. 15 or Dec. 15, were but estimates.

"Simple Form" Less Simple Now

Form 1040A—"Optional U. S. Individual Income and Victory Tax Return," also known as the "short" or "simple form" has been so completely revised and enlarged that it might not be correct to refer to it by its former popular name. The option to use this form is still available to all those with incomes of $3,000 or less, derived solely from salary, wages, etc., dividends, interest, or annuities, and if married, whose spouse also uses this form. This, like last year's form, is a two-page affair, which will take a shorter time to prepare as allowance is made for deductions and the income tax is figured automatically. A four decimal figure must be used in computing the Victory Tax which has to be figured separately. The instructions are printed on both sides of a half-sheet of paper. Use of this form eliminates tedious steps, saves quite a bit of arithmetic, has fewer questions to answer, etc.

"Regular Form" More Complicated

All others, including those who don't want to use the "simple form" must use Form 1040—"Individual Income and Victory Tax Return," also known as the "long" or "regular form." This is the most formidable and most complicated 1040 Form ever devised for the individual taxpayer. Like its predecessor it is still a four-page form. The accompanying instructions, printed in small type, consist of four pages.

Since the Victory Tax is figured one way and the Income Tax another, income and deduction figures must be written in two different columns, one for each kind of tax. Those reporting security transactions have to attach a special sheet because there isn't any room on the form itself to report them. Page 3, formerly used for capital gains and losses, contains schedules in which are listed contributions, taxes, interest and other deductions, as well as schedules to show credits for: personal exemption, dependents, and earned income.

To figure what you owe Uncle Sam, you must fill in over 20 lines on the last page, but you can't do this until you have filled in a half-dozen other lines on the same page and computed your Victory Tax. After filling in over 30 lines you then carry your result to the front of the return in a special summary.

Finale: Refund or Tax?

Regardless of the form used, everyone must compute how much tax is forgiven, how much tax is postponed, and how much is still owed or how much is to be refunded. About 15,000,000 persons will get refunds due to the fact that the total of their March and June 1943 payments and the taxes withheld from their pay in 1943, is more than their true tax bill. Both forms have a box in which to tell the Treasury whether you want the refund or whether you want it applied to your 1944 estimated tax.

Your headache will be double, if you have the option of filing the "simple form" or "regular form" and you want to see which results in the smaller tax or the bigger refund. Pity the married couples who have not only this option, but also have the option of filing joint or separate returns —they must figure six ways to see which is the best for them.

Robert E. Hannegan, newly appointed Commissioner of Internal Revenue and formerly a Collector of Internal Revenue himself, offers some good sound advice—if you want to get the full benefits which the tax law gives you, start preparing your tax return as soon as the new forms are released.

Bertram L. Hames Now With Buckley Brothers

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Bertram L. Hames has become associated with Buckley Brothers, members of the New York and Philadelphia Stock Exchanges, in their Los Angeles office at 530 West Sixth Street. Mr. Hames was formerly Manager of the Municipal and Institutional Department of the local office of Conrad, Bruce & Co. Prior thereto he was with Schwabacher & Co. and Sargent, Taylor & Co., and was an officer of Banks, Huntley & Co.

Nat'l Sec. & Research Elects Vice Presidents

National Securities & Research Corp., 120 Broadway, New York City, announces the election of Manny G. H. Kuechle and Ira G. Jones as Vice-Presidents. Mr. Kuechle is the middlewestern wholesale representative and Mr. Jones the New England and New York State representative.

G. H. Walker Co. To Admit Richard Smith

G. H. Walker & Co., members of the New York and St. Louis Stock Exchanges, will admit Richard H. Smith, Jr., to partnership in their firm on January 1st. Mr. Smith, who will acquire the New York Stock Exchange membership of Philip H. Watts, will make his headquarters at the firm's New York office at 1 Wall Street.

Price Fixing And The Securities Business

(Continued from first page)

of the Maloney Act. The edicts of both are intended not as an emergency measure for "the duration," but as a permanent system overseeing security dealers. The existence of these bodies and the scope of the powers which they exercise leads to the presumption "that there is something rotten in Denmark," that the security business is honeycombed with those whose motives and methods are questionable and who would not hesitate to mulct the public, given an opportunity. Fiats are established to create presumptions of dishonesty rather than to regulate a business which is essentially honest.

Price fixing as a war emergency measure is understandable. Otherwise, price fixing is a complete departure from that system of competition which has been recognized as part of the "American way."

Not the least danger, as we pointed out frequently, is the destruction of the small dealer by the NASD 5% rule. This has sometimes been referred to as the 5% profit rule, an absolutely incorrect characterization because it represents merely a "spread" between the so-called market and the sales price. The Securities and Exchange Commission and the National Association of Securities Dealers are absolutely indifferent to the issue of overhead. The cost of doing business forms no part of their calculation and they disregard the general knowledge that overhead is a variant and not a constant.

In other words, an outright rule limiting profits would not have been nearly as vicious as the existing 5% one, for a limitation of profits would at least enable the dealer to cover his overhead and make it possible for him to survive, whilst the 5% spread must spell extinction to many. However, we are unalterably opposed to price ceilings of any kind in the securities business.

It was generally believed that the failure of the SEC to promulgate a disclosure rule after it had the same under consideration, particularly after the 5% NASD rule was regarded as an alternative, would relieve security dealers of that evil. Many thought the disclosure rule a dead duck, which in view of the opposition with which it met, would not be resurrected. The 5% rule seemed woe enough, when along came the decision in the Hughes case, giving the SEC the benefits of a disclosure rule and now we read press headlines, "SEC to Reconsider Disclosure Rule."

One business or one industry is but one business or one industry and if there were not other far reaching implications, the public might well let the security dealers "stew in their own juice." However, there are vital far flung reasons which must prevent such a reaction.

If the coming post-war period is to be one of prosperity, the financing of our industries must be put on a liquid basis with securities readily marketable. The country will not regard with approval the return of the street apple vendor. Ready marketability of securities in the business of the nation will instill confidence into the business community. The existence of a disclosure rule and the 5% spread "philosophy" is not calculated to encourage the outpouring of capital during a reconstruction period. We believe these rules will do the nation irreparable harm, that they will stem the tide of capital investments, result in mass unemployment, and make for a long reconstruction period retarding the realization of normal conditions and ultimate prosperity by many years. In all this, the public has a tremendous stake.

For another reason opposition to this rule is not special pleading, for every man, woman and child in the nation must be concerned in the gradual transformation emerging under our very eyes which threatens our way of life.

The attempt to legislate personal habit and conduct has been a uniform failure. "The noble experiment," prohibition, proved that beyond peradventure. Because one may die of indigestion from eating too much pie is no reason to prohibit the eating of pie. You cannot legislate a people into honesty any more than you can legislate them into moderation. In every profession, there will always be a certain amount of knavery. That, however, will never justify placing the label of fraud upon any business or upon any profession. By and large, security dealers, as a group, compare favorably with those engaged in any other business or industry. They are largely responsible for the progress of our country and its phenomenal ability to reach peak production in the world's most trying emergency today.

Today the security dealer, tomorrow, the butcher, the baker, the candlestick maker. This bureaucratic trend, this cancer upon the well-being of our nation, needs surgery. From its unretarded spread, no business is secure. We have seen the encroachment of government in the field of business. Insurance, public utilities, communications, and other fields have suffered from this evil. First comes regulation, then in the guise of regulation may come ultimate absorption.

With bureaucracy, there should be no compromise. Appeasement will only result in greater encroachments. One of the banes promised us, one of the rights we are supposed to be fighting for, is freedom from fear. The fact that the writers of so many of the letters to the Editor of the "Chronicle" requested that their names be withheld, certainly indicates that no such freedom exists among security dealers. The time has come to unite and abolish the regulations which give rise to fear.

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

Fourteen New Partners For Merrill Lynch Co.

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange and other leading national exchanges, will admit the following to general partnership in their firm as of Jan. 1:

Herman Belth;

Maurice H. Bent, formerly an officer of the Blackett-Sample-Hummert advertising agency of Chicago, with Kidder, Peabody & Co., in Chicago and in the past a partner in Field, Glore & Co., and Eastman, Dillon & Co.;

William H. Dunkak;

George J. Leness, previously vice-president of The First Boston Corporation of New York;

Michael W. McCarthy;

Charles K. Marsico, member of the New York Exchange, and previously a partner in Bendix, Luitweiler & Co.;

Byron Webster, with the firm in Chicago for some years;

Manuel Weisbuch.

The following will become limited partners: Jean T. Beane; Esther T. Carpenter; Sadie K. Klau; Arthur S. Laundon; Ethel W. Skutch; and Russell T. Stern.

Cohu & Torrey Open New Florida Branch

Cohu & Torrey, members of New York Stock Exchange, announce the opening of a branch office in the Blount Building, Fort Lauderdale, Florida. This new office will be under the management of Eugene Leigh Ward.

To Be Partner

Eisele & King, Libaire, Stout & Co., 50 Broadway, New York City, members of the New York Stock Exchange and other Exchanges, will admit J. C. Vogeler, Jr., to limited partnership in the firm as of Jan. 2, 1944.

Real Estate Securities

Successful Syndicate Still Buying

Announcement has been made that the National Cuba Hotel Corporation is about to buy the Drake Hotel of Chicago. You will recall that in May of this year, interests identified with the New York Stock Exchange firm of Wertheim & Co. bought about 55% of the $5,380,000 bonds outstanding of the National Hotel of Cuba and a large amount of common stock of that corporation.

Wertheim & Co. have been one of the most progressive and outstanding factors in the Real Estate Securities field. Their operations have not only been of benefit to themselves but to the bondholders as well. The vision of their partner, Edwin I. Hilson, who has handled their real estate transactions, has been proved remarkably correct and profitable. He entered the real estate bond field when very few people would buy this particular type of security. Poor earnings of the properties, tax arrears, etc. did not bother him at all. He backed his judgment by buying a substantial amount of bonds. Eventually he was able to get at least management control of several outstanding properties and achieved extraordinary results.

One of his first ventures was the Delmonico Hotel, a S. W. Straus issue in default with plenty of tax arrears. Bonds were selling at 8%. By the time he got through with it the bondholders got pretty close to 40 for their bonds.

Next was another Straus issue called Butler Hall. These bonds were selling at 26 and were also in default. The bondholders committee wanted to put a first mortgage of $250,000 ahead of the bondholders and give them a second mortgage with interest payable only if earned. Mr. Hilson took hold and saw that the bondholders received a 4½% fixed interest bond with no mortgage ahead, and this year the bonds were all paid off at par!

Another venture was the Madison Hotel, another Straus issue in default with interest and tax arrears of almost three quarters of a million dollars. These bonds were selling at 11% when he took hold and the bondholders hadn't received a penny in interest for five years. Since 1938, the bondholders have received interest every year and the bonds are now selling at 28.

Still another venture was the Ritz Towers Hotel which could not even earn taxes under previous management and which has paid the bondholders 2% per annum interest since he took over.

Other ventures of his firm include the Beaux Arts Apartments and the One Fifth Avenue Hotel equally as profitable for the bondholders since he has handled them.

The fact that his firm is continuing to go into real estate deals speaks well for the future of real estate securities and indicates that there are still many opportunities for enhancement in value.

We cannot help but feel that New York City will have a good post-war future and that its prosperity must reflect to the advantage of real estate bonds.

Leslie Cretty To Be Bull Holden Partner

Leslie A. Cretty will become a partner in Bull, Holden & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, as of Jan. 1, 1944. Mr. Cretty has been with the firm since its formation, as General Manager.

Ely & Walker Dividend —Stocks Split-Up

The directors of Ely & Walker Dry Goods Co. have declared an extra dividend of $1 per share on the common stock, payable Jan. 15 to holders of record Jan. 4, 1944. Similar distributions were made Jan. 15, 1943 and 1942. The common stock has been on a regular quarterly dividend basis of 25 cents per share for several years. Dispatches from St. Louis state that the stockholders will take action on March 6 next on splitting up the present preferred and common stocks. It is stated that the present preferred shares will be split five for one and the present common shares two for one.

Townsend Graff To Admit

Harry A. Greenhall and Irving Herzenberg will become partners in Townsend, Graff & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on January 1st.

Ohio Municipal Comment

By J. AUSTIN WHITE

In recent weeks there has been considerable talk about the supply of municipals that will be put on the market when the war is over. From some of this talk one would think that the market would be flooded with municipals and that, consequently, the price level will be much lower than that prevailing now. This talk has already had some effect on the municipal market during the past six weeks. Hence, a realistic appraisal of the probable supply appears to be warranted.

In Ohio, there is little inclination on the part of political subdivisions to issue bonds unless they are approved by the voters. There is a limit of 10 mills that may be levied in taxes without the approval of the voters. Bonds payable from taxes levied within this 10 mill limitation, reduce the amount of taxes the subdivision has available for operating expenses. On the other hand, if the electorate approves a bond issue and the levy of a tax outside the 10 mill limitation to pay it, such bonds do not reduce the amount of tax millage available to the subdivision for operating purposes.

The people of Ohio have been quite reluctant to vote new bond issues during the past several years. At the general election last month, only $7,705,500 in bonds were submitted to the voters, but only $735,000 or 9.5% received the necessary approval. During the entire year of 1942, only $6,384,600 were submitted to the voters in Ohio, and only $795,100, or 12.5%, were approved. Undoubtedly more bonds will be submitted to the voters after the war, and it is difficult to predict what will be the attitude of the electorate at that time toward voting additional tax levies for new bonds. However, it is apparent that the people, of Ohio at least, are not now in a mood to vote such levies, and we doubt that they will be in a mood to vote them in wholesale volume after the war.

Volume of Ohios During 1943

During the last six months of 1943 a total amount of $5,134,683 par value of Ohios will have been sold at public sale. Of this amount, $2,856,000, or well over half of the total, represent refunding bonds. Of the remaining $2,278,683 sold for new money, one sale of Cleveland bonds accounted for $1,025,000. As reported in this column previously, some $2,788,000 of new issues of Ohios were sold at public sale during the first six months of 1943, of which $1,710,000 were refunding bonds. Thus, the total amount of new issues in Ohio for the year 1943 will be $7,922,683, of which $4,566,000, or over half, will be refunding bonds.

It is quite probable that the amount of Ohios to be sold in the years following the war will be materially greater in amount than the approximately $8,000,000 sold during 1943. As a matter of fact, the issuance of municipals throughout the country will probably be on a larger scale. Reliable estimates indicate that the volume of new municipal bonds after the war will probably be on a scale about twice the present volume, or perhaps somewhat more.

If the volume of new Ohios sold after the war should be twice the volume of 1943, we

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Cincinnati Stock & Bond Club Trustees

CINCINNATI, OHIO.—The Cincinnati Stock & Bond Club held its annual election party in the ballroom of the Metropole Hotel Dec. 8. Out-of-town guests present were Oliver Goshia, of Collin Norton & Co., of Toledo; James Russell, of Gillis, Russell & Co., of Cleveland, and Wallace "Izzy" Kingsbury, of Kingsbury & Alvis, of New Orleans.

The following ten trustees were elected to serve for the year 1944: Fred H. Becker, of Field, Richards & Co.; Clair S. Hall, Jr., of Clair S. Hall & Co.; John G. Heimerdinger, of Walter Woody & Heimerdinger; Thomas J. Hughes, of Edw. Brockhaus & Co.; Harry T. Humphrey, of C. J. Devine & Co.; Robert A. Jameson, of Pohl & Co.; Fred F. Latscha, of Eustis & Co.; Leo J. Nussloch, of W. E. Fox & Co.; Lloyd W. Shepler, of Merrill Lynch, Pierce Fenner & Beane and Joseph H. Vasey, of H. B. Cohle & Co.

The trustees will meet next month to elect officers for the coming year.

Ohio Brevities

The proposal to merge the Union Bank of Commerce with the National City Bank of Cleveland met with defeat at a meeting of Union Bank stockholders early this week.

According to tabulations, the pro-merger forces were lacking approximately 2,500 votes to put the plan across, having polled slightly over 21,000. They needed a two-thirds majority or 23,534 votes as the bank has 35,300 shares outstanding. The anti-merger group, headed by Attorney Homer H. Johnson, claimed 9,500 shares and 4,000 shares that had not been voted. It needed only 11,767 shares. Had the merger been approved, it would have brought Cleveland its second half-billion dollar bank, as the new institution would have had around $540,000,000 of assets.

The meeting had been called for last Friday, four hours after stockholders of the National City Bank had voted the merger, but Union Bank holders met and then decided to postpone the meeting until last Monday. Last Friday it was reported the "pros" needed about 2,700 shares, so there was little change in the sentiment of the "antis" over the week-end.

Union Bank holders were "thrashing out" the proposition for four hours Monday, before any news came out of the meeting—and that was unofficial.

Defeat of the plan ended a battle that had been going on for months among many Cleveland financial and business men and groups, most of whom have known each other for a long while.

J. R. Nutt and Joseph Kraus, both former Presidents of the old Union Trust Co., and three young partners in the firm of Ledogar-Horner & Co., were very active among those opposing the consolidation. The Ledogar-Horner partners are Norman V. Cole, George F. Opdyke and Frank J. Schulte.

John A. Hadden led the "pro" forces and Severance A. Milliken was Secretary.

* * *

National Refining Co. stockholders approved two proposals to dispose of more than $6,000,000 of the company's property.

The one involved sale of the company's Coffeyville, Kans., refinery to the Co-Operative Refining Association of North Kansas City, headed by Howard A. Cowden.

Cowden said the transaction amounted to over $4,000,000 for the refinery, 269 wells, 768 miles of pipeline, undeveloped oil leases on 104,000 acres of land, motor vehicles and certain inventories.

In the other deal, Shell Oil Co. bought 98 service stations, 19 of which are in Cleveland, for about $2,000,000.

The company announced purchase of 30,000 of its $6 prior preferred shares at $100 a share and has authorized purchase of 10,000 more shares at prices not to exceed $100 a share. Last Saturday this issue shot up nine points to 104, a new high for six years, on the Cleveland Stock Exchange.

* * *

New Chairman of the Ohio War Finance Committee's Area 1 is John B. Burge, Vice-President and Treasurer of Ball, Coons & Co. He replaces Percy W. Brown, now State Executive Chairman.

(Continued on page 2551)

Ohio Municipal Price Index

Date—	*	†	‡	§
Dec. 22, 1943	1.41%	1.59%	1.24%	.35%
Dec. 15, ----	1.42	1.59	1.24	.35
Dec. 8, ----	1.41	1.59	1.24	.35
Dec. 1, ----	1.41	1.59	1.24	.35
Nov. 17, ----	1.39	1.57	1.22	.35
Oct. 13, ----	1.39	1.58	1.21	.37
Sep. 15, ----	1.43	1.62	1.24	.38
Aug. 18, ----	1.44	1.63	1.25	.38
July 15, ----	1.50	1.68	1.32	.36
Mar. 16, ----	1.76	1.97	1.55	.42
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

*Composite index for 20 bonds.
†10 lower grade bonds.
‡10 high grade bonds.
§Spread betwen high grade and lower grade bonds.
Above data compiled by J. A. White of Cincinnati.

C. A. Otis Joins Field Richards Co.

CLEVELAND, OHIO — C. A. Otis is re-entering the securities business as an associate of Field, Richards & Co., Union Commerce Building, after an absence of ten years.

Mr. Otis has been identified with the investment business in Cleveland for over 44 years, since the formation of Otis & Hough, predecessor of Otis & Co., in 1899. Mr. Otis at that time acquired a seat on the New York Stock Exchange, being the first Cleveland broker to own a membership in that Exchange.

Mr. Otis was the first Chairman of the board of First Cleveland Corporation, assuming that position in 1934. He resigned from that position to devote full time to the wholesale grocery business of William Edwards & Co.

Reamy E. Field, President, and C. H. Richards, Vice-President and Secretary of Field, Richards & Co., make their headquarters in Cincinnati. A. H. Richards and Hamilton Wilson, Vice-Presidents; Russell H. Olderman, Vice-President and Treasurer, and Robert Hall, Assistant Secretary and Assistant Treasurer, are in the Cleveland office.

Personnel Changes

(Special to The Financial Chronicle)

CINCINNATI, OHIO.—**Carl Biltz** is now connected with **Clair S. Hall & Co.**, Union Trust Building. Mr. Biltz was formerly with Dominick & Dominick.

(Special to The Financial Chronicle)

CLEVELAND, OHIO.—**Fred J. Greiner** has become affiliated with **Finley & Co.**, Union Commerce Building. Mr. Greiner was previously with Cleveland Trust Company for many years.

(Special to The Financial Chronicle)

CLEVELAND, OHIO.—**Mark E. Mirsky** has rejoined the staff of **Livingston, Williams & Co., Inc.**, Hanna Building.

Investors, Corporations And Our Federal Excess Profits Tax System

(Continued from first page)

enviable position indeed. If you even have a suspicion of it and a good hunch that some or all of that proportion of earnings will become distributable in that way, you will probably have an edge over the customers' broker who does not have that information or hunch, and is totally blind on that subject.

The provisions of Section 722 of the Internal Revenue Code are those under which just such a startling result may be accomplished. In 1940 the Excess Profits Tax went on the books, which, as I said, is a tax upon earnings in excess over normal earnings.

Normal earnings are measured under the law in one of two ways. A corporation has a free choice. Either a stated percentage of invested capital represents normal earnings — and that percentage varies with the amount of invested capital—or normal earnings are represented by 95% of earnings during a period deemed by Congress to be normal.

The period of time, 1936, 1937, 1938 and 1939, generally speaking, was considered normal. 1936 was fairly normal; 1937 was above normal; 1938 below normal, and 1939 the closest to the average of the four years; and Congress stated that presumptively earnings above the average earnings of this base period are earnings attributable to the war inflation and subject to recapture through a 90% tax. Of course, I have to speak in generalities. I cannot give the 50 exceptions to every rule, but I will speak in terms of broad outlines.

Suppose you have a corporation that has relatively small invested capital, where earnings are due largely to the aptitude of and the work done by the officers and the personnel of the corporation, and suppose, too, that you have a situation where during that base period, 1936 through 1939, there was some interference with normal earnings, so that normal earnings were not realized. Such a corporation will find itself in a very bad situation.

For example, suppose we have a corporation which is in the business of food distribution, and it commenced business in 1936. Its invested capital is very small in relation to its earnings. It acts as a wholesaler, we will say, and it is not a manufacturer. A concern like that can come to the verge of ruin, because of the Excess Profits Tax, since most of its earnings today will be excessive. Its earnings in the base period were naturally very small. It just had started in business. It had not developed its trade in 1939. Then, too, the retail grocery trade was depressed during that period of time because of the competition by super-markets and chain stores, and by the Government itself, which gave out free food.

If a corporation like that goes from earnings of, let us say, $50,000 a year in the base period to earnings of $1,000,000 at the present time, some portion of that increase will certainly be an attribute of war, of the inflation which has followed in the wake of the war, but a large portion of those earnings will be a result of the abnormality suffered by the corporation before the war. Now, that is just where Section 722 comes in. That corporation is going to be taxed at a 90% rate on everything that it makes over approximately $50,000. True, there is an 80% over-all limitation, but on this occasion I am going to disregard it. Even an 80% tax means precious little by way of reserve for the post-war situation.

If that corporation can satisfy the Treasury that it would normally have made, let us say, $400,000 a year before the war under normal circumstances, then its Excess Profits Tax credit will be increased from approximately $50,000 to approximately $400,000, and instead of paying an Excess Profits Tax on $350,000 out of that $400,000, it will pay only a normal tax. The saving will be somewhere in the neighborhood of half of the amount of that increase. In fact, the savings may be a great deal larger because there will be a carry-over from prior years, and in future years there will be like savings. So you can see that nothing will have as much influence on the amount of money available for stockholders after taxation as the effective prosecution of a claim for relief.

Therefore, it is your first job in looking for relief situations to see whether or not the corporation in question is entitled to relief. For example, one stock exchange house recently circulated some material on a canning company. The Senate Finance Committee Report on this section of the law indicated that one of the fields where it would apply was the canning industry, because earnings in that field are rarely normal. They vary according to crop condition.

In estimating the prospects of the canning company, it certainly would be sound to communicate with the officers, the attorneys, and the accountants for that canning company, to ascertain whether a claim for relief was being prosecuted, and to ascertain what the chances of success might be and how much might be involved. If a claim for relief was allowed, earnings might double or triple or be even more than that, depending upon the circumstances of the case entirely.

I have just stated that relief may be granted where earnings in the base period were not normal. Particularly, what are the abnormalities which the law will recognize? They fall into two entirley different classes: (1) Abnormalities peculiar to the taxpayer, to the corporation itself, and (2) abnormalities peculiar to the industry of which it is a part.

For example, a bad strike situation during the base period, with one strike after another, would cause an abnormal interference with earnings; fires or floods or other physical catastrophes are abnormalities which are recognized; recognized also is any peculiar economic condition. For example, suppose a corporation sold its product exclusively to the Ford Motor Company, and in 1937 Ford decided to make the product itself. It might take two years for the corporation to replace that blue chip customer, and, therefore, earnings during the base period would hardly be deemed normal. In any of those circumstances, where there is a physical or economic interference, which was temporary and peculiar to the taxpayer, relief would probably be available.

Also, suppose normal earnings were not realized during the base period, because the corporation commenced business during or shortly before that period. Then, too, relief would be granted, because naturally earnings cannot be expected to be normal immediately after the commencement of business. Or, if there were a complete change in the method of production, in the method of selling, or in the management, there, too, relief would be available. For instance, one very large chain store, a competitor of Woolworth, is seeking relief because in 1938 and 1939 its management was completely revamped, and its merchandising system was changed. In those circumstances, the Treasury will permit the taxpayer to assume that the change had been made two years earlier than was actually the case, and will permit it to reconstruct profits to what they would have been under that assumed state of facts.

Now, passing from the abnormalities peculiar to the taxpayer to those suffered by the taxpayer because it is a member of a depressed industry, we have an entirely different set-up. Some industries are depressed for a long period of years. The machine tool industry, for example, makes money chiefly during years of construction. Other industries, such as the railroad industry, suffered peculiarly during the base period. Then, too, some industries have sporadic profits. When profits are very good in, say, just one year out of ten. It may be that not one of those good years happened during 1936, 1937, 1938 or 1939. Also, as in the canning industry, there might have been a bad drought, or other conditions interfering with earnings; or there might have been a price war peculiar to that industry. In those circumstances, if it can be demonstrated what the earnings would have been if those abnormal industrial conditions had not occurred, relief will be granted.

I am going to give you now some approximate figures of certain industries (see table). The average industry, speaking in the broadest general terms, earned 75% as much in the base period of 1936 through 1939 as it did in the years 1927 through 1930. For example, the automobile and trucking business made 76% as much, if we take certain selective representative concerns and compare their earnings during the base period with that boom period 1927 through 1930.

However, if a corporation in which you are interested made less than 75% as much in the base period as it did from 1927 to 1930, be sure to get in touch with the tax advisers of that corporation and see whether they are prosecuting a claim for relief. You may find that they are, and that they may largely increase the corporation's earnings. You may find that they are not prosecuting; in that event, they may be very grateful if you call their attention to some of the foregoing interesting data.

THE SIMONS NORMAL EARNINGS TABLE
Percentages which 1936-1939 Earnings are of 1927-1930 Earnings

	%	
Advertising, printing & publishing	34	(s)
Agricultural machinery	87	(s)
Asphalt & cement	40	(s)
Auto parts & accessories	62	(s)
Autos & trucks	76	(s)
Baking products & flour	54	(s)
Beverages (alcoholic & soft)	194	(s)
Bituminous coal	78	(n)
Building equipment, supplies, & construction	69	(s)
Bone products	139	(n)
Business service	137	(n)
Candy, chewing gum, etc.	73	(s)
Canned products	106	(n)
Carpets, etc.	92	(n)
Chemical & allied products, Chemicals proper	117	(n)
Cigarettes & cigarette tobacco	89	(s)
Cigars, manufactured tobaccos, & growers	55	(s)
Clothing	95	(n)
Containers (metal & glass)	110	(s)
Cotton & cotton goods	66	(s)
Dairy products	58	(s)
Department & apparel stores	58	(s)
Domestic service	127	(n)
Electrical equipment	72	(s)
Electric machinery	99	(n)
Fertilizers	94	(n)
Finance companies	258	(s)
Food & kindred products—bakery & confectionery	92	(n)
Food products—miscellaneous	68	(s)
Forest products, saw mill products, etc.	63	(n)
Harware, tools, etc.	70	(n)
Hosiery & miscellaneous knit goods	64	(s)
Household furnishings	86	(s)
Industrial chemicals	109	(s)
Instruments, canoes, etc.	69	(n)
Knit goods	88	(n)
Leather, leather products, boots, shoes, etc.	70	(n)
Leather, tanning, etc.	75	(s)
Machinery & machine equipment	74	(s)
Mail order	153	(s)
Meat packing	42	(s)
Medicines, drugs, & cosmetics	61	(s)
Metal building materials & supplies	108	(n)
Metal fabricators	60	(s)
Metals (gold & silver)	191	(s)
Metal mining	82	(n)
Metals (non-ferrous)	99	(s)
Mill products	82	(n)
Mining & quarrying	95	(n)
Miscellaneous machinery	124	(n)
Miscellaneous services	50	(s)
Motion pictures & amusements	99	(s)
Movie producers	106	(n)
Movie theatres	126	(n)
Office equipment, etc.	78	(n)
Oil producing & refining	104	(s)
Other amusements	110	(n)
Other rubber goods	131	(n)
Packing house products	80	(n)
Paper & paper products	76	(s)
Petroleum oil products	89	(n)
Precious metal products	68	(n)
Radio	63	(s)
Railroad equipment	41	(s)
Railroads (class I)	8	(s)
Real estate	5	(s)
Restaurants	23	(s)
Retail trade, general chains, & miscellaneous	93	(s)
Retail trade—groceries	51	(s)
Rubber products, tires, tubes, etc.	66	(n)
Shipping & shipbuilding	56	(s)
Shoes	47	(s)
Silk & rayon goods	55	(n)
Soaps, vegetable oils, etc.	70	(s)
Steel & iron	47	(s)
Sugar	75	(n)
Telephone & telegraph	100	(s)
Tobacco products	105	(n)
Utilities—holding companies	68	(s)
Utilities—operating companies	95	(s)
Wood products—miscellaneous	82	(n)
Woolen & worsted goods	90	(n)

The foregoing statistics should be used exclusively for purposes of indicating lines of further inquiry. In some cases, specific statistical research will be necessary, particularly since the effectiveness of data frequently depend upon an exact choice of industrial classification. For example, "Silk and Rayon" will give results very different from just "Rayon." The symbol "(n)" indicates that the foregoing statistics were selected on the basis of a national group of organizations, whereas the symbol "(s)" indicates that a more selective choice was deemed more accurate in the case of that particular industry. Fractions of a percent have been eliminated.

A rough general average of total industrial earnings in 1936-1939 was 75% to 80% of earnings in 1927-1930. If a given industry in the base period, 1936-1939, showed earnings less than 75% as great as the average of 1927-1930, further inquiry should be made so that it may be definitely ascertained whether the industry in question was a depressed or abnormal industry during the base period.

If a given corporation showed earnings in 1936-1939 which were proportionately less than its 1927-1930 earnings in contrast to the relationship of industry in general, or of the particular industry of which it was a part, then individual grounds of relief peculiar to that corporation probably exist. For example, railroading was definitely a depressed industry in the base period since its earnings were only 8% of its 1927-1930 earnings. However, in the case of cigarettes or cigarette tobacco, the percentage is 89%. This does not show a depressed industry. But, if a given cigarette or tobacco corporation made only 60% as much during the base period as it did during the period 1927-1930, then it would seem that it was not only below the percentage for its industry, but also below that for industry in general, and it is more than likely that individual abnormalities will be found.

Govt. Returns To Owners Leather Plants Taken Over In Mass.

The White House announced on Dec. 13 that President Roosevelt, by executive order, has restored to private management the 13 leather and tanning plants in Salem, Peabody and Danvers, Mass., which had been taken over by the War Department on Nov. 24 because of labor trouble. Mr. Roosevelt's order said he found "that the productive efficiency of the said plants prevailing prior to the taking possession thereof has been restored."

The seizure of the plants was reported in our issue of Dec. 6, page 2300.

Sakolski Answers Brownell On International Bimetallism

Editor, Commercial and Financial Chronicle:

With reference to Mr. Francis H. Brownell's remarks, published in your columns on Dec. 3, concerning my article on International Bimetallism, which was published in the "Chronicle" of Oct. 28, I shall confine myself to answering two of Mr. Brownell's statements.

Mr. Brownell states substantially that the prices of gold and silver will not diverge from the fixed mint ratios if "the several important nations, especially the United States and the British Empire, should apply to silver the same principle that has been applied to gold, i. e., buying all silver offered at a fixed price to be agreed upon and, what is equally important, selling whatever is required at the same price."

A. M. Sakolski

Now, it is obvious that when anything is bought or sold, something else must be paid for it essentially different from what is given or received. If gold is bought, silver is to be paid for it, or vice versa. If a government agrees to buy gold with silver, at a fixed ratio, and gold should happen to become more valuable than silver, how long would it be before such government would find itself drained of all its gold? Such a government would be in the same position as a bank which has outstanding notes payable in gold to an amount, let us say, ten times the gold it has on hand, when the note holders demand immediately the redemption of their notes in gold. It would just have to close up, that's all!

Perhaps Mr. Brownell has in mind the payment for either metal in a currency redeemable partly in gold and partly in silver. This has been called symmetallism or (as the late Isaac Phelps Stokes called it), joint-metallism.

But even this would not change the situation if the market ratios of the two metals diverge substantially from the mint ratio. The government under such a situation, if it persisted in maintaining the mint ratio, would be drained of the "over valued" metal, as long as private individuals would make a profit by the exchange transaction. Of course, if the currency is made irredeemable (as our own is today), except at the will of the government, the matter is altered, because in that case there would not be a bimetallism or any other standard.

Mr. Brownell supports his argument that a nation can maintain a parity between gold and silver by referring to the fact that, following the re-establishment of the gold standard in Great Britain after the Napoleonic war, the British Government "fixed 113 grains of gold to the sovereign, but did nothing about the current market price of gold, which continued to vary up and down with supply and demand." But what does Mr. Brownell mean by "fixing the price of gold"? The British Government did not fix the price of gold! It merely stated that the sovereign would contain 113 grains of gold. In other words, 113 grains of gold could be exchanged for a sovereign which contained the same amount of gold.

Mr. Brownell neglects to state that it was not until 1821 that the Bank of England resumed specie payments, and that for a quarter of a century prior thereto Great Britain was on a paper currency basis, although the gold pound (as was the case of the dollar during our Greenback period) continued to be a standard coin. But it disappeared from circulation because it was worth more as a coin than as an irredeemable bank note. There was, accordingly, "a premium on gold," and this premium varied from time to time as happened during our own Civil War.

Some British statesmen, and particularly the Bank of England directors who were profiting from the situation, ascribed the premium to an increased demand for gold. A parliamentary committee, appointed to investigate the situation, issued the most important document in monetary history—the so-called "Bullion Report." In this document it was pointed out that "in the sound and natural state of the British currency, the foundation of which is gold, no increased demand for gold from other parts of the world, however great or from whatever cause arising, can have the effect of producing here, for a considerable period, a material rise in the price of gold." And, then the committee continued: "gold being our measure of prices, a commodity is said to be dear or cheap according as more or less gold is given in exchange for a given quantity of the commodity. **But a given quantity of gold** itself will never be exchanged for a greater or less quantity of gold of the same standard fineness."

These statements have never been refuted. When the Bank of England bought gold, during the period of the gold standard, it rarely paid above the mint price because it paid for the gold in its own notes, which were redeemable in gold. Thus the seller of the gold could immediately take the notes to the bullion department of the bank and get back essentially what he sold. It was only during the periods of distress that the bank would offer a slight premium, just as during the money panic of 1907 the banks of New York paid depositors a premium (credited to their deposit accounts) on deposits of actual cash. In normal times, whenever gold was needed by the bank, it could more readily obtain it by raising its discount rate.

My next point of attack is Mr. Brownell's reference to the success of the Latin Monetary Union. In this connection let me refer to the conclusions of the late Prof. Henry Parker Willis, who published a history of the Latin American Union in 1901, before its final dissolution. Professor Willis' contention is that the Union was held together only because France, in her struggle to maintain the value of her silver reserves, "held the bag" for the other members of the Union.

"It is not difficult to predict the fate of the Latin Monetary Union," Professor Willis states in his concluding paragraphs. "In case of liquidation, France would be obliged to demand from Belgium the redemption of at least 250 million francs in silver five-franc pieces; from Italy 270 millions, from Greece 14 million. None of these countries are in condition to redeem such sums . . . **The Latin Union as an experiment in international monetary action has proved a failure. Its history serves merely to throw some light upon the difficulties which are likely to be encountered in any international attempt to regulate monetary systems in common. From whatever point of view the Latin Union is studied, it will be seen that it has resulted only in loss to the countries involved."** ("History of The Latin Monetary Union," p. 267.)

A. M. SAKOLSKI.

New York City, Dec. 4, 1943.

The Present Position Of Railroads

(Continued from page 2526)

total fixed charges in 1942 were **larger**, not smaller than in any previous year since 1936. Class I railroads made a reduction of some $300 million in their outstanding debt in 1942. Interest in that year totaled $530 millions against $481 millions in the previous year. The reduction in outstanding debt **was** large, but the resulting savings were more than offset by new interest charges. In any case it does not appear that the savings on interest costs would justify the great emphasis placed upon this aspect of the railroad situation by the investment fraternity.

It can be shown that the **fundamental** weaknesses of the railroads of the country have little to do with debt or debt burden. The railroads have at least two basis problems to contend with, neither of which has been or is being solved at the present time. These are: (1) they are tied inextricably to the durable goods industries. Hence, they are subject to pronounced cycles of depression and prosperity to which no quick or smooth adjustment has as yet been possible. (2) Over a long period of years they have been unmercifully squeezed by rising costs. These costs have increased faster than gross revenues. The result has been that railroad net income remaining after all charges has narrowed considerably. Railroad credit has been destroyed as the margin of safety has all but disappeared. It has been impossible, moreover, for the carriers to build up a sufficient cushion of protection in the peak years of the industrial cycle.

There is little question that during the present period of greatly expanded industrial production when gross revenues have swollen to record highs railroads have been in better position to improve their financial condition. But, as always, such unusual circumstances tend to generate too much confidence or dispel well-founded fears and lull the unwary into a false sense of security. The railroads have exercised a conservative financial policy in the past several years and used the golden opportunity created by the exigencies of war to remove themselves from a precarious financial position. But, the latter condition was corollary to the basic problems that have plagued them.

These two points bear further scrutiny, even though unprecedented war demands for railroad services have resulted in all-time peaks in both gross revenues and net income. The accompanying chart depicts the Federal Reserve Board Index of Durable Manufactures and Revenue Ton Miles of Freight Hauled by Class I Railroads. It shows emphatically the highly cyclical nature of the railroad business. The patterns of ton miles and durable manufactures are very similar. Next let us make a comparison of certain pertinent figures for the years 1929 and 1940. The latter year is taken for the reason that it was a good peace-time year; it was the best year in terms of railroad gross revenues of any since 1930 and there were no important distorting influences created by the European war. The comparison follows:

TABLE I—CLASS I RAILROADS

(All Figures, Except Percentages, Are in Millions)

	Revenue Ton Miles*	Gross Operating Revenue	Net Oper. Rev. $	Net Oper. Rev. % of Gross	Maintenance	Paid to Employees	Int. Chgs.	Tax Accruals	Net Income
1929	447.3	$6,279	$1,773	28.3%	$2,058	$2,896	$693	$396.7	$897
1940	373.2	4,297	1,207	28.1	1,316	1,964	635	396.4	189
Change	—74.1	—1,982	— 566	0	— 742	— 932	— 58	—0.3	— 708
Change %	—16.6	— 31.5	—32.0	0	—36.1	—32.2	—8.4	0	—78.9

*Billions.

The first factor of significance in Table I is revealed in the ton mile and operating revenue figures. The two years were characterized by good business activity. In fact, the Federal Reserve Index of durable manufactures averaged 139 in 1940 in contrast to a figure of 132 in 1929. Railroad revenue-ton miles, that is, units of work done, **declined** by 16.6%. Gross revenues showed a much greater percentage decline. The carriers, therefore, failed to keep pace with the increase in durable manufactures; and they received less money for each unit of work performed in 1940 than was the case in 1929.

Turning next to net operating revenue, the remarkable achievement of railroads in keeping operating expenses in line with revenues is steadily apparent. Despite a drop of two billion dollars in gross, the same ratio of 28% (of gross) was maintained for net operating revenues in both 1929 and 1940. This is explicit evidence of railroad managerial efficiency in operations. The results were achieved in part by drastic cuts in maintenance expenditures which are geared very closely to the fluctuations of gross revenues. But perhaps no other single item is more spectacular than that of compensation paid employees. Railroads in 1940 paid their employees $932 million dollars less than in 1929, even though wage **rates** were materially higher in 1940. Since compensation to employees constitutes the largest single item of expense (42.6% and 43.2% of gross revenues in 1929 and 1940 respectively), the economies brought about a ten-year period have been responsible for the excellent "rear-guard" action of the railroads. For, important and necessary as these savings have been, they have only been in line with the loss in revenues.

Interest charges were reduced over the 1929-1940 period. But it is clearly evident that, relative to operating expenses, the change in debt burden for all Class I railroads is minor. Tax accruals in 1940 were almost exactly the same even though the carriers had a reduction in gross revenues of 31%. This does not at first sight appear to be very startling. Yet, tax accruals represent one important item of expense over which the railroads have no control. For all practical purposes taxes are to a large degree fixed charges. The burden of this type of fixed charges has become progressively heavier since 1929 while there has been a serious erosion in railroad gross revenues. Therefore, the emphasis being placed on reduction of debt and fixed charges at the present time should apply with far greater force to another type of fixed charge — taxes — that is increasing at a much greater rate.

In Table II the two items, tax accruals and total interest charges expressed in percentages of gross revenues, are shown for each year from 1929. Of course this ratio is affected not only by changes in the items themselves, but also by the variations in gross revenues. But, if we compare the two years 1931 and 1940, when there was a difference of less than 3% in gross revenues, the **combined** burden of taxes and interest charges assumes considerable importance. Although interest charges were reduced by $37 million during this period, tax accruals increased by $92 million! In 1931 taxes and interest charges took 23.3% of gross. In 1940 they totaled 24% of gross. Thus, any emphasis that might have been placed during this period on reduction in debt and fixed charges would have been misleading, since the tax burden, another fix charge, was becoming much greater. The trend has been even more pronounced since 1940, although the very abnormal rise in both gross revenues and taxes distorts the ratio. Since a number of railroads have exhausted their excess profits credit carryover, tax payments in 1943 are materially larger. The fact that since 1935 railway tax accruals have reflected social security levies does not alter the situation. Prior to the railway employee pension act most of the roads had their own pension plans, the cost of which represented an operating expense. To the extent that railway tax accruals have been increased on account of this item, operating expenses should correspondingly be less. There is a constant struggle to keep costs in line while taxes go upward. The bag must constantly be replenished either by higher gross revenues or lower operating costs in order to keep pace with the leak going on through the tax hole. That hole can't plugged or narrowed. When it gets larger the only thing to do is to keep pouring more in to compensate for the outflow. This is a rear-guard action and savings in interest costs through debt reduction helps the process of defense. The emphasis of late, however, has been put on the latter as if payments to creditors for money lent is an evil that must be dispensed with. The owner of the property meanwhile must not get a return on his holding until the debt is paid off. All of which is by way of saying that the house owner may not live in his home until the mortgage is paid off!

As in the case with industrial firms it may be said that the wartime burden of taxes will be eased when hostilities end. But, the fact remains that it is only during periods of high cyclical production that railroads can build up, to a significant degree, their reserves. The draining off of "excess" earning power by high tax rates puts a heavy penalty on the capital goods industries to which railroads as has been shown are closely tied. Furthermore, there is a very important significance in the fact that the prices for railroad service in the form of rates are fixed by Government regulation and are comparatively inflexible. Hence, it is not an easy matter to make adjustment in rates to compensate for higher tax levies. Such a process is always slow and never certain. The problem is intensified further by the factor of competition from other forms of transportation which in general precludes the possibility of making any important upward revision in rates to offset increased tax costs, for example.

Turning again to Table I the last item, the net income figure, shows serious deterioration from 1929 to 1940. Net income is what remains for the stockholder, what may be used for reinvestment in the business and what is required to maintain or improve credit position. In 1940 net income was $708 million less than in 1929. Thus, even though the railroads did cut their expenses in line with reduced revenues, the fact remains that $2 billion less in revenues meant $708 million less in net income. The problem clearly was not centered around the burden of interest charges, but on the loss in gross revenue and a continuing squeeze between what comes in as revenue and what is retained as net income. There has been no important change in this fundamental problem although abnormally high revenues conceal the true nature of things. Even at the present time there is pending a prospective increase in railroad wage costs which would represent an important increase in expenses. The effect of such a boost might be considered of little consequence at the present time since greater expenses under present conditions are in lagre part offset by taxes that are not paid. But, this is a temporary situation while wage rates are not.

These considerations in part serve to throw some light on the post-war difficulties that the railroads will have to face. The present approach to them may indeed be considered less optimistic than is currently the style. Higher earnings and a very material improvement in financial position have brought railroad security values up to more respectable levels. The railroads have demonstrated in a most emphatic manner that they do form the backbone of transportation. This fact cannot be disputed, nor can projections into the future yet show that railroads will not continue to carry the major part of freight and passenger movement for a long time. But putting the stress almost entirely on earning power the railroad industry is at a disadvantage, and this disadvantage has become greater in recent years. As an example, the present volume of business handled by railroads may be considered. The output of goods and services during the present period of war activities has exceeded by a large margin any previous peak or any prospective normal volume. The railroads have been able to handle this increased demand. In other words, the railroad industry is demonstrating that it is built to carry a considerably larger volume of traffic than normally can be expected. Its plant and facilities are, in short, geared to handle the peak demands that came in cycles whether induced by war or otherwise. The element of flexibility by the nature of things is lacking. Plant and facilities cannot be liquidated when the volume of demand decreases. The burden must be carried along in good years as well as bad years. And this burden is not entirely, if at all, one of debt. The carrying charges on fixed plant, it has already been noted, are far more than just interest on bonds outstanding. Taxes are the inflexible item, the major part of which are not geared to income in normal times. These cannot be voluntarily reduced, but have in more recent years been materially increased as expenditures of Governmental authorities, State and local as well as Federal, have mounted.

Related to this problem is that of competition. There is nothing to suppose that it will be less in the future than it has been in the past. In recent years railroads have in fact been involuntarily forced to aid in the digging of their own graves by paying taxes which have helped to subsidize other forms of competition through highways, waterways and airways. Moreover, in many cases where the rails have been successful in holding traffic it was necessary to make rate reductions. So that a combination of reduced volume lost to competing agencies and lower rates has contributed to the important erosion of earning power.

It would appear, in conclusion, that the present popular emphasis on debt reduction implies sins of commission of the past to the exclusion of other factors. But there are important indications that the several fundamental problems inherent in the railroad industry have been thrust upon it by conditions and circumstances beyond its control. If the past is a criterion, any important solution of its problems will be based on the actions of Governmental authorities. The record would seem to indicate that they have not generally been noted for the exercise of good judgment and foresight with respect to the over-all problems of transportation, in particular that of the railroads.

TABLE II
Class I Railroads

	—Per Cent of Gross Revenues—		
	Interest Charges	Tax Accruals	Total
1929	11.0%	6.3%	17.3%
1930	12.9	6.6	19.5
1931	16.0	7.3	23.3
1932	21.2	8.8	30.0
1933	21.9	8.1	30.0
1934	20.4	7.3	27.7
1935	19.1	6.9	26.0
1936	16.4	7.9	24.3
1937	15.4	7.8	23.2
1938	17.6	9.5	27.1
1939	15.8	8.9	24.7
1940	14.8	9.2	24.0
1941	11.9	10.2	22.1
1942	8.7	16.1	24.8

FEDERAL RESERVE BOARD INDEX
Of Durable Manufactures and Revenue Ton-Miles Hauled by Class I Railways 1935-39 = 100

	Revenue Ton-Miles	F. R. B. Durable Mfg.
1926	138	114
1927	134	107
1928	135	117
1929	139	132
1930	119	98
1931	96	67
1932	73	41
1933	77	54
1934	84	65
1935	88	83
1936	106	108
1937	113	122
1938	90	78
1939	104	109
1940	116	139
1941	148	201
1942	199	279

SEC Considers Change In Delisting Rule

The disclosure that an amendment of its rule covering applications for the delisting of securities from a registered exchange is under consideration by the Securities and Exchange Commission, as a consequence of circumstances surrounding two recent incidents was noted in Philadelphia advices Dec. 13 to the New York "World-Telegram" from which advices we also quote:

"The Commission, it was indicated, may require that such applications be approved by the company's stockholders, rather than merely by directors as now required under Section 12-D of the Securities Exchange Act of 1934. It may well be, the Commission holds, that such provisions do not give adequate protection to stockholders.

"The Commission has ordered its staff to study the question of delistings. Should changes be recommended, the Commission will follow its practice of submitting proposals to interested parties for comment and criticism.

"The Chicago Stock Exchange recently resisted the move of the Fuller Manufacturing Co. to delist its securities from the Exchange and oral argument before the Commission became bitter at times.

"The Exchange adopted a rule requiring that securities could not be withdrawn unless the proposed request had been approved by at least 66⅔% of outstanding stock and then only if less than 10% of the number of bona fide individual holders did not object.

"This rule was adopted two weeks after the company had filed to delist and the Commission upheld the company's contention that it could not be made retroactive.

"Judge Robert E. Healy, member of the Commission, expressed substantial doubt as to the fairness of the Exchange's rule declaring that 10% of the security holders could conceivable hold less than a fraction of 1% of the stock and thus frustrate the wishes of a big majority.

"Granting the application of the Fuller company, the Commission said: "We are loathe to take action advocated by the Exchange in this case. This application was filed in apparent good faith in reliance upon earlier decisions, in which no such terms were imposed."

The Commission held it would not depart from its prior decision or impose such terms in cases presented under its present rules and "without warning."

"The matter is an outgrowth of the controversy between Exchange members and over-the-counter dealers which has been increasingly bitter in recent months."

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

Annual statements and reports of the fire insurance companies will begin to appear in some five or six weeks. In view of this, it seems timely to discuss some of the principal items which should be considered in the analysis of insurance company statements.

Since stock fire insurance companies offer protection against monetary loss from fire and other destructive agencies, and are daily called upon to pay several million dollars in claims to their policyholders, it is obvious that the prime requisite of an insurance company is financial soundness. Hence, in relation to its obligations, an insurance company must have adequate capital funds and its assets must be well diversified and sufficiently liquid.

According to figures compiled by "The Spectator" for 342 stock fire insurance companies in the United States, their assets at the close of business on Dec. 31, 1942, were diversified as follows: U. S. Government bonds, 28.8%; other bonds, 12.5%; stocks, 36.8%; cash, 12.3%; real estate and mortgages, 3.4%; agents' balances and other assets, 6.2%; total, 100%. It will be noted that their liquid assets, comprising cash, Governments and marketable securities, aggregate 90.4%, while their non-liquid assets aggregate only 9.6%. These percentages serve as a gauge against which to measure the diversification of individual companies. If the proportion of non-liquid assets of a company is greatly in excess of the 9.6% noted, it is out of line with the companies collectively and should be further investigated in order to ascertain if there may not be special conditions which might justify this higher degree of non-liquidity. Collectively, the assets of these 342 companies have a **liquidity** in excess of 90%.

Another check on the liquidity of a company is through the ratio of liquid assets to reserves. This is determined by calculating the percentage which total bonds, stocks and cash bear to unearned premium reserves and loss reserves. As of Dec. 31, 1942, this **liquidity-ratio** for the 342 companies was 218.16%. It is of interest to note that the ratio for Insurance Company of North America was 257.9%, compared with 170.8% for Home Insurance.

Policyholders' surplus, i.e., capital, surplus and voluntary reserves, is another item of significance, particularly in relation to unearned premium reserves and premium volume. The insurance law requires a company to set up an unearned premium reserve based on total premiums collected. The expense of acquiring new premium business, however, has to be met currently, yet the entire amount of premiums collected must go into the unearned premium reserves. This current expense, which may approximate as high as 40% of premiums collected, is taken from the surplus account, which, if inadequate might be seriously depleted. Consequently, a company which has a policyholders' surplus (combined capital, surplus and voluntary reserves), substantially in excess of, or at least equivalent to, unearned premium reserves is in a stronger position to expand its underwriting business than is a company whose policyholders' surplus is less than its unearned premium reserves. On Dec. 31, 1942, the aggregate ratio for the 342 companies of capital and surplus to unearned premium reserves was 165%. Three interesting examples, by way of comparison, are Continental Insurance with 281.3%, Home Insurance with 102.3%, and Glens Falls Insurance with 91.1%.

The surplus of a company is built up year after year by means of undistributed earnings. Thus, it is important to study the earnings trend of a company and its dividend policy. Earnings are from two sources, viz.: investments and underwritings. It is probably fair to say that most fire insurance companies predicate their dividends on net investment income, thus permitting all underwriting profits (or losses) to be credited to the earned surplus account, as well as a small undistributed portion of net investment income. For example, Continental Insurance Co. paid out dividends totalling $4,000,000 in 1942, against net investment income of $4,374,536 and net underwriting profits of $1,458,326. The ratio of total net operating profits to dividends is worth watching, for, other things being equal, a company with a high ratio will show a better equity growth and market gain for its stock over a period of years than will a company with a low ratio. For example, Hartford Fire Insurance Co. has had an average ratio of

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Outlines Industry's Program For Economic Planning

(Continued from page 2526)

low the address of Mr. Weisenburger in full:

Full Text Of Speech

America's infant, but most prolific industry, is post-war planning.

The National Association of Manufacturers' agenda for a Better America, however, is not economic planning in the collectivist sense.

As against the inspired wisdom of a few gifted individuals who feel themselves qualified to think for a whole nation, this program of industry expresses the basic facts of our common American experience.

It is a program—action, not just planning! A simple pattern setting forth the rules of the game and a national attitude within the framework of which 137,000,000 people can revive the quaint old American custom of *planning* and *working* for themselves.

Ours is a program to win the victory by establishing fully, the principles for which we fight.

It isn't up to us to say what we're fighting for; we can get that direct from the boys at the front.

Succinctly a private says: "So I can be myself again."

A tank driver: "So I can live as my father lived."

A military policeman: "I'm not fighting for any particular blueprint, except the blueprint of freedom."

A 19-year-old soldier: "I'm not fighting for medals, but to go back to the 'pursuit of happiness.'"

More realistically, an engineer corporal adds: "I'm fighting to get this damned war over with so I can go back home."

The best seven-word summary of the sentiment of the 200 boys who gave opinions, was given by an Army doctor: "I'm fighting to help keep America American."

And that is, in a nutshell, the whole story of what they're fighting for. Though not an enemy remain alive, there will be no victory for us if the war ends with the American way of life a casualty.

We deem it an act of patriotism, therefore, to offer at this time this program for a Better American economy, reflecting as it does, long arduous work of many committees, many members, many advisors.

This presentation does not contain any discussion of such major immediate problems as termination, reconversion, reserves, and plant disposal. Those are dealt with elsewhere in the program of this convention.

Industry is seeking to furnish leadership that a free, self-respecting people will accept. It is not just for business, except as business is a part of American life. It is a program for a better America in which all can share—labor, agriculture, the trades, the professions—all the people.

With that preface of purpose, I, as your Executive Vice-President, want to discuss with you the fundamentals of this program concerning which our President, Mr. Crawford, spoke so eloquently at lunch. You will hear next from Mr. Prentis, and Mr. Adams and Mr. Harrison will tell how this N. A. M. program for 1944 is going to be carried to the public through the National Industrial Information Committee. Now for the essentials:

Emphasis On People

One of the prime essentials to remember always is that we live in a representative democracy.

There's nothing wrong with democracy, so long as the emphasis is on the first syllable, "democ"—"the people"—and not on the last syllable, "cracy."

There's nothing wrong with the business leadership in that democracy, so long as it emphasizes what the people want. The people want:

1. Higher living standards;
2. Economic security;
3. Opportunity for jobs;
4. Economic justice; and
5. Personal freedom.

Those too are the objectives of management's program.

We hold that these deep-rooted desires of free men can only be achieved by striving in national unity for the highest results from a voluntary cooperative society, the basis of which is a free, competitive enterprise system.

This is no yearning for the "good old days." The man who advances into the future while looking backwards over his shoulder makes a tempting target.

We're not looking backward—like Lot's wife — either to the hundering 'twenties or the dismal thirties.

Least of all are we trying to "freeze the present" — preserve the "status quo"—which is simply Latin for the hell of a fix we've gotten into through bureaucratic planning.

Sure, we want the errors of the past corrected, but we want, as well, the victories of the past carried on to still greater results.

We can't make private enterprise better by throwing it out the window. Nor can better America be achieved in a hybrid economy —half private, half collectivist.

A half slave and half free system won't provide post-war jobs.

And make no mistake about it, the first thing the people will want in a post-war world will be jobs.

Returning fighters won't care much about settling down to jobs of tatting, leaf-raking, or odd-job-boondoggling.

They'll take their post-war jobs as they took their wartime jobs—straight.

They certainly have earned their way on the battle fronts of the world—and they will want to do the same on the production fronts of peace.

But where do honest-to-Pete jobs come from? From a supposedly benevolent Government? From a dreamy program to share the wealth without producing it? Whenever we set out to dream up jobs for job's sake, we get into the realm of the mystic, and end up with very real debt, but very *unreal* employment.

Real jobs don't come out of economic seances, from ouija boards or table-tilting. They can't be pulled, like pretty little bunnies, out of hats—even out of hats that are in the political ring. Only in "make-believe land" do storks bring babies, and only in fairyland do "Blue Eagles" bring jobs. In this very real world, jobs, like babies, are born as the result of perfectly natural processes. And I said born—not made. When you try to manufacture a man, you get a *robot*—not a *living* thing. And similarly when you try to manufacture a job for the job's sake and not through and for productive causes, you get the form but not the substance.

Learning To Test Theory

This promise-weary generation is learning to reject mumbo-jumbo economics. Theory is no longer enough. With scientists, we insist that a theory must be proved.

Industry has proved a theory: it has taken jobs, mixed them with freedom and produced opportunity.

There *was* a time when just jobs weren't enough in this country. The American working man always had before him the incentive of being able to go into business for himself. That once distinguished the American business system from any other economic system in the world. This opportunity has almost vanished in the last decade.

Back in the roaring 'twenties, which was supposed to have been the age of big business when the little David business man had no chance against the Goliath corporations, 36,000 Joe Doakeses a year were able to go into business for themselves and make a go of it. In the decade that followed—the decade of the Common Man, but of uncommon taxes and Federal deficits, 6,000 common men a year who had businesses lost them. The small business man is certainly not the remembered man of that era. The normal annual increase in employables of about 600,000 cannot be met with 6,000 a year fewer employers.

The chance for a small business to live, to grow bigger and to become a bigger employer has got to be restored if the employment problem is to be settled satisfactorily. You can, as demonstrated, to kill off private employers in this country that there is nothing left but Government employment.

In 1939 there were 190,000 manufacturing establishments in the United States employing 8,000,000 workers. Ninety-nine and a half per cent were employers of less than 1,000 workers. Parenthetically, it is interesting that 75% of the N. A. M. members are employers of less than 500 workers, and more than 50% are employers of less than 200.

No matter how much ambition stirs in the breast of man to get along, to get a job opening onto a better job, and finally into his own business, he has no chance of fulfilling his desires in a Government-run WPA society.

In the lush days of manna from the Potomac a small town ran out of people who were in need of largess. All had jobs except the village half-wit. They finally set him to polishing an old brass Revolutionary cannon in the public square at $20 a week. He carried his own whistle in his pocket, to blow before he went to work, at lunch and when he quit. After four or five weeks of polishing he appeared before the selectmen of the village to resign. "What do you want to quit for?" asked the Major "Well," said the half-wit "this is the best job I ever had but I've saved up enough money to buy a brass cannon! So I am going into business for myself."

But! To get back to real jobs—they are born of the aspirations and ambitions of mankind. They are a means of satisfying our craving for bread and breeches and better mousetraps.

You won't find jobs, as we understand them, among the Polynesians or the Ubangi.

You'll find jobs where men's horizons are expanding — where they are building something better for the future—where they want something they haven't got and I intend to get it, "come hell or high water."

Genuine jobs are a means to an end; they are never the end itself. Any job that is not born of a desire for the useful goods or services that job can produce, is a fake.

The world has known jobs, *created after a fashion*, and men fed *after a fashion*, by slavery. The slave philosophy is collectivism. You produce—*they* collect.

There are some who say that the answer is 64,000,000 post-war jobs and an annual income of $150,000,000,000.

Personally, I don't agree. The above figure contemplates that all of those who have come from the homes and retirement will be retained in peace and that 10,000,000 returning service people will be added to what is already the highest employment peak in history.

Exceeding our best peacetime employment by 12,500,000 is a goal that a nationally stimulated enterprise system eventually can reach. But is it good business, when we're trying to attain post-war recovery, to load the system with a goal that is 24% higher than the best employment year in our history.

Is it possible that the 64,000,000 job mark is being deliberately advocated by those who want Government intervention?

It is more conservative and realistic to place the job load at 56,000,000, which is of itself 24% larger than the best peacetime year of 1929. This figure represents somewhat more than the normal growth of employment in the nation. It would seem wiser to make that the recovery goal first.

Or, it would be wiser to start with the problem instead of the answer. Industry can't employ people for the mere sake of giving jobs. The problem is production, not jobs. This nation—factories, farmers, distributors, services—would have to produce half as much again goods and services than it did in 1929 to reach the 56,000,000 goal.

Whatever post-war job goal is used it must be based on production and not on trick multiplication of jobs by mirrors.

And no matter how you approach it, it is well to remember that much of what management plans cannot come to fullest fruition the day after peace is declared. There will be a transition period of many vexing and temporary problems getting back to peace production.

We must not be diverted from our goal by a little bad road. If we do we'll probably end up on the rougher detours we've been on for the last decade.

In the long run a fully operating free enterprise system as outlined in this program is the only guarantee of real jobs in post-war.

Business should be careful not to promise anything it can't do, and be sure to do everything it promises. Then we can ask the people to go along with us—to keep their chins up — to fight through whatever difficulties the transition may bring, to get back on the real beam of a Better America, instead of a deficit future.

In America we must have full employment based on a political system of free men. In voluntary cooperation of these free men for the common good, lies Jobs, Freedom, and Opportunity for the future.

The war has proved that the capitalistic system has what it takes to win.

The Real Source Of Jobs

Our economic system is not a gang of "big shots" or an organization of "stuffed shirts." It is simply all the ways whereby we all earn a living.

It is not perfect. Human beings are not perfect. And this program points out the mistakes of management along with those of everybody else. We believe, however, that through the years the credit side is one of which Americans can be proud.

True, we are said to have one-third of our population underprivileged. But that is by comparison with our own high standards of living, not with those of other countries.

"If capitalism," says Prof Frank P. Graham, of Princeton, "were allowed to repeat this performance (from 1870 to 1930) for another 50 years, it would do away with anything that according to present standards could be called poverty."

We can make enterprise freer within the rights of society, more fully competitive, and more truly enterprising—all of which should make it more productive.

The test of good government of good management, of good labor, should be—do their actions help production?

The National Association of Manufacturers' plan is built around more and more production as the only source of jobs, high standards of living, and real security.

How do we get more and more production?

The NAM program prescribes five conditions for more production:

1. Encouragement of risk capital to *provide* the tools of production.
2. Revision of tax structure to *stimulate* production.
3. Labor and Management cooperation for *maximum* production.
4. Adequate social security for workers *from* production.
5. Freedom from bureaucratic control to *permit* production.

Encourage Risk Capital

The entire enterprise system is nothing but an elaborate system of bringing men and money together to get something we want. Jobs are the public's first need. To have jobs you must first have *employers*—to have employers you must first have capital.

Factories and equipment, and ships and shops and shuttles do not "just happen." Some one must *plan* them, some one with vision and daring must bring them into existence.

Saving and investment lead the march of industrial progress. But the savings that are buried in a sock create no new machines, or jobs. Only those that are used to put to work in building needed productive equipment render that vital service to society. It is that useful application of savings that we call investment.

Investment offers the one solution to that age-old problem: how to *eat* your cake and *have* it, too. When you invest your money, you *save* it and at the same time *spend* it. Only you spend it, *not* for immediate pleasure, but for productive capital equipment and jobs.

Quite obviously the investor does not think of himself as a philanthropist. He invests to feather his own nest. Just as obviously, the farmer who feeds the hungry does not think of himself as a great humanitarian. He produces food, not as an act of charity, but to have something to sell, so that he may buy the things he wants. No more does the worker, who clothes and shelters us do it is a good Samaritan. He is interested in his wages and what he can buy for them.

That's the nice thing about our social and economic set-up here in America. Every one concentrates on getting what he wants for himself, but finds that the only way he can do it is by providing others with things they want enough to be willing to buy and pay for. We don't have to be philanthropists. We can be selfish as all hell and still find that, unless we can fool the police, we can't get something without giving something in return. Each can prosper best as others prosper with him.

The first step to post-war jobs is an overhauling of the investment laws to attract savings on the assumption that free enterprise is good and that private job-making should be encouraged. Congress should try to make the machinery of investment run better, and not clutter up the picture with fear-making excessive regulations.

Government Capital

The government leaners at this point will say, "Why not let the Government supply the capital?" Where would Government get the money—from taxes or borrowing? From the people?

It is estimated that the American people will end the war with savings of 120 billions of dollars; and, that the Government will end it 300 billions in the hole.

Under those circumstances, shall we leave it to the Government to supply the funds for domestic

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"Every Hottentot A Capitalist"

William P. Witherow Speaks Out Against Perpetual Handouts To Foreign Peoples At Expense Of American Taxpayer—Extols Virtue Of Reducing Trade Barriers And Investing Not "Squandering" Our Wealth In Rebuilding World—Proclaims Need For A High Tariff On Alien "Isms"

Declaring that "diplomatic peace and economic strife cannot exist side by side in the same world," William P. Witherow, Chairman of the Board of the National Association of Manufacturers, suggested on Dec. 9 that "American Industry be given a seat at the forthcoming peace table" where it could meet "the leaders of other world business and industry".

Wm. P. Witherow

In a speech before the NAM's Second War Congress in N. Y. City, Mr. Witherow said that, while America must play a world part in reconstruction and trade, he is "against permanently supporting foreign peoples at the expense of the American taxpayer." He added that the difficult days of peace will have to be approached "with full recognition that the present problems require a rare judgment and balance between blind generosity, farsightedness, and intelligent interest in our own land."

Mr. Witherow asserted that America's compassion for a war-torn world should be of "sound international benevolence," as distinguished from "maudlin sentimentalism," explaining that "a perpetual policy of free handouts for the world is not benevolence" but "weakness." This theory of "Hottentot Internationalism", he further stated, is unfair "both to the American people and to the people it would pauperize". The answer to the Hottentot's dilemma, Mr. Witherow said is that "we would make him a capitalist, capable of producing for his own welfare and society and contributing to the welfare of his own and other countries."

Mr. Witherow, who is also President of the Blaw-Knox Co., asserted that we must propose the creation of an International Board of Trade for the determination of policies designed to reduce trade barriers as far as possible."

The text of Mr. Witherow's address follows:

In 1765 John Adams wrote, "I always consider the settlement of America with reverence and wonder as the opening of a grand scene and design in Providence for the illumination of the ignorant and the emancipation of the slavish part of mankind all over the world."

I believe America, in her years of fruitation and as she undertakes her greatest responsibility of history, will not be found wanting in her duties to our own people and to mankind throughout the world.

At last year's convention, you may remember, I mentioned the Hottentot and his bottle of milk.

I am grateful that the use of this symbol, or analogy, stirred such a lively exchange of ideas with so many alert minds. It seems that this exchange has served nationally to dramatize and to focus attention on attitudes that characterize postwar thinking on international economic relations.

Among these attitudes are that of benevolence—the "Golden Rule Diplomacy" that America has always practiced when any of our world neighbors needed a helping hand. Another attitude would forever supply free milk to Hottentots and this may be labelled "Hottentot Internationalism". A third attitude is based on the premise that a nation is no more entitled than an individual to "something for nothing."

Of sound international benevolence, we need say little. Every real American will enthusiastically support postwar help and succor to any people directly distressed by war. We must rush assistance immediately following the termination of hostilities. There'll be plenty who will need our help when this holocaust is over, to avert actual starvation and the other vicissitudes arising from plunder and destruction. And we'll give that help gladly and freely to the fullest extent of our ability. We shall meet this challenge to humanity and charity which flows so abundantly through American veins, and we shall ask and expect nothing in return. Second helpings wouldn't taste very good to Americans, anyhow, while half the world was hungry. That we shall practice our historic "Golden Rule Diplomacy" in the period of world shortage immediately following the war, may be taken for granted.

Our compassion for a war-torn world, however, should not fail to draw the line between **sane** benevolence and **maudlin** sentimentalism. Beyond that line lies the policy of "Hottentot Internationalism".

A perpetual policy of free handouts for the world is not benevolence. It is weakness—and of a dangerous sort. **Sound** charity stops at the point where it ceases to strengthen the recipient and encourags indolence. Beyond that point, there is nothing really charitable about it for it does the receiver more harm than good. He who doles out charity beyond that point is not only deceiving himself; he is cheating the one he thinks to help. And that is equally true, whether the object of spurious charity be a sidewalk panhandler, a great nation, or a Hottentot. We haven't any moral right to make paupers of our neighbors.

There are some who cling to the theory of Hottentot Internationalism as our postwar policy. Although unfair, both to the American people and to the people it would pauperize, this attitude is still evident in some places.

The National Resource Planning Board, the official government postwar planning body set up by the President, distinctly included a good dash of it in its recipe for a new world.

We thought, a year ago, that Hottentot Internationalism could be laughed off the stage. Not so! We thought that merely to recognize it for what it is, would relegate it to limbo. Again not so! A year ago, we peeked behind the mask and the picture we saw—America impoverishing herself to pauperize the world—was not a pleasant one.

If neither by ridicule nor by reason can Hottentot Internationalism be laid decently away, we have but one recourse. We must make a better mousetrap—and that we can do. And the blueprints for it are embodied in the third possible attitude toward international problems—the attitude held today by the realistic thinkers of our nation.

Practical-minded Americans can see that the answer to the problem of the Hottentot is not to deliver a quart of milk to his doorstep—if he has a door, and it has a step—every morning. The real answer is to help him find the way to a better life; don't try to give it to him. Convince him of the value of the effort; of the need for gathering a few more coconuts—if that is what he gathers — and then buy these coconuts from him. Establish enterprise and trade, if you please. Then he can buy a cow of his own. With his cow and a few rhythmic motions, he can be his own milkman. And instead of waiting for the international milkman—Uncle Sam—he can have not only a quart a day, but a gallon a day.

That makes sense. The Hottentot would get something out of that arrangement—and so would we. And he'd keep his self-respect by paying his own way. He wouldn't get the foolish idea that Christmas was a daily political festival.

Helping the Hottentot to help himself is my recipe for establishing international economic security. He may need a few baskets in which to gather his coconuts. He may need a plow, or even a tractor, to cultivate his land and increase his crops. Most likely he'll need a little education not only on how to use tools but on the advantages of having milk, and the desirability of unparking himself and doing a bit of hustling in order to get it.

There is sense in our helping him to get his start. That would be a real humane investment and a good economic investment, too, if it brought us more cocanuts in the long run. There is nothing foolish about investment—it is the very seed of betterment.

You see, the answer to the Hottentot's dilemma is that we would make him a capitalist, capable of producing for his own welfare and security and contributing to the welfare of his own and other countries.

Last year I also spoke of my attitude toward an international WPA. And I suspect that the storm of concern that broke out for the Hottentots was mostly from that benevolent school of new economics which favors unlimited government spending of the taxpayers' money as the answer to every problem; those self-styled "liberals" who want to combine reform and recovery in the world, as we attempted unsuccessfully to do at home in the decade before the war.

While fully in accord with world cooperation and keenly alive to the immensity of our responsibilities to our world neighbors. I'm against permanently supporting foreign peoples at the expense of the American taxpayer. Already some of these countries needing help have declared themselves against it. It is plain that our people do not want to mortgage themselves billions more—accustomed as they are to it—to create a world WPA. Uncle Sam will have a lot of home knitting to do, instead of playing Atlas to the world by supporting it with post-war lend-lease. If I read my America right, public opinion will not support huge outpourings of taxpayers' reserves to the far corners of the earth for capital projects (public works) from which there is no possible chance of a return.

Our leadership should approach the post-war with the same hard-headed realism that Winston Churchill used when he said:

"I have not become the King's First Minister in order to preside over the liquidation of the British Empire."

We will need to approach the difficult days of peace with full recognition that the present problems require a rare judgment and balance between generosity, farsightedness, and intelligent interest in our own land. Make no mistake about it, every other na-

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Canadian Securities

By BRUCE WILLIAMS

There is an increasing flood of indications from Canada's forgotten Northlands pointing towards the development at last of the colossal resources of this vast area. The Prince Rupert Chamber of Commerce is pressing for the construction of a road from Hazelton, B. C., to Whitehorse, that would open up territory with anthracite deposits only 100 miles from tidewater at Stewart, B. C., equal in quality to Welsh coal, and five times as large as the Pennsylvania field. Resources awaiting development also include: half a million acres of good agricultural land; five to ten billion feet of standing timber; hydro-electric power estimated at 600,000 horsepower.

According to a report from Edmonton, the Dominion Government has finally decided to finance full scale operations for the extraction of oil from the huge deposits of tar-sands in the Athabaska River section of Northern Alberta. Prospects are high for the discovery of major oil fields in the neighborhood of Hudson Bay and James Bay.

This is only the beginning; untold mineral, agricultural, timber and hydro-electric resources await only the flow of capital necessary to finance the construction of railroads and highways that would provide ready access to these virgin territories.

Financial interests in this country have nothing to lose in keeping close watch on this situation, especially as it is becoming increasingly apparent that the hub of the world's economic activity continues to shift northward. And in the air-minded post-war period it will be impossible to ignore the importance of the northern regions of Canada and Russia.

To revert to current affairs, the alleged political swing in Canada towards the vague socialistic policies of the C. C. F. received rude refutation following the recent civic elections in Vancouver, which city, according to many supposedly shrewd observers, here and in Canada, was a hot-bed of C. C. F. sympathizers. As it transpires, the C. C. F. and Labor Radical forces are now searching for reasons for what they admit is one of the worst defeats the C. C. F. has yet suffered in all Canada—a complete rout. Not one C. C. F. candidate was elected, although the party ran a full slate for all offices.

During the past week, as far as turnover and price movements were concerned, there was little to record but the recent improvement in undertone was well maintained. The only activity worthy of note was in the internal issues where buying was resumed on a fairly large scale. Consequently, there was a further hardening of the Canadian dollar in the "free" market to 10⅛% discount. With discussions increasingly centered on post-war matters and currency stabilization, it is probable that general interest in Canadian internal bonds will further develop, and with supplies of exchange now limited, any heavy demand will result in the rate again attaining the official selling level of 9.09%.

With regard to the market as a whole, the better tone that has developed in the investment markets generally following the very broad hint recently given by one of the Assistant-Secretaries of the Treasury that the present level of interest rates would be maintained in the post-war period will also have its effect on the Canadian market. In addition, as far as the external issues are concerned, the hitherto steady flow of bonds from Canada has reached a point where it is now only a mere trickle, and consequently, the problem of the future supply is now acute.

Correct Text Of Declaration Signed At Teheran By Allied Chiefs

In the text of the Teheran, Iran, declaration agreed to by the United States, Great Britain and the Soviet Union, reported by United Press advices Dec. 1, the word "United" was inadvently omitted from the phrase "United Nations" in one instance: the sentence in which the omission occurred should have read, according to the New York "Times" of Dec. 14:

"We recognize fully the supreme responsibility resting upon us and all the United Nations to make a peace which will command good-will from the overwhelming masses of the peoples of the world and banish the scourge and terror of war for many generations."

The declaration of the three powers as reported from Teheran was given in our issue of Dec. 9, page 2312.

Anderson Article On Post-War Policy Elicits More Comment

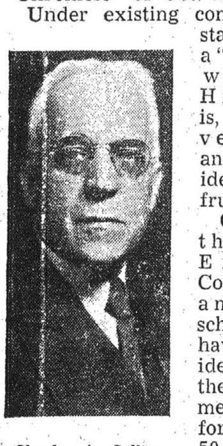
Letters continue to be received regarding the article written by Dr. Benjamin B. Anderson, noted economist, which appeared in the "Chronicle" of Oct. 21 and entitled, "What Can the Government Do to Promote Post-War Reemployment?" Dr. Anderson undertook to provide an answer to this vital question by setting forth his views as to the policies which the Government should follow in order that business and industry can maintain production and employment at permanently high levels. We have published in previous issues a large number of the letters received in connection with the program advocated by Dr. Anderson and the other phases of his paper. Others are given herewith:

CHARLES A. COLLINS

President, Lynn Institution for Savings, Lynn, Mass.

I have read with much interest Dr. Anderson's statements in the "Chronicle" of Oct. 21, 1943.

Under existing conditions, his statements are a "voice in the wilderness." His thinking is, of course, very sound, and I hope his ideas will bear fruit.



Charles A. Collins

Concerning the Security Exchange Commission, I am an old-school banker, having been identified with the investment business for more than 50 years, and I am, therefore, without doubt, prejudiced in my views. I subscribe wholeheartedly to Dr. Anderson's views on this particular subject and feel sure that one of the outstanding evils of the SEC regulations is a very great restricting in volume of transactions in our national exchanges. I feel that broad markets are essential and highly valuable.

WILLIAM H. KNIFFIN

President, Bank of Rockville Centre Trust Co., Rockville Centre, N. Y.

I have read the Benjamin Anderson article in the "Chronicle" of Oct. 21 with interest and profit. Mr. Anderson makes so many cryptic observations that to attempt to comment would be almost a super climax, but I like it, particularly the following:

"The great obstacle to governmental economic planning in a democracy in peace time is that the wisdom does not exist and the knowledge does not exist and, I may add, the power does not exist to know what 130,000,000 people want and what they will pay for and to have it produced for them." Again, "the automatic system of free enterprise is guided and controlled by prices, not by a super brain which see it all and plans it all." In respect to prospectuses, I agree that "a prospectus should be short enough so that men will read it." And I do certainly agree with this: "I do not exhort the business man to plan for full employment but I exhort him to do something which he knows how to do and which he will understand, namely, to plan how to make money in the post-war period."

I find the whole article easy to read and understand and full of sound, common sense. He well intimates that the average business man may not be an expert at planning but he is an expert at making money, and this, after all, is the end and aim of business; so that, if he can make money without planning, or even with planning he will achieve the objective of creating employment. If he creates employment he will or should make money, and if he makes money he should create employment. This is just common, ordinary, horse sense, and you must make it possible for the business man to make profits, otherwise you stifle his ambition and his ingenuity and all his resourcefulness because there is no incentive so great as the dollar incentive to urge men to do their best, and particularly if they can keep a goodly portion of that dollar after they make it.

My only adverse comment is the article is a little too long for ordinary consumption.

DR. WILLFORD I. KING

Professor of Economics, New York University

I have read Benjamin M. Anderson's article entitled, "What Can the Government Do to Promote Post-war Reemployment?" with interest and agree with most of his ideas. My feeling is that he has covered most of the ground very effectively, but that he omits from the discussion one point which is fundamental, namely, the influence of variations in credit upon the volume of employment. I feel certain that, until proper measures are taken for regulating the volume of credit, employment will never be stabilized, and severe depressions will be almost certain to occur, no matter what else is done.

Willford I. King

I am aware of the fact that Dr. Anderson disagrees with my point of view. I believe that he has not gone into this particular matter as thoroughly as he ought.

On the other hand, as regards most of the points covered by his article, I feel that his position is sound and his ideas excellently expressed.

P.S.—Another point in which I disagree with Dr. Anderson is the desirability of letting a depression wear itself out. Under competition, the necessary weeding out process goes on nearly all the time.

R. D. BARCLAY

President, National Bank of Commerce of San Antonio

I have read the article, "What Can the Government Do to Promote Post-War Reemployment?" by Benjamin M. Anderson, Ph.D., carefully and think it is the soundest exposition of the subject that I have seen yet, and I thoroughly agree with Dr. Anderson's conclusions.

I hope that copies will be sent to all of our Senators and Representatives in such a way that they will be sure to read and study the article. Of course, some of the rank New Dealers will not be impressed as his plan does not fit in with their idea of "revolution without violence." Nevertheless we still have many patriotic Representatives and Senators who will be glad to see the light and perhaps a number of them may have the courage to assert themselves, like Senators O'Daniel and Byrd, especially.

HARRY WOODHEAD

President, Consolidated Vultee Aircraft Corporation

Dr. Anderson's article, "What Can the Government Do to Promote Post-war Reemployment?" is an excellent memorial to the Senate to get the Government house in order for the post-war period.

Harry Woodhead

There is no question but what "the problem is one of bringing about the transition as rapidly as possible." And as Dr. Anderson says, we don't need Government pump priming to take care of the employment problem because, as he so clearly points out, "Government spending as a sure and quick means of bringing even temporary revival was demonstrated to be a failure" when tried from 1933 to 1939.

Particularly significant is Dr. Anderson's exhortation to the Congress to get rid of price fixing as speedily as possible and to abolish other bureaucratic controls that have come in during the war. Then, too, I am in sympathy with his desire to see the Securities and Exchange Commission regulations thoroughly overhauled, with a view to retaining only those parts necessary to protect investors from fraud and misrepresentation on the part of any who make false registration statements or otherwise violate the laws governing securities and exchanges.

Rectification of labor legislation so that there will be equality of bargaining power between labor and management is another good point stressed by Dr. Anderson. There is no question but what shortsighted labor leadership can be the biggest single stumbling block to a quick transition and prosperous post-war era.

E. A. WALKER

President, The Tradesmens National Bank, Oklahoma City, Okla.

Without giving the subject any special thought, but in a general way I agree with what Dr. Anderson has said in this article, but with several specific exceptions.

For instance, I do not believe that this Government can bring prosperity to the whole world or that it can feed all the hungry people of all the other continents on this globe. My opinion is, that the people of our country owe their first duty to our country and that the duty they owe to the balance of the world is certainly secondary. Whatever we give to the world at large is at the expense of the citizens of our own country, and while I believe in charity, still I believe charity begins at home.

In saying what was said in the preceding paragraph, I do not want to be misunderstood as expressing the idea that we should not do something for the nations united with us in this war effort, but that I believe the consideration of giving to these other countries should begin after we have returned our soldiers to their home and have done something to aid them to reestablish themselves in business or jobs, and my opinion further is that if we do this we will not have resources to do too much for the people of other countries.

Dr. Anderson, I think, was right in his conclusion as to the situation that will exist at the end of this war, as compared with the situation that existed at the end of the first World War. As so well stated by him, at that time our Government was in a splendid condition and its resources were depleted but little. At the end of this war our Government will be very heavily indebted, its resources greatly depleted, and there will be much more to do at home than there was at the end of the first World War.

When the present administration, begun in March, 1933, it was strictly by virtue of the platform upon which the President was elected and his promises in his speech that he would inaugurate an era of economy was applauded throughout the country. He appointed a noted economist, the Honorable Lewis W. Douglas of Arizona as Director of the Budget, but this economy promise did not materialize. Before the end of the first year of his administration his economy program apparently was forgotten and spending became the rule and not the exception. Since that time the indebtedness of our country in round numbers has grown from about $26,000,000,000 to more than $200,000,000,000 and is still growing by leaps and bounds. On account of this situation, I believe there is some doubt about the ability of our country to take care of its own and do very much for people in the foreign countries allied with our country.

Another matter that should be considered is the ability of business to rehabilitate itself, employ labor and take the lead in an era of prosperity. Taxes are bound to be very heavy because the country must be financed after the war is over, soldiers must have financial consideration, the wounded must be hospitalized, and when this is done there will not be too much left to feed and care for the citizens of other countries. Then, too, our Government cannot afford to increase expense or even to maintain wartime expense, because the ability of our people to pay taxes will be greatly depleted and our country will do well if it can finance the situation at home and then at the same time reduce the taxes which must be done if we are to have prosperity.

There must be sufficient incentive for business to go on, and if this is lacking then there will not be any boom in business. Already many persons have given up their business because after paying all Federal and States taxes to which they are subjected there is not enough profit left to justify the effort put forth.

It seems rather uncertain that when the war with Germany is finished and the soldiers return to this country, that there will be from four to five million men without jobs, and there might be many more, and this is another reason why our country cannot do very much for our Allies. Under these conditions, it seems rather sure that everything pertaining to business cannot be successfully controlled from Washington. Centralized government at our national capital should be decreased at least 50% and each State should be left to control the business in that particular State, and taxes by all means should be reduced.

Our Government should plan to increase the flexibility of our economic life, restore the free movement of capital throughout the country, and by all means reduce the restrictions now thrown around business; and in accomplishing this there should be no drastic change, but by degrees bring about the results suggested. It will be impossible for any governing body to make one general plan for industrial revival. The task is too great to be done by one act in Congress, but all changes must come by degrees and the general policy should be to have less government and less appropriations.

C. M. MALONE

President, Guardian Trust Co., Houston, Texas

I have read article by Dr. Benjamin M. Anderson entitled, "What Can the Government Do to Promote Peace Time Reemployment?" I feel that he is sound in his statements. Corporations in 1929 had built reserves which enabled them to carry through for several years with small earnings or even losses. Under our present system these reserves do not exist either in the corporation or with the individual.

I am in favor of good wages, but there are no lines of business that can pay present wage scales during normal times. If labor demands continuation of present rates, in my opinion many business firms will be forced to close and unemployment will be far worse than ever before.

If the Government tries to keep these people employed and the average individual and corporation is brought to a bare existence, who will pay the taxes to meet the expenditures by Government or who will be able to buy bonds?

This country was built on the system of free enterprise, where every person was free to work as many hours as he elected to work and to accumulate money according to his ability. Under our present system he is restricted in hours, thus reducing every person to the same level and his compensation is fixed either by a board or by taxation. This is a war measure, but may remain as many favor Government control.

I agree with Mr. Anderson's recommendation of less Government control and laws that will punish those who conduct business by misrepresentation and dishonest methods. I want to see the young men of this country have the same opportunity for advancement that their fathers had. The reason the American soldier has made the record he has is that he has been raised as a free individual and has been taught to think for himself. Too much Government direction and supervision will weaken our business structure and lower the efficiency of our people.

MILLAR BRAINARD

Treasurer, The Cleveland Automatic Machine Co., Cleveland

I have read with a great deal of interest and pleasure Dr. Anderson's memorial entitled, "What Can the Government Do to Promote Post-War Reemployment?" Such good, sound, common sense is rare in these days, and I wish to commend to the utmost his calling attention to the evident and obvious weaknesses in the so-called planned economy that has been thrust upon us.

It seems to me that the trouble is that we have in so far as Government control is concerned played "God" and the Government seems to contend that it comprises an infinite mind capable of deciding what you and me and everybody else wants and what we should do.

I am of the opinion that if Dr. Anderson's recommendations were followed as a guide, that we would not have to waste much time on what is now termed post-war planning because things would take care of themselves if business men went back to work and tried to make money.

A. W. SMITH,

President, A. W. Smith & Co., Inc., Boston.

I have read with great interest Dr. Anderson's "Memorial to the Senate Committee on Postwar Economic Planning" that was published in the Chronicle. I think it was unfortunate that some of the newspapers have made headlines to the effect that Dr. Anderson is advocating the abolition of the SEC. The important part of his treatment of the subject to my mind is that he is advocating the replacement of the present function of the SEC with other functions through different agencies which would be more effective in protecting investors from fraud and misrepresentation than has been the case under the present clumsy process of filing documents in such volume that no one but the lawyers and bureaucrats ever read them—and not even these officials understand them. In other words, his proposals are entirely constructive, and not destructive.

It seems to me that the investment industry, through its various organizations, should consider and discuss these proposals very seriously with a view to doing everything possible to sell these ideas to the key men in Washington who have the power to steer legislation governing the investment business.

J. GENTRY DAGGY,

H. M. Byllesby and Company, Philadelphia.

No thinking person can refute the simplicity and unerring accuracy of Dr. Anderson's observations. The address should be designated as compulsory reading for every member of the Congress.

ARTHUR E. PENDERGAST

St. Petersburg, Fla.

I read with a great deal of interest and approval of the article by Dr. Benjamin M. Anderson. I hope and trust that the American people will wake up to conditions as they haxe existed the past few years and emphatically demand a change.

I shall pass the article along to my friends and hope it falls into enough hands to assist in changing the vicious trend of affairs that have created such a deplorable economic condition in this good country of ours. I have read your "Chronicle" for many years and glad to see that you have consistently fought for the right during all the recent trying times.

HENRY M. CHANNING

Boston, Mass.

Replying to your invitation to comment on Dr. Anderson's article, I may say that it strikes me as a most valuable contribution, sound the whole way through. The view that we should prevent the sale of fraudulent securities through the criminal machinery rather than the SEC, I have always been in accord with. Anybody who has tried to put a small issue through the SEC, in a fluctuating market, realizes that it just cannot be done without suicidal delay and expense.

There is already acute disequilibrium between property and money, and further increase in the quantity of money, through borrowing for prosecution of the war, cannot be avoided: all we can now do is to attack the condition piecemeal, in the hope that the inevitable dislocation may be somewhat cushioned.

LEO M. CHERNE

The Research Institute of America, Inc.

I found Dr. Anderson's views to be the most provocative and in many respects convincing statement of a position I cannot, unfortunately, accept.

GEORGE H. BEALL, JR.

Baltimore, Md.

A financial friend of mine handed me the article, "What Can the Government Do to Promote Post-War Reemployment?" by Benjamin M. Anderson.

I believe that you can get my reactions quicker by the questions this rather thought-provoking article arouses: (1) Why did the author leave Chase National Bank of New York?

(2) Being skeptical of omissions, I'm wondering why he so consistently stuck to the years 1920-1923, rather than have taken in all the years—if he needs to start with 1920, then from that time to and including at least 1942?

(3) Years are changed again in the Growth of Manufacturing Production tabulation. In this connection, too, while he says business men know how to plan to "make money," his tabulation may have proven more enlightening had he included a column of "Earnings Per Wage-Earner."

DR. ROY L. GARIS

Vanderbilt University, Nashville, Tenn.

I am thankful that there are men who can still think sanely and logically. In the interest of labor itself, I wish Dr. Anderson had urged the abolition of the National Labor Relations Board. This is one of the ablest discussions I've read. Let us hope that thinking like this will direct the post-war economy. Otherwise the results may be cause for alarm to all groups in our economy.

Views Two Years Boom In Foreign Trade

Predicting a two-year boom in foreign trade based largely on Lend-Lease procedures and financed by foreign governments and the accumulation of exchange the current issue of the INTERNATIONAL POST-WAR SERVICE devotes several pages to an analysis of potentialities for American participation in post-war international trade. A. W. Zelomek, President of the International Statistical Bureau and Editor of the POST-WAR SERVICE, emphasizes the importance of foreign trade to American business: "As a nation, we have been amateurs in foreign trade. It is none to soon to begin developing a professional attitude by abandoning wishful thinking and making a realistic study of market and investment possibilities, competitive conditions and political factors."

The SERVICE also contains a survey of probable post-war trends in shipping and shipbuilding, estimating that the United States and Britain will together control 80% of the world's merchant fleet exclusive of coastal vessels. American post-war employment of 300,000 in shipbuilding will be partly sustained by Government subsidies totalling $150 to $200 million. To this shipbuilding subsidy will be added a ship operating subsidy four or five times greater than the prewar annual of $10 million.

Mr. Zelomek predicts that Russia's dependence upon the United States and Great Britain for industrial imports, and particularly imports of machinery, will result in shipments far exceeding prewar imports from these two countries. This development of complementary trade needs between Russia on the one hand and the United States and England on the other will occur despite Russian insistence upon some industrial reparations from Germany after the war. Lend-lease exports from this country to Russia will be superseded by regular commercial transactions shortly after the European war ends. After the first two or three years, during which Russia will largely exhaust her liquid assets, she will seek medium term credits from export nations while her own export industries are recovering.

Unlike trade relations between Russia and the United States, which are largely complementary, trade relations between England and the United States will be much more competitive. England, with a short term foreign indebtedness of at least one billion pounds sterling, will after the war compete in world markets as well as seek to expand her exports to the United States.

Mr. Zelomek suggests that cordial business relations between the United States and Great Britain can be maintained by discussion of mutual problems in international trade that the two countries will have to face. Secretary Hull "has always been in sympathy with a tariff policy directed toward a gradual elimination of trade barriers and opening of trade channels blocked by economic nationalism during the '30's," and his increased personal prestige in Washington suggests that the United States might agree to a gradual lowering of tariffs operating to the detriment of England. Such reductions, the study predicts, "would be contingent on a British agreement not to use the frozen funds of other nations for the conclusion of bilateral trade agreements."

Other factors that Mr. Zelomek believes will be important in determining American-British commercial relations in the post-war period are export subsidies and rates for commercial shipping and air transportation; international finance and currency stabilization; and an international bank. Another important development influencing world trade after the war will be the fact that not only Russia but the governments of other countries interested in building up domestic industries will maintain close control over their foreign trade.

In forecasting trends in the shipbuilding industry the POST-WAR SERVICE predicts a gradual rather than a steep decline in America's program. New merchant vessels constructed will total about 19 million deadweight tons this year, and 15 million in 1944 even if the war with Germany is over during the first half of the year. Mr. Zelomek anticipates a distribution among several nations of America's huge merchant fleet. "This scheme," he says, "implies a greater purchasing or chartering of American vessels by foreign nations than the American shippers now conceive."

Federal Taxes On Corporations Manual Ready This Month

Montgomery's Federal Taxes on Corporations 1943-44, published by The Ronald Press Company, 15 East 26th Street, New York 10, N. Y., will be ready for distribution this month, it is announced. This up-to-the-minute manual helps determine company tax position and strategy, gives leads on specific problems, helps check conclusions against the experience of a nationally known authority. This intensive reference on corporation tax problems contains 2,000 pages and is published in two volumes (this is the twenty-second year of publication). The cost of the volumes is fifteen dollars and the books may be had for a five-day examination.

N. Y. Stock Exchange Weekly Firm Changes

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

George Edgar Hackney and John Norman Hopkinson, special partners in Hackney Hopkinson & Sutphen, New York City, became general partners on November 24th.

James C. Luitweiler and Edward A. Ruhfel became special partners in Bendix, Luitweiler & Co., New York City, as trustees for Willem van Marle. Both Mr. Luitweiler and Mr. Ruhfel continue as general partners of the firm.

Robert J. Theobald retired from partnership in J. J. B. Hilliard & Son on November 30th.

The Securities Salesman's Corner

A Tried And True Way To Build Up An Investment Business

Portfolio analysis is one of the most effective methods of creating business. If properly presented by the sales department, an offer of constructive assistance to the investor can provide the basis for the most satisfactory and lasting type of customer relationship.

There are two main objectives that you can offer to investors. Both are based upon DOING SOMETHING FOR your customer instead of SELLING HIM SOMETHING. First, you can increase security without sacrifice of income. Secondly, you can increase income without sacrifice of security. Or you can suggest variations of these offers to assist your clients in getting more out of their investments—such as, increase in marketability (if analysis indicates it is advisable), or increase in flexibility of holdings as to more proper diversification, etc.

If you have some one in your organization who is good at office interviews an exceptional opportunity for using this approach to new customers is presented. Such a plan would entail as a first step, the preparation of a good mailing list. Secondly, several well prepared pre-approach mailings, descriptive of the analytical service, assistance, and advice which you are offering, should be sent to the entire list. The mailing should be designed to bring in inquiries for further information and requests for the firm's representative to call in person. The salesman should follow up these inquiries and whenever possible BRING IN THE LISTS FOR ANALYSIS. It is always better salesmanship for the salesman to explain to the customer that his holdings are going to be analyzed by AN EXPERT than for him to leave the impression that he was going to do the job.

After the list is analyzed and suggestions are ready, the salesman should then bring the customer into the office. This interview should be held after he has prepared the way by building up the prestige of the person in the office who is to conduct the office interview. If properly handled, this is the time when the customer's confidence is really cultivated. A sincere investigation of the investor's individual requirements IS THEN CALLED FOR. After all, selling securities is almost on a par with selling medical advice. One concerns physical health, the other financial health. You wouldn't think of going to a doctor and buying a handful of pink pills just because you thought you needed some medicine. Nevertheless, many investors think they can buy securities this way, and many salesmen likewise think they can sell them this way. Probably that's why so many people still have financial belly-aches.

During this office interview you will either lay the foundation for a real investor and investment-firm relationship and gain a customer—or you will not. If you don't have success in convincing your prospective client that you can really help him and that your firm is interested in his financial welfare, then one more try is indicated. This can be done by the salesman. If all the different steps of this campaign are properly planned and IF THERE IS A SINCERE DESIRE UPON THE PART OF THE INVESTMENT DEALER TO DO A GOOD JOB this is a sure way to build an exceptional clientele of investors WHO WILL STICK TO YOU ONCE THEY ARE CUSTOMERS.

Nationalization Of Canadian Banking Discussed By Spinney—Opposes Monopoly Under Govt.

In discussing the subject of nationalization of the Canadian banking system, George S. Spinney, President of the Bank of Montreal, told the recent annual meeting of stockholders of the bank that he was at a loss to understand what good object would be achieved and said that such a move would be productive of consequences gravely detrimental to the community at large.

Mr. Spinney further stated that there was "no need for nationalization in order to place the nation's supply of money under governmental regulation, since the regulation of the money supply is a function already performed by the Government-owned central bank."

Mr. Spinney went on to say:

The alternative which the proponents of nationalization offer in exchange for the present system of competitive banking is a banking monopoly under governmental control. Under such circumstances once the borrowing requirements of a customer were denied, for any reason whatever, he would have no recourse except through the channels of special pleading or political influence.

One of the most prominent proponents of nationalized banking recently stated, as one of the points in its favor, that control of finance is a most essential step to control of the whole economy. With the truth of this statement as applied to nationalization of the banks I would most definitely agree. Set up a government monopoly of banking in Canada and the socialization of the rest of the economy would scarcely be more than a "mopping-up operation." For if a governmental bureau becomes the only source of day-to-day credit accommodation for Canadian industry and agriculture, the Canadian economy will have already lost its independence regardless of the extent to which any field of endeavor may continue to retain the outward appearance of free enterprise. This, I suggest, is a point that employees, as well as owners and management, may ponder. For if the Government, directly or indirectly, is to attain control of the entire productive facilities of the country, such an important element in production as labor cannot possibly hope that the vast regimentation involved would apply to everyone else and pass the workingman by.

In its primary aspects the matter of nationalized banking is one of monopoly versus competition in the field of credit; and even within these limits it concerns everyone owning or dependent upon a Canadian enterprise that may have need of day-to-day or seasonal credit accommodation. In its broader implications the issue is that of individual liberty of action as opposed to the concept of a central Government supreme not only in the field of legislative powers and responsibilities, but in the spheres of business, industry and finance as well. This would inevitably mean the domination by the central authority of all bodies whether public or private which must have recourse to credit facilities.

Some Comments on Palyi's Study of Inflation Prospects

In his article, "Outsmarting Inflation," which appeared in our issue of Nov. 18, Dr. Melchoir Palyi of Chicago warned that the "future dishoarding" of the cash reserves now being accumulated in such tremendous volume constitutes the "real danger" to the nation's economic equilibrium and represents the essence of the inflation problem. Dr. Palyi contended that neither "full employment or a large current national income" will alleviate the danger of inflation and held that this can only be accomplished by the application of "orthodox methods." These latter, he listed as follows: elimination of extravagant expenditures; absorption of excess purchasing power by levying taxes which "reach into the mass-pocket that carries the excess;" and by stimulating **permanent investment** in government bonds in order to prevent the "surplus money from turning into effective demand."


Dr. Melchior Palyi

With reference to Dr. Palyi's analysis of the subject of his paper, several letters have been received by the "Chronicle" and are given herewith:

Editor, the Commercial and Financial Chronicle:

"To face facts we must first know them."

I agree with the assertion made by Dr. Melchior Palyi in the final sentence of his article, "Outsmarting Inflation," namely, "For a democracy, it is fundamental that it should be able and willing to face the naked facts. . . ."

He attaches (quite justly, I believe) great importance to wartime savings in his consideration of inflation, but nobody knows how widely distributed these savings are, and until such knowledge is gained a complete understanding of the problem cannot be achieved, far less can any effort to solve the problem be successful.

I, too, might venture a guess regarding the distribution of wartime savings, namely, that the bulk of the staggering total is divided (but how?) between these groups: (1) families of several adults in which formerly only one or two were gainfully employed and of which every member or nearly every member is now a wage earner, and (2) entrepreneurs now working in the main on Government contracts.

Certainly crude guessing of this type is of little value and what is called for is a survey to change the unknown quantity of the distribution of war-time savings into a known one. Whoever undertakes such a survey will render a greater service to business men and others concerned with America's future welfare than any ever so intelligent analyst of inflation can at the present time.

H. PERL.

Wood Ridge, N. J., Nov. 24, 1943.

Editor, Commercial & Financial Chronicle:

In the "Chronicle" last week I read with great pleasure the article on inflation by Dr. Palyi. I thought Dr. Palyi's article was certainly very true and covered the situation, and I agreed with practically everything he said. However, there was one point, for instance, that was not clear to me.

Dr. Palyi made the statement that free gold could be bought with American dollars in Bombay and Buenos Aires at approximately $60 per ounce. While I did not question this figure, yet I am interested in knowing how he arrived at this amount. Certainly we all know that the Canadian gold mines can produce gold and are well satisfied to sell it at $35 per ounce. If the figure Dr. Palyi has named was the free market price on gold, then it would seem to me advisable to buy gold shares now, especially shares in those companies which have large underground reserves of gold. By that I would mean that it would be more advantageous to rely on underground reserves than on management alone.

While I do not know the situation in Buenos Aires, yet it would seem to me that if free gold were priced at $60 (American dollars) in that market, it would be on some other basis than that of inflation of the dollar or scarcity of gold. Is not it possible that in these two or three markets Dr. Palyi mentioned gold brings a higher price simply because of unusual situations in those particular countries?

The one thing that impressed me about this article was the clarity of exposition. However, it would seem to me that simply because of Dr. Palyi's title most of your readers would probably read the article with a biased opinion. They would simply have the feeling that such an article by a doctor of economics might be mostly theoretical and of little value to the practical business man. I know in my own case I felt that way until completing the article, and then I realized that this information is of the type that we all should read carefully and consider thoroughly.

At the present time we have now established an advisory unit on war and post-war adjustments policy, established by the Government under the head of Bernard Baruch. Certainly Mr. Baruch is a capable man and none of us would question his practical ability to head this organization. However, basically some of the problems of post-war policy cannot be intelligently understood until we thoroughly understand the inflation problem which is ever present today.

After reading Dr. Palyi's remarks, I am a little at sea as to what his definite plan might be. I would compare the situation, in a small way, with that of a surgeon whom I knew who had a malignancy on his finger. Realizing the situation he immediately had his finger removed, but after several months' time he found this to be insufficient and had the hand removed. Then, later, he had the arm removed, first at the elbow and then at the shoulder, but that failing, he passed away. In this matter there is some difference of opinion, but some qualified men insist that if you face facts squarely and if in this case the arm had been removed at the shoulder immediately, that surgeon would have been alive today. After Dr. Palyi sums up the situation I wonder whether we should face facts squarely, and admitting the situation is extreme, as Dr. Palyi points out, it would seem to me that the least hazardous procedure would be to admit some type of inflation and devalue the dollar again. Certainly none of us like this situation and would want to use that procedure only as a last resort.

In this article it is clearly pointed out that the purchasing power of the American public has never been equalled at any time in history in any other country. Back in the early 1920s Germany had roughly $400,000,000,000 worth of currency outstanding, but the purchasing power was simply not there. Now when we have some $200,000,000,000 purchasing power outstanding the situation is different, but it seems to me only different in this respect, and that is so far at least there has been no doubt or fear of the value of a dollar. How long that situation can hold out is problematical.

It would seem to me that as soon as the war with Germany is liquidated, there will be a deflationary period in this country. Certainly some men will be released from the army; certainly some orders for army materials will be cancelled, and there may even be a period of partial unemployment. There should and will be a deflationary period, but how far such deflation can go would be anyone's guess.

In this article we have been shown the fallacy of a full employment program, and I think along with that the same arguments can be used against a full production program. Costs have undoubtedly crept up and will continue to creep up as long as there is full production and full employment, but the minute there is a let-down as a result of the closing of the European theater of war, then we can look for this deflation, but I doubt whether it will be radical, and certainly such deflationary conditions would probably continue until some time after the closing of the war in the Far East, depending, of course, upon how long that took. However, when that is all over then there will come up another question that we have to face.

De we want inflation here? If we don't want inflation, are we willing to suffer under countless Government edicts and regulations for a long period of time? It seems that there can be no other alternative; either we must face this Government regulation of our daily lives or if we ask that all of these Government regulations be removed, then certainly inflation can be only a short step around the corner. We have come through a ten-year period now, laying the foundation for a bad inflation, if not a disastrous one. Certainly none of us can doubt that this started at the moment that the dollar went off the gold standard. Certainly when bonds payable in fine ounces of gold were outlawed as such and were only payable in paper, then at that time we took the first step and we have come a long way. Needless to say, we can't back down all of this distance in a short period of time. Certainly, as Dr. Palyi states, we can't outsmart inflation. Now then, it is simply a question of what to do with the situation we already have thrust upon us.

It would seem to me that your idea of inviting comment on this particular subject is deserving of high praise and certainly with more and more comment, from various sources, we should get some ideas that would help us in planning a post-war period worthy of this country. One of the things that I would like to know is the type of organization that Mr. Baruch will build up and whether or not he has had the help of such a capable advisor as Dr. Palyi.

In the same paper in which I read this article there appears one by Walter Gifford, the title of which starts out "Attainment of Freedom From Want." While Mr. Gifford is undoubtedly one of the leaders in industry, yet the simple fact that he writes an article under that title bears out what is commonly thought today and that is that there is such a condition in our country that attainment of freedom from want is possible. If we start with that basis that freedom from want is attainable, then the remarks of Dr. Palyi are somewhat beside the point. If any of us can vision a condition of utopia in this country, then we must admit that the problem of outsmarting inflation is soluable and that all we have to do is to get the best brains and put them to work. Common sense teaches us that inflation is a practical hazard and that freedom from want is unattainable, and on that basis I would certainly appreciate reading further remarks in your paper with reference to the proper plan to be pursued.

C. P. WILLCOX.

Columbus, Ohio, Nov. 23, 1943.

Outlines Industry's Economic Planning Program

(Continued from page 2536)

capital expansion? What funds, I ask you? The Government can't spend that 300 billion dollar debt—that will already be spent. Where can the Government get funds for investment? Only from you and me. It will have to be some of that 120 billions we are supposed to have in our hip pockets. But, doesn't that belong to us? What right has the Government to tax or borrow it away from us, and invest it? Is Government smarter than its people? Why can't we do our own investing? We used to be players in this game—not just kibitzers.

Revision Of Tax Structure

Does your tax structure encourage investment, when it increases all the risks, and absorbs all the profits? Investment is the life blood of economic progress. Then, why not treat it with a little consideration? The doctors use some sense with their blood donors; they take only a pint at a time, and the donor recovers. The tax collectors aren't so far-sighted. They try to take it all at once. And if they succeed, there isn't any donor left.

Of course, we know that high taxes are necessary during war. But even during war, some incentive should be left for investment. Going "all out" for war does not require that we be "all in" as soon as the war ends.

One of the great danger points in our economy is that profits are being taxed away before they can became the seed for more production.

If the tax laws were written for the purpose of making private enterprise unworkable, they couldn't do a more devastating job.

Because corporations have a politically soulless status and don't vote, there seems to be no public conscience as to how heavily they're taxed. Let us not forget that back of the corporations are frugal-minded citizens—stockholders. When corporations are taxed 80%, real people are taxed 80%, and then for good measure those some people are taxed again on the remaining 20% that is distributed as dividends.

The assumption is that all stockholders are rich — and therefore fair prey of the sock-the-rich boys.

But all stockholders are not wealthy.

One-third of the stockholders are in the less than $5,000 income bracket.

The third is being taxes, not the 20% the withholding tax calls for, but 80% plus the 20% on whatever they get as dividends.

But the stockholder, rich or poor, is not the real victim of corporation taxes, at all.

That consumer—which includes all of us—does very definitely get soaked—and not just the walleted wealthy, but every last one of us. Corporations are really just tax collectors from their customers because taxes are a cost of doing business—Government renegotiators to the contrary, notwithstanding, however, but.

So John Q. Public, in the role of consumer, pays most of the corporate taxes in higher prices.

High prices hold sales down and when sales are held down, production is lower, and when production drops employment falls off.

But the war has got to be paid for, and high priced Government must live in its accustomed style if it has to borrow money to do so.

Forgive me for such practical realism, but has it ever occurred to the taxing agencies and Congress that lower tax rates on business will lead to a larger volume of business, and result in not only more jobs but a greater volume of business upon which even a lower rate will give the Government more revenue?

The most stimulating thing that could happen to business in the post-war period would be a reduction of taxes.

But taxation is not the only brake on investment in job-supplying and wealth-creating capital equipment. We have a Securities Act that hangs as a sword over the head of the would-be enterpriser. We have a questionnaire system that saps his time and talent, and makes him the "tired — and mired — business man." We have a Labor Relations Act that gives the workers a club and goads them into using it against any one who dares to go into business and furnish jobs and useful goods.

Management-Labor Cooperation

The time-tested formula of industry out of which our high standard of living has been built is, *better articles cheaper for more people.*

With high-priced Government and rising unit labor costs, that's going to be a tough formula to maintain.

How can we do it?

Not by lowering wage rates, because that would reduce the income of consumers and damage our markets.

Not by reducing the rewards for saving and investment, because that would choke the flow of capital and expansion.

Not by limiting the rewards of business enterprise, because that would restrict the important function of creating new jobs and providing wealth for all.

How then are prices to be reduced? Simply by an increase in individual productive efficiency.

More production requires an increased measure of cooperation between management and labor which brings me to the third necessity of post-war — "Better teamwork between management and labor."

Labor makes its primary contribution to a Better America when it recognizes that Labor's own welfare demands an increasing output of industry and never a lower output. Labor as producer benefits through more wages for more work. Labor, too, as consumer benefits by lower prices.

From this it follows that any labor policy which interferes with full cooperation for full production is in the long run inimical to Labor's own interests. It is a short-sighted labor policy which strives to limit output, which resorts to slow down tactics, or *to* featherbedding rules that call for the employment of more than a job requires, or stresses the rights of seniority instead of promotion for merit.

Labor is not exempt from the rule that any one contributor to the production process who sets out to grab more than his proper share thereby hampers production and so ultimately becomes his own enemy.

Shortsighted Manufacturer

But how about short-sighted management? That's possible too, isn't it?

Too true!

But there'd better not be any in the critical days that lie ahead.

Short-sighted management can—and sometimes has—tried to make its profits by short-changing its workers. That just won't do! Any time wages fall below what the workers produce markets dry up and management is left holding the sack of unsold inventories.

When we say that management is offering a plan for competitive enterprise we mean just that—no monopolies, no fixing of prices.

We want all the competition we can get.

We want free and open markets—no special privileges and no special protection.

Management can't go down to Washington seeking regulatory laws for his competitor or price-fixing for his industy and still be considered an advocate of the fully competitive business system.

Price rigging always means small markets, and enterprise does not fully succeed with restricted markets.

Management too must put its house in order, and by the character and spirit of its labor policies create a relationship with its employees which is built on mutual respect and goodwill.

Where collective bargaining is entered into, it should be carried on in good faith.

Sound employment relations policies should be adopted and administered fairly, uniformly, and without discrimination throughout the entire organization.

We'd better realize, also, that we have some social responsibilities. If it's going to be left to us to control the forces of production, we'd better control them so that they are kept busy in the service of the American people. Keeping the wheels turning when it happens to suit us, won't be quite enough. We'd better keep them turning all the time. America isn't going to be run for the benefit of business. We had better run business for the benefit of America.

If there is any benefit in industry, Government should recognize it too.

The great uncertainty—the fear uppermost in the minds of managers, investors, workers, all of us—is what will be the post-war attitude of Government toward private enterprise. Nothing could give more encouragement—nothing could build greater confidence for the future—than a forthright rededication by Washington to the private enterprise philosophy which made this country great.

Working for Security

Business men believe that economic security is attainable. Security—the fourth point in our post-war program—is a prime and natural human objective.

It is not promises; it is real things that can come only from real production. Social security programs don't increase the total amount of security—they only monkey with the way it is divided up. In such tampering, we had better be sure that we do not reduce the total amount of security we have available to divide. Because then, if nobody has enough we will have to get out the lash and compel production under compulsory methods. The basis of personal security in America in the past has been personal productivity and individual self-reliance. And we had best not destroy that sound security in our wishful thinking about "freedom from want."

We realize that there are those who, through no fault of their own, are unable to provide for their own needs. In a country as productive as America, they should not have to suffer. Nor should any American who has been a useful and productive member of the community during his active years have to look forward to an old age of poverty or pauperism.

The NAM is on record as favoring existing Social Security laws, with a closer approach to soundness in their financial setup. And we are on record in favor of extending the benefits of these laws in various directions, and as far as may be feasible.

Only, let's not forget that it costs money. Let's make it possible for those who are productive to produce enough to take care of the unproductive without impoverishing themselves.

In this coming century of the Common Man, when "all men are paid for existing and no man must pay for his sins," let's be sure we do not make man too common by stripping him of his dignity, throttling his ambitions and robbing him of his future. We all want the age of the Common Man, but we don't want him to age too fast or get too common.

Freedom of Enterprise

Freedom within the law—individual and economic—is the fifth plank in our program for a better America.

Nowhere in the American scheme of things do we find find any direct or implied authority for a Federal Government to dictate what shall be produced, or how, or by whom—no authority to subsidize either the productiveness or the unproductiveness of any individual—no authority to decide who shall consume what others produce — to undertake "economic planning" which substitutes compulsion for individual freedom—to make the Government responsible for the economic welfare of individuals.

Freedom of enterprise, and other American liberties which cannot survive without it, are being threatened by control and restriction by uncontrolled and unrestricted bureaucrats.

This country grew great through jobs, freedom and opportunity, not through restrictions and controls.

Freedom is both the Alpha and Omega of this program, which offers full employment for employables at steady wages;

—which offers a full and unfettered opportunity for every American to seek his own advancement;

—which offers an economic order which effectively combines the two basic facts that we are all motivated by self-interest, and are all at the same time mutually interdependent;

—which establishes full and voluntary cooperation between industry, agriculture, labor and all other productive groups;

—which offers freedom—which includes freedom to fail as well as freedom to succeed. In a free system, success can never be guaranteed. But in no other system is it worth the having.

Post-war recovery is an economic job. You gentlemen of industry are the practical, first-handed, bench-made economists of this country. And you must be economic statesmen, too.

There won't be any bands playing, or any flags flying, or any E Pennant awards in the hard work of turning the successes of our arms into real victory. But it's an essential part of the victory job!

You can't afford to be any more laggard in the unsung battles of peace than you were in the more spectacular waging of war.

Congress most seriously needs your help in the stupendous task of legislating a basis for the future. Each Congressman wants the viewpoint of the manufacturers in his district. None of them want to hinder; all want to help employment. But they're dependent upon you to advise fairly and frequently with them, not just in opposition but with plus suggestions.

One of the prime purposes of this Better America program is to inspire and equip management with a specific and corrective viewpoint. The program goes definitely into what to do to correct the legislative hindrances to capital formation; on how to get revenue without killing enterprise; on how to help labor without sponsoring class conflict; on how to lift the confusing and stifling load of bureaucracy from business.

Remember Kipling's famous lines:

"Nations have passed away and left no traces.
And history gives the naked cause of it—
One single, simple reason in all cases;
They fell because their people were not fit."

You men of management are fit. America is fit, its people are fit.

You men of affairs may not be smooth-tongued wizards, but you have experience and accomplishment and the people's faith on your side.

With manufacturers everywhere stirred and inspired through this program, there is no cause for pessimism, negativism or defeatism in this nation.

The NAM's program for a Better America in your hands can cause a vibrant resurgence of faith and progress in America.

Because it is founded on the ideals of the American people, industry's agenda for post-war is good; it will appeal to the innate common sense of all Americans.

What we need is an age of common sense. Common sense has never failed us yet when we've used it.

The SEC And Post-War Employment

Dealer Advocates Exemption Of All Issues Up To $1,000,000 From Registration And Lifting Restrictions On Advertising And Circularizing New Issues. Sees Both Actions Encouraging Venture Capital And Providing Jobs For Returning Soldiers. Believes SEC Could Be Popular Governmental Agency And The Daddy Of Free Enterprise

BY AN ANONYMOUS DEALER IN SECURITIES

One sure way to employ our returning soldiers is to create lots of new businesses, corporations, ventures, etc., and the simplest way to do this is to exempt all new security issues up to and including $1,000,000 from registration with the SEC. Also the SEC should see that the necessary is done so that dealers can again advertise and circularize without prior delivery of a prospectus.

The SEC probably doesn't realize that the little fellow who wants to float an issue to build and run a garage, manufacturing plant or a canning factory so he and a few of his buddies can make a job for themselves, is practically stymied before he starts, as it's next to impossible for a small man to get a deal through the SEC unless he can afford to obtain the type of counsel, which is expensive, that knows how to get a deal through the SEC.

After the small man gets his deal through the SEC he has to sell it, and unless it's a blue chip deal the only security dealer he can get to handle his issue is the small dealer and the small dealer must have a large profit as his sales are few and far between unless he can advertise and circularize to bring the deal before strangers who are willing to take a gamble.

Every small securities dealer has a few friends that will buy, but in order to put any deal or new issue over, thousands of investors must be contacted to find the few that will be interested in a deal—and the only way that can be done is to advertise and circularize; but provisions in the Securities Act and the SEC rules that make it possible for a dealer only to mention the name of the security—price—and where prospectus can be obtained is a "killer-diller." Under those conditions you can only use what dealers call a "cemetery advertisement" or circular, and no one has ever been able to create any interest or do any business with those unless it is the kind of a security banks and insurance companies buy, and then no advertising is needed.

If the SEC would see that just those two obstacles were removed, that is, exempt issues up to $1,000,000 and allow a dealer to advertise and circularize without first delivering a prospectus, there would be thousands of new ventures financed and each one would create employment for dozens of the returning soldiers.

Most all the big corporations today were originally financed by promoters or groups of small security dealers who made from 25% to 50% profit, and if the profit opportunity had not been there for them they would not have handled the issue and those big corporations would not exist today.

Security dealers are no different than owners of department stores. They and all other merchants want to sell the best merchandise that gives the most profit, whether it's paper or furniture.

The department store runs attractive ads to bring the customers in to look at the merchandise and then the customers make up their own minds whether or not they want to buy. The security business should be given the same free hand—that is, get the customer's interest, then deliver a prospectus before the passing of money so the customer will know what he is buying, which is no more than fair. It is a physical and financial impossibility to deliver a prospectus *before a dealer* advertises or circularizes.

The big Wall Street underwriting houses or the banks are in no position to furnish capital for new ventures—they do the refinancing and make and support markets and distribute proven issues at small cost.

Eighty per cent of all the security dealers in the country are small dealers, and for the good of the country, our returning soldiers and for themselves, these small dealers should be spending their time and money promoting new issues of new enterprises that will keep the wheels of industry turning. The SEC has a grand chance to come to the front and relax rules and regulations so as to help this kind of business. Otherwise slowly but surely the big investment banking firms and the big corporations will be the only ones left to finance the new ideas and inventions, which means they will eventually control everything and the rich will just get richer and the poor will stay poor if not poorer.

The SEC could easily be the "daddy" of free enterprise by assisting in the establishment of new ventures and assuming the attitude that they are glad to see a new corporation formed with the hope that it will cause employment and contribute to the wealth of this country.

The FHA has cooperated with every bank, builder and contractor, and amongst the general public it has an excellent reputation as a valuable Government agency. The SEC can have the same reputation if they would only give a little more thought to the dealer's problems. The bankers, brokers, dealers, directors, etc., are the people that talk to the public about the SEC, and they could and would talk favorably if the SEC would put the club away and realize there must be a new business formed every day to take care of the ones that go out each day.

NYSE Advises Firms On Partners Reported Missing In Action

The Department of Member Firms of the New York Stock Exchange suggested to member firms on Dec. 7 that they make provision in their partnership articles for meeting the problems which might arise where one of its partners (whether an Exchange member or an allied member) in the war service may be reported as "missing" with the consequent lack of definite information as to whether or not he is alive. It was pointed out that the inclusion of such provisions is not a requirement of the Exchange and their adoption rests solely in the discretion of the partners of the firm. The Exchange in its advices to members adds:

Recently, the Exchange has considered various aspects of the problems which might arise in those instances where a partner in the service is reported "missing." In this connection, the following policies have been determined upon:

(1) The Exchange will, in the computation of the net capital of a member firm, allow the capital interest of a "missing" partner after the date when he was declared "missing," provided the partnership articles contain provisions to the effect (a) that receipt of official notice of "missing" in the absence of actual knowledge of the partner's death, shall not be construed as notice of death, and (b) that in any event, his capital shall remain at the risk of the business following the actual date of his death at least until receipt of official notice or actual knowledge of his death, and, if so desired, for a specified period following receipt of such notice or knowledge.

(2) In the event the sole Exchange member of a member firm is reported "missing," the Exchange will permit the firm to continue, provided the partnership articles of the firm contain the provisions required by Section 5 of Article XI of the Constitution of the Exchange to enable the surviving partners of a deceased member to apply for permission to continue as a member firm, and such application is made and approved by the Exchange at the time notice of "missing" is received.

Chile Extends Debt Pact

A decree extending for another three years the payment of $11,845,000 due the National City Bank of New York on a $15,900,000 loan made to the Chilean Government in 1931 was signed on Dec. 11 by President Juan Antonio Rios of Chile. In Associated Press advices from Santiago it was further reported:

The decree authorized the Chilean Treasury to issue internal debt bonds to an amount of 76,493,000 pesos (about $2,300,000) to be used for conversion of dollar obligations. Under its terms any bondholder has the option to exchange dollar bonds for Chilean Treasury bonds. The Chilean bond draws 7% interest and 1% cumulative amortization annually. The present exchange rate of the peso is 30 to the dollar.

Economic Problems At War's End

(Continued from page 2527)

demands, we cannot expect to have full employment."

Prof. Schmidt pointed out that "if conditions for profits on existing investments are not favorable, obviously we cannot expect any one to make new investments." "Therefore," he said, "we must create the political and social environment which will lead to profit expectations—first, in order to put to use our existing resources, and second, to create new investment to job-creating facilities."

Prof. Schmidt's address follows:

We will inherit from the war an economic system which will not be well adapted to peacetime operations. Wars, because they require enormous shifts from peacetime operations, always lead to very uneven and unequal expansion of the different parts of the economy and very uneven increases in prices and wages. This war, because of its global character, will leave us with an economy that is distorted, dislocated and maladjusted. Great patience, hard work, and much give-and-take will be necessary before the economy can be adjusted back to a self-sustaining system.

Post-War Boom?

It is widely predicted that, after a reconversion period of some months, we will experience a great replacement boom. Consumer durable goods, including motor cars and housing, have been wearing out during the war without much replacement. Meantime, most people are getting out of debt and in addition are accumulating cash, money in the bank, bonds and other liquid assets which they may want to spend at war's end.

Thus it is quite possible that we may experience a replacement boom which will probably last about one year for each year of total war. During this period the price and rationing controls will probably have to continue, perhaps in somewhat reduced intensity with gradual relaxation as the supplies of goods are increased; but we must, if we want a free society, be on our guard to prevent these necessary controls from continuing longer than is essential to avoid undue price rises.

The Post Post-War

There is great danger that this boom, if it does come, will blind our eyes to the underlying maladjustments created by the war and will lull us into a false sense of safety and security, whereas we must remove the imbalances and distortions before we can have long-time prosperity.

Perhaps an illustration from the last war will make the issue more clear. During the 1914-18 war the production of sugar in Europe dropped from 8,000,000 tons to 2,000,000 because of the scarcity of labor. The price of sugar went skyward. We tried to make up the deficiency and greatly expanded sugar beet production, in spite of which the price of sugar rose from 5 cents a pound to over 30 cents. After the war, when European agriculture recovered, the price of sugar collapsed because of the over-supply. But our farmers, now habituated to sugar production, did not want to drop this line, just as a worker hesitates to learn a new trade when his former craft becomes obsolete. The result was that the sugar industry was in a state of constant depression all through the inter-war period.

That is a clear illustration of what wars do to an economy. During this war we are urging farmers to expand many lines of production; our shipbuilding and airplane industries have expanded their capacity by several hundreds per cent. The same is true of many other lines. Incomes have been lifted by the war but the increases have affected different people differently. Wages have risen enormously in many lines of work, while in others they have remained almost constant. At the end of the war all these structural changes in the economy and in prices will plague us. Again to repeat, the short-lived replacement boom is apt to lull us into a feeling that we have safely traversed the road from war to peace production.

It is up to statesmen, the leaders of labor, industry, agricultural and all other groups to analyse these possible sources of maladjustment and urge their correction with patience, cooperation and reason. If the rabble-rouser comes along and says, "we created prosperity for purposes of war, now we must have prosperity for peace," the people must have enough education and understanding to realize that we cannot fight a major war with our economic machine and then quickly expect to convert that machine into a peacetime production system without making some sacrifices, changes and shifts in occupations and incomes.

Already some people are saying that we should get a huge public works program ready so that all workers not quickly absorbed into private civilian jobs can be put on a public payroll. While needed public works should be preplanned now, it would be a great mistake to try to freeze the ship and airplane workers, for example, in their present locations by means of a huge public works program. This would be unfair to the communities and to the workers who should be encouraged to shift to other areas and occupations as promptly as possible, so that they may get *permanent* jobs. Public works of a "make-work" character constitute a mere temporizing with the problem.

During a war the Government directs production; a war economy is in many respects a regimented and a socialized economy. Nearly everyone must take orders, and liberty is substantially reduced. The Government succeeds in creating "full employment" because little attention is paid to costs, the demand for instruments of war is intense and all the necessary purchasing power to pay for the war is gotten by taxes or is borrowed from the people and the banks, thereby creating huge deficits. Can we do this in peacetime?

In peacetime under a free society and under which free consumer choice and the free decisions of millions of businessmen and others govern the level of business and employment, we cannot be so certain of "full employment." That is, high employment levels are more difficult to attain in a free society precisely because it is a free society. If we are unduly impatient at war's end to have a "full employment" society we may unwittingly force the hand of Government to drive us into a "forced society" or a regimented society. Russia, in the past 20 years, and Hitler since 1933, have largely solved the unemployment problem. But before we adopt their methods we would better raise the question as to whether economic security and full employment can be bought at too high a price.

For this reason, we should recognize that a war of such world-shaking character as that through which we are passing, will require years of patient readjustment. If we resist the necessary readjustment we may unconsciously contribute to the formation of a dictatorship, which may arise not because any significant group wants it but because we unwittingly do those things which make dictatorship inevitable. This is our greatest danger for the post-war period.

A Volume Economy vs. A Price Economy

Probably the greatest single lesson which we still have to learn is that our welfare does not depend upon our money incomes but on our production of goods and services. Just because a wage increase or a higher price received for what a man sells gives him a greater command over goods and services, the average person is apt to reason from the particular to the general. The foregoing reasoning is correct, providing not too many other people also get higher wages and charge higher prices. But if we all organize ourselves into numerous pressure groups to get higher prices, higher wages, shorter hours and, in general, become price-minded, obviously we are not going to have a high standard of living. Monopoly is always restrictive; it is price-minded—this applies to business monopolies and to labor monopolies. For this reason, in the post-war world instead of everyone or every group trying to get more money, the economy must be allowed a high degree of flexibility under which more competition and volume of output should be the goals rather than mere dollars—we cannot eat dollars!

Unless we are willing to allow more flexible prices and wages to make constant adjustments with changing supplies and demands, we cannot expect to have full employment. Stated in another way—if we continue to have our major economic decisions made by force, by pressure groups, and by power, we canont have a high volume economy. Pressure groups do not merely neutralize each other—rather, they tend to paralyze the economy and freeze many people out of jobs, out of incomes —and then those who seemingly benefit by the pressure groups merely have to support those who are frozen out of useful employment. This is the greatest single lesson we have yet to learn. If we fail to learn it, we will be forced into a totalitarian society just because we have failed to be wise enough to let a free society operate in the only way in which it *can* operate.

New Investment—the Key to Post-War Prosperity

Another reason why patience is absolutely indispensable for an effective transition to a post-war prosperity relates to the problem of inducing new investment. Without a steady rate of new investment in productive facilities, we cannot have prosperity; without a fair return on existing investment wo do not have adequate incentive to make new investment. In our economy we require an investment of about $5,000 in equipment and building, *on the average*, to put *one* man to work. Man works with capital—machines, tools, raw materials, etc.—and this is why we call ours a capitalistic society.

New investment is necessary for two fundamental reasons: (1) Unless the current savings of people are promptly invested, not in existing stocks and bonds, but in new securities or for new productive facilities, these savings tend to remain idle purchasing power; (2) we have a net increase in our labor supply (young people) estimated at nearly 700,000 persons annually. Thus unless many, many units of $5,000 are converted regularly into new, job-creating facilities we cannot absorb our young people into the effective work force. This is the most important post-war problem.

Return On Existing Investment

Unsettled social and political issues, taxes which impinge unduly on profits, labor turmoil, etc., all may cause businessmen to lose confidence and the economy will bog down. By "confidence" we mean the conviction on the part of business men that people generally will spend their incomes promptly in either the form of personal consumption or investment. When conditions are uncertain, people will hesitate and the businessman "loses confidence." In short, the businessman who, in effect, is a trustee of the assets in his charge, must avoid losses and he *tries* to make a profit. If conditions for profits on existing investments are not favorable, obviously we cannot expect anyone to make new investments. Therefore, in terms of jobs and production for the post-war, we must create the political and social environment which will lead to profit expectations—first, in order to put to use our existing resources, and second, to create new investment in job-creating facilities.

It should be noted that high profits are not necessary, but what is absolutely necessary is that profit *expectations* be maintained. It is the *expectation* of profits which makes the economy click at high levels. Furthermore, the more we reduce the risks of business by building a favorable climate for business, the lower is the necessary profit which will induce high rates of industrial activity. If we make the life of the businessman tougher, more uncertain, and constantly threaten investments with all sorts of pressure group and political action, we will find that we cannot have high levels of production and employment.

Thus a plentiful supply of jobs is absolutely dependent on an adequate return on investments. Instead of "capital" and "labor" being in opposite classes and having different interests, the fact is that their interests are mutually interdependent and we must allow no foreign "ism" to lead us to believe otherwise.

Action Needed

Nearly every group and every substantial business organization is engaging in post-war planning. Possibly the new products, new raw materials, new techniques, deferred and foreign demand will break through the crust of obstacles facing high levels of production and exchange in the post-war. Beyond promotion of products and markets, insufficient attention is being devoted, however, to the inevitable readjustments which will face us in post-war. Business groups and a few economists are cautiously drawing attention to the distortions but are not speaking out boldly and effectively for a more flexible and mobile economy which is the only type of economy compatible with freedom. Socially and politically, we are inclined to allow problems to reach the crisis stage before acting. Had we the foresight to act in advance, the solution to the problems would be greatly facilitated.

In the pre-war period we never collected as much as $5,000,000,000 in Federal taxes. The interest on our Federal debt alone in the post-war will require 50% more than that sum—in addition, we will have the ordinary expenses of Government, a huge standing army, a two-ocean navy and many other commitments to fulfill. Unless we have extraordinarily high levels of industial activity we will not be able to carry our burdens or absorb our labor supply. This is deadly serious business and, unless people in positions of leadership and responsibility can be awakened in time to the problems which we face, our way of life can be destroyed. It has happened in many European countries, but it can be avoided here if we act in time.

ABA Midwinter Trust Conference To Be Held

The 25th annual mid-winter trust conference of the Trust Division of the American Bankers Association will be held at the Waldorf-Astoria in New York City Feb. 8-9-10, it was announced by Henry A. Theis, President of the Division and Vice-President of the Guaranty Trust Co. of New York. "Trust business, by its very nature, projects itself into the future," Mr. Theis, stated, "and consequently much of our program will be keyed to forward thinking and forward planning for our business and for the people we serve." "Special attention," he said, will be given to broad factors and trends affecting trust service, in addition to technical discussions of investments, taxes, operations, and new business."

There will be five conference sessions, which will include panel discussions on employees' trusts and estate analysis. Legal questions will be discussed by Austin W. Scott, Professor of law at Harvard University, and Robert R. Powell, Professor of the Columbia University Law School.

A. L. M. Wiggins, President of the ABA; Joseph Henderson, President of the American Bar Association; Rollin Browne, Commissioner of Taxation and Finance of the State of New York; Elmo Roper, market analyst, whose organization does the research for the public-opinion surveys for "Fortune" magazine; and Gilbert T. Stephenson, Director of Trust Research of The Graduate School of Banking, will be among the other speakers.

The concluding feature of the conference will be a luncheon on Feb. 10, tendered to visiting trustmen by the New York Clearing House Association. The speaker will be Capt. Maurice M. Witherspoon of the United States Navy, who has seen service all over the world for 26 years in the navy.

Nov. Cotton Consumption

The Census Bureau at Washington on Dec. 15 issued its report showing cotton consumed in the United States, cotton on hand, and active cotton spindles for the month of November.

In the month of November, 1943, cotton consumed amounted to 858,813 bales of lint and 109,987 bales of linters, as compared with 846,209 bales of lint and 117,399 bales of linters in October, 1943, and with 912,920 bales of lint and 113,430 bales of linters in November, 1942.

In the four months ending with Nov. 30, cotton consumption was 3,419,391 bales of lint and 446,192 bales of linters, against 3,770,653 bales of lint and 467,025 bales of linters in the same four months a year ago.

There were 2,388,772 bales of lint and 437,930 bales of linters on hand in consuming establishments on Nov. 30, 1943, which compares with 2,203,829 bales of lint and 431,221 bales of linters on Oct. 31, 1943, and with 2,409,-313 bales of lint and 480,095 bales of linters on Nov. 30, 1943.

On hand in public storage and at compresses on Nov. 30, 1943, there were 12,936,375 bales of lint and 51,783 bales which compare with 12,264,332 bales of lint and 43,633 bales of linters on Oct. 31, 1943, and with 13,642,209 bales of lint and 78,889 bales of linters on Nov. 30, 1942.

There were 22,623,406 cotton spindles active during November, 1943, which compares with 22,-978,466, 22,599,426 active cotton spindles during October, 1943, and with 22,978,466 active cotton spindles during November, 1942.

"Every Hottentot A Capitalist"

(Continued from page 2537)

tion will look out for its own interest.

America must play a world part in world reconstruction.

This war is industrializing much more of the world. Australia is making planes. After the war she'll not import 65% of her automobiles. We are helping South America to industrialize with steel mills and other productive facilities. Canada has increased its industrial output under the drive of war. We all know what Russia is doing and will do in this direction.

The overwhelming and stupendous response of American industry to the requirements of war production has considerably dented the doubters of the American system of free enterprise in production.

Russia has proven a stalwart ally in the fight against our common enemy—the sword of honor presented her by the British Empire at Teheran strikes a sympathetic chord in the hearts of all Americans—her economic system seems to fully meet her needs—but here again is displayed the right of self determination as expressed by a prominent Chinese industrialist. In commenting on the world's adherence to the ideal of production, he recently said, "Before America entered the war there were many reputable Chinese businessmen looking with approving eyes on the great industrial progress being made by Russia. It seemed to many to be the key to China's need for quick industrialization. But after viewing the miracle of your American industrial system for war, we've all gone back to the idea of private enterprise for the new China."

We must not fear the industrialization of other nations. Not that we could stop it, but it has definite advantages for us. It may cause some shift in the type of some of our imports; but the industrialization of South America, for example, should make more customers for American products, putting purchasing power in the pockets of millions of underprivileged who never were customers before.

No nation can ever become completely self-sufficient. History shows that when the people of any country find profitable jobs in production, their increased consumption creates a greater demand for goods foreign and domestic. The best customers are not the predominantly agricultural countries but those who, like ourselves, also have developed industries.

America will be the great creditor nation of the world when war ceases. As such it will not always be able to export all the goods it wants to; it will have to export investments as well. American capital, American "know-how" and enterprise knowledge can be one of the greatest factors in world recognition. Not on a give-away, never-expect-to-be-paid-basis, but on the basis of stimulating production—hand hard work and production are the only way out of the economic hangover which must follow this world orgy of war.

UNRRA has recently concluded its first deliberations. It gives hope for some measure of success. Amongst its approaches, it has suggested a method of paying the bill for post-war emergency relief, based on national income. Our share in this undertaking will be three billions, or 30% of the fund. When it is realized that America possesses only 5½% of the land, and 6% of the people of the world, this can be considered a fine compliment to American civilization, and to its system of free enterprise.

America must play a world part in trade.

But we can't sell abroad unless we are willing to buy from abroad. One of our difficulties of the last post-war period was that we had the foolish notion that we could sell far more abroad than we bought from foreign sources. We tried taking gold for the difference, until the world's gold ran out and, consequently, its world value as a medium of trade ran out and we held a lot of foreign accounts. We must learn that there must be something approaching balance if world trade is to be a success.

To help create that balance let's not fool ourselves too long with the idea that foreign debts are going to be retired dollar for dollar, as we hoped for 15 years after the last war. I'm as much against pitching our dollars away as you are, but trade realism will cause us to do three things quickly after the war:

1. Provide funds for emergency relief of distressed nations;
2. Early stop of lend-lease for post-war purposes;
3. Agree on a settlement for past lend-lease on a basis that is possible of liquidation, thereby taking the uncertainty of these obligations out of the trade picture.

Our debtors have no place to get money except as we have—from production. And you've got to sell if you keep on producing. So the sooner we can put the debtor nations back on a production-trading basis, the sooner the wheels of world trade will start turning to the advantage of all and the sooner real peace will come to the world.

If we want to have any portion of our loans repaid, we'll have to make our markets accessible to our debtors. We can't escape that fact.

Loans, new or old, have to be hooked up with the purchase of something. In order to promote trade with us, we'll have to put the fewest possible restrictions on reciprocal trade.

I recognize the difficulties involved in a discussion of tariff policy. American industry and wages must be protected. Obviously free trade is not the answer. The British and others are seeking to protect their own industries as much as is compatible with supporting a good volume of foreign trade. Getting this balance of trade through encouraging more trade—and still protecting the social gains, wage structure and living standards of this nation, is a problem that will sorely test the political and industrial statesmanship of this nation in the post-war years.

American businessmen have been regarded in the past as "novices" in the field of international diplomacy. Perhaps that was true in the days when such close attention was directed to building up industries, developing new products and processes, and cultivating home markets. But American industry has come a long way. It has raised its sights mentally and physically. It is very clear that diplomatic peace and economic strife cannot exist side by side in the same world.

That is why I suggest that American industry be given a seat at the forthcoming peace table, here to meet the leaders of other world business and industry. For unless the peace is written on sound economic basis, it will never stand.

We must propose the creation of an International Board of Trade for the determination of policies designed to reduce trade barriers as far as possible.

There are those who say that we never have had a foreign policy.

Maybe not, if you're talking about a selfish, narrow policy of imperial aggrandizement.

But if you're talking about a foreign policy of encouragement, of enlightenment of good example to the world; then I think the United States has been a precept supreme of government by free men, a demonstration of the highest attainment of mankind's quest through all ages for the golden fleece of plenty in freedom.

It can still be the guiding star of free people the world over; the hope of the oppressed and a promise to underprivileged everywhere if we keep it so.

We can and must preserve in America this shining example for the world of what free men can accomplish through individual self-reliance and voluntary cooperation—to get all the milk they want, and automobiles, and radios, and bathtubs, and a thousand other things as well. The western world has struggled upward for two thousand years toward human freedom. In the maelstrom that is Europe today, freedom may well be engulfed. We must not lose it in America. The world will have need of our example when that better day comes when European homelands can again resume the upward path.

Next, we can invest our wealth in the rebuilding of the world. But I said "invest," not "dissipate" or "squander." We will be investing only if we can know that what we provide will be used productively—to **energize** not to **enervate** those who receive it. We will be investing only if our exports of capital are not themselves consumed, but are used as the tools for a continuing flow of goods to rebuild the war-impoverished world. And our best assurance of that is to make only sound loans abroad—loans where the proceeds will be so used as to assure us of at least the prospect of a fair return. Europe will not be a fertile field for spendthrift loans. She will have little with which to repay unless she uses productively what we send her. Our best assurance that she will use our help productively—to strengthen, not to pauperize herself—will be to insist on a fair return on our investments and to supply capital only for purposes giving promise of such return. Such an attitude is not only good sense from our own standpoint, but good morals from the standpoint of those whom we would help.

Finally, we can give the post-war world American ideas—industrial techniques—management "know-how." These are as important in production as physical equipment—and only by production can the shattered world be rebuilt.

And while we are exporting ideas, let's not forget the fundamentals. We did all right here in America while we were producing our own ideas and using them here a thome. **And the other nations of the world who imported these ideas didn't do too badly either.** For the past dozen years, however, we have been importing too many ideas from abroad. Ideas about letting the Government do it; about spending our way to prosperity; about "owing it to ourselves"; about superplanning by Government bureaucracy. I think there's one high tariff we can afford to set up after the war—and that is a tariff on alien "isms."

A poll has recently been taken amongst our fighting forces. The general theme of the replies is the bets expressed by a private who writest, "We fight to keep America American."

We must be sure that our product measures up to the best American standards. Let's export to the world those fundamental philosophies on which American greatness rests: the freedom and dignity of the individual; representative government by the consent of the governed; free and voluntary productive cooperation; full personal opportunity and success through self-reliance. Only by our own example, only by setting for the world the ideal of the free way of life can we measure up to our international responsibilities.

While we're waiting for the lights to go on all over the world, I'm in no doubt as to what we're fighting for in this, the worst war in all history. Neither was there any doubt in the mind of the late Lt. Robert Carl Peters, a native Detroiter, when from England, he wrote these two stanzas of verse to his mother just before making his last bombing flight over Germany, in which he paid the supreme sacrifice for the ideal of freedom:

"Dear Mom:
If I should die before this world wakes,
No matter what beatings I may take,
Or in what place, or what sorrow be my fate,
Shed no tears and hold not hate for I am happy.
Because if I should live and this world die,
No matter what peace in the sky,
Or in what cave, or hole I must hide,
Give me liberty or let me die, for I'm not happy."

Senate Votes To Cancel Registration Fee On Government Bond Dealings

Elimination Urged By Coleman Of NYSE

Elimination of the need for payment of a registration fee with respect to dealings in Government obligations on national securities exchanges was urged on Nov. 23 by John A. Coleman, Chairman of the Board of Governors of the New York Stock Exchange.

In testifying before a meeting of the Senate Banking and Currency Committee and the House Interstate and Foreign Commerce Committee, to urge passage of a bill amending Section 31 of the Securities and Exchange Act of 1934, Mr. Coleman said that the fee constitutes an impediment to Exchange dealings in Government securities and that its elimination "will not involve a loss of revenue of any consequence to the Government."

John A. Coleman

The Senate approved the bill on Dec. 9 without objection and sent the measure to the House.

Mr. Coleman's statement follows in part:

"The securities now subject to the fee include the direct obligations of the United States, obligations guaranteed as to principal or interest by the United States, and securities issued or guaranteed by corporations in which the United States has a direct or indirect interest.

"We are convinced that the failure to exempt transactions in Government bonds from the registration fee imposed by this Section at the time of its adoption was an oversight. To our knowledge, this is the only instance in which Government securities have not been exempted from the various governmental regulations. It is obviously illogical to restrict dealings in marketable Government securities on national exchanges in such a manner.

"The amount of the registration fee is small, being at the rate of \$20 per \$1,000,000 of bonds. However, it constitutes an impediment to Exchange dealings in Government securities, because no fee is imposed upon dealings over-the-counter in such securities. In other words, our organized exchanges are at a definite competitive disadvantage with the over-the-counter market. A market for Government securities on the organized exchanges is desirable and is in the public interest.

"Elimination of the registration fee on Government obligations will not involve a loss of revenue of any consequence to the Government. During the past three years, for example, the revenue received by the Government from this source was negligible, amounting to only \$777 in 1940, \$394 in 1941 and less than \$200 in 1942. But, however negligible in terms of revenue, the fee is nevertheless a constant deterrent to dealings in Government securities on our organized exchanges. We believe the proportion of transactions in Government securities on the Exchanges, in comparison with the over-the-counter market, would have been substantially larger if there had been no registration fee.

"The New York Stock Exchange respectfully urges passage of the bill pending in the Senate and the House."

ABA Credit Policy Group Holds First Meeting

Thirteen members of the new Credit Policy Commission of the American Bankers Association were in attendance at the recent organization meeting in Chicago, the first meeting since it was established at the time of the ABA War Service Meeting. In addition, 10 members from the Commission's Subcommittee on War Loans and Commercial Credit were present. The Association, under date of Dec. 9, reports that also in attendance were members of the Banking Practice Committee of the Association of Reserve City Bankers who gathered in Chicago for their own meeting prior to that of the ABA groups. Discussions at these sessions centered around problems arising out of the general war financing problems, including termination of war contracts, reconversion, and the peacetime credit policies of commercial banks. They were also addressed to the position taken by the ABA with respect to Government-guaranteed loans in a resolution on this subject adopted at its convention in September. This resolution read:

"War production financing inevitably required certain credit devices which cannot be justified after the termination of the War Procurement Program.

"Banking has made an impressive volume of war production loans under guarantees, and a substantially equivalent volume on its own responsibility. We now declare our belief that Government loans or the guarantee of loans are not only unnecessary for the financing of post-war commercial enterprise, but are actually contrary to sound financial policy and the best interests of the American economy."

According to the Association, the discussions at the meeting indicated a strong determination on the part of the commercial banks to take care of the credit needs of business and industry after the war and to do this so far as possible without the assistance of the Government.

Free Enterprise

(Continued from first page)

"the continuing vital importance of the NRA is that it has left us legacies which have bedeviled both government and business ever since." Among these legacies, he mentioned (1) "a strengthened tendency to substitute a government of men for a government of laws"; (2) a new attitude toward labor relations; (3) control of production; (4) government price control; (5) "strengthened a popular suspicion that business is really under the control of monopolists or quasi-monopolists," and (6) "the individual ceased to be the center of gravity; people were lumped into masses and dealt with in totals."

Full Text of Dr. Wriston's Address

Free enterprise is a subject upon which, when definitions are avoided, nearly everyone can agree. Few people will talk against it, but many give it public support on the basis of unspoken definitions which leave little substance to the idea.

If this discussion is to be useful, it must be clear, though not entirely palatable. The lessons of experience must be learned, even when they are hard. I propose to analyze the phrase, discuss its real meaning, and suggest ways in which businessmen can serve free enterprise.

We should begin by admitting that there is no necessary connection between freedom and enterprise. From one point of view that is self-evident; the very use of the word "free" to qualify the word "enterprise" implies that there are instances of enterprise without freedom. If freedom had a monopoly upon industry and resourcefulness, courage and faith, we should not be at war; or if war started through some political folly the totalitarians could never gain an initial advantage; nor should we welcome a communist state as an ally.

What logic suggests, experience confirms. Impressive manifestations of energy, imagination, skill, and daring in invention, development, and production have occurred under tyranny. The oil industry, chemicals, pharmaceuticals, biologicals, yarns, fabrics and many others have had to compete with **I. G. Farbenindustrie.** They have had good reason to know that between the two wars German business was enterprising.

The Soviets have astounded friend and foe alike. They have led the world in the application of higher mathematics to engineering problems, substituting exact calculations for wasteful empiricism. In medicine, and more particularly in surgery, they have shown vigor in conception, resourcefulness in technique, and skills which have produced modern miracles of healing. The construction and operation of Magnetogorsk and the other cities beyond the Urals are impressive illustrations of enterprise.

Even the Japanese, that faceless and selfless, but fearless and energetic people, have shown enterprise. Without natural resources, without an industrial tradition, without widely diffused wealth, they boldly proclaimed an enterprising program. They snatched markets from beneath our noses, and territories from beneath our feet. We are hard put to win them back.

While we were hearing about our mature economy, about balancing professional and vocational training with shrinking opportunity, about balancing production with consumption, about balancing labor with management, about social balance—about every kind of balance except budgetary—we rested on balance while the totalitarians showed enterprise. It was not a question of population; we have more than either Japan or Germany. It was not a problem of resources; we have vastly more than any of our Axis enemies. There was no shortage of capital; we had it lying idle. There was no lack of skill or training or capacity or ingenuity. There was want of faith and conviction; "safety first," which began as a mere traffic slogan, was woven into the fabric of our economic system.

Energy was wasted in warfare between government and business. Mutual suspicion absorbed attention from constructive purposes; as confidence waned, enterprise lagged. Second and third generation men fled the responsibilities of ownership, until a disproportionate amount of industry is owned by women and often managed almost as much in the spirit of trusteeship as of enterprise. Recently the president of the New England Council said: "Everywhere we find conviction that risk-taking is essential to free enterprise, and everywhere we encounter a reluctancee to take risks . . . . We all know advocates of free enterprise who are contradicting their aspirations with their actions by putting their own once dynamic dollars to sleep in the manacled hands of a trust fund."

The decade before the war furnished adequate evidence that a devoted communist or a convinced Nazi will display more enterprise than a defeated and discouraged democrat. The pre-war demonstration that there is no exclusive relationship between freedom and enterprise has been doubly proved since the war began. Our production is at an all-time high; national income is at a new peak. The war has given us a surge of enterprise in the midst of marked restrictions on freedom. Much of the risk capital is supplied by the taxpayer; the government is the entrepreneur; the government allocates materials; the government buys the bulk of the product; the government determines the labor policy and controls wages; the government fixes prices and limits profits.

Indeed, many have concluded that the way to more enterprise is by less freedom and more government planning — a managed economy. How else account for the constant reiteration that wartime controls will have to be maintained after peace, perhaps indefinitely? How explain otherwise why we hear so little of freedom for enterprise and so much of freedom from want and freedom from fear?

I believe that those who see in the present situation a vindication of the planned economy are wrong. In fact, the current surge of enterprise may well show that business has learned the lessons of the Twenties and Thirties; that despite bureaucratic confusion and administrative mismanagement, business leaders believe so profoundly in the American tradition of freedom that they are determined to recover and protect it. If you are to persuade the American people to that point of view, however, it will not suffice to exemplify the virtues of enterprise. You must show forth the faith and the fruits of freedom.

Freedom! To think about the word honestly, we must leave security and safety first behind. It is no word for a tired or hesitant people. It is for men of courage and faith; risk is ever an essential quality.

We might just as well be perfectly candid. For over a decade our Government has not been very perceptive about the substance and the implications of freedom. In many ways it has impaired free enterprise; illustrations abound. But government is not alone to blame, for at a critical moment business united with government in the NRA, which in its conception, its execution, and its aftermath proved detrimental to freedom—and even to enterprise.

The test of faith in freedom does not come when the business cycle is on the rise, profits are satisfactory, and employment is regular. The acid test comes when things are going badly and a little help would be most welcome. The NRA was the product of crisis; that is its significance for this discussion.

The proposal came from men influential in business circles. It has well been said that it reflected "feeble, if not paralyzed, initiative," and the wavering faith of political officers and businessmen in "the more fundamental institutions of our economic system. In such a scene it seemed to groups with varied, even conflicting views to offer an instrument for forwarding their aspirations and for generating economic advance."

Whether or not it really represented business opinion generally, it constituted a strange alliance between "conservative" industry and a statesman who sought to embody the "liberal" point of view. The "liberal" statesman abandoned a 50-year opposition to monoply, and businessmen invited government interference in things which theretofore had been left to free enterprise. Nothing could more fully epitomize the essential incoherence of the alliance.

The NRA was not the product of theorists, determined to commit us by devious means to a managed economy. It was dominated by practical men who knew so little theory that they did not recognize obvious similarities to fascism.

Fascism was the union of an enemy of capitalism, a renegade socialist who believed in State control, with the representatives of large business enterprises, who were willing to surrender initiative and freedom in exchange for security and the discipline of the laboring classes. There is another terrifying parallel in the support of Hitler, who hated capitalism, by Fritz Thyssen and other industrialists. Whatever the business acumen of Thyssen, it is overshadowed by his political stupidity, by his failure to see that in the search for order, freedom would be lost.

A profound truth was expressed by Count Sforza when he declared: "The significant symptoms of the mental disease which . . . seized upon European thought is this, that there should have been . . . 'conservatives' who rejoiced in the destruction of laws, . . . who failed to realize that in vindicating regimes destructive of freedom they thereby disavowed their own fundamental principles." That mental disease by no means left America unscathed. It will remain one of the paradoxes of history that it took a so-called "horse and buggy" Supreme Court to prevent a professedly liberal administration from committing us to many principles and practices of fascism.

The NRA failed to cure unemployment. If that were the whole story, it could be written off and forgotten. Unhappily, that failure did not close the account. The continuing vital importance of the NRA is that it left us legacies which have bedeviled both government and business ever since. The Government acquired new powers and new habits which still linger, long after the instrumentality has disappeared.

The first legacy was a strengthened tendency to substitute a government of men for a government of laws. Instead of accomplishing its purpose through general statutes, applicable to all industry alike, the NRA gave broad discretionary powers to an administrative agency which combined legislative, executive, and quasi-judicial powers. Indeed, its function was like that of the Italian Fascist Ministry of Corporations—a "central administrative organ of coordination." Both were based upon bureaucratic management. Businessmen unwittingly helped Marxian theorists plant and implement the concept of a managed economy in America.

The application of the business technique of fluid judgment to the processes of government proved disastrous both to efficiency in government and to freedom in business. It destroyed an essential of free enterprise—knowledge of the rules of the game, and confidence that they will not be changed quixotically. At the same time the NRA encouraged government to modify the sound techniques developed by long experience, and employ methods which disregarded the democratic process, and functioned only at the sacrifice of freedom.

The second legacy was a new attitude toward labor relations. Under the corporative State in Italy the confederation of fascist labor syndicates and the confederations of fascist employers were legally recognized and their collective contracts made binding. Under the NRA long strides were taken in the same direction. There is no need to elaborate the consequences of the habit of exercising governmental power over wages and hours in industrial relations. It is a dominant factor in the current situation—for example, in the coal fields.

The third legacy was control of production. Once the assumption is made that government should "balance production with consumption," it follows that government must also make a distribution among the units of production. Such a function cannot be discharged by the enforcement of general rules; it requires bureaucratic management. Power over capacity to produce can go to extreme lengths. I remember a friend assuring me that "after six months it will require a certificate of convenience and necessity for a new competitive enterprise" to be established in his industry. He was not preaching or exemplifying the virtues of either freedom or enterprise; he was unconsciously attempting to exchange freedom for security. Events proved that he lost one without achieving the other. Government control of production left important residues in the habits of thought and action of the bureaucracy.

A fourth legacy was government price control. Price regulation, almost by definition, cannot be handled by general law; it requires administrative management. Disregarding the free decisions of millions of individual citizens as expressed in the market place, the bureaucracy determines prices. That process is the very reverse of economic democracy. Bitter experience has made it clear that prices can be controlled in a manner hostile to free enterprise even more readily than in its support. Calling the Government into this activity opened Pandora's box.

A fifth legacy remains to plague free enterprise. The NRA strengthened a popular suspicion that business is really under the control of monopolists or quasi-monopolists. The perspective of history shows that the processes of the NRA were markedly monopolistic. Individual enterprise and little business did not fare well in that collective effort. They never do under collectivism of any sort; freedom requires competition. Monopoly is a form of collectivism to which the American people have long been bitterly hostile. The NRA was a temporary deviation from that sound tradition. I believe that business leaders are now convinced it was a mistake, but your actions must reassure the American people.

There is one other profoundly important legacy which involves a break with our fundamental tradition. The individual ceased to be the center of gravity; people were lumped into masses and dealt with in totals. In a review, accompanying a message from the President, the NRA was accurately described as "a rather radical experiment in incorporating interested economic groups as agencies of government." Moreover, it recognized groups as being partisan—labor on the one hand, industry on the other, and consumers as a third entity. It accentuated alleged class conflicts rather than the common stake of the whole American people. The interpenetration of their interests, their common elements, indeed their essential identity, were neglected. The solution of problems was approached not from the standpoint of the public welfare by freely elected representatives of the public, but by bargaining among special interest groups, each seeking to improve its own competitive position. There was no room for individualism in the NRA; the collective idea was dominant throughout.

The historical fact, therefore, is that in the last great crisis freedom was not implemented; enterprise was not stimulated. Instead rules restricted competition, protected prices, obstructed new developments, strove for stabilization. Secure status was the goal instead of hazardous freedom and vigorous enterprise.

Experience with the NRA supplies the clearest evidence that business should not undertake the function of government. There is equally good evidence that democratic government cannot take over the function of business. Business and government are different kinds of activities; neither should do the work of the other. Government should be primarily concerned with law and its enforcement, business with production and exchange in a free market. Government should operate principally by fixed rules made by representatives of the people, chosen in free elections. Business should function by fluid decisions that find their ultimate test in a free market, where the public reveals what it wants and what it is willing to pay.

Now we are moving toward a new crisis—the tremendous readjustment from war to peace. It was easier to make the transition from peace to war. That required energy and resourcefulness, but it could neglect economics and permit extravagance, for the taxpayer ultimately foots the bill.

The return to peace will furnish a fresh test of faith in freedom. Will it be sold short as in 1933, or have we learned our lesson so that we dare accept the tensions, difficulties, hazards, and frictions that freedom involves? Thus far our political leaders have exhibited concern for security, dread of unemployment, fear of social tensions, doubts about labor relations. They seem immersed in problems rather than fired with enthusiasm for freedom. Fear still appears more frequently than faith in their basic vocabulary. Until the public reverses that psychology, we will hear more and more of the managed economy, and enterprise will not again be free.

Businessmen must work toward that reversal of emphasis, for free enterprise can never be recovered as a thing apart. No demand for freedom for business, as such, will succeed. It can come only as an integral part of the larger idea of human freedom. Only those genuinely concerned with individual liberties really support free enterprise. This is so profoundly true that it is fair to say that the phrase "free enterprise" omits the key word. It must be understood to mean "free **individual** enterprise," for freedom is the characteristic not of society, or a union, or a corporation, but only of man. If we believe in free enterprise, we must make individual enterprise possible not only within the framework of the State, but also within the structure of the union, and within the fabric of the corporation.

A corporation can have only such rights as are granted by the State, for it is the creature of the law. It is not an ultimate, but merely an instrument, without innate capacity for freedom. It has no personality, no spiritual quality—those are the inherent and exclusive possession of individuals. Properly conceived, a corporation is only the servant of individuals. It serves the public by supplying desirable goods and services at prices determined by real competition. In that service, it remains subsidiary to the State, but in our democratic system the State, however powerful, is also the people's servant. It is perfectly obvious, therefore, that in a free government only the individual is entitled to fundamental rights—that is, rights against the State.

The system of free enterprise began with individuals. In all the history of the world there had never been such a release of individual energy as freedom supplied. By energy and imagination, by skill and wisdom, they succeeded. Sometimes an individual became so strong that he exerted his influence by power rather than by wisdom alone. But by the overwhelming fact of mortality, even the most powerful returned eventually to the common dust. Through the corporate structure, however, the accretion of power might gain a kind of immortality; it might prevent the dissolution of power by death and its resettlement among new figures upon the stage. In such circumstances power might remain more important than wisdom. That must be prevented if free enterprise is to flourish.

Business judgment is identical with the public interest only when it is the judgment of many individuals freely expressed in a free market. When a man makes his own individual decisions, he has to operate both as buyer and seller, both as producer and consumer; he is on both sides and wins or loses in accordance as his judgment is wise or foolish. If through undue consolidation business judgment becomes collective rather than distributive, it is hostile to freedom. That is the source of the bitter opposition of the American people to monopoly, which is merely a manifestation of power, where gain or loss depends not upon wisdom or folly but upon power. We can observe that in political life. For a considerable period, Hitler and Mussolini appeared to succeed; the reason was that their decisions were not put to the acid test of **right or wrong,** but only to the false test of power against weakness.

In the interest of free enterprise business should avoid collectivism. It should not attempt to manage our economy or to govern; it should stick to its true function, which is to produce and market what the people want. If business indulges in collective judgments, then every other interest group will develop collective judgments. Furthermore, if judgments are based upon the power of a few and not upon the wisdom of the many, the most powerful interest group will ultimately prevail and others will be liquidated. Then collectivism, either in the fascist or communist form, has triumphed over free enterprise.

It becomes clear that any collectivist organization may limit the freedom and hamper the enterprise of the individual. It can be done by the State, and with that we are familiar. It may be done by labor union, which in representing the collective rights of workers may suppress their individuality and injure their personal dignity. It can also be done by the corporation, which may purchase labor without concern for developing initiative and the spirit of enterprise in the workers. In fact it may resent the difficulties created by individuality and prize docility and discipline more deeply. That was the tragic—indeed the fatal—mistake of European business. It rests therefore upon the corporation, in the interest of the preservation of the system of free enterprise by which alone it functions, to show a deep concern for, and active implementation of, individual initiative, personal freedom, and enterprise.

From Napoleon to the last World War there was a century without the profound shock of global strife. Indeed the World War was the first great conflict since the industrial revolution. The shattering nature of its impact and the dislocations of its aftermath were too little understood. The ensuing mistakes led first to a world wide depression and then to a new world war; those were the climax of a long series of economic and political failures.

Depression and war have proved rough schoolmasters; I hope we have learned our lessons. May we emerge from this struggle against autarchy and tyranny with a refreshed philosophy and a new faith in freedom, a revived respect for the individual citizen and the democracy that expresses his will. If we have learned that much we can advance with courage to the solution of our problems in the spirit of freedom, and with the immeasurable energy of free enterprise.

Bank & Insurance Stocks

(Continued from page 2535)

total net operating earnings to dividends since 1936 of approximately 3.60, compared with 1.14 for Hanover Fire. Meanwhile Hartford shows a gain in stockholder's equity in excess of 41% and a market appreciation of 33%, while Hanover shows a gain in equity of only 1.5% and a market decline of 20%.

Another value to watch is the so-called **liquidating value** of an insurance stock. Theoretically it represents the approximate amount per share which should be realized for stockholders in the event a company were liquidated or sold. It is more than "book value," which comprises capital and surplus, for in addition it includes the stockholder's equity in the unearned premium reserves, which is uniformly and conservatively figured at 40%. To put the matter another way: experience over many years indicates that if a company were to liquidate, the business on its books could be reinsured or carried to expiration at a net profit to the stockholders of 40% or more of the unearned premium reserves. Thus, the stockholder's equity or **liquidating value** equals capital plus surplus plus this 40%. Another point to consider is whether or not a company has wholly or partially owned subsidiaries. For example, United States Fire Insurance Co. owns no subsidiaries, and its liquidating value per share on Dec. 31, 1942, was $51.27; on the other hand, Aetna Insurance Co. owns five subsidiaries and had a liquidating value on Dec. 31, 1942, of $53.31 on a parent company basis, but of $62.01 on a consolidated basis.

Other items and ratios which are helpful in studying the comparative investment worth of individual fire insurance stocks and which can be obtained from their balance sheets and operating reports are: invested assets per share, ratio of invested assets to liquidating value, invested assets per dollar of market price of shares, percent rate of return on invested assets by net investment income, loss and expense ratios percent allocation of premium writings to fire, motor vehicle ocean marine, etc., and the percent rate of return on earned premiums by net underwriting profits. Careful study and comparison of the ratios and other items enumerated above are definitely worthwhile, for in them may frequently be found the reason why some fire insurance stocks show superior market performance to others over medium- and long-term investment periods.

The Interpretation Of The Equation Of Exchange

Editor, Commercial & Financial Chronicle:

The comments of bankers and other business men published in the Financial Chronicle during the past six months, on such subjects as The Gold Standard, Devaluation, Stabilization of Currencies, and Inflation, show a remarkable unanimity in their demand for a gold standard with free convertibility and their condemnation of devaluation or depreciation of our currency.

It is remarkable also how most of the writers on these subjects have based their arguments on the foundational principles of economics as given in the text books, and have swallowed whole some of the dicta of Adam Smith and John Stuart Mill without careful thought as to their truth. Concentrated thought will show that they are not true and, further, I may say that until they are scrapped we can have no advance in economics, or a solution of the financial problems which are now of so much interest.

At a later date I hope to show that the gold standard with convertibility is quite unsuited to modern times and should not be revived, and that "devaluation" in 1933-34 was not only a necessity but that as the principles of devaluation are better understood we must, in the interests of international commerce and the stabilization of foreign currencies, have frequent, probably annual, revaluations, dictated by an international board.

At this time I shall comment only on one of the principles which, hitherto unknown, will throw a new light on devaluation and also serve to show the reason why Professors Fisher, Warren and Pearson failed in their purpose of raising domestic prices by the "devaluation" of 1933-34.

After the Ottawa Conference in 1933, all the nations agreed that the world price level should be raised, and once raised it should not be permitted to relapse. These goals were to be achieved mainly by "devaluation" and managed currencies.

An Act was passed in the United States by which all the gold in the possession of the Federal Reserve System and all other gold in the hands of the public available for use as monetary gold, was transferred to the Treasury in exchange for gold certificates valued at the new rate of $20.67 for 0.5906 ounce of fine gold, instead of the old rate of $20.67 for one ounce which had ruled for almost a hundred years. In other words, one ounce of gold is now $35.

President Roosevelt had been authorized to "devalue" the dollar to between 60 and 50 cents, in his discretion, his avowed intention, along with certain other laudable objects, being to raise the price level and thereafter to secure "the kind of dollar which a generation hence will have the same purchasing and debt-paying power as the dollar value we hope to attain in the near future"; in other words, the commodity dollar.

Prior to this, many economists and financiers considered they had good reason to doubt the validity of the quantity theory of money. Although they had never had actual experience of "devaluation" of the dollar in this country, there were numerous cases in other countries which were used as a basis for their adverse opinions. In these cases there was sufficient evidence to show that although there had been slight rises in the price levels after "devaluation," the difference had been very far from commensurate with that demanded by the quantity theory.

On the other hand, the quantity theory as represented by the equation of exchange appeared to be so convincing that it was looked upon as a truism. The "great experiment" which was to be tried therefore attracted widespread attention. On Jan. 31, 1934, the President fixed the new weight of the dollar, by proclamation, at 15 5/21 grains of standard gold, 9/10 fine, that is, 13.71428 grains of fine (pure) gold. This "revaluation" was equivalent to 59.06% of the former weight, 23.22 grains of fine gold, and monetary gold is thus now $35 per ounce of fine gold.

The commodity price level did rise a little, as it had done in all the other cases, but to nothing like the level that the equation would lead one to expect. The experiment was branded as a failure, and since that time the quantity theory has remained under a cloud, with a great many economists proclaiming that they never did believe in it, or that its truth depends upon too many factors which never do remain the same.

And yet it may be said that there is really nothing wrong with the equation of exchange. The fault lies with the economist who misinterprets the terms of the equation. It is the old, old story of the use of an equivocal term, and there is no science more full of equivocal terms or which has been more subject to the fallacy of equivocation, that is, to the logical transfer of meaning, than economics. Economics has often been said to be just a mess; that mess is the result of the use of equivocal terms and transfer of meaning. Only with the removal of this impediment to progress may we expect an intelligible, consistent science of economics.

The equivocal term in the equation of exchange lies in the word "price." What is price in the equation? It is just a magnitude representing the money value of the unit of a commodity or service, etc. Multiplied by that of the term which represents the commodity, its product is equal to the magnitude representing money on the other side of the equation. Price, then, is money, and any constant which is applied to money on one side of the equation must also be applied to price on the other side. It will then be found that any change in the gold content of money, e.g., the dollar, so compensates the price term that it does not change from the previous level.

That is the reason why President Roosevelt's "revaluation" of the dollar could not raise domestic prices. As far as "devaluation" is concerned, domestic prices can be raised, directly, only by a rise in the cost of living brought about by the increased cost of imports. For instance, previous to "devaluation" in this country, imports were paid for at the rate of $20.67 (one ounce of gold) per unit of imports. After "devaluation," a unit of imports cost $35 (one ounce of gold). Any rise in prices will be roughly proportional to the increased cost of imports relative to the total cost of home-produced products, that is, in the United States in its most prosperous period, a rise of prices with an upper limit of about 4%, other things remaining the same.

In order to demonstrate how "revaluation" of the dollar cannot change prices, let us assume that $10,000 is expended on 1,000 tons of domestic goods at the price of $10 per ton.

(1) With gold at $35 per ounce, $10,000 is 137,142.8 grains (285.71 ounces) of gold, and $10 is .28571 ounces of gold.

(2) If gold is now "hypervalued" to $36 per ounce, $10,000 will be equivalent to 133,333.3 grains (277.77 ounces) of gold, and $10 is .27777 ounces of gold.

The equation of exchange may be stated as: M=QP.

M represents money; Q is the quantity of the commodity; P is the price. The frequency of exchange of either the money or the commodity does not appear in the equation; it represents conditions only at one moment.

M=QP

($)10,000=1,000 (tons) x ($)10

(1) 285.71 (ounces gold at $35) =1,000 (tons) x .28571 (ounces gold at $35).

(2) 277.77 (ounces gold at $36) =1,000 (tons) x .27777 (ounces gold at $36).

It is evident that .28571 ounces and .27777 ounces of gold in each case represents $10, and, thus, that domestic prices cannot change, except for the slight effect of imports already referred to, however great the "revaluation" may be.

The result of this new interpretation of the equation of exchange is of far-reaching importance. It clarifies certain obscure phases of problems relating to "devaluation" which have never been convincingly expounded. No significant change in domestic prices need now be feared when changes in the gold content of monetary units are made, except that due to the increased cost of imports, and if the change has not been large that item will be almost negligible. In any case, the importing country as a whole will benefit by the increased profit on exports which, in a large exporting country like the United States, will much more than compensate the loss on imports. Unfortunately, the importer and the exporter are two quite different individuals whose interest may be at opposite poles, and more profitable exports have only a minor, indirect effect in raising prices.

It is probable that in the near future the international stabilization of currencies will be undertaken and, as the problem becomes better understood, "revaluations" may be dictated by legally constituted international commissioners, in the interests of fair play and justice to all, and such "revaluations," with gold removed from domestic circulation, may become a more frequent occurrence than in the past.

It will not, however, render much easier the practical determination of the natural gold values of the monetary units of individual nations, commonly known as "overvalued" and "undervalued" currencies, for, quite apart from the interpretation of the equation of exchange that has been disclosed, a careful scrutiny not alone of the terms but also of the whole expression constituting the equation will uncover other glaring inconsistencies. Not until these are rectified shall we find that the phantoms that have frightened the financial world, especially that of the sterilization of surplus gold and money for the purpose of preventing inflation, have no real existence, and that the quantity theory of money will stand firmly as the great pillar of monetary policy.

THOMAS FRENCH.

Seattle, Wash.

Callahan Leaves Treasury

Vincent F. Callahan, radio executive and former newspaperman, has resigned as Director of Advertising, Press and Radio of the War Finance Division of the Treasury Department. He leaves the Treasury to return to private business. In 1941, Mr. Callahan was appointed Chief of Radio for the Defense Savings Staff. Later he was placed in charge of all advertising, press and radio in connection with the promotion of the sale of War Bonds. During the current year the Treasury Department points out the War Bond program was supported with more than $100,000,000 worth of contributed advertising in all media, the greatest promotion campaign in history.

Sloan Of G. M. Proposes Plan To Insure Maximum Post-War Production & Employment

Alfred P. Sloan, Jr., Chairman of the Board of the General Motors Corp., proposed on Dec. 10 a 19-point program to be adopted by the Government, industry and labor to insure maximum production and employment in the post-war period.

Mr. Sloan's program, presented before the annual meeting in New York of the National Association of Manufacturers, as given in the New York "Times" of Dec. 11, follows:

It is obvious that the rules involving governmental economic policies relating to the period of reconversion must be established now. That is of prime importance. How otherwise can management plan aggressively and intelligently and be prepared to act?

The financial considerations involved in the cancellation of governmental contracts should be established. A proper selectivity in cancellation of one contract as against another with the objective of reducing the time or reconversion is of great consequence.

There are also problems of the clearance of plants to be converted, of the disposition of Government-owned plants, machinery, work in process and materials.

Consideration must be given to the release of material for engineering development of post-war products, to post-war reserves as a business expense and to the elimination of overtime charges as the demands for war products decline.

And may I add a problem that so far has been given too little specific consideration? It is practically certain that enterprise will have to operate on the basis of a part-war and part-peace economy following victory in the European theatre of war. Plans should be made accordingly.

The major part of the essential reconstruction of governmental national policy in the period to follow reconversion lies within the tax structure. The new approach must be different from that prevaling in the pre-war period. It must proceed on the principle that lower rates will increase dollar revenue by expanding the productivity of the sources of revenue. Double taxation is now levied against corporate enterprise; first, on corporation earnings and, second, on stockholders. Some better way must be found. Taxes on enterprise itself must be drastically reduced. Taxes on individuals must not be confiscatory from the standpoint of prejudicing the incentive to invest. To insure business expansion, taxes on long-term capital gains should be drastically reduced or, better, entirely eliminated. Capital should be free to move within the economy. Technological efficiency should be encouraged by some form of tax advantage, having as its objective the more rapid turnover of instrumentalities of production. Extravagance of Government should be eliminated. Excessive taxes should be eliminated for the sake of stimulating production through lower prices.

International economic relationships must be on the basis of a "two-way" street. No world WPA at the expense of the American taxpayer.

Labor relationships represent probably the most urgent social, economic and political question as affecting the entire home front and the opportunities of expansion of enterprise that may be expected to develop, according to present trends, as we pass into the post-war period.

It must be the responsibility of the management of private enterprise to direct its planning and its resources toward reducing to the minimum the period of unemployment involved in the process of reconversion.

Orders should be released promptly for the replenishment of inventory required for the production of peacetime goods, now liquidated. Likewise, orders for stocks of supplies and parts while plants are being rehabilitated.

Orders should be released promptly to modernize equipment in line with technological progress and to bring maintenance up to normal standards.

Orders should be released promptly for plant and equipment and expansion of working assets to raise capacity to the new levels as established by the possibilities of the post-war era.

Engineering development should be prosecuted aggressively as materials and manpower become available, to the end that new products may become available and old products improved.

The responsibility of management of private enterprise from the standpoint of its longer pull position must involve, as its most fundamental concept, technological progress. That is the great instrumentality that enables real gains to be made throughout the system as a whole. That point can never be over-emphasized. Therefore research and engineering developments must be encouraged. There is no limit. Research should not be confined to the physical sciences. It must be applied, and aggressively, to all the functional activities of enterprise.

The wage rate must be recognized and dealt with, not as the predominating issue between two groups but as one of the most important economic problems involved in the whole economy because of its dominating influence on costs and selling prices. It must be dealt with from the point of view of a proper economic balance between all groups.

An incentive should apply not only to capital in the form of a profit but likewise to management and workers. All should have an opportunity to progress directly according to their individual ability and their willingness to contribute.

The economic formula that production is equal to consumption plus savings should be respected. This is of vital consequence. Savings must not be permitted to become static.

The price policy of enterprise is one of its most vital responsibilities. Costs should be established on the basis of a practical rate of utilization over the long term of all the economic resources of each particular business as measured by a realistic estimate of its actual productive capacity. Every effort should be made to reduce business fluctuations and eliminate their harmful effects.

Cost savings, from whatever source, can produce the most effective result in promoting job opportunities and expansion of enterprise, when expressed in the form of lower prices to the consumer.

Hugh B. Cox Named As Ass't Solicitor General

Hugh B. Cox, Assistant Attorney General in charge of the War Division of the Department of Justice, was nominated by President Roosevelt on Dec. 15 to succeed Oscar Cox as Assistant Solicitor General of the United States.

Mr. Hugh Cox served for a time as Special Assistant to the Attorney General, as head of the Appellate Section of the Anti-Trust Division. Mr. Oscar Cox resigned as Assistant Solicitor-General to become counsel to the Foreign Economic Administration.

Comparison of Plans for International Monetary Stabilization

Compiled by A. M. SAKOLSKI of the Faculty of the College of the City of New York

	KEYNES (British)	WHITE PLAN (U. S.)	ILSLEY (Canadian)
1 Form of Organization	**International Clearing Union**—Governing Board appointed by the member states.	**A banking organization**—Governing Board consisting of one director (with alternate) appointed by each member country.	**International Exchange Union** — having banking activities — Governing Board provided as under U. S. Plan.
2 Membership Restrictions and Qualifications	United Nations to be original members—others invited to join — special conditions may be applied to them.	No restrictions on what countries should become members, if they fulfill requirements and conditions.	Same as U. S. Plan.
3 Amount of Initial Fund	**Not stated** — but tentatively to be equal to 75% of the foreign commerce (both export and import) of the combined membership of the Union.	A fund equivalent to at least five billion dollars but may be increased. Each country to pay 50% of its quota in gold. The quota of each country cannot be increased without its consent.	Eight billion dollars with provision of additional amount represented by loans to the Union (Clearing Union) not exceeding 50% of each member's quota.
4 Contributions to Fund—Basis	Each member shall be assigned to it a **quota** measured chiefly by the amount of its foreign trade—tentatively at 75% of this amount.	To be determined by an agreed upon formula based upon gold holdings, fluctuation of international payments, national income, etc. — not to be altered without a four-fifths majority vote.	Same as U. S. Plan with provision that no increase in quota of any member to be made without its consent.
5 Voting Control	The **quota** of each member "shall determine the measure of its responsibility in the management of the Union."	Each member shall have 100 votes, plus one additional vote for each one million dollars of its quota. No country shall cast more than one-fifth of the basic votes. In voting on the sale of foreign exchange, the votes of creditor countries shall be increased and those of debtor countries decreased. In voting on proposals to suspend or restore members, each country shall have one vote.	Each member shall have 100 votes plus 1 vote for the equivalent of each 100,000 units of its quota. All decisions, except where specifically provided otherwise, shall be by majority vote.
6 Monetary Unit	The **"bancor,"** — the value in terms of gold shall be fixed by the Governing Board. Each member to fix the value of its currency in terms of "bancor." Value of "bancor" in terms of gold may be changed, but nothing said about method of its accomplishment.	The **"unitas,"** consisting of 137 1/7 grains of fine gold ($10 U. S.). Value of currency of each member to be fixed by the fund in terms of gold or "unitas" and may not be altered without approval of 85% of member votes.	Same as U. S. Plan.
7 Powers and Operations	Clearing of debit and credit balances to be carried out through central banks or through other appropriate authorities—no gold to be paid out on credit balances, but these to be used for transfer only.	To sell to any member foreign exchange required to meet adverse balances, predominantly on current account. To buy from member countries one-half of the gold and foreign exchange it acquires in excess of its official holding at the time it becomes a member. For two years to buy from the governments of member countries blocked balances not to exceed 10% of each respective quota. Fund may fix exchange rates between the different countries. The fund shall deal only with member governments and not intrude on the customary channels of international trade and finance.	Same as U. S. Plan with additional provisions for the Union borrowing from credit balances of members. Repayment may be demanded in gold.
8 Lending Limitations	Debit balances of each member not to exceed its quota—a charge of 1% per annum, on excess of this quota—but debit balance may not exceed one-quarter of its quota. If debit balance reaches one-half of quota on an average of two years—it shall be entitled to reduce the value of its currency not to exceed 5%.	When the Fund's net holdings of any local currency exceed the quota of that country, it shall deposit with the fund a special reserve. When a country is exhausting its quota more rapidly than is warranted, the Board may place such restrictions upon additional sales of foreign exchange as it may deem necessary. A charge may be levied against any member country on the amount of its currency held in fund in excess of its quota.	Normal loans, made only for purpose of meeting adverse balance of payments, but under specified conditions, loans may be made to expedite capital transfers.

	KEYNES (British)	WHITE PLAN (U. S.)	ILSLEY (Canadian)
9 Emergency Provisions	"The Governing Board" may, at its discretion remit charges on credit balances and increase correspondingly those on debit balances, if expansionist conditions are impending in world economy.	With the approval of three-fourths of the member votes, the fund, **in exceptional circumstances** may sell foreign exchange to a member country to facilitate transfer of capital or repayment or adjustment of foreign debts. The fund may make special arrangements with any member country for the purpose of providing an emergency supply (of currency) under conditions acceptable to the Fund and the member country.	The Union shall have the right to enter into special arrangements with any member to provide an emergency supply of the currency of any other member.
10 Control of Capital Operations	Universal establishment of a control of capital movements not regarded as essential to the Credit Union.	**See Side Head 9** A member country may regulate capital transfers but not tranfers on current account.	Operations of Union relate to current accounts but control of capital movements provided if outflow of capital from a member is resulting in net purchases of foreign exchange from the Union.
11 Control of Internal (domestic) Commercial & Monetary Operations	No method of control provided, except that relating to excess of debit and credit balances (see side head 8). However, there is a provision that "monetary reserves of a member in excess of a working balance shall not be held in another country without approval." Credit Union may make recommendations regarding domestic monetary policies.	Member countries agree that all local currency holdings shall be free from any restrictions as to their use. The country whose currency is being acquired by the Fund agrees to adopt and carry out recommended measures designed to correct the **disequilibrium in the country's balance of payments.** Other provisions regarding agreements of member nations respecting internal financial measures.	Members may revalue their currency up to 10% if it has had an adverse balance of payments for a period of two years.
12 Withdrawal Provisions	Members shall be entitled to withdraw on a year's notice, subject to their making satisfactory arrangements to discharge debit balance.	Any country may withdraw by giving a year's notice. A country failing to meet its obligations to the Fund may be suspended by a majority of the member countries.	Member failing to meet its obligations may be suspended and after one year automatically dropped by majority vote. Members not indebted to Union may withdraw after 30 days' notice.
13 Miscellaneous Provisions	The executive offices of Union shall be situated in London and New York, with the Governing Board meeting alternately in these places.	Special provisions for settling abnormal war balances.	Union may make recommendations to members regarding capital investments and change in domestic fiscal policies.

The Economic Basis Of The Wealth And Welfare Of New York City

By IVAN WRIGHT, Ph.D., and ARTHUR M. WOLKISER, Ph.D.

(In the belief that many of our readers would be interested in reviewing th factual highlights and conclusions contained in the study on the economic structure of the City of New York, the "Chronicle" asked Dr. Arthur M. Wolkiser to prepare the following digest of the voluminous study which he, in collaboration with Dr. Ivan Wright, had recently prepared.)

The Report on the Economic Basis of the Wealth and Welfare of New York City fulfills at least a twofold mission: to outline New York's many pressing problems and to present the material in a form which will make it appropriate for use in Brooklyn College's course on New York City. While the study is devoted to an examination of conditions in New York, it deals in terms and considerations which are applicable to other and probably all American cities.

For a full grasp of New York's multi-faceted existence the study tries to see the city as a living organism of human beings who work in it but whose daily life is conditioned by history and geography as well as economic and sociological factors. In reviewing the report, it is, however, necessary to exclude from discussion many interesting questions with which it deals such as the city's foreign trade; its financial activities; the city as a cultural center; the new budget make-up; the budget trend; long-term and short-term debt; city against Federal centralization; cross currents in U.S.A. internal migration. The limited space available for this digest permits a review of only those findings which may be of particular interest to the readers of the Commercial and Financial Chronicle.

New York City's Growth

While New York City has continued to grow until 1940, the year of the latest population census, its rate of growth has slowed down considerably. Among the chief reasons is the decreasing birth rate and the decline in immigration caused by the restrictions established in 1925. Since the city also has always recruited additions to its population from the country and this trend is likely to continue, it is probable that New York will increasingly derive new inhabitants from the economically and culturally most backward rural areas where reproduction rates have not yet begun to decline.

New York City's Industries

As regards New York City's industries, the study shows two tendencies, one favorable and the other unfavorable. New York's industries are represented by the non-durable type of consumers' goods which do not fluctuate entirely in comformity with the business cycle as do producers' goods, and also provide a diversification only surpassed by that of Los Angeles and Philadelphia. On the other hand, this sort of consumers' goods industries is usually carried on in relatively small establishments. Thus, while there has been a growth of about 6% for the average United States plant, the average New York City factory since 1919 has shrunk by 16%.

The following conclusions are drawn from a comparison between New York City and the United States in regard to number of wage earners and value added by manufacture:

(1) The city's industrial activity has declined in comparison with that of the United States, although not at an alarming rate.

(2) Between 1937 and 1939 there has been an upturn for New York City the significance of which only future census figures may reveal.

(3) New York City has shown relatively more stability in its industrial activity than the United States as a whole.

(4) While none of the states contiguous upon New York State and New York City, such as Pennsylvania, Massachusetts, New Jersey, and Connecticut, as well as upstate New York, present a better picture in terms of wage earners than New York City, developments in the New York City "industrial area" (including besides New York City the counties of Westchester in New York State and Bergen, Essex, Hudson, Middlesex, Passaic and Union in New Jersey) show a slightly better trend than those in New York City proper.

(5) A comparison of industries in New York City with the identical industries in the United States as a whole provides conclusive evidence that those industries which are represented in New York City have done much better outside than inside New York City.

(6) Since the rate of population increase in New York City during the 1919-39 period was greater than that of the United States, the unfavorable development of the former as compared with the latter during that period is accentuated if the comparison is made in terms of per capita wage earners.

It seems that comparative labor cost as a result of highly effective organization of labor forces is the principal reason for the retarded growth of at least some of the city's most important industries.

New York City's Non-Industrial Activities

The study indicates that

(1) Wholesale and retail trade declined from 1929 to 1939 for New York City, the New York area and the United States.

(2) While New York City, in percentages, lost in retail sales almost twice as much as the nation as a whole, the city held better than the United States in regard to wholesale trade.

(3) In wholesale as well as retail trade the New York City **Area** made a better showing than New York City, indicating that the statistical shift in manufacturing industries from New York City to the outlying districts of the New York "industrial area" was duplicated by a similar shift in the wholesale and retail fields.

(4) Again, as was the case in manufacturing, the relatively unfavorable showing of New York City in wholesale nad retail trade is accentuated by a larger increase in per cent of population for New York City than for the New York area and the country as a whole.

(5) While wholesale and retail sales show a considerable decline from 1929-39, the number of wage earners in wholesale and retail establishments has increased in New York City as well as the New York area. (For the United States the number of wage earners showed a decline in wholesale and an increase in retail trade.)

(6) There are no figures for service sales available. However, the tremendous rise in the number of wage earners in New York City service industries between 1933 and 1939—remaining in per cent only slightly behind the increases in the New York area and the United States—parallels a trend presented by other large cities. This growth of service industries seems to have replaced national trends in industry as a conditioning factor in urbanization. Incidentally, it is the colossal growth in the service industries which is responsible for the belief of certain observers that service employment in the future will provide ample relief for manufacturing unemployment of a cyclical or secular character.

New York City's Finances

The study identifies itself with the findings of the City Planning Commission in its annual report for 1940: "New York's current finances are in excellent condition. Budgets are balanced regularly. The city is well within its debt limit; its bonds are selling above par, and borrowings are at low rates of interest. Judged by all past standards, New York is perhaps in a more satisfactory fiscal position than at any time in the past. It is equally true that within the past few years the metropolis has made greater progress in major public improvements than ever before in a similar period. Yet despite this progress, and the excellent condition of its current finances, the City is faced with exceptional difficulties in financing both its expense and Capital Budget requirements in the near and not-so-near future."

The City Administration is haunted by a conflict between the decline in assessment values and the constant pressure towards increasing expenses for operating the city, particularly in view of state-imposed mandatory increments and the expanding demand for city services in general. The latter is only a reflection within the urban field of tendencies observable in the whole area of social work performed by governmental bodies and civic organizations all over the world. In the case of New York City the shift in emphasis from largely regulatory functions to an ever-growing field of variegated services has coincided with a definitely smaller ability to carry the load.

Perhaps the most promising aspect of the city's critical position is the growing understanding on the part of its top officials that a permanent solution of the budgetary problems within the not-too-distant future is a matter of extreme urgency.

Conclusion

In its conclusion the study points out that while the picture of New York City's present position may look dark indeed, there is no reason for despair.

Of course, New York City can not sit and wait as Penelope for the return of Odysseus. Vast plans must be laid for important changes in the city's physical structure together with blue-prints for possible solutions of various problems discussed in the study, such as better freight and transportation facilities. Furthermore, better legal provisions are necessary for arriving at more beneficial land and building values through a program of land use appropriate to the recent more stable population trend of New York. Apparently the city is now prepared to do everything in its power not to alienate but to welcome and encourage business enterprises.

In addition, the re-establishment of a sound balance between central and local governments is an important condition for the future welfare of New York. The recent history of public administration in the United States has been characterized by the clear emergence of two trends: the concentration of governmental functions in the hands of the Federal authorities and a corresponding decline in the effective home rule of states and municipalities. The continuation of these trends threatens our representative democracy as the very foundation upon which our American commonwealth rests. The reversal of these trends may prove of vital importance in ameliorating the city's fiscal position.

More than any other city in the United States, New York has a direct and vital interest in the prevention of another postwar period of "isolationism" which again would, as in the 1920's and 30's, restrict the city's activities as a commercial and financial servant both to our own country and to the world at large. If New York's problems in the postwar period are attacked in an expanding tide of world trade, all the difficulties of detail will be minimized. On the other hand, if the decline of world trade should continue in a postwar period of increasing trade barriers and tariffs, the economic position of New York City may be undermined beyond the possibility of repair through isolated measures of subsidy or reconstruction.

Representative Lewis Dies

Representative Lawrence Lewis (Dem., Colo.) died on Dec. 9 in the Walter Reed Hospital in Washington at the age of 64. Mr. Lewis was dean of the Colorado delegation, having been elected to Congress in 1933 and recently reelected to his sixth term. He served for a time on the Committee on the Judiciary and for the past few years on the Committee on Rules.

"Our Reporter On Governments"

By S. F. PORTER

We're now into the holiday season as far as the Government bond market is concerned. . . . With the currency increase plus typical Christmas absenteeism and year-end adjusting of portfolios becoming dominant factors in the price trend. . . . Offsetting factors to the seasonal dullness recently have been the retirement of the December notes and Treasury payments of debt interest, but these are minor and surely are not as significant as the customary activities of both professional traders and institutions at this time of year. . . . The result of all this is that the market is quiet, shows little trend, is best left alone unless you've extra cash you want to invest for the "carry" between now and Jan. 18. . . .

The one exception to this is the 2% loan of 1953/51. . . . It's stopped at 100 6/32 to 7/32 at this writing, but that represents a considerable advance over the year's low of 100 2/32. . . . And as was written here last week, there's every sign that the weak holders of the 2s have been mostly cleaned out. . . . The dealers still own large amounts of these, but outside of the insiders' portfolios the main ownership of the 2s may be placed in the "permanent" classification. . . .

The 2s still are the cheapest bonds on the list. . . In comparison with securities of slightly longer and of slightly shorter maturity. . . . Switches from both sides into this newest of the 2% coupon may be recommended without qualms until the bonds rise to their proper relationship or the rest of the market sinks to the level indicated. . . . The latter is unlikely while the Fourth War Loan is overhanging and official support is certain to assure the success of the next drive. . . .

Forecasts on the rally in the 2s to bring them to their appropriate place range from 1/8 to 1/4 point from this level. . . . If the bonds do get up to the 100 10/32 or 100 3/8 mark, they will be in line. . . .

As for the near-term movements of prices, chances are we'll see nothing important until after the turn of the year. . . . That has been an obvious probability since November. . . . A year-end rally may materialize but it can't be of anything but minor size under the circumstances. . . . The market is struggling with too many adverse factors, the major of which is the money situation. . . . And the money market's tightness will be aggravated rather than lessened until after the Christmas holiday passes and until the banks are relieved of heavy withdrawals. . . . That brings us to January, as it always does. . . .

The preponderance of opinion among dealers is we'll have a smart recovery early in January. . . . Aided by reinvestment demand. . . . Initiated by official sources. . . . Offset in part by dealer liquidation. . . .

THE BANKS AND THE 2 1/4s

You've the details now. . . . Information on the formula under which commercial banks with time deposits will be permitted to buy the 2 1/2 and 2 1/4s during the January war loan campaign. . . . And as predicted here several times, the formula indicates most banks will be forced to limit their subscriptions to meagre amounts. . . . They're getting "token subscriptions." . . . And that's about all. . . .

To be exact, commercial banks may subscribe up to 10% of their total savings deposits or up to $200,000. . . . Whichever is lower. . . . They may buy 2 1/2s, 2 1/4s or Series F and G war bonds. . . . And they can't hold more than $100,000 of the Fs and Gs. . . . Which means that the top holding of any of the new bonds in the Fourth War Loan will be 200. . . . And the purchases made in the Fs and Gs are of no importance to the open market, anyway. . . .

That's the one point which may hit the trading probabilities of the 2 1/4s. . . . For although this bond seems one of the most attractive we've been offered in years, as long as the banks are prohibited from buying any large amounts, the market will have to depend on insurance company and trust fund dealings for volume. . . . And you need no elaboration to know that commercial banks still make the Government market. . . .

However, insurance companies will buy heavily in the 2 1/4% rather than the 2 1/2% category this time. . . . For the simple reason that they already have huge portfolios of 2 1/2s. . . . And other non-banking institutions are expected to concentrate on the issue as well. . . . So despite the absence of the commercial banks, these new 2 1/4s should be one of the best bonds of the war loan drives. . . .

As confirmation of the several enthusiastic comments made on these bonds in these columns recently is the recent statement of John Whitney Richmond, Deputy Manager of the New York State War Finance Committee. . . . Speaking at the Post-War Planning Conference of the New York State League of Savings and Loan Associations, Richmond said:

"Analysts of Government bonds connected with highly regarded financial institutions have reviewed the general bond situation thoroughly. Considered opinion recently expressed to us indicates that the new 2 1/4% issue will prove to be one of the most desirable and profitable bonds ever issued by the Treasury Department. There is a feeling that this issue will undoubtedly prove to be tremendously popular and that in view of current interest rates, security and inherent possibilities, based upon the fact that commercial banks are excluded from buying until September 15, 1946, these bonds should enhance in price around 1 3/8 points in the open market, to bring the price around 2.10% yield, prior to the time such banks find them eligible for purchase."

That's going far and beyond the more cautious forecasts of this observer. . . . And the reason for the long quotation just printed is that the optimism comes from an "official" source. . . . Is exact and is on a long-term basis. . . . Of course, Richmond and all the other optimists on this bond may be put into the wrong by an unexpected twist of the market. . . . But as of this moment, the 2 1/4s seem worth waiting for and buying to the limit. . . .

INSIDE THE MARKET

The 2 1/2s of 1958/56 may be watched with especial care over the next few weeks, as a clue to the position of the 2 1/4s, when permitted to trading. . . . The bonds now are selling at 103 1/4, to yield about 2.18% to call date. . . . Which is just about right for the new 2 1/4s of 1959/56. . . . It indicates a small premium is anticipated and suggests the bonds will move quietly and easily into their proper place. . . .

No talk these last few days on restricting purchases of the new 2 1/2s and 2 1/4s by individuals. . . . Bank borrowing to buy the new bonds is frowned upon, but deciding upon a formula for restricting purchases without interfering seriously with the entire Government bond market setup and new financing techniques is not so easy. . . . Best guess now is Federal Reserve Banks will try to handle problem locally, will ask individual banks to pass rules against large-scale loans, especially to "strangers." . . . But Federal action to start a united campaign against this form of free riding seems more and more improbable. . . .

Announcement of call of the $1,519,000,000 3 1/4s of 4-15-46/44 was nicely timed by Secretary Morgenthau to give market a lift, but Christmas factors intervened. . . . In addition, these bonds are mostly in the hands of dealers and professionals. . . . Outside investors have been getting out of the bonds for many months, and rightly so, considering the difficulties of "rolling over" maturities and the minor profit, if any, involved. . . . Best tax-exempts to hold are the long ones, which will be outstanding for a while. . . .

Dr. K. S. Latourette Sees Peril In Depriving Japan Of Way To Earn Livelihood

Finds Features of Cairo Announcement 'Disappointing'

Describing several features of the Cairo announcement outlining the intentions of the United States, Great Britain and China with respect to Japan and the Far East as "extremely disappointing" from the standpoint of insuring a just and durable peace in the Far East, Dr. Kenneth Scott Latourette, historian and member of the Committee of Direction of the Commission on a Just and Durable Peace of the Federal Council of Churches of Christ in America, it is learned from the New York "Times" of Dec. 15, indorsed as "a measure required by justice" the proposal to return Manchuria, Formosa and the Pescadores to China; declared that Korean independence was overdue and expressed approval of the program of refusing to let Japan retain the islands seized in the last war or the mandated slands she is using for military operations. The "Times" reports that these expressions of Dr. Latourette's personal views were contained in an article in "Post-War World," the Commission's bi-monthly publication.

Giving the further views of Dr. Latourette, the "Times" quoted him as follows:

But, he contended, there is danger that dealings with Japan after she is defeated may be motivated by a spirit of revenge and retaliation.

"The disposition of the territory proposed in the communique will require so drastic an adjustment in the economy of Japan as to threaten the livelihood of her people," he wrote. "We believe this attitude violates the basic moral principles of a just and durable peace.

"In failing to take cognizance of the economic situation in which Japan will be left by this reduction in her empire, the Cairo communique falls short of the position of the Atlantic Charter, which assures all States, victors as well as vanquished, of access, on equal terms, to the trade and raw materials of the world which are needed for their economic prosperity."

Dr. Latourette also noted in his article that the communique made no mention of the restoration of Hong Kong to China, the possible independence of the Japanese-occupied territories in the East Indies and southeast Asia, or the future disposition of Pacific islands that are to be taken from Japan.

"Due to these omissions, the communique falls far short of stating the basic prerequisites for a just and durable peace in the Far East," he argued. "Hong Kong is as Chinese historically and in population as Formosa and Manchuria. The Far East, equally with Europe, requires the operation of an international organization such as was proposed by the Moscow declaration."

The Cairo conference was referred to in our issue of Dec. 9, page 2342.

Advantageous To Far East To Join Post-War World Monetary System; Leavens

Far Eastern countries probably will find it advantageous to join any post-war world monetary system generally accepted by the West or at least maintain a connection with the currency of the western country with which they are politically allied or have most important trade relations, said Dickson H. Leavens, expert on Far Eastern currencies, on Dec. 16.

Mr. Leavens cites the possibility that India and China may experience some nationalistic desire to break away from all dependence on the West and set up currency systems that can be manipulated for their own benefit but intelligent self interest may operate to prevent extreme measures. He adds that in Japan there may be the additional urge to keep the exchange value of the yen low to aid in the restoration of export trade in the face of political obstacles.

Mr. Leavens describes as "probable" a desire almost everywhere for a stable price level "in view of the inflation which all of these countries are now experiencing, whether to the great extent that is taking place in China (and also presumably in the occupied countries) or to the milder extent in India and presumably in Japan."

"If India obtains a considerable measure of self-government," he adds, "it is not impossible that there might be a strong opinion favoring a break with sterling and the establishment of a managed currency which could be manipulated to favor exports and to stimulate the economy by mild inflation."

In China, according to Mr. Leavens, the most important argument against reviving the silver standard is "the fact that China could have no assurance that American political meddling with silver would not again upset such a basis. She would be better off to throw in her lot with the American dollar or with some world currency system that gave reasonable promises of stability.

Mr. Leavens, in a paper published by the Monetary Standards Inquiry, New York, says the Far Eastern Nations can hardly expect to have a voice in establishing a post-war international monetary system.

"All the Far Eastern countries together," he says, "though containing half of the world's population, are relatively much less important in world economics." Mr. Leavens adds:

"In the pre-war years they contributed less than 15% of total world trade, or about the same as the share of the United States or the United Kingdom alone. In many cases their banking systems and their whole economic structure are less developed than those of the West or are in a subsidiary relation to those of their mother countries.

"There is little that the Governments or people of these countries can do at present about an international monetary system. All of these countries, however, may be expected to continue or resume their trade relations with America and Europe after the war, and it would therefore seem to be to their advantage to join in any world monetary system that may be generally accepted by the West or at least to maintain a connection with the currency of the Western country with which they are politically connected or with which they have the most important trade relations."

Curb Securities Listing Hearing By SEC Jan. 19

Indicating that "the showdown in the spirited fight by the over-the-counter market to prevent the New York Curb Exchange from making a mass invasion of the unlisted securities field" was postponed on Dec. 13 for the third time by the Securities and Exchange Commission at the request of counsel for all parties. Philadelphia advices to the New York "Times" went on to say:

"The Commission set Jan. 19 as the new date for a hearing on the application by the Curb Exchange to extend unlisted trading privileges to stocks of six companies, a move which faces unified opposition from the National Association of Securities Dealers, Inc., and others in the over-the-counter market.

"The stocks involved are the $10 par common of the Lukens Steel Co., the $1 par common of Merck & Co., Inc., the $20 par common of Northern Natural Gas Co., the no par common of the Public Service Co. of Indiana, Inc., the no par common of the Warner & Swasey Co. and the $10 par common of the Puget Sound Power & Light Co.

"The Puget Sound Power & Light stock was the subject of a separate hearing which was consolidated by the SEC on Dec. 4 with the hearing on the other five issues."

FHLB Directors Named To Member Bank Bds.

James Twohy, Governor of the Federal Home Loan Bank system, announced on Dec. 12 the election of directors of Federal Home Loan banks in various cities by their member institutions and the reappointment, for four-year terms, of the public interest directors of most of them. Associated Press accounts from Washington reporting this added:

"The cities in which the banks are situated, the directors elected (all for two-year terms), and the reappointed public interest directors include:

New York: Legrand W. Pellett, Newburgh, N. Y., re-elected; Claude B. Gandy, Tottenville, S. I. N. Y.; Francis V. D. Lloyd, Ridgefield Park, N. J., re-elected; and Henry N. Stam, Paterson, N. J.

Boston—Reuben A. Cooke, Burlington, Vt., re-elected; Edward H. Weeks, Providence, R. I., Norman U. Armour, Salem, Mass., and Sumner W. Johnson, Portland, Me., re-elected

Public interest — William J. Pape, Waterbury, Conn.

Huge Travel Increase Seen If Railroads Provide Modern Coaches

(Continued from page 2529)

"Long Distance Visiting"

"Not only have the young men and women in our armed services traveled from one end of the country to the other, but there have been great dislocations of the centers of population due to the erection of enormous war plants in sections of the country sparsely populated before. All this will promote a desire to travel after the war is over, and our people will undoubtedly do a great deal more long distance visiting.

"The reduction of time made possible by faster trains and the reduction of the cost of travel will be a dual incentive to make trips which would otherwise never have been even contemplated.

"I recall my surprise at learning what a difference speed and expense could make when two young secretaries in our company decided to take their two weeks' vacation in a visit to California. My first reaction was, 'How outrageously extravagant. Why, these young women would be put to all the expense and would see very little of California.' I found, however, that the cost of the round trip was only about $100, and that by working on three Sundays they were able, actually, to have eight days on the Coast. These young women were quicker than me to appreciate the benefits of a more rapid travel, and cheaper. They made their trip on the newly established 'El Capitan,' and this train made the same fast time as the luxurious 'Super Chief.'

Zephyr Trains Triumph

"Another instance of what improved schedules can do is found in the splendid service between Chicago and the Twin Cities. Prior to 1935 the travel between these points was carried by the transcontinental trains which passed through Minneapolis. These trains covered the distance in anywhere from 9 to 11 hours. Then the Burlington inaugurated a very fast service with two little three-car trains. These became so popular that they had to be expanded into seven-car trains, each running a round trip a day (854 miles), and each in demand beyond their capacities. These Zephyr trains are still the fastest in the world, making the run in 6 hours and 15 minutes, which averages about 70 miles per hour. This service tapped such a large and previously unsuspected business that the Milwaukee Road inaugurated a similar service and the North Western quickly followed suit. In this instance, and in almost every other instance, the competition has made more business for the competing roads than they enjoyed before.

"Another example is to be found in the New York to Florida travel where the Seaboard Railroad inaugurated a fast service with its 'Silver Meteor,' and the Atlantic Coast Line promptly paralleled this service with its 'Champion.' Within a year both trains had to be doubled in capacity, and even before the war reservations were as hard to get as they are now generally.

Better Boston-New York Service

"From this it is easy to project a picture of what would happen if a fine fleet of trains could be put in the Boston-New York service, making the run in three and one-half hours instead of four and three-quarters, and offering a splendid coach accommodation for a little less than $5. The saving of two and one-half hours in the round trip enables the traveler to return the same day. Most Boston people stay home and New York people do not go to Boston except for unusual occasions, but a proper service will induce women to go to New York or Boston for lunch, or calling, or shopping, or theater, and get back to their homes the same day. This trip between cities becomes inexpensive when the reserved seat can be gotten for coach fare and hotel bills are saved. Long trains could go every hour. An increase of 500% in this travel is a reasonable estimate. The Florida service mentioned showed an increase of 1,200% in coach travel after one year of operation.

Improved Trains and Service

"The railways have earned and received great praise for the way they have handled the war situation. Nevertheless, it has been obvious to the traveler that in many cases he has been carried by vehicles which lack the charm and comfort that is possible nowadays. It is the belief of our company that many cars will be needed, that many new trains will be put into service so as to give more frequent times of departure, and to give earlier times of arrival.

"The railroads carried through one of their greatest accomplishments between 1905 and 1915 in building a large number of railway passenger cars of steel—fireproof, strong, and with what were considered comfortable seats and comfortable surroundings in that day. There has been much improvement in these particulars since that time. Just before the war there were certain trains introduced in the East, in the West and Middle West which elevated the standard of railway coaches by taking advantage of the advance in the arts in the thirty preceding years.

Stainless Steel Cars

"When our company began the study of the railway passenger car, our problem was how to get superior qualities of metal in its structure so as to reduce the dead weight and increase the collision strength of the car. We chose as our structural material a stainless steel, which gets its great strength, along with its ductility and resistance to fatigue, through cold rolling. This assures a vehicle which can retain all the strength of a 160,000 pound coach and weigh but 100,000 pounds. It so happens that the material has a beautiful color, with greater resistance to corrosion than even silver or gold. It needs no painting to protect it from the atmosphere. Dust and dirt can readily be wiped off. The beauty of the trains made up of stainless steel cars in itself is a commercial asset to the railroad. It is attractive to the prospective rider and adds to the esprit de corps of the train crew by giving them something to be proud of.

"One of the factors in encouraging travel is the lapse of time from here to there. With these new trains, acceleration and deceleration take place quickly at the stations, thus saving some minutes at every station along the route. It is possible with this kind of equipment to make more rapid speed, but it is also possible to get from station to station in a shorter time without excessively high speeds.

Making Travel A Pleasure

"The trains which the roads will use after the war will be so comfortably furnished in such restful colors, with pure air of right temperature, the service from railroad officials so courteous, that the time in transit will pass quickly in the mind of the passenger, and the travel from one place to another, instead of being something to dread, will be a thrilling sense of pleasure.

"Generally we men folks have traveled for business and only when we had to, and generally our companies have paid the cost. Travel has been expensive and we have not expected to enjoy it. But when the great public starts to travel, price will become a factor, and it is from the great public that the railroads will receive their increase of passenger business.

Cheaper, Better Coast-to-Coast Travel

"A trip from New York to Los Angeles, with the usual layover in Chicago, takes 64 hours on the extra fare trains, and 85 hours on the other trains. The fare and lower berth on the good trains is $263.62 for the round trip, and very few people can afford it.

"After the war we would hope that there would be other trains from New York to Los Angeles or San Francisco in 50 hours, and at a cost for fare, meals, etc., of about $70. These trains would carry 500 people and would consist of ten sleeper-coaches, would yield the railroad $10 per mile gross revenue, and would save the passenger 30 hours in reaching his destination.

"This sort of a service would have an enormous appeal to the great mass of the American people, and it is from them that the railroads expect and must seek their business. Of course luxury travel will be continued, but it can never be promoted to much greater volume than we have had in the past. The other possibility is almost limitless.

Passenger Car Pioneering

"An all-coach train service was first tried by the Santa Fe Railway, and that fine and able administrator, Mr. Samuel T. Bledsoe, wanting to assure himself of whether the enterprise was a promising one or not, asked some of his office force to discuss the project with their own families. Such a train, the 'El Capitan,' running from Chicago to Los Angeles, would save the passenger $40, as compared with the lower berth in the sleeper, and Mr. Bledsoe pointed out that they would have to sleep in a reclining position and would not have a bed and bed covers. One official came in the next morning and said that his wife had emphatically claimed she would sit up every night the whole year round to save $40. The train was bought, has been expanded in capacity, and has now been in operation for six years.

"Of course the automobile people are also ambitious, and they are sure to get a great share of passenger traffic. The airplane people, too, are ambitious. They offer comfort and they do save time. They have small units which can depart at frequent intervals, and they will naturally have a large expansion in their future business.

"But the railroads need not fear this competition. With the development of the arts in recent years, and with the application of these new arts to the building of future railway equipment, there will be a tremendous expansion in the number of passengers carried by the railroads, especially for long distance travel."

R. H. Nichols Is With Barcus, Kindred & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — Robert H. Nichols has become associated with Barcus, Kindred & Co., 231 South La Salle Street. Mr. Nichols was formerly President of Nichols & Co. of Nashville, Tenn.

Homans Co. To Admit

Homans & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, will admit Dora P. Homans to partnership in the firm on Jan. 1, 1944.

Investment Trusts

Merry Christmas!

And a prosperous New Year! Certainly there is more reason for the great majority of investment company sponsors to be optimistic at this Christmas season than there has been for many years past. And as for the coming year, this observer is confident that it will witness a substantially greater public acceptance of investment company offerings than has occurred in 1943.

* * *

"How safe is cash?" asks **Keystone Corp.** in a recent issue of **Keynotes.** The bulletin illustrates the decline in the purchasing power of the dollar since 1939. Showing the present purchasing power of the dollar at 72 cents in terms of its 1939 value, the bulletin elaborates on the following points:

1. Dollars shrink as prices rise.
2. Idle dollars earn no income.
3. Idle dollars do not grow.

The bulletin concludes: "Cash—beyond the reserve for current needs—should not be allowed to remain idle to invite one or more of these losses. It should be invested in United States Government bonds—and in other classes of securities appropriate for the investor's purpose—where it can work and earn as it should."

* * *

Distributors Group has just released an attractive little folder on **Low Priced Shares,** a class of Group Securities, Inc. The covering letter makes the flat statement: "The record is clear that for greater-than-average profits in a rising stock market one should invest in low priced stocks." The folder presents convincing proof of this statement and shows that the average market appreciation in the securities presently owned would amount to 175% on a return to their 1936-37 highs. This compares with a market appreciation of only 50% for the Dow-Jones Industrial Average on the same basis.

The Investment Research Department of Distributors Group in a current issue of **Railroad News** debunks the current impression that a drastic increase in railroad wages is on its way and that such increase will threaten the solvency of many roads. The memorandum presents a chart showing that the ratio of railroad payrolls to operating revenues has actually declined in every year since 1938 despite the increases in railroad wage rates which have been granted during that period.

* * *

National Securities & Research Corp. in its current issue of **Investment Timing** explores the subject, "Inventories — handicap or benefit?" The article contains a good deal of helpful information on this subject and points out that the current record high level of $17.7 billions of manufacturers' inventories is not the threat to our post-war economy that it would seem.

In conclusion the study makes the following point: "Two factors should remove apprehension of post-war 'dumping' and widespread price slashing; the pent up civilian demand, and a Government program of inaugurating stockpiles and orderly disposal of goods, signs of which have already begun to appear.

* * *

Hugh W. Long & Co.'s December 15 issue of **The New York Letter** carries an interesting summary of Dr. Edwin Walter Kemmerer's new pamphlet entitled, "High Spots in the Case for a Return to the International Gold Standard." Dr. Kemmerer comes out quite strongly for such a standard in the post-war world. Copies of his pamphlet may be obtained from the Economists' National Committee at 70 Fifth Ave., New York City.

The Long Company has achieved a pleasant "change of pace" from the usual run of investment company literature in an original "Season's Greetings" card which that sponsor is sending out. "1944" is represented in the form of a lusty youngster who looks like he is really going places.

* * *

Massachusetts Distributors' December 11 **Brevits** shows again the divergence between stock prices in London and New York. Comments **Brevits:** "It seems equally obvious to us, however, that if the future destinies of England and America are, in fact, to be as closely interwoven as indicated, the great divergence in financial judgment of security values cannot exist interminably.

"Naturally, the London market may return to the relative levels existing in this country; but as mentioned in **Brevits** before, if the English markets have weathered all of the adverse influences that

(Continued on page 2553)

Tomorrow's Markets Walter Whyte Says—

Market beginning to recognize old offerings by backing away—Look for dullness followed by reaction—Stocks to become buys when setback materializes.

By WALTER WHYTE

There hasn't been much change in either the news or market picture since last week's column was written. On the news side it can be said that the President is back in the United States, the railroad workers approved a strike vote and Congress, fighting the war with at least one, if not both eyes, peeled on the political situation with regard to next year's elections, has packed up and gone home for the Christmas holidays.

* * *

Congress, incidentally, devoted considerable effort prior to recessing in attempting to work out a solution to the soldier-vote problem. Finding the solution was not too difficult for some of the lawmakers. This group would simply deny the voting privilege to members of the armed forces or so involve it in red tape as to make the whole procedure meaningless.

* * *

With regard to the inflation threat, a solution similarly based on expediency and political considerations appears to be the answer to the problem. The farm bloc wants higher prices and Congress, accordingly, reasons that a little price boost won't hurt.

* * *

Meanwhile, the stock market is about the only mirror of events that has refused to cast a distorted reflection, as its sole function is to reflect coming events. It takes its cue from isolated occurrences in widely separated portions of the world, evaluates them and acts accordingly. Its final judgment is translated into market prices which you see as prosaic movements on the stock ticker.

* * *

Right now the mass of market followers seem to see an American economy planning for a post-war changeover. And following this reasoning is looking for companies that can manage the transition with little disturbance to their corporate or financial structures. Whether the ideal can be found is debatable. Rather than dig through a morass of figures I prefer to look at individual market action for clues. For in the final analysis market profits will accrue from market action and not from involved statistical analysis.

(Continued on page 2553)

NASD Willing To Sacrifice Small Dealer Firms To Appease SEC

(Continued from page 2527)

There has been some talk to the effect that commissions real estate brokers in New York State may exact are limited by law on a graduated basis. The reasoning being that if such a law is good in the real estate field it should be good in the securities field.

Now that's just what the "Chronicle" has been saying right along—that anything done in the securities field with respect to limiting profits or compelling the revealing of inside markets will be used as a precedent in an attempt to remake the whole of America.

The fact is, of course, that even if it were true that the commissions of real estate brokers were limited by law in New York State it would not follow that it was a good thing. It so happens, however, that the commissions are not really limited at all. That is to say, in a contract of sale a broker can stipulate any fee, large or small, that he sees fit for bringing the seller and buyer together. It's only where the fee is not mentioned in the contract of sale that the fees fixed by statute apply.

However, since it was the general practice to stipulate the brokerage commission in a contract of sale, trade custom was not changed by passage of the law in question. It must be remembered, too, that a real estate broker acts as an agent just as does a broker in securities, and it has always been the practice of both to disclose the commission charge to the client. A dealer, or operator, however, as they are called in real estate parlance, IS NOT OBLIGED to reveal his cost price or profit to a buyer because of the passage of the law pertaining to commissions.

As was mentioned in our columns last week, organized efforts to have the 5% rule upset will shortly be apparent. Individual dealers and dealer associations all over the country must exert themselves to the utmost to have this rule rescinded. They may be sure their efforts will not be in vain.. THE 5% RULE MUST NOT AND WILL NOT STAND.

Those interested in this subject will not want to miss reading "Price Fixing and Securities Business," by Messrs. A. M. Metz and Edw. A. Cole, which starts on the front cover of this issue. Since the NASD is nothing more nor less than a resuscitation of the much discredited NRA Code Authority in the investment field, they will also want to read "Free Enterprise," by Dr. Henry M. Wriston, President of Brown University, also starting on the cover page.

Note—Additional letters from dealers on the 5% profit spread that could be accommodated in today's issue are given below. As in the past, no letter favorable to the 5% decree has been omitted. And don't forget that in informing the "Chronicle" of your views on the subject you are helping the cause in a substantial manner. The names of those submitting comments will be omitted where requested. Communications should be addressed to Editor, Commercial & Financial Chronicle, 25 Spruce Street, New York 8, N. Y.

More Dealer Comments On NASD Rule

DEALER NO. 99

We believe you are doing an excellent work and serving the investment securities field in a worthy cause in proving the folly in the recent NASD 5% profit decree, on gross profits.

We condone no taking of excessive profits in our business, but we feel the limitation of gross profits to around 5% may drive many small firms out of business.

We feel that gross profit on some transactions or final consummated business in certain instances should result up to 10%, particularly in our case, as we cover a territory of over 60 miles radius and serve a comparatively few clientele with a very broad, complete financial service. Our service is designed to serve the special individual requirements in a very personal form of personal contact and consultation. This requires comparative large amout of time and attention per customer.

We believe some of the work the NASD is doing is fine and constructive, but we are afraid they are going a little too far in this profit limitation decree, as it is too inflexible and arbitrary to be sound in the long-term interests of our business.

In order to protect ourselves against possible reprisals from the NASD at this time, we ask that you keep our name confidential in this connection.

DEALER NO. 100

While we are waiting for the pendulum to swing from the high point of New Deal folly, and it is surely in motion at the present time, why not turn over to the SEC full charge of the investment dealers and abandon the intermediary NASD. The latter is collecting an enormous aggregate sum to police its own members. The Congress, in its present mood, would not add such a sum to the SEC appropriation. In fact, under the theory of States' Rights, the Congress can be addressed by dealers in various States, to curtail the SEC powers through the reduction of appropriations. This is the only method by which the country will rid itself of the multitudinous bureaus the New Deal has created. Get the noses of the Frankfurterites out of the trough and not only investment dealers but farmers, merchants, large and small corporation, relieved of the time and expense of bureaucratic regulations, can again devote their energies to the actual business of making a living . Will appreciate your withholding my name.

DEALER NO. 101

Any dealer who fails to attempt to protect his business from the outrageous "bid and asked disclosure rule" proposed by the SEC, must have lost his self-respect and should take a plane to Germany and live under the rule of Adolph Hitler.

To be more specific, in the first place, under any commonsense construction, the rule violates the Constitution of the United States. Second, it is outrageously unfair. There is no more reason why the investment dealer should disclose the margin of profit than the peanut vendor or the hardware dealer.. Third, it is not only impractical in that it imposes obligations on the dealer which in many cases would consume an immense amount of his time and effort in obtaining bid and asked quotations, but would also leave open for the meddlesome SEC innumerable instances for dispute in construing the dealer's complinace with the rules. It would cause endless friction and suspicion between the dealer and the customer, who, in many, and probably most cases, is not a fair or competent judge of what a reasonable dealer's profit should be.

I hope the industry will arise as one unit to oppose this rule with all they possess.

I should prefer that you do not use my name if you publish this letter.

World Needs International Monetary System To Reestablish Trade On Sound Basis, Says Clark

Defending proposals to set up an international monetary system after the war, W. C. Clark, Canadian Deputy Minister of Finance, declared on Dec. 15 that unless some currency code embodying the principal features of the Keynes, White, or Canadian plans is adopted, world trade can not be re-established on a sound basis.

In an address before the New York University Institute on Post-war Reconstruction, Mr. Clark criticized proposals to substitute an international monetary system based upon existing "key currencies" for one based on a new international monetary unit.

This proposal, Mr. Clark said, "appears to accept the splitting up of the world into a sterling area with a group of satellite countries revolving around Great Britain and a dollar area with a group of satellite countries revolving around the United States. It would therefore tend to lead to the creation or perpetuation of economic blocs and the possible danger of fostering discrimination not only in currency matters but in trade as well. In the second place, it would seem to make necessary the provision of direct credit from one country to another, possibly on quite a large scale as each major country must carry the burden of its satellites. The granting and accepting of such credits would be just as difficult as in the case of an international agency and would seem to be at least as vulnerable to political criticism. Finally, it is not enough to stabilize only the key currencies or to apply an international code to them alone. Many countries which are not included amongst the Great Powers are still of importance—not only to one another but to the major powers."

Mr. Clark explained why the problem of international currency stabilization was of particular importance to Canada and expressed his pleasure at having been selected to discuss this subject at New York University's current series of lectures on Post-War Goals and Economic Reconstruction. "There are at least two important reasons for the special interest of Canadians in this problem," he said, and he added:

"First, we have a greater per capita stake than any other country in an active and healthy functioning world trade. Although our population is less than 12,000,000, we are today the third or fourth most important trading country in the world and even in normal times about a third of our national income is derived from the sale of goods or services abroad. The second and equally important reason is related to the peculiar structure of our international balance of payments. By this I mean that while the United Kingdom is normally Canada's best customer, Canada is normally the best customer—and also the largest debtor — of the United States. Considering both trade and financial relationships, our interests are about equally divided between your country and the United Kingdom. When, therefore, the American dollar-pound sterling exchange ratio is unstable, Canada gets 'whipsawed' between these two key currencies. When pounds sterling cease to be freely convertible into U. S. dollars, as from the beginning of this war, our lot may be hard indeed."

Mr. Clark devoted the major part of his address to a discussion of the respective advantages and disadvantages of the Keynes, White and Canadian plans, saying:

"The fundamental or ultimate objective of all three plans, is to make possbile the restoration and development of healthy international trade after the war as an essential condition of world prosperity. In the last analysis they seek a form and measure of international collaboration which, along with other necessary collateral arrangements, will enable the world to solve the complex economic problems of the post-war period instead of merely repeating the disastrous errors and frustrations of the thirties."

Referring to critics of these plans who have seen in them the seeds of a possible post-war inflationary boom, Mr. Clark said that "it would be desirable to control and, if necessary, to defer during the transition period access to some part at least of the credit facilities made available by the new monetary agency."

Now A Partnership

LOS ANGELES, CALIF.—The Pacific Company of California, 623 South Hope Street, members of the Los Angeles Stock Exchange, formerly a corporation, is now a partnership. Members of the firm are Robert H. Parsons, J. L. Ryons, Warren A. Pike, and Kenneth M. Payne, general partners, and Alexander King, limited partner. All were formerly officers of the predecessor corporation.

Investment Suggestions

In the current issue of their "Preferred Stock Guide," G. A. Saxton & Co., Inc., 70 Pine Street, New York City, have prepared a list of bonds and preferred stocks which they believe offer interesting possibilities. Copies of the "Guide," which also contains quotations on preferred and common public utility stocks, may be had upon request frcm G. A. Saxton & Co., Inc.

Pittsburgh Rys. Look Good

The current situation in Pittsburgh Railways System, particularly certain of the underlying bonds, offers attractive possibilities for appreciation, according to a study prepared by T. J. Feibleman & Co., 41 Broad St., New York City. Copies of this interesting study, which is available to dealers only, may be had upon request from T. J. Feibleman & Co.

Ohio Municipal Comment

(Continued from page 2532)

could expect some $16,000,000 of bonds per year. In appraising the effect of this volume on the market, it is advisable to compare this amount with the probable amount of Ohio municipals that will be taken out of the market by reduction, through payment, of the gross debt of Ohio subdivisions. During the 10-year period between 1/1/33-1/1/43, all Ohio subdivisions reduced their total bonded debt by an average of some $28,000,000 per year. It is likely that Ohio municipals will be paid off, from cash redemption, in about the same volume after the war, and this amount of reduction in available bonds is 75% greater than an estimated supply of new issues of $16,000,000 per year after the war, which latter figure includes a large percentage of bonds simply issued for refunding purposes.

Institutional Selling May Decline

Furthermore, it is advisable to keep in mind that during 1943 $8,716,000 par value of Ohio municipals came into the market through sales by State funds, who were the largest institutional sellers of Ohios in the secondary market. This amount, added to the $8,000,000 of new Ohio issues sold during 1943, gives a total of $16,716,000 Ohios that came into the market this year through public sale. The two funds which are by far the largest of the State funds, are now more than 50% invested in U. S. Government securities, and it is questionable whether more municipals will be made available to the market from this source.

Finally, it is quite possible that other institutional selling of municipals has been on a larger scale during 1942 and 1943 than will be seen after the war, especially if municipal prices should decline then, as some prognosticators have indicated.

Thus, it would seem that the volume of new Ohios that may come into the market after the war will not be on a scale that will put prices down. Moreover, the increased volume will probably not be witnessed at all until more bonds can be voted by the people and materials are available for construction, which will likely not be until after Japan, as well as Germany, have been defeated.

Post-War Money Rates

Other talk has been heard that the Government cannot maintain low money rates after the war. Space here prohibits an adequate discussion of this aspect of the post-war market. But these same people appear to feel that the Government can maintain low rates as long as the war lasts. Suffice it to say here, that it is difficult to agree that anyone can maintain easy money while the Government is borrowing $75,000,000,000 a year to prosecute a global war and yet not be able to do so when the borrowing needs after the war will only be a fraction of the current requirements.

Other people are predicting higher money rates after the war due to a demand for money for home building, other construction, consumer purchasing and other demands. Again space does not permit an adequate discussion of this subject, nor can anyone predict accurately the future of money rates. But it cannot be denied that money is today plentiful, with over $20,000,000,000 currency merely in circulation, to say nothing of the increased billions of deposits which individuals and corporations now have in banks and the billions of investments which people have in the form of war bonds. These facts lend strong support to the feeling that money rates will not rise, and people will not be demanding loans from banks until this currency in circulation, deposits in banks and investment accumulated, have first been used in large measure to satisfy the post-war demands of the people.

It would appear that the investor should concern himself, not so much with the probable future level of bond prices generally, but instead, and to a far greater degree, with the ability of his investments to withstand possible adverse developments in business conditions in the post-war years—not the least of which possibilities is a post-war depression.

Ohio Brevities

(Continued from page 2532)

Herman J. Sheedy of McDonald-Coolidge & Co., was chosen Vice-Chairman of the area which includes Cuyahoga County (Cleveland) and 25 other northeastern Ohio counties. Phil J. Trounstine is State Chairman.

* * *

Cleveland Life Insurance Executives' Club has named W. Allen Beam as its head. He is general agent for State Mutual Life Assurance Co.; Edward L. Reilley of Penn Mutual Life Insurance Co. is Vice-President and J. Victor McLaurin of Sun Life Assurance of Canada, Secretary-Treasurer. New directors are Sidney Rosenblum of Connecticut Mutual Life Insurance Co. and Donald E. Hanson of Aetna Insurance Co.

* * *

Cold Metal Process Co. of Youngstown, Ohio, is to receive a total of $248,359 in royalties and $18,669 in interest from McLouth Steel Corp. of Detroit, on order of Donald L. Quaife, Special Master in Chancery at Detroit.

* * *

William J. Perry, Acting Secretary of the Cleveland Stock Exchange, announced results of balloting on a nominating committee for the annual election of officers.

Elected to the nominating group were Richard A. Gottron, partner of Gillis, Russell & Co.; D. A. Hawley, partner of Hawley, Shepard & Co., and E. E. Finley of Finley & Co. Ballots containing five names were sent out early last month.

* * *

Addressograph-Multigraph Corp. announced promotion of three of its officers.

Elmer F. Richter, an employee for 23 years, who was made Secretary and General Manager last year, has been elevated to Vice-President, and retains the General Manager's post. A. P. Tyler moves up from his job as Secretary to the President to Secretary of the company. Donald C. Adams was made Assistant Secretary and continues as Assistant Export Manager.

* * *

Loren M. Whittington, onetime employee of the Bankers Trust Co. of New York and the New York Telephone Co., and now an Assistant Vice-President of the Cleveland Trust Co., has been nominated Vice-President of the American Statistical Association. With Cleveland Trust since 1931, he has been associated with Brigadier General Leonard P. Ayres in the bank's research department.

George Gund, President of the bank, announced employees of the bank received approximately $65,000 in Christmas bonuses.

* * *

F. D. Kellogg has left the Presidency of the Cleveland Quarries Co. and has been made Chairman of the Board following a special meeting of directors. Kellogg asked to be relieved of his duties as President and recommended Elmer T. Ripley who was named President.

Foster & Marshall To Admit L. B. Ragen

SEATTLE, WASH. — Foster & Marshall, 1411 Fourth Avenue Building, members of the New York Stock Exchange, will admit L. Brooks Ragen to partnership in their firm on Jan. 3, 1944. Mr. Ragen was formerly associated with Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. in Portland, Oregon, where he will continue to make his headquarters.

Demountable Housing Units Now Undergoing Practical Tests

Technicians Representing Five Foreign Governments Participating In Project

Technicians representing five foreign governments will cooperate with the New School for Social Research, at 66 West 12th Street, New York City, in devising a demountable housing unit envisioned as a means of economically erecting temporary public buildings to replace bomb-shattered structures in post-war Europe, it was announced on Dec. 21 by Dr. Alvin Johnson, director of the school. This is learned from the New York "Herald Tribune" of Dec. 22, which reports Dr. Johnson as saying that $50,000 had been granted the institution for the study by a donor whose identity he would not make public. The plans for the project will be drafted in the studio of Paul Lester Wiener, architect, of 33 West 42nd Street, who with J. L. Sert, City Planner, is directing the study.

The "Herald Tribune" went on to say:

Mr. Wiener said the construction of full-size models and their testing for strains and stresses under various conditions of wind and weather and on various kinds of soil will take place on a vacant lot at 550 Barry Street, the Bronx. He said the project would continue for five months and that a preliminary unit had already been built and was undergoing winter-testing at the Bronx location.

The ultimate aim of the study, Mr. Wiener said, is to "devise a universal system of construction for temporary buildings, allowing stock-piling and mass manufacture of units adaptable to any and all purposes—especially where the exact need cannot be known in advance." If the unit devised is not adaptable with equal satisfaction to a "hospital, dormitory or railroad station," it will not do, he said. "It must do any or all of these things so we need not know in advance what its ultimate purpose might be."

Mr. Wiener said the identity of the men representing foreign governments could not be revealed without the permission of their governments.

Although a major intention was to evolve a standardized construction unit to be used in the "relief, rehabilitation and reconstruction program" in post-war Europe, Mr. Wiener said that it could be used in this country in erecting housing projects which could later be taken apart for "conversion into rural schools where no funds were available for community service."

He said the aim was not to perpetuate "temporary buildings," erecting structures which might ultimately result in "ghost towns." Nor was he interested, he said, in adapting such a unit to private housing.

Designs already completed by Mr. Wiener and Mr. Sert include universal parts for both wood and steel structures. The building parts designed, Mr. Wiener explained, are applicable to two-story buildings with spans in width from 20 to 42 feet.

Mr. Wiener and Mr. Sert are co-inventors of a construction system which Mr. Wiener calls "ratio structures." This system is now being used in a 160-family housing project and community center begun four weeks ago at Sydney, N. Y., under the Federal Public Housing Authority of the National Housing Agency.

$400 Million War Bond Goal Is Fixed By Savs. & Loan League

The purchase of $400,000,000 of Government bonds in 1944 to convert their present peak inflow of funds into "fighting dollars" will be the goal of savings and loan associations and cooperative banks, according to their nationwide organization, the United States Savings and Loan League. A resolution passed by the war conference of the League recently in Chicago is being transmitted to the 3,700 member institutes, setting this goal for the coming year, $100,000,000 higher than that of 1943. The Fourth War Loan, in January and February, will launch them well on their way to attainment of the goal, which the League officials confidently expect will be exceeded. The 1943 goal was practically doubled.

Roy W. Larsen, Minneapolis savings and loan executive, has been appointed General Chairman of the 1944 drive, it is announced by John F. Scott, St. Paul League President. Chairmen for the drive in each of the States will be announced before the Fourth War Loan begins. The resolution adopted at the national meeting said that the setting of the goal would serve as "an added incentive for increased purchase of Government bonds by our associations," since many factors inherent in the associations' affairs combine to push upward the total of war financing they do. A record inflow of new savings and investments during the current quarter of the year, plus twice as large as normal loan repayments, place them in a good position to invest heavily in Governments. It was pointed out that since Pearl Harbor the associations' holdings of Government securities have shown a net increase of $675,000,000.

Ins. Stock Attractive

Firemen's Insurance Company of Newark offers interesting possibilities, according to a detailed memorandum on the situation issued by Mackubin, Legg & Co., 22 Light Street, Baltimore, Md., members of the New York and Baltimore Stock Exchanges. Copies of this memorandum and the firm's Insurance Stock Index for November may be had from Mackubin, Legg & Co. upon request.

New Appointments Are Announced By J. P. Morgan & Co.

The board of directors of J. P. Morgan & Co. Incorporated, 23 Wall St., New York City, at their regular meeting appointed William I. Foley to be Treasurer; Arthur H. Sanford, Edward L. McNicol, George C. Henckel, Berkeley Gaynor and Lathrop S. Haskins to be Assistant Vice-Presidents; Robert P. Howe to be Corporate Trust Officer; Alfred S. Foote to be Assistant Treasurer, and Homer P. Cochran to be Investment Officer.

Municipal News & Notes

Various local housing authorities are announcing their intention to dispose of an aggregate of $89,220,000 notes, including $43,-467,000 scheduled for award on Dec. 29, and $45,753,000 on Jan. 6. The issues to be sold on the former date (all bearing date of Feb. 10, 1944*) are as follows:

Name of Authority—	Issue	Maturity
Boston, Mass.	$11,516,000	Nov. 8, 1944
New York City	2,215,000	Aug. 1, 1944
Washington County, Pa.	810,000	Nov. 28, 1944
Allegheny Co., Pa.	3,778,000	Feb. 6, 1945
Fayette Co., Pa.	2,016,000	Nov. 28, 1944
McKeesport, Pa.	1,015,000	Aug. 7, 1945
Norfolk, Va.	1,840,000	May 8, 1945
Orlando, Fla.	378,000	Nov. 28, 1944
Detroit, Mich.	14,800,000	Nov. 28, 1944
Decatur, Ill.	1,719,000	Aug. 6, 1945
Conway, Ark.	192,000	Feb. 6, 1945
Alexandria, La.	665,000	May 8, 1945
Bremerton, Wash.	1,892,000	Feb. 6, 1945
Glendale, Ariz.	207,000	Nov. 8, 1944
Mesa, Ariz.	234,000	Nov. 8, 1944
South San Francisco, Cal.	190,000	Aug. 28, 1945

*Washington Co., Pa., and South San Francisco, Calif., issues to be dated Feb. 17, 1944. Bids on the following issues (all dated Feb. 17, 1944†) will be opened on Jan. 6.

Name of Authority—	Issue	Maturity
Asbury Park, N.J.	$334,000	Aug. 7, 1945
Jersey City, N. J.	6,225,000	Aug. 7, 1945
Long Branch, N.J.	455,000	Nov. 8, 1944
Chester, Pa.	5,157,000	Nov. 28, 1944
Montgomery, Ala.	203,000	Aug. 27, 1945
Meridian, Miss.	368,000	Nov. 8, 1944
Memphis, Tenn.	1,485,000	Nov. 28, 1944
Chicago, Ill.	8,100,000	Aug. 1, 1944
Chicago, Ill.	9,950,000	Feb. 27, 1945
Madison Co., Ill.	578,000	Nov. 28, 1944
Fort Smith, Ark.	710,000	Feb. 27, 1945
Galveston, Texas	990,000	Nov. 8, 1944
King Co., Wash.	172,000	Feb. 27, 1945
Seattle, Wash.	1,555,000	May 8, 1945
Contra Costa County, Calif.	943,000	Feb. 27, 1945
San Franc., Cal.	8,553,000	Feb 6, 1945

†Chester Co., Pa., Chicago, Ill. ($9,950,-000 due Feb. 27, 1945), and San Francisco, Calif., issues to be dated Feb. 10, 1944.

In announcing the offerings, David L. Krooth, General Counsel of the FPHA, stated as follows:

Each issue of these notes will be secured by a Requisition Agreement between the issuer and the Federal Public Housing Authority, which is now administering the functions of the United States Housing Authority. Under this Agreement the FPHA commits itself to make funds available for the full payment of the principal and interest of each of the respective issues of notes to the paying agent of such notes (who is selected by the purchaser) prior to their maturity. Each issue, therefore, has the same security as any other, no matter which local authority is the issuer.

In view of the curtailment of civilian air traffic, it is recommended that in mailing any bid you desire to make, you check mailing schedules carefully to assure that the bid will be received by the local housing authority before the hour set for bid-opening.

Atlantic City Considering Refunding Program

Atlantic City, N. J., is investigating the prospects of refunding its presently outstanding callable bonds amounting to approximately $22,711,000, with a view to effecting a substantial reduction in the interest cost on the obligations. The city, it is said, has requested the Chicago bond firm of Stifel, Nicolaus & Co., to arrange for an independent study of its finances in order to determine the feasibility of the proposed refinancing.

The firm has engaged the services of Wainwright, Ramsey & Lancaster, well-known New York City municipal bond consultants to prepare the survey. This company has been prominently identified in the financial rehabilitation programs that have been worked out for many of the larger taxing units in New Jersey and other states in the past decade.

In connection with the discussions incident to the proposed new refunding, it was noted that the city's financial structure is materially stronger than was true when the existing program was effected with the city's creditors in 1936. The view is also held that the extent of the improved position has not been reflected in the open market appraisal of the city's credit.

It is felt that when the investing public generally is appraised of the city's demonstrated debt paying capacity and its progressively strengthened fiscal structure, the resultant improvement in its credit will permit a debt refunding providing for a substantial saving in debt service costs.

Chicago School Board Plans Large Refunding

Officials of the Chicago, Ill., Board of Education have recorded their intention to undertake a major financing operation next year incident to the refunding of a large portion of the board's outstanding issue of $22,300,000 4½% revolving fund bonds, which mature Aug. 1, 1954, but are optional on Aug. 1, 1944. The entire loan will be called on the optional date and, of the funds necessary to retire the obligations, $8,000,-000 will come from cash currently on hand in the sinking fund and approximately $14,000,000 from a sale of refunding bonds to be held next summer.

The outstanding issue originally was sold in 1934 to the Reconstruction Finance Corporation to provide cash for the payment of salaries of school teachers. The board had fallen behind to the extent of about $25,000,000 in the payment of salaries in the midst of the depression. The bonds are secured by a first mortgage on properties in downtown Chicago and the Municipal Airport, owned by the board, which are valued in the many millions of dollars.

The new refunding issue to be sold next year will not be secured by a mortgage on the real estate properties of the board, and will be payable from ad valorem taxes.

Within the last year certain investment bankers had presented plans to the board providing for the refunding of the outstanding 4½s, under an exchange offer to present bondholders, but these proposals were rejected.

The board as of Sept. 30 had $35,200,000 of bonds outstanding. Taking sinking fund balances and accrued interest into consideration net bonded indebtedness amounted to $20,855,256.

Dallas Plans $50,000,000 Post-War Program

The City of Dallas, Texas, which will hold an election Dec. 28 on the question of issuing a total of $15,000,000 various improvement bonds, is well along toward the completion of a program for post-war public improvements to involve an outlay of approximately $50,000,000. Details of the plan were set forth at a recent conference on post-war planning conducted by the Public Administration Clearing House in Chicago.

The city, it was disclosed, plans to finance the program through the sale of bond issues over a period of years and, while it believes that some financial aid may be forthcoming from the Federal government, the master plan now being evolved is based on the belief that the municipality will be able to finance the program without such assistance.

The city, according to the information released at the conference, already has placed its financial house in order by working under a constant six-year plan for financing permanent improvements. This plan gives the city leeway to spend $1,000,000 a year in new bond money, but provides for retirement of old debts at a faster rate.

In the fiscal year which closed Sept. 30, the city collected more than 98% of its current taxes. Few special levies are made in the city, it was said, which makes the tax picture even brighter.

Bonded debt of the city amounts to $33,502,000. Taking into consideration $2,041,610 in sinking funds, the net debt amounts to $31,460,390, as compared with a legal bonded debt limit of $50,000,000.

If the war ends tomorrow, it was reported, Dallas will be ready to proceed with at least $10,000,000 in work, including a ten-mile, 200-foot boulevard through the heart of the city, creation of a new lake and additional purification and pumping facilities for water, and miles of street and sewer work.

The city today has the services of two national authorities to supervise the planning work. They are Harland Bartholomew and Associates, of St. Louis, who were retained to prepare the master plan, with the aid of E. A. Wood, plan engineer of the city, and the firm of Hare & Hare, of Kansas City, planning engineers and landscape architects. Various citizens, committees and city officials are participating in the development of the program.

Plans are based on the premise that the population of the Dallas metropolitan area will rise to 667,000 by 1970, from the present estimated city population of 332,200 and 414,048 for the metropolitan area.

Monroe County, N. Y., Debt Shows Large Reduction

The pay-as-you-go policy under which Monroe County, N. Y., has been operating for the past eight years has enabled the county to effect a reduction of more than 50% in its bonded debt during that period. The outstanding total will reach a new low of $7,-492,000 on Jan. 1, 1944. On the same date in 1936 the figure was $16,156,000 and the all-time peak of $16,560,000 obtained in the following year.

Bond principal maturities in 1936 aggregated $1,326,000 and for 1944 the corresponding total will be only $957,000. It was in the earlier year that the county first began to operate under the Buckley law, requiring a pay-go policy.

Hornblower & Weeks To Admit Bergin

Hornblower & Weeks, 40 Wall Street, New York City, members of the New York Stock Exchange and other leading national Exchanges, will admit Daniel T. Bergin to partnership in the firm as of Jan. 1, 1944. Mr. Bergin will make his headquarters in the firm's New York office.

Situation Of Interest

Oklahoma-Texas Trust offers interesting possibilities according to a circular being distributed by T. J. Feibleman & Co., 41 Broad Street, New York City. Copies of this interesting circular may be had from the firm upon request.

Post-War Appraisal

An interesting post-war appraisal of the St. Louis-San Francisco railroad bonds has been prepared by Raymond & Co., 148 State St., Boston, Mass. Copies of this discussion may be obtained upon request from Raymond & Co.

U. S. Nat'l Bank Of Portland (Ore.) Offers Stock To Public

Expanding investment interest in bank stocks is evidenced by the offering on Dec. 21 by an underwriting group headed by Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane of 49,002 shares of the United States National Bank of Portland (Oregon) at $40 per share. The offering represents the unsubscribed portion of 75,000 shares offered to the bank's stockholders at the same price in the ratio of one share for each three shares held.

The announcement further stated:

"The purpose of the issue is to keep the bank's capital and surplus in line with its rapid growth in business, deposits having increased from $162,522,442 on Dec. 31, 1940, to $398,585,377 on Oct. 18, 1943, a gain of 145%. Giving effect to the new financing, the bank's capital account will stand at $6,000,000, represented by 300,-000 shares of $20 par value, and surplus, undivided profits and unallocated reserves, $10,020,959. Total resources as of Oct. 18, 1943, were $412,641,559, compared with $307,742,191 on Dec. 31, 1942.

"Organized in 1891, and subsequently absorbing five other Portland banks, The United States National Bank of Portland's greatest expansion has taken place in the past decade along with the development of branch banking. Starting with three branches in 1933, the bank now has four in Portland and branches in 21 other Oregon cities. Through a subsidiary, United States National Corp., it owns all of the capital stock except directors' qualifying shares of the Clark County National Bank of Vancouver, Wash.

"Net profits after all charges amounted to $4.38 per share on 225,000 shares of stock for the 10 months ended Oct. 31, 1943, compared with $3.99 per share on the same basis for the calendar year 1942; $4.66 in 1941; $4.57 in 1940, and $4.22 in 1939. According to the prospectus, the bank was not required to pay Federal normal or excess profits taxes in 1941 and 1942, and it is estimated that the same will be true in 1943.

"Current dividends are at the rate of $1.40 annually, but directors have adopted a resolution to pay dividends at an annual rate of $1.60 per share beginning about April 1, 1944.

"Associated with Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane in the underwriting are Atkinson, Jones & Co., Blankenship, Gould & Blakely, Inc., Conrad, Bruce & Co., Ferris & Hardgrove, and Hemphill, Fenton & Campbell, Inc."

Stockholders' approval of the capital stock increase was noted in these columns Dec. 9, page 2348.

Stanley Symons To Be Partner In Sutro Co.

SAN FRANCISCO, CALIF.—Sutro & Co., 407 Montgomery Street, members of the New York, San Francisco, and Los Angeles Stock Exchanges, will admit Stanley E. Symons to partnership in the firm on January 1st. Mr. Symons is Manager of the Statistical Department for Sutro & Co.

Empire Sheet & Tin Plate Situation Attractive

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

F. Eberstadt Heads Beekman Hospital Fund

Elisha Walker, Chairman of the Beekman Hospital Board, has announced that Ferdinand Eberstadt has accepted the Chairmanship of the 1944 Maintenance Fund Campaign which will commence early in January to raise $160,000. Situated at Beekman and Water Streets, Beekman Hospital furnishes hospital facilities in an area covering nearly 300 city blocks in lower New York, south of Canal Street.

The hospital directorate is composed of a group of business men who have for years been actively concerned with furnishing health protection to that part of the city. Howard S. Cullman is President of the hospital.

Beekman Hospital has been serving the downtown community for almost 40 years. It was originally organized in 1906 under the name of St. Gregory's Emergency Hospital of the Volunteers of America.

Mr. Eberstadt, senior partner of F. Eberstadt & Co., is also President of the Chemical Fund, Inc.

Mr. Eberstadt announced that Harold C. Conick, who on Jan. 1 will become United States Manager of the Royal Insurance Co. and the Liverpool & London & Globe Insurance Co., Ltd., will serve as Chairman of the Insurance Committee, in the forthcoming drive to raise $160,000 for the hospital's 1944 financial requirements.

Howard S. Cullman, President of the hospital, it was announced, will head the Clubs, Estates and Foundations Committee. Mr. Cullman is a partner in the New York Stock Exchange firm of Cullman Brothers.

George F. Handel, President of the Cincinnati Chemical Works, has been appointed Chairman of the Drugs and Chemical Committee, and Otto Ness and Charles J. Saliver, of the firm of Robert Stoll, Inc., manufacturing jewelers, co-Chairmen of the Jewelry Committee.

Lamborn & Co. Honors Quarter Cent'y Employees

In honor of 19 men and women who have been with the firm 25 years or longer, Lamborn & Co. gave a dinner on Dec. 15 at the Hotel Delmonico in New York City. The dinner was attended by 125 persons which included the officers and employees. Branch Office Managers attending the dinner from out of town were Charles A. Godsell of Boston, Hoyt C. Bonner of Chicago, James F. Graves of Detroit, Walter Bentz of New Orleans, W. Carson Rhodes of Philadelphia, Jack H. Tandler of Saginaw, and Glenn Bond of Savannah.

Those honored were: Norman C. Brittin, Charles C. Riggs, Annie Karrigan, Ody H. Lamborn, John J. Bohan, James Clark, Ida M. Connor, W. Carson Rhodes, Saturnino Ullivarri, Henry C. Miller, J. William Craig, William F. Schmidt, Charles A. Godsell, George Hunn, Glenn Bond, Agnes Tamm Dopson, William H. Lignante, John E. Martin and Edward H. Perry.

Mr. Norman Brittin is the oldest employee in time of service. He entered the Lamborn organization in 1899.

Stein Bros. & Boyce Place York Corp. Stock

Stein Bros. & Boyce, 6 South Calvert Street, Baltimore, Md., members of the New York Stock Exchange and other leading Exchanges, have placed privately a block of 71,658 shares of the capital stock of the York Corporation, formerly known as the York Ice Machinery Corporation.

William Ehni Joins Los Angeles Corp.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—William R. Ehni has become associated with the Los Angeles Corporation, 650 South Spring Street. Mr. Ehni has been active in the investment business in Los Angeles for the past 20 years. He was previously with Lester & Co., Franklin Wulff & Co., Inc., and Cavanaugh, Morgan & Co. Prior thereto he was President of Ehni & Wood, Inc., and its predecessors.

Santa & The Railroads

Vilas & Hickey, members of the New York Stock Exchange, with offices at 49 Wall Street, New York City, are sending out a very clever Christmas Card showing Santa Claus with his reindeer and pack at the siding of a small country railroad station with a modern Super-Chief train alongside. Santa Claus exclaims, "Golly, I never could have gotten around this year without the railroads!" thus expressing the faith of Vilas & Hickey in the rails in which they specialize.

Manifestations Of Inflation Lacking

(Continued from page 2528)

shouldn't we conclude that they also will spend some of their accumulated savings from past years? The wealth of the United States amounts to about $350,000,000,000.

"Wouldn't it on the same theory be reasonable to expect the public to spend part of that, too? Of course it would.

"But why pick out this year? Five years ago the wealth of the United States was $310,000,000,000. Nobody said that the public would spend part of its huge savings then, did they? They hadn't invented the fancy phrase 'inflationary gap.' Well, the answer is that it would have been just as foolish for the public to spend its excess earnings then as it is now.

"Fortunately the American people are not as silly as the theorists would have us believe. They saved that then and they are saving this now.

"People are using their extra earnings to buy Government bonds, to bolster their savings accounts and to reduce their debts. The instalment debt has been reduced more than 50% in the last three years and many mortgages have been paid off.

"If the American people actually believed that inflation was just around the corner, why would they bother paying their debts, put money in the bank, and why would business be off right now?

"Of course, business was good in November because the American public, again being sensible, heeded the appeal to buy early and save the load on the mails and on the stores. But if they were worrying about inflation they would be out right now buying their heads off, wouldn't they? But you see they have bought largely what they need for Christmas, not because they were in an inflation panic, but because they felt that buying early was helpful and sensible.

"The term 'inflation' is being very loosely and very carelessly used. There are degrees and different kinds of inflation and the only inflation that is really serious is the kind that happened in Germany when people literally lost confidence in the credit and currency of their country.

"This is not happening in the United States. If the American people were really afraid of the quality of our currency, bonds would not be selling at the highest prices in years, nor would people be buying more Government bonds. Nor would people have almost four times as much actual currency in their pockets today as they did eight years ago.

"A tremendous rise in prices certainly can be called inflation, but a moderate rise in some and a fall in others can hardly be defined by the same term. Consequently, rather than actual inflation, what we have had in this country has been merely some rather moderate prices rises, the most serious of which has been in food where the price has gone up 22% since the war started. However, cotton prices have actually been falling lately.

"Now people will say that if we hadn't had price ceilings we would have had a very precipitous rise in prices, and that is true. But the reason for this is that the public was subjected to a series of scares about the coming scarcities of all sorts of things, mostly emanating from Washington and most of which never materialized. As soon as the public got on to this the scare-buying stopped and today it is nowhere in evidence.

"Some things are scarce, of course, but the public has learned that by and large they can find pretty much what they need. The inevitable conclusion, therefore, is that the mere excess of earnings over normal expenditures is not of itself inflation, and will not by itself cause inflation because it is a static condition. But the thing that might change this into a dynamic force would be to frighten the American people into a stampede to spend their hard-earned dollars.

"It seems to me, therefore, that if we are sensible and continue our price controls, making adjustments in prices and wages where they seem wise and fair and stop using the cry of inflation for political reasons, we can take it for granted that the American public also will continue to use the good sense they always have shown, whether in war times or in peace times."

Walston, Hoffman To Admit John J. Lucas

SAN FRANCISCO, CALIF.—Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges, will admit John J. Lucas to partnership in the firm on Jan. 1, 1944. Mr. Lucas in the past was an officer of Sargent, Taylor & Co.

De Coppet & Doremus To Admit R. Andrews

R. Snowden Andrews, member of the New York Stock and Curb Exchanges, will become a partner in De Coppet & Doremus, 42 Broadway, New York City, members of the New York Stock Exchange, on January 1st. Mr. Andrews was formerly a partner in Fellowes, Davis & Co. for many years.

Brill Corp. Looks Good

The 7% cumulative preferred stock of Brill Corporation offers attractive possibilities, according to an interesting memorandum issued by Buckley Brothers, 1529 Walnut St., Philadelphia, Pa. members of the New York and Philadelphia Stock Exchanges Copies of this memorandum will be sent upon request by Buckley Brothers.

Nu-Enamel Interesting

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

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2550)

As this is being written the indications pointed to in last week's column, to the effect that further strength would be followed by new weakness, show signs of developing. Certain stocks which were comparatively strong in the past few days are beginning to run into offerings. It is interesting to see these offerings coming at an average level of approximately 136-137; the range that last week's column warned against. To repeat last week's statement ". . . from that level a period of dullness can be expected . . . the next cycle calls for another decline."

* * *

If and when this decline comes the opportunity to buy stocks will present itself. Obviously this opportunity will not come tomorrow or the next day. Such changes of trend take time to run their course and reverse themselves. It is even possible (though at this writing not probable) that a break, severer than now envisioned, may occur. But if that happens the "stops" in the stocks recommended for purchase will take care of you.

* * *

Pending any new market changes the following advice still applies: Buy American Car and Foundry 28½-29½, stop 27; American Steel Founders 21½-22½, stop 20; Dome Mines 20½-21½, stop 19; U. S. Steel 49¾-50¼, stop 47 and Youngstown Sheet 34½-35½, stop at 33.

* * *

You are already long of Western Union "A" bought between 42½ and 43½. Stock is currently about 43¾. If it advances to say 44, I would suggest stepping out. Not because I don't like it, but there's nothing sacrosanct about that or any other stock. For if the market goes down it too will go down. A repurchase level will be given here at a later date.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Investment Trusts

(Continued from page 2549)

the worst war has been able to offer and have rallied in the face of them, the reasonable prospect is for the American markets to resume a closer relationship with English values."

In the latest issue of **Brevits** two individual sales of MIT in excess of $100,000 from two trustees located in widely separated parts of the country are reported. **Brevits** intimates that the reduction in "load" on sales of MIT in excess of $100,000 had something to do with these orders. We do not question that judgment but are inclined to the belief that an increasing number of large individual sales by investment companies to trustees and other fiduciary investors are bound to occur **fully irrespective of any concessions made in the load.**

The trustee and fiduciary market for investment company shares is growing faster than many people in the investment company field itself seem to realize. Our own conviction is that the accent will be on the many proven safeguards and advantages of investment company shares rather than on small savings in the initial cost. A great many corporation executives, for example, are accustomed to paying from 35% to 45% of the first year's allocation on pension plans to the insurance companies who provide the annuities.

* * *

"A good 11 months" for **Selected American Shares** is the record reported by the sponsor in a recent issue of **Selections.** The record shows the Dow-Jones Industrial Average up 8.5% as against a rise of 19.2% for Selected American Shares.

* * *

The Maryland Fund, Inc. reports net assets amounting to $5,400,215 as of the fiscal year ended Nov. 30, 1943. This was equivalent to $4.87 per share and compares with net assets of $6,140,427 or $5.48 per share six months earlier.

Dividends

Fundamental Investors, Inc.—A quarterly dividend of 20 cents per share payable Dec. 29, 1943, to holders of record Dec. 22.

Insuranshares Certificates, Inc.—A regular dividend of 10 cents per share and an extra dividend of 2½ cents per share on the common stock, payable Dec. 28, 1943, to stockholders of record Dec. 20.

Investors Mutual, Inc.—A quarterly dividend of 25 cents per share payable Dec. 27, 1943, to shareholders of record Dec. 17.

Outlook For Bank Stocks

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, have prepared an interesting circular entitled "Bank Stocks and Their Outlook." Copies of this circular may be had from the firm upon request.

Spahr Urges Return To Int'l Gold Standard

(Continued from first page)

problems it raises, apparently no important step forward can be taken successfully unless an international gold standard is employed.

The New York economist elaborates upon his views in a paper published today by the Monetary Standards Inquiry. Prof. Spahr says:

"The nations of the world can obtain an international gold standard by setting up an international clearing system in which all national currencies, regardless of their nature, are cleared at their exchange values in terms of gold through some form of international clearing mechanism. This mechanism might be nothing more than an international clearing house, operating for the various nations in principle as our Inter-District Settlement Fund clears for our Federal Reserve banks.

"Or the nations of the world may obtain an international gold standard by establishing an international bank, as proposed in the currently-discussed Keynes (British), White (U. S. Treasury) and similar plans, which would provide not only an international clearing house but an international gold unit (such as suggested **unitas** in the White plan)—a distinctly international currency—and various banking services by the international bank.

"An international bank, according to current proposals, would superimpose upon the participating nations an international money and banking mechanism which would raise important and difficult questions of outside encroachment upon national political sovereignty. Far-flung economic issues, inherent in the conflicts between an international State and a national sovereignty, arise instantly in connection with the proposal that a genuinely international bank and currency be created," states Professor Spahr, in enumerating various objections to an international bank.

"These difficult, if not insurmountable, problems would not, at least need not, arise in connection with the establishment of an international clearing mechanism with gold as the international money for settling adverse clearing balances. In such clearing each nation would exercise its customary political and economic rights and responsibilities in accordance with the common concept of national sovereignty. Each nation would be responsible for keeping its own monetary and fiscal affairs in order and pay the penalties for bad management. No nation would lend to another what and when it did not choose to lend. No international body, partly or entirely beyond its control, could lend a nation's funds where it did not wish them lent, nor withhold funds due it from other nations. Objective values, rather than man-made artificial values, would predominate."

Professor Spahr is the most recent contributor to a series of pamphlets dealing with the post-war question of the settlement of international balances between nations, published by the Inquiry directed by Herbert M. Bratter. Other writers are Amos E. Taylor, E. E. Agger, Frank D. Graham, Elgin Groseclose, Dickson H. Leavens and Charles A. McQueen.

New Method To Eliminate Swindlers From Securities Business Used In N. Y.

State Attorney General Nathaniel L. Goldstein has announced a new quick method of eliminating convicted stock swindlers from the securities business in New York, in connection with the injunctions granted by Supreme Court Justice William T. Collins against a year ago of fraudulent oil royalties sales through the mail. Bertram Wachtel and Jerome H. Pomeroy who had been convicted

The new and revolutionary aspect of the proceeding was the court's decision to put a dealer permanently out of the securities business in New York State merely upon evidence that the dealer had been convicted of a stock fraud in any criminal court, the Attorney General stated.

"In the past, it was the practice to conduct long investigations," Mr. Goldstein said, "and finally institute injunction proceedings only when actual evidence of fraudulent practices were found subsequent to the criminal conviction. Under the new practice as approved by the court the Attorney General can immediately upon a conviction in any criminal court for stock fraud obtain an injunction and thereby protect the public to the fullest degree."

There were "at least one hundred" convicted stock swindlers who would be proceeded against in this way it was said by Assistant Attorney General John W. M. Rutenberg, in charge of the case against Mr. Wachtel and Mr. Pomeroy, both of whom it was stated had previous convictions.

While the injunction granted is temporary, a trial will be held on the Attorney General's motion to make the restraint permanent.

John F. Flannery To Be Partner In Barrett & Co.

John F. Flannery will shortly become a partner in Barrett & Co., 40 Exchange Place, New York City, members of the New York Stock Exchange. Mr. Flannery, who has been with the firm for many years in charge of the Statistical Department, will act as alternate for John E. Barrett.

J. C. Bessell With Donald Davis & Co.

(Special to The Financial Chronicle)

BOSTON, MASS.—John Cecil Bessell has become associated with Donald Davis & Co., 82 Devonshire Street. Mr. Bessell was formerly in business under the firm name of John C. Bessell & Co., and prior thereto was Manager of the Municipal Department for Washburn & Co., Inc., and Washburn, Frost & Co., Inc. In the past he was with the Guaranty Company of New York.

Hinchman & Watts To Be Ingalls Partners

Ralph P. Hinchman, Jr. and Samuel H. Watts, members of the New York Stock Exchange, will become partners in Ingalls & Snyder, 100 Broadway, New York City, members of the New York Stock and Curb Exchanges, on January 1st. Both were formerly partners in Fellowes Davis & Co.

Horace Martin Joins Crowell, Weedon Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Horace E. Martin, member of the Los Angeles Stock Exchange, has become affiliated with Crowell, Weedon & Co., 650 South Spring Street, Los Angeles Exchange members. Mr. Martin was previously associated with Bingham, Walter and Hurry and its predecessor firms for many years.

L. F. Rothschild To Admit H. J. Dietrich

BOSTON, MASS. — Henry J. Dietrich, in charge of the Boston office of L. F. Rothschild & Co., at 30 State Street, will become a partner in the firm as of January 1st. Mr. Dietrich has been associated with L. F. Rothschild & Co., New York Stock Exchange members, for many years.

N. Y. Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late Alex. L. Sinsheimer to Leon L. Eis will be considered by the Exchange on December 30th. It is understood that Mr. Eis will be an individual floor broker.

Proposed transfer of the Exchange membership of William H. Guthy to E. Edward Bollinger will be considered on December 30th. Mr. Bollinger will be an individual floor broker, it is understood.

Transfer of the Exchange membership of Benjamin E. Bampton, partner in Pflugfelder, Bampton & Rust, which will continue as a member firm, to Stanley Hesse, will be considered on December 30th. Mr. Hesse will be active as an individual floor broker.

J. Winslow Peirce will withdraw from partnership in Proctor, Cook & Co., Boston, Mass., on December 31st.

Robert L. Raymond, Jr., special partner in H. C. Wainwright & Co., Boston, will retire from the firm as of December 31st.

Cutting Delays In Rail Reorganization

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock and Curb Exchanges, have issued an interesting circular discussing the cutting of delays in rail reorganizations. Included is an abstract from the opinions of Mr. Percival E. Jackson, member of the New York City Bar Association Reorganization Committee and an experienced railroad reorganization attorney. Copies of this interesting circular may be had from the firm upon request.

Lehigh Coal Officers Guests Of N. Y. S. E.

Robert V. White, President of The Lehigh Coal and Navigation Co. and T. P. Scott, Vice-President, were guests on Dec. 20 of Emil Schram, President of the New York Stock Exchange, upon the occasion of admission to trading of the company's common shares. The company's officials visited the floor and had luncheon in the Exchange which was attended also by Alfred Poole Duffy and Joseph E. McKenzie, specialists in the company's securities.

James E. Bennett To Admit

James E. Bennett & Co., members of the New York Stock Exchange and other leading Exchanges, will admit J. George R. Graham to partnership in their firm as of Jan. 1, 1944. Mr. Graham will make his headquarters at the firm's New York office at 30 Broad Street. Thomas Bennett is retiring from partnership in the firm on December 31st.

Profit Potentialities

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

Calendar Of New Security Flotations

OFFERINGS

CENTRAL VERMONT PUBLIC SERVICE CORP.

Central Vermont Public Service Corp. has filed a registration statement for 197,954 share sof common stock, no par value.

Address—121 West St., Rutland, Vt.

Business—Operating public utility.

Underwriting—Shares are to be sold at competitive bidding pursuant to Commission's Rule U-50 and names of underwriters will be supplied by amendment.

Offering—The company will invite bids for the purchase of 195,000 shares of the common stock and offering price to the public will be supplied by post-effective amendment. New England Public Service Co. has agreed to purchase the balance of 2,954 shares of common stock at $16.25 per share.

Proceeds—Sale of the common stock is an integral part of a plan providing that Twin State Gas & Electric Co. will be merged into Central Vermont pursuant to the plan filed with the Commission some time ago. Contemporaneously with the issuance of the common stock registered, the company will issue and sell privately for cash $500,000 in face amount of its first mortgage bonds, Series C. The interest rate and price received will be furnished by amendment. Proceeds from the sale of the common stock and bonds will be used to pay a bank loan of $150,000; to pay cash to holders of 24,550 shares of 7% prior lien stock of Twin State as provided in merger agreement in an amount equal to $110 per share plus unpaid dividends; to acquire $40,000 of 3% debentures due Dec. 1, 1956, and $8,000 of 5% debentures of subsidiaries and to provide for additional working capital.

Registration Statement No. 2-5250. Form A-2. (11-11-43).

Registration statement effective 4.30 p.m., EWT, on Dec. 6, 1943.

Bids Rejected—Proposals for the purchase of 195,000 shares of common stock (no par) were received by the company at Room No. 168 Parker House, Boston, Mass., up to 11 a.m., EWT, Dec. 13. There was only one bid received from a banking group headed by Harriman, Ripley & Co. and The First Boston Corp., which was rejected.

The SEC on Dec. 21 exempted the company from the competitive bidding rule in regard to the stock issue and approved the privately negotiated bid of $14.92 per share of Coffin & Burr, Inc., and associates.

Offered—194,295 shares offered Dec. 21, 1943, at $16 per share, by Coffin & Burr, Inc., Blyth & Co., Inc., Lehman Brothers, Dean Witter & Co., Hornblower & Weeks and associates.

COLORADO MILLING & ELEVATOR CO.

Colorado Milling & Elevator Co. has filed a registration statement for 70,000 shares of cumulative convertible preferred stock, without par value, and 269,231 shares of common stock, par $1, representing shares reserved for issuance upon conversion of the cumulative convertible preferred stock. The dividend rate on preferred stock will be filed by amendment.

Address — Equitable Building, Denver, Col.

Business—Engaged directly and through subsidiaries in the business of manufacturing and selling flour, meal, feed and related products and of buying and selling wheat, other grains, beans, coal and miscellaneous merchandise. Also engaged in business of storing, grinding, sacking and cleaning beans, grains and other commodities for farmers and others.

Underwriting — Principal underwriters are Union Securities Co., N. Y.; Boettcher & Co., Denver; Bosworth, Chanute, Loughridge & Co., Denver; Paul H. Davis & Co., Chicago, and Hornblower & Weeks, N. Y.

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

Proceeds—Proceeds from the sale of the stock, together with the net proceeds to be received from the sale of $3,000,000 of 15-year 4% sinking fund debentures, proposed to be sold privately, are to be used to redeem on or before Oct. 15, 1943, the presently outstanding $6,500,000 5% convertible debentures due June 1, 1968.

Registration Statement No. 2-5196. Form A-2. (8-6-43).

Offered—70,000 shares of $3 cumulative convertible preferred stock (no par) offered Dec. 20, 1943, at $52.50 per share, plus div. by Union Securities Corp., A. C. Allyn & Co., Inc., Hornblower & Weeks, Bosworth, Chanute, Loughridge & Co., Kuhn, Loeb & Co. and associates.

STOKELY BROTHERS & CO., INC.

Stokely Brothers & Co., Inc., has filed a registration statement for $4,000,000 15-year 3½% sinking fund debentures, due Dec. 1, 1958.

Address—941 North Meridian Street, Indianapolis, Ind.

Business—Engaged principally in the purchase, processing, packing and dehydrating and sale of an extensive line of vegetables and fruits.

Underwriting—Blyth & Co., Inc., and Reynolds & Co. are named principal underwriters. Others will be named by amendment.

Offering Price to the public will be supplied by amendment.

Proceeds—Will be used to retire, at 100½% of the face amount, all of the 2¾% promissory notes of the company in the principal amount of $2,000,000; retire 3% promissory notes aggregating $800,000 and to provide additional working capital.

Registration Statement No. 2-5262. Form S-1. (11-29-43.)

Stokely Bros. & Co., Inc., has filed an amendment to its registration statement with the SEC in which it names underwriters for its proposed issue of $4,000,000 15-year 3½% sinking fund debentures, due Dec. 1, 1958. The underwriters and amounts are: Blyth & Co., Inc., and Reynolds & Co., $750,000 each; Goldman, Sachs & Co., Union Securities Corp., $350,000 each, all of New York City; Estabrook & Co., Boston, Laurence M. Marks & Co., New York, and E. H. Rollins & Sons, Inc., New York, $300,000 each; Hemphill, Noyes & Co., New York, and the Wisconsin Company, Milwaukee, $250,000 each; Kebbon, McCormick & Co., Chicago, and Stroud & Co., Inc., Phila., $200,000 each. Offering price to the public will be supplied by amendment.

Registration statement effective 5.30 p.m., EWT, on Dec. 16, 1943.

Offered—Dec. 17, 1943, at 100 and int., by Blyth & Co., Inc., Reynolds & Co. and associates.

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing (unless accelerated at the discretion of the SEC), except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930 (b).

Offerings will rarely be made before the day following.

SUNDAY, DEC. 26

TIMES-PICAYUNE PUBLISHING CO.

Eleven trustees have filed a registration statement with the Commission for voting trust certificates for 28,000 shares of the capital stock of the Times-Picayune Publishing Co., par value $100 per share.

Address—Of corporation, 615 North Street, New Orleans, La.

Business—Newspaper publisher.

Underwriting—None named.

Offering—Date of proposed offering of voting trust certificates is Dec. 27, 1943.

Purpose—To establish a voting trust agreement to be dated Dec. 27, 1943, and run to Dec. 26, 1953, with the right to extend agreement for an additional 10 years by a majority vote of the total number of shares deposited under the voting trust agreement.

Registration Statement No. 2-5266. Form F-1. (12-7-43.)

MONDAY, DEC. 27

STANDARD OIL CO. OF OHIO

Standard Oil Co. of Ohio has filed a registration statement for 101,389 shares of cumulative convertible preferred stock, $100 par value, and an indeterminate number of shares of common stock, par $25 per share. The dividend rate on the preferred stock will be supplied by amendment. The shares of common stock are to meet the conversion privilege of the preferred stock and will not be offered separately. The conversion rates will be filed by amendment.

Address—Midland Building, Cleveland, Ohio.

Business—Direct activities are principally the refining and marketing of crude petroleum and products derived therefrom.

Underwriting—F. S. Moseley & Co., Boston, is named principal underwriter. Others will be named by amendment.

Offering—Rights to purchase the new preferred stock will be issued to common stockholders of a record date to be named later at the rate of one share of preferred for each 8 shares of common stock, at a price to be fixed by amendment. The unsubscribed stock will be purchased by the underwriters and offered to the public at a price to be filed by amendment. Stockholders of the company are to meet on Dec. 22, 1943, to approve the new issue of $10,138,900 of cumulative convertible preferred stock and 488,888 additional shares of common stock, a portion of which are to be reserved for conversion of the preferred. Any shares not so reserved would be available for issuance for oil producing properties and for other corporate purposes.

Proceeds—Net proceeds from sale of the cumulative convertible preferred stock will be added to the general funds of the company to be available for working capital, capital expenditures and general corporate purposes,

Registration Statement No. 2-5267. Form A-2. (12-8-43).

Standard Oil Co. of Ohio has filed an amendment to its registration statement listing the underwriters on the proposed offering of 101,389 shares of cumulative convertible preferred stock (par $100) as follows: F. S. Moseley & Co., 10%; Blair & Co., 1.50%; Blyth & Co., Inc., 4%; H. M. Byllesby & Co., Inc., 1.25%; Coffin & Burr, Inc., 1.25%; Curtiss, House & Co., 0.75%; J. M. Dain & Co., 0.75%; Paul H. Davis & Co., 1.50%; Estabrook & Co., 1.25%; Fahey, Clark & Co., 0.75%; Field, Richards & Co., 1%; First Boston

Corp., 10%; First Cleveland Corp., 1%; Harriman Ripley & Co., Inc., 4%; Harris, Hall & Co., Inc., 2%; Hawley, Shepard & Co., 2%; Hayden, Miller & Co., 3%; Hayden, Stone & Co., 1.25%; Hornblower & Weeks, 2.75%; W. E. Hutton & Co., 2%; Kidder, Peabody & Co., 2.75%; Lee Higginson Corp., 4%; Mackubin, Legg & Co., 1.50%; McDonald-Coolidge & Co., 2%; Laurence M. Marks & Co., 1.50%; Mellon Securities Corp., 4%; Merrill Lynch, Pierce, Fenner & Beane, 2.75%; Merrill, Turben & Co., 2%; Morgan Stanley & Co., 10%; Maynard H. Murch & Co., 1.25%; Ohio Co., 1%; Paine, Webber, Jackson & Curtis, 2.75%; Arthur Perry & Co., Inc., 1.50%; Shields & Co., 2.50%; Smith, Barney & Co., 4%; Union Securities Corp., 2.50%, and White, Weld & Co., 2%.

The dividend rate on the preferred, conversion rate and offering price, first to common stockholders and unsubscribed stock to the public will be supplied by amendment.

TUESDAY, DEC. 28

UNITED AIR LINES, INC.

United Air Lines, Inc., filed a registration statement for 105,032 shares of 4½% cumulative preferred stock, $100 par value —convertible prior to 1954.

Address—5959 South Cicero Avenue, Chicago.

Business—Air transport system.

Underwriting—Harriman Ripley & Co., Inc. is named principal underwriter. Others will be named by amendment.

Offering—The 105,032 shares of 4½% preferred are being offered by the corporation to the holders of its common stock, for subscription at $100 a share, pro rata, at the rate of seven shares of preferred for each 100 shares of common held of record at the close of business Dec. 29, 1943. The subscription warrants will expire at 3 p.m. on Jan. 10, 1944. Underwriters will purchase unsubscribed shares and offer them to public at price to be named by amendment. Stockholders on Dec. 22, 1943, are to vote on amendments to authorize 200,000 shares of cumulative preferred stock, $100 par, issuable in series, and 100,000 shares of management stock, $10 par value. Also to authorize shares of capital stock of the corporation to be changed into shares of common stock, $10 par value, and that authorized number thereof be increased to 2,500,000 shares—against present authorized issue of 2,000,000 shares of capital stock, $5 par—and 2,817 shares of authorized but unissued common continue to be reserved for sale to officers and employes.

Proceeds—To be used for general corporate purposes.

Registration Statement No. 2-5269. Form S-1. (12-9-43).

WEDNESDAY, DEC. 29

ASSOCIATED FUND, INC.

Associated Fund, Inc., has filed a registration statement for 5,000 full paid certificate units of $100 each; 1,000 installment payment certificates of $100 each, with insurance, and 4,000 installment payment certificate units of $100, without insurance.

Address—506 Olive Street, St. Louis, Mo.

Business—Investment trust.

Underwriting—Associated Fund, Inc., is named sponsor.

Offering—Date of proposed offering Dec. 7, 1943. Offering price 100.

Proceeds—For investment.

Registration Statement No. 2-5270. Form C-1. (12-10-43).

MONDAY, JAN. 3

BROAD STREET INVESTMENT CORP.

Broad Street Investing Corporation has registered 100,000 shares of capital stock.

Address—65 Broadway, New York City.

Business—Diversified investment company of the open-end type.

Offering—As soon as practicable after effective date of registration statement. At market.

Proceeds—For investment.

Registration Statement No. 2-5271. Form A-2. (12-15-43.)

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

BONWIT TELLER, INC.

Bonwit Teller, Inc., has filed a registration statement for 35,565 shares of 5½% cumulative convertible preferred stock, $50 par value, and 108,913 shares of common stock, par $1 per share. The latter includes 88,913 shares of common reserved for issuance upon the conversion of the 5½% cumulative convertible preferred stock registered, at the present rate of conversion, which may vary from time to time in the event of certain contingencies. The shares are issued and outstanding and the offering does not represent new financing by the company.

Address—721 Fifth Avenue, New York City.

Business—Owns and operates one of the outstanding large specialty stores in the United States.

Underwriting—Allen & Co., New York City, is named principal underwriter for both the preferred and common stock.

Offering—The offering price to the public of both the preferred and common stock will be supplied by amendment. The prospectus offers the 35,565 shares of 5½% preferred and 20,000 shares of common stock. The shares are presently issued and outstanding and are being purchased by the underwriters from Atlas Corporation and its subsidiary Rotary Electric Steel Co. Atlas Corporation, directly and indirectly, has been the controlling stockholder of the company since its organization.

Proceeds—Proceeds will go to the selling stockholders.

Registration Statement No. 2-5245. Form A-2. (10-29-43).

Amendment to defer effective date filed Dec. 15, 1943.

CERTAIN-TEED PRODUCTS CORPORATION

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

Address—120 South LaSalle Street, Chicago, Ill.

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

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

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

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

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

Amendment filed Dec. 13, 1943, to defer effective date.

DERBY GAS & ELECTRIC CORP.

Derby Gas & Electric Corp., a subsidiary of Ogden Corp., registered 91,577 shares of its common stock without par value with the SEC. This stock is already issued and outstanding, and the shares are not being offered by or for the account of the company. They are to be sold by Ogden Corp., as part of its plan to dispose of its public utility investments in accordance with the Public Utility Holding Company Act of 1935.

Address — One Exchange Place, Jersey City, N. J.

Business — The company is engaged primarily in the generation, distribution and sale of electric energy and manufactured gas.

Underwriting—Ogden Corp., after the registration becomes effective, will publicly invite sealed proposals for the purchase or underwriting of these shares. The result of the bid opening will be filed by amendment later.

Offering—Terms will be filed by amendment later.

Registration Statement No. 2-5213. Form S-1. (9-15-43).

Bids Invited—The Ogden Corp. is inviting sealed written proposals for the purchase from it of 91,577 shares, as a whole, of no par shares of Derby Gas & Electric Corp. Proposals are to be submitted to Ogden Corp., Room 510, 1 Exchange Place, Jersey City, N. J., before 12 o'clock noon, EWT, on Jan. 3, 1944.

Amendment filed Dec. 7, 1943, to defer effective date.

FIRST BOND & MORTGAGE CO. OF GLENDALE, CAL.

O. C. Logan, voting trustee, has filed a registration statement for voting trust certificates for 1,400 shares of common capital stock of First Bond & Mortgage Co. of Glendale, Cal.

Address—1618 South Brand Boulevard, Glendale, Cal.

Underwriting—None named.

Offering—Date of proposed offering or delivery of voting trust certificates is January.

Purpose — Certain stockholders entered into a voting trust agreement on May 26, 1939, by which they agreed to create a voting trust with O. C. Logan as voting trustee. Said voting trust terminated on Nov. 1, 1942, and the holders and owners of the stock deposited in the trust are desirous of extending the voting trust for an additional period of five years from Nov. 1, 1942, with O. C. Logan continuing to act as voting trustee. The voting trustee is at present a director and the president of First Bond & Mortgage Co. of Glendale, Cal.

Registration Statement No. 2-5215. Form F-1. (9-20-43). Registration originally filed in San Francisco.

Registration statement effective under notice of deficiency 5:30 p.m. EWT on Oct. 9, 1943.

FLORIDA POWER & LIGHT CO.

Florida Power & Light Co. registered with SEC $45,000,000 First Mortgage bonds, due Oct. 1, 1971; $10,000,000 Sinking Fund Debentures, due Oct. 1, 1956, and 140,000 shares Cumulative Preferred Stock, $100 Par. Interest rates on the Bonds and Debentures, and the dividend rate on the preferred stock, will be supplied by amendment

Address—25 S. E. Second Ave., Miami Fla.

Business—This subsidiary of American Power & Light (Electric Bond & Share System) is an operating public utility engaged principally in generating, transmitting, distributing and selling electric energy (also manufacture and sale of gas) serving most of the territory along the east coast of Florida (with exception of the Jacksonville area), and other portions of Florida

Underwriting and Offering—The securities registered are to be sold by company under the competitive bidding Rule U-50 of the SEC's Public Utility Holding Company Act. Names of underwriters and price to public, will be supplied by post-effective amendment to registration statement

Proceeds will be applied as follows $53,170,000 to redeem at 102¼, the $52,000,000 of company's First Mortgage 5s of 1954; $15,693,370 to redeem at $110 per share, the 142,667 shares of company's $7 preferred stock, no par. Further details to be supplied by post-effective amendment

Registration Statement No. 2-4845. Form A2 (9-17-41)

Amendment filed Nov. 23, 1943, to defer effective date.

GRAHAM-NEWMAN CORPORATION

Graham-Newman Corporation has filed a registration statement for 8,040 shares of capital stock, minimum stated value of $50 per share.

Address—52 Wall Street, New York.

Business—Investment company.

Underwriting—Graham-Newman Corporation is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5265. Form S-5. (12-2-43.)

HOME INSURANCE CO. OF HAWAII, LTD.

Home Insurance Co. of Hawaii, Ltd., has registered 20,000 shares of common stock, par value $20.

Address—Honolulu, Hawaii.

Business—General insurance.

Underwriting—No underwriter named.

Offering—Stock is to be offered to stockholders through warrants at $30 per share, of which 7,683 shares to be taken by Castle and Cooke, Ltd., for investment; 6,407 shares to be taken by Hawaiian Trust Co., Ltd., for investment; shares representing warrants which are not exercised and full shares representing fractional interests will be auctioned at an upset price of $30 per share on Jan. 31, 1944, or such subsequent date as board of directors may determine and proceeds in excess of $30 per share will be distributed to stockholders whose subscription rights are not exercised or whose fractional interests are sold. If shares sold at auction are underwritten terms will be filed by post-effective amendment.

Proceeds—For capital and surplus.

Registration Statement No. 2-5260. Form S-1. (11-26-43.)

Amendment filed Dec. 10, 1943, to defer effective date.

ILLINOIS IOWA POWER CO.

Illinois Iowa Power Co.—name to be changed on Nov. 1, 1943, to Illinois Power Co.—has registered $65,000,000 first mortgage and collateral trust bonds series due 1973.

Address—134 East Main Street, Decatur, Ill.

Business—An operating public utility company engaged in the electric and gas business in Illinois.

Underwriting—Names will be supplied by post effective amendment.

Offering—Company proposes to sell the bonds through competitive bidding pursuant to Commission's Rule U-50. Price to the public will be supplied by amendment.

Proceeds—Company proposes to use the net proceeds from the sale of bonds, with $4,000,000 to $5,000,000 to be borrowed on bank notes and a portion of its treasury funds to redeem its first and refunding mortgage bonds as follows: Redeem on April 1, 1944, $30,681,500 face amount, Series A, 6%, due April 1, 1953, at 104½% and interest, and on June 1, 1944, $39,175,100 face amount Series C, 5%, due Dec. 1, 1956, at 105% and accrued interest. Total redemption cost exclusive of accrued interest of the two issues is $73,196,022. In addition, company has or will redeem or pay off $17,321,900 face amount of its funded debt including $15,827,400 face amount of its first and refunding mortgage bonds Series B—the entire issue—to be redeemed on Dec. 1, 1943 from proceeds of recent sale to Continental Gas & Electric Corp. by Illinois Iowa of its entire interest in Des Moines Electric Light Co. and Iowa Power & Light Co. for $15,220,000. The company redeemed on Oct. 1, 1943, $500,000 first and refunding mortgage bonds, Series A, and will pay at maturity on Dec. 1, 1943, $994,500 face amount of underlying mortgage bonds.

Registration Statement No. 2-5237. Form S-1. (10-23-43).

Hearing Set—The SEC has set a hearing for Dec. 27, 1943, on the request of the company filed Dec. 21 for exemption from the competitive bidding rule on the proposed $65,000,000 first mortgage and collateral bonds.

Amendment filed Nov. 15, 1943, to defer effective date.

INSURANCE SECURITIES, INC.

Insurance Securities Incorporated has filed a registration statement for 820 units—single payment plan—Series T to create 400,000 investment units; 1,400 units—accumulative plan—Series D to create 450,000 investment units.

Address—416 13th St., Oakland, Cal.

Business—Investment trust.

Underwriting—Trust fund sponsored by Insurance Securities, Inc.

Offering—At market.

Proceeds—For investment.

Registration Statement No 2-5255. Form C-1 (11-15-43).

Amendment filed Dec. 20, 1943, to defer effective date.

KNUDSEN CREAMERY CO. OF CALIF.

Knudsen Creamery Co. of Calif. has registered $350,000 5½% sinking fund debentures due 1955.

Address—Los Angeles, Calif.

Business — Processing and distributing dairy products.

Underwriting—Dean Witter & Co.

Proceeds—For plant site, plant equipment and working capital.

Registration Statement No. 2-5257. Form S-1 (11-18-43).

Registration statement effective 5.30 p.m., EWT, on Dec. 8, 1943.

KRUPP-FLAHERTY OIL CORP.

Krupp-Flaherty Oil Corporation has filed a registration statement for 20,000 shares of common stock.

Address—Caples Building, El Paso, Texas.

Business—Corporation was organized on March 11, 1940, under the laws of the State of Delaware for the purpose of, and has been engaged in the drilling of wells for oil and gas and the operation thereof.

Underwriting—None named.

Offering—Price $35 per share.

Proceeds—All proceeds go to issuer, subject to cost of sale of issue. Proceeds will be used for drilling expenses and payment of all or part of the obligations of the company incurred in development work.

Registration Statement No. 2-5256. Form S-2. (11-18-43).

Amendment filed Dec. 6, 1943, to defer effective date.

MAJESTIC RADIO & TELEVISION CORPORATION

Majestic Radio & Television Corporation has filed a registration statement for 70,925 shares of common stock, one cent par value. The shares of stock to be offered are already issued and outstanding

Address—2600 West 50th Street, Chicago.

Business—Production and sale of radio receiving sets. Present production consists of radio and electronic equipment, manufactured for the Army and Navy.

Underwriting—Jenks, Kirkland & Co., Phila., is named underwriter.

Offering—Price to the public is $3.75 a share, and net proceeds to the selling stockholders $3.125 per share. Names of selling stockholders and amounts to be sold by them are: Edward F. Barile, 500; Mrs. Cora Casagrande, 5,000; Dudley E. Foster, 1,000; Mrs. Margaret Foster, 980; Mrs. Florence Freese, 1,000; Joseph J. Neri, 500; Mrs. Marie L. Tracey, 56,945, and Mrs. Janet M. Van Meter, 5,000.

Proceeds—All will be received by the selling stockholders.

Registration Statement No. 2-5264. Form S-1. (12-1-43.)

Amendment filed Dec. 20, 1943, to defer effective date.

PACIFIC MUTUAL LIFE INSURANCE CO. OF CALIFORNIA

A. C. Balch, F. E. Rand and Leslie Waggener as the Pacific Mutual Shareholders Protective Committee have filed a registration statement with the SEC for voting trust certificates for 508,200 shares of common stock, par $1 per share, of Pacific Mutual Life Insurance Co. of California.

Address — Of issuer, 626 South Spring St., Los Angeles, Cal. Executive office, 523 West Sixth St., Los Angeles, Cal.

Business—Life insurance.

Purpose—The agreement places no limitation upon the powers of the committee to vote the shares held by it. However, one of the main objectives of the committee is to vote the securities held by them in connection with the said so-called plan and agreement of rehabilitation and reinsurance and mutualization affecting the Pacific Mutual Life Insurance Co. of California.

Registration Statement No. 2-5098. Form F-1. (2-19-43).

Amendment filed Dec. 13, 1943, to defer effective date.

(This list is incomplete this week)

1943 Nickel Output To Approximate 1942 High Level Despite Labor Shortage

"Production of nickel in 1943 will approximate the all-time high of the previous year, despite an acute shortage of labor and the resultant inability of the industry to use to the fullest extent its greatly expanded production facilities," Robert C. Stanley, Chairman and President of the International Nickel Company of Canada, Ltd., stated on Tuesday.

Robert C. Stanley

"The output of nickel in the Sudbury district of Canada, where the most important known nickel deposits are located, has in recent months dropped 10% below peak production," Mr. Stanley continued. "The decline was due to the effects of the shortage of labor as well as the consequence of having to use many new inexperienced workers.

"The demands of the United Nations' war program for nickel have been met. Control of distribution by governmental authorities in Ottawa, Washington and London mastered what appeared to be a critical situation in the supply of nickel. These authorities also made use of scrap material which had accumulated within industries that were producing war equipment in order to supplement the supply of primary metal. It is understood that in the current ingot production of alloy steel within the United States, the United Kingdom and Canada about half of the required nickel is obtained from revert and purchased scrap.

"There has been recent easing of war restrictions in other metals. As the war demands for nickel decline with consequent easing of the supply position, it is possible that in the not too distant future there will also be relaxation upon nickel for civilian requirements. It is estimated that consumption of nickel by the United Nations this year will be nearly double that used by those countries in the pre-war peak year. The largest consumer continues to be the United States, with Great Britain the next sizable user. Steel mills of the United States, England and Canada are currently taking over 70% of the new nickel made available to those countries.

"Many changes have been made in the specifications which govern the production and use of alloy steels. The trend in most cases has been in the nature of lowered nickel content. The development in the United States of the National Emergency grades of steel of lower nickel content is most prominent in that respect. Through these changes, the applications and the markets for nickel alloy steels have become broadened.

"International Nickel this year neared completion of its extensive war expansion program involving opening additional ore properties, sinking of mine shafts and the installation of surface and underground plant and equipment, as well as the enlargement of concentrating, smelting and refining works. Through this plan the company's capacity has been increased by about 50,000,000 pounds of nickel per year over the 1940 output. The entire expansion, costing approximately $35,000,000, is being financed with the company's own funds. It must be realized that through its present greatly augmented production International Nickel is paying a high toll in the form of non-replenishable ore.

"The high qualities inherent in various types of nickel steels and non-ferrous alloys which had been developed during peacetime have been the very properties sought by manufacturers of war equipment. Through the increased use of nickel in these essential war applications, industry has gained a far greater knowledge of the metal's advantages and this will be reflected in peacetime demand. Many interesting new nickel uses cannot now be publicized due to war restrictions.

"Prices of nickel in Canada and the United States throughout the war have remained at levels prevailing for many years. Production costs have risen and a financial burden has been assumed in expanding operations.

"After victory is won, the nickel industry will be in a position to share substantially in any post-war prosperity — a prosperity which cannot be attained without tolerant cooperation between government, management and labor."

Philco Executive Sees Rapid Expansion In Television Field In Post-War Era

With thousands of engineers, technicians, mechanics, carpenters, and other skilled laborers required to build television stations and several times that number of people needed to manufacture receivers, there is every reason to believe that television in the post-war period will be a bigger industry than radio ever was, it was predicted by David B. Smith, director of research for Philco Corporation, in an address on "Electronics" before the Association of Customers' Brokers last week.

"In the post-war television set, the picture will be larger than most of those available today, and some receivers may provide a picture as large as the average road map," Mr. Smith said. "You will probably have the television set in your living room, and you'll turn the lights down, but not out, when you look at it. In New York, Philadelphia and other Atlantic seaboard cities, you may very well have your choice of several programs within a few years. You'll see sporting events and scenes from Washington, perhaps the President making a fireside chat or sessions of Congress, or variety shows and drama from New York. New kinds of entertainment may be created as a result of television just as the movies changed vaudeville and the theatre."

Rapid expansion of television as soon as the war is over will depend upon the creation of networks linking stations together, so that the best entertainment and news programs can be made available to the viewing audience, Mr. Smith pointed out.

"Sound broadcasting entered its period of greatest growth and expansion when network operation got underway, and the same principles will apply to television," Mr. Smith said. "Ultra high frequency television relay stations have already been developed by Philco Corporation and other research groups to link television transmitters together, and these are in successful operation today. Through these links most of the television audience in the United States made history by viewing the official motion pictures of the Cairo and Teheran meetings of President Roosevelt, Prime Minister Churchill, and Marshal Stalin that were put on the air in New York City and relayed to Philadelphia and Schenectady. In the post-war years, through television people in their own homes will be able to see these historic events as they occur."

Coffin & Burr Heads Syndicate Offering Central Vermont Shares

An underwriting group headed by Coffin & Burr, Inc., on Dec. 21 offered publicly 194,295 shares of the common stock (no par value) of the Central Vermont Public Service Corp. at $16 a share. Upon completion of this financing, which follows a transaction through which the company acquired the Vermont properties of the Twin State Gas & Electric Co., there will be outstanding 323,000 shares of common stock.

The proceeds of the issue, together with the sale of 2,954 additional shares of common stock to the New England Public Service Co. at the public offering price and the private sale of $500,000 first mortgage 3¼% bonds, series C, due 1973, will be used chiefly for the redemption of the outstanding 24,550 shares of 7% prior lien stock of the Twin State Gas & Electric Co. at $110 per share and dividends.

To Admit Williamson

John S. Williamson will become a partner in Henderson, Harrison & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, as of Jan. 1, 1944.

Congress Adjourns Until January 10

The first session of the 78th Congress was adjourned on Dec. 21 for a three-week Christmas recess and is scheduled to convene for the second session on Jan. 10. Formal action to this effect was taken by the Senate and House on Dec. 18 in approving a concurrent resolution.

The Congress left several important issues in the unfinished legislative stages and will have to confront these problems when it returns. Among these matters are the new revenue bill, the food subsidy question, soldier absentee voting and the mustering-out pay plan for servicemen. There are also several bills affecting inflation on which action has been suspended.

Beech Creek Railroad Situation Interesting

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

S. F. Bond Club Fetes Wounded Veterans

New Officials Inducted

SAN FRANCISCO, CALIF.—The San Francisco Bond Club closed its activities for the year with a party for 100 wounded veterans from Oak Knoll Naval Hospital. The party was held Dec. 7 in the Shrine Auditorium in Oakland. One hundred hostesses from the AWVS aided in entertaining the veterans. The club supplied a seven-piece orchestra, a midnight supper, beer and stage and radio entertainment.

Lee Kaiser of Kaiser & Co. was Chairman of the Entertainment Committee. He was assisted by Frank Weeden of Weeden & Co.

The new officers were inducted at the party. Frank Weeden, the new President, received the gavel of office from retiring President J. R. Postlethwaite of Brush, Slocumb & Co. Russel Kent of Bank of America is to be the new Vice-President and Frank Barnett of Henderson & Co., Secretary-Treasurer. Charles Quine of Bankamerica Co., retiring Secretary-Treasurer, acted as toastmaster.

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