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J. M. Keynes, Trade Cycles, And The Pace of Progress

By FRANK CIST

"The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly supposed. Indeed the world is ruled by little else." So wrote J. M. Keynes in his famous book, "General Theory of Employment, Interest and Money," Harcourt Brace and Co., New York, 1936. p. 393. Certainly each conscious action springs from some idea.

Frank Cist

Lord Keynes' own ideas have enjoyed enormous influence. One of the most familiar is his theory that depressions and cyclical unemployment can be avoided or mitigated by the simple process of abandoning the gold standard and managing money so as to keep interest rates low. Here are quotations from his book showing how he puts this idea. On page 235 he says, "The money rate of interest, by setting the pace for all other commodity-rates of interest holds back investment in the production of these commodities without being capable of stimulating the production of money which by hypothesis cannot be produced." And again on page 322: "Thus the remedy for a boom is not a higher rate of interest but a lower rate of interest, for that may enable the so-called boom to last. The right

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Management's Job

H. W. Prentis, Jr., Calls On Management To Sell Industry's Plans For Better Post-War America To People And Congress

The statement that the members of Congress "constitute the only dependable defense line that stands between the American people and national socialism," was made by H. W. Prentis, Jr., President of the Armstrong Cork Co., early this month in addressing annual convention in New York City of the National Association of Manufacturers, when he spoke on "Management's Job." He stated therein that "industry plans for a better America in the post-war years — an America of jobs and freedom and opportunity," and he declared it to be management's job to "take this program for a better America, and merchandise it effectively." Mr. Prentis pointed out that "that job —just as would be the case with any product in your own business—involves, first, advertising; second, sales promotion. and third, selling." He stated that "it is not enough to have a constructive program. If it gathers dust in the archives of time it will never serve America." "Management's job," he went on to say, "is to take it to the people and get them to approve it . . . because it takes the best from the America that has been and seeks to improve it for the better America ahead. It is based on facts, on experience, on performance, on mutual trust, not suspicion. It rests upon the recognition of the rights of all classes of our population—

H. W. Prentis, Jr.

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NASD Markup And SEC Disclosure Rules Destructive Measures

Both The SEC's Complicated Disclosure Rules And The NASD 5% Gross Spread Maximum Violate The Intentions Of Congress, The Spirit Of The Law, And All Known Economics Of Price Making And Freedom Of Enterprise—This Is Bureaucratic Regimentation Substituted For The Freedom Of The Market Place.

By RAYMOND MURRAY

There is nothing in the Securities Exchange Act or the Maloney Act that can clearly be construed as authorizing the SEC or the NASD to require dealers to disclose to customers their costs, profits or private business affairs and furnish written statements confirming all of these details before completing a purchase or sale. This abuse of bureaucratic power should be called to the attention of Congress for review.

The many small transactions which take place over the telephone or by mail make any such costly and time consuming red tape impossible. Such rules would clog the flow of business and a volume could not be carried out that would be necessary to pay the overhead of the average small dealer, if his time and labors must be consumed in these wholly unnecessary record keeping processes which are of no value either to him or the customer. Moreover

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Stable Currency

Dean Madden Regards It Prerequisite For Economic Reconstruction — Favors International Organization

In order to avoid economic chaos in the immediate postwar period, each country will endeavor with all means at its disposal to prevent the condition of an unbalanced budget and a fluctuating and depreciating currency at the same time, according to a bulletin entitled "Stable Currency; A Prerequisite For Economic Reconstruction" issued Dec. 29 by Dean John T. Madden, Director of the Institute of International Finance of New York University.

Dean J. T. Madden

The bulletin states: "A balanced budget and a stable external value of the currency were considered for decades the keystones of a sound national economy. This principle was adhered to by most nations prior to World War I, and after the war all countries again endeavored to stabilize their currencies and balance their budgets. Gradually, each nation struggled back to the time-tested prerequisites for healthy economic conditions and by the late

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Discusses Dr. Anderson's Article On Post-War Exchange Stabilization

James A. Howe Suggests That Question Of Blocked Sterling Balances In London Be Solved By Sale Of 5 Billion Issue Here By Great Britain To Be Partially Guaranteed By U. S. Government.

Editor, Commercial and Financial Chronicle:

In his article on "Post-War Foreign Exchange Stabilization" in the "Chronicle" of Dec. 16, Dr. Benjamin M. Anderson notes that the organizations proposed by Lord Keynes and Dr. White (1) will be dominated by borrowing countries, (2) that the proposed clearing organization is likely to hold assets due chiefly from debtor countries, and to owe most of its liabilities to creditor countries, and (3) that the size of the loans which the organizations are expected to make suggests that many of them will be beyond the capacity of borrowers to pay. Possibly Dr. Anderson himself expects too much from too small credits. However, few persons emphasize sufficiently the adverse effect upon the borrowers themselves of credits created without adequate consideration of the limitations upon the ability to repay them, which are imposed by the productive and export capacity of the borrowers. These limitations are likely to be narrower than is often assumed.

James A. Howe

It seems reasonably clear that the chief lender, the United States should have the right to determine what loans it will extend, and upon what terms. The results of arm's length bargaining between lender and borrower are likely to be more realistic and better, both for the borrower and the lender, than the results of loans, the size and terms of which are dictated by borrowers alone. Dr. Anderson also calls attention correctly to the political advisability of extending credits through private rather than through gov-

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1944 Outlook For Business And Securities

The coming year is likely to prove outstandingly eventful on account of two factors; the certainty of a Presidential and Congressional election, and the probability of the ending of war—with Germany at least.

I. The Elections

Political observers detect in the results of recent elections a trend toward the Republican Party and away from New Deal policies. A Republican House is likely regardless of who is elected President.

II. The End of War

The expectation now is that the defeat of Germany will come by late spring or the summer. Of course, it may occur unexpectedly at any time, and therefore preparation for immediate post-war conditions is already under way by far-sighted business executives. The conflict with Japan, it is generally agreed, will last six months to a year longer.

III. National Income

Unless the war with Germany ends early we think that this year's record-breaking national income of about $140,000,000,000 may be duplicated in 1944, if not exceeded, as it has risen during 1943, and present monthly amounts are likely to extend into next year, added to by some wage increases —these factors probably offsetting declines in the second half of 1944. Public purchasing power, however, should be little if any greater, due to taxes and higher prices. About $90,000,000,000 is scheduled for war expenditure and taxes will absorb nearly $40,000,000,000.

IV. Taxes

The new tax bill should become law in January. It apparently will

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A. B. Van Buskirk Is Elected V.-P. Of Mellon Securities

PITTSBURGH, PA. — Mellon Securities Corporation, 525 William Penn Place, has announced the election of Arthur B. Van Buskirk formerly deputy to E. R. Stettinius in the Lend-Lease Administration, as vice president and director. A graduate of Hill School, Yale, Class of 1918, and the University of Pennsylvania Law School, Mr. Van Buskirk served two years as the law secretary of the Chief Justice of the Pennsylvania Supreme court. In 1924 he became associated with Reed, Smith, Shaw & McClay, Pittsburgh law firm, later becoming a partner. In 1941 he accepted the call to Government service in Washington. He resigned December 17 from the Foreign Economic Administration, into which Lend-Lease had been merged. Mr. Van Buskirk will assume his duties with Mellon Securities Corporation January 1.

A. B. Van Buskirk

Pflugfelder, Bampton Admits S. P. Larkin

Sylvester P. Larkin, member of the New York Stock Exchange, has become a partner in Pflugfelder, Bampton & Rust, 61 Broadway, New York City, New York Exchange members. Mr. Larkin has been active as an individual floor broker. In the past he was a partner in S. P. Larkin & Co.

Thomson & McKinnon To Admit A. Mansfield, Jr.

CHICAGO, ILL. — Alfred W. Mansfield, Jr., will be admitted to partnership in Thomson & McKinnon, members of the New York Stock Exchange and other leading Exchanges, as of Jan. 1, 1944. Mr. Mansfield will make his headquarters in the firm's Chicago office, 231 South La Salle Street.

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Wrath Of Dealers Over NASD 5% Decree Not Subsiding

More and more evidence comes to hand indicating that the wrath of dealers in all parts of the country over the NASD's pernicious 5% mark-up rule has not subsided one iota. Even large dealers who are not adversely affected by the mark-up rule have made it clear that they, too, oppose it. One official of the Association said he was convinced that no decent thinking person would attempt to justify the raw manner in which the rule was foisted upon the membership and that he for one did not intend doing so any longer.

Much grumbling is heard over the attempt of the Association to make dealers curtail their mark-ups despite the fact that dues have been increased and the affairs of the Association conducted in an extravagant manner from the expenditure of huge sums for legal fees down.

Again we say it is fortunate that most dealers seem to be conducting their business just as was the case before the 5% rule was decreed and that it is to the credit of many members of the Business Conduct Committees of the Association that they are ignoring this illegally adopted rule, too. In fact, last week we heard of one such Committee that refused to discipline a dealer for having taken a mark-up of more than 15%. And that is as it should be. Each transaction should stand on its own feet.

And as the days go by it becomes increasingly obvious that various Congressmen are becoming interested in the conduct of both the NASD and the SEC with respect to the 5% decree.

Ganson Purcell by his failure, as Chairman of the SEC, to compel the NASD to rescind this rule, as it is mandatory that he do under the provisions of the Maloney Act, is certainly doing a good job in convincing all concerned that he is not in the least interested in the welfare and well being of the countless number of small, honest, conscientious and thoroughly American dealers throughout the country, who in the last analysis constitute the backbone of the nation's investment business. Over nine weeks have gone by and still not an eye lash will he blink while he sees fundamental rights guaranteed to all of the citizens of this country denied these small dealers. It is indeed a sad commentary on the democratic philosophy of government which the nation is now fighting to extend to the oppressed people of Europe and elsewhere on the globe, to see the same rights arbitrarily snatched from the hands of one segment of this country's population.

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

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America's Role In China's Post-War Reconstruction

By HENRY C. CHEN, Ph. D.*

I

One of the many tasks which will confront China in the post-war years is undoubtedly the industrialization of her devastated economy. This aspect of the post-war reconstruction program has recently captured the attention of many intelligent people in this country. Here and there the subject is discussed with serious earnestness, and articles of unusual importance appear frequently both in newspapers and in magazines—an intellectual advancement with regard to China which was undreamed of even a short while ago.

Henry C. Chen

The gallant fight put up by the Chinese against Japanese aggression during the past seven years together with China's participation in the recent Cairo Conference—an occasion which no doubt has firmly established China's position as a first-rate power—evidently is the circumstance under which the subject concerned has absorbed so much interest in this country.

Indeed, if there is anything which we would be more grateful for than another because of this war, it is perhaps the manifesta-

*Editor's Note—Although Dr. Henry C. Chen is associated with the New York Agency of the Bank of China, only he as author of this article, is responsible for the opinions expressed therein, just as was the case with his paper appearing in our issue of December 16th bearing the caption "The Prospect for the Stablization of the Chinese Dollar."

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Employees' Trusts*

Including Pension Plans, Pension Trusts and Profit-Sharing Plans

By IRVIN BENDINER

The last few years have witnessed a great development in the field of Employees' Trusts, primarily through the creation and expansion of pension programs. A large number of factors explain the reason for this growth and development. The creation of reserve funds to meet these business problems is not of recent development. In a period of high corporate earnings, coupled with high corporate tax rates and excess profit taxes, industry has found it possible and profitable to encourage the development of such plans. Limitations upon salaries and wages have further encouraged employers to find means for making provision for their employees. The Government has given encouragement to the development of such plans to supplement Social Security benefits and to provide incentives for greater production.

Irvin Bendiner

The tax laws are evolutionary in character, and shift and change with experience and with current conditions. It is proper to observe, however, that tax laws eventually establish certain fundamentals, and to the extent that these fundamentals in tax laws follow the fundamentals of sound thinking, there is little likelihood of shifts or changes in the tax structure. It is more important that pension programs and profit-sharing programs be analyzed in terms of their fundamentals than

*An address made at the New School for Social Research the latter part of last month as a contribution to the weekly symposium on Federal Taxation in Wartime of which Alex M. Hamburg is Chairman.

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Non-Federal Debt Declined In All Major Categories In 1942, Reports New York Trust Co.

Contrasts With Nation's Experience In First World War

With the Federal debt increasing continuously since America entered the war, private debt of practically every character has shown a significant decline, according to a report Dec. 27 by "The Index," quarterly publication of the New York Trust Co., and State and local borrowings have followed the same pattern. The total decline of all types of non-Federal debt was $3,500,000,000 during 1942, the first full year of business operations following the country's declaration of war, the report states, and preliminary figures indicate that the reductions were extended even further during 1943.

"This phenomenon is in marked contrast to the nation's experience in the former World War when non-Federal debt advanced in almost every major category," says the analysis. Its summary of the debt trend since the former conflict provides this high-light picture of conditions:

"The period between the two wars was marked by two major characteristics, the steady expansion of non-Federal debt up until about 1930; then a decline which has proceeded even in the face of the unprecedented demands made on the country's productive capacity by the present war. Each component of this debt structure—long and short-term private debt and State and local obligations—has followed the same essential pattern. From peak point to 1942, the aggregate decline of the three forms of non-Federal debt was more than $34,000,000,000."

The progress made by industry in reducing funded debt since Pearl Harbor, the report holds, will doubtless stand as one of the most important economic events of the present conflict. The railroads, public utilities and industrials reduced their borrowings a total of approximately $1,000,000,000 during 1942 alone, but these figures must take such considerations as these into account, the survey adds:

"The railroads, for example, retired about $400,000,000 in debt in 1942, but the net reduction was not more than $325,000,000 because of the issuance of equipment trust certificates and other instruments during the year. The funded debt of the steam carriers which matures in 1943 is approximately $250,000,000, although the amount actually retired is expected to exceed this amount by a wide margin, probably exceeding $700,000,000, inasmuch as many of the carriers are taking advantage of the opportunity to retire their securities through purchases."

Other disclosures in the report showed that: installment sales fell 60% in 1942, due to war regulations; farm mortgage indebtedness declined $360,000,000 during the past fiscal year, the opposite of developments during the first World War; State and local government debt was reduced more than $500,000,000 during the same fiscal period and corporate refundings amounted to $10,500,000,000 in the last half of the 'thirties, approximately four times the volume during the previous five years.

The reduction of corporate obligations during the war constitutes a clear-cut example of cause and effect, the bank explains. The war created an increase in revenues but at the same time prevented normal replacement or expansion because of shortages of materials and labor. Expanded income and cash reserves have been applied to the repayment of debt. The basic credit condition of the individual business enterprise has been strengthened, it is maintained, and capacity for post-war expansion has been enhanced.

Extensive Reconversion Expected In 1944

Production has reached its peak and reconversion will begin during the first quarter of 1944, reports A. W. Zelomek, Editor, in the December issue of the "International Post-War Service." Moderate declines in production and income payments and moderate rises in price levels are predicted for next year, with the European war ending some time during the first half of the year.

The December issue, devoted entirely to a forecast of major national and international trends during 1944, predicts that the collapse of the Nazi regime will be followed by the resumption of normal trade relations only with those countries having stable internal administrations. Some of these countries have considerable gold and/or dollar reserves that they will use for trade with the United States. European countries under military control by the United Nations, or in a state of revolution and civil war, will receive supplies from the United States on a relief rather than a regular commercial basis.

Pointing out that in many plants and many areas the reconversion process has already begun, Mr. Zelomek emphasizes that this process will be stepped up fairly rapidly even during the early months of next year. This trend will be coordinated with cutbacks in many lines of military production. "Production is close to its peak at the present time. WPB Vice-Chairman Wilson's statement that war production next year would average 20% higher than in 1943 implies no gains from levels existing at the year end. . . ." When the tapering off of some war production programs and the reconversion trends reach a certain point, the "Service" predicts, "it will be possible and desirable to localize production of the remaining backlog in certain plants and convert others to civilian output."

In his analysis of Government controls, Mr. Zelomek predicts that neither rationing nor price control will be eliminated completely with the defeat of Germany but there will be a decline in their effectiveness. Price fluctuations will be more sensitive to the changing relations between supply and demand. Wage payments will be more influenced by a declining work-week than by changes in wage rates. Shifts in the labor force from high paying manufacturing industries will also affect total wage payments.

In a section entitled "Europe After the War," the prediction is made that neither the principle of national sovereignty nor the principle of international balance of power will be abandoned in favor of an international Government and an international police force. Some areas of the Continent will be subject to the influences of strong ties with Great Britain; some will be within Russia's sphere of influence; and some, including Germany, will be under international control, dominated by American, Russian and British influence.

Berwald & Co. To Be Formed In New York

Otto A. Berwald, President of Robert C. Mayer & Co., Inc., 30 Pine St., New York City, which has been dissolved as of Jan. 1, announces the formation of the co-partnership of Berwald & Co., as successors.

Partners of Berwald & Co. will be Otto A. Berwald, Charles M. Kaiser, and Frank Hoffenblatt, all formerly officers of Robert C. Mayer & Co., Inc. The firm will act as originating and participating distributors and dealers in domestic bonds and stocks and reorganization securities.

Blyth & Co. Opens New Branch In Grand Rapids

GRAND RAPIDS, MICH.—Blyth & Co., Inc., have opened offices in the Michigan Trust Building in charge of Carl B. Dolbeare. Mr. Dolbeare was formerly local representative for the First of Michigan Corporation.

L. M. Kaiser Member Of S. F. Stock Exchange

SAN FRANCISCO, CALIF.—The San Francisco Stock Exchange has elected Leland M. Kaiser to regular membership in the exchange. Mr. Kaiser is a general partner of Kaiser & Co., Russ Building. Other members of the firm are: E. R. Foley, general partner, and Walter D. Heller and Allen E. Meier, limited partners. The membership was acquired by purchase from Colis Mitchum for $8,000, an increase of $2,500 from the last sale.

The New St. Paul Plan

By EUGENE S. BROOKS

The Interstate Commerce Commission recently issued its "Second Supplemental Report" revising the plan for financial reorganization of the Chicago, Milwaukee, St. Paul & Pacific Railroad. Bankrupted in June, 1935, the property had previously run a classic gamut of "Section 77" procedure; through the Interstate Commerce Commission, the Federal Court of Jurisdiction, the U. S. Circuit Court of Appeals, and finally, the Supreme Court of the United States.

Of interest in this latest ICC proposal is that no less than $670,299,024 of allowable claims will be satisfied as the following table shows. No provision is made for the 2,367,000 shares of old common and preferred stocks.

	Total Claims as of 1-1-44
Old Company—	
Fixed interest debt	$274,327,502
Contingent interest debt	182,873,693
Unsecured claims	795,462
Unpaid accrued interest	202,302,367
	$570,299,024
New Company—	
Cash payments	$52,038,036
Fixed interest debt	92,176,972
Contingent interest debt	116,418,355
Preferred stock ($100)	111,347,846
*Common stock	213,147,525
Total capitalization	$533,090,698

*No par value—stated at $100.

Annual charges of the old property amounting to some $14,500,000 of the "fixed" variety and $9,100,000 "contingent" are pared down to approximately $3,500,000 "fixed" charges and $10,900,000 "contingent" charges, to wit:

*Fixed charges	$3,481,903
Contingent charges—	
Addition & betterments fund (1st)	2,500,000
First mortgage & sinking fund	148,788
†General mort. "A" bonds int.	2,905,482
Additions & betterments fund (2nd)	2,500,000
General mort. "B" bond int.	2,313,995
Sinking fund for gen. morts.	543,394
Total contingent charges	$10,911,659
Total annual charges	$14,393,562

*Including fixed interest under "Terre Haute" lease. †Including contingent interest under "Terre Haute" lease.

By and large, the present pro-

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Professional Group To Assist War Bond Drive

An organization meeting of the 14 division Chairmen of the Professions and Special Services section of the Commerce and Industry Division of the Fourth War Loan was held on Dec. 17. Douglas Gibbons, President of the real estate firm of Douglas Gibbons & Co., is the overall Chairman of the section. William E. Cotter, Director of the Commerce and Industry Division of the War Finance Committee, explained that the professions section was one of 13 established for the purpose of bringing the Fourth War Loan message in person to approximately 2,500,000 employees in New York City.

Mr. Gibbons outlined the plan of contacting the employees, executives and corporations, saying that the group would be responsible in having appointed company representatives in approximately 2,500 firms within the field. To do this each division chairman was asked to appoint a sufficient number of committeemen so that each volunteer would have only ten concerns or institutions to call upon.

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.

Railroad Securities

Approval of the New York, New Haven & Hartford reorganization plan by the Federal District Court last week came as a distinct surprise to the financial community which had generally been convinced during court hearings earlier this fall that no definite action could be expected for some months. In general Judge Hincks upheld the Interstate Commerce Commission, although correction of two errors altered, and improved, the allocation of securities to secured bank loans and holders of Old Colony bonds. As a matter of fact, it seems likely that the bank loans will eventually be settled in cash. Hearings on this point have been set for Jan. 18.

The only other real change in earlier proposals involves the Secured 6s, 1940, which are secured by pledge of Refunding Mortgage bonds in the ratio of about 1.5 to 1. Previously the amount of the collateral pledged was given weight only to the extent of the face value of the claim of the 6s, 1940. In other words, the collateral was allocated its full share of new securities but as soon as the face amount of senior securities was sufficient to fill the face amount of the claim, no additional junior securities were allocated to the 6s, 1940, even though they would have been entitled to the additional junior securities on the basis of their collateral position.

Now it is proposed that the entire block of securities due on the collateral be distributed to holders of the Secured 6s, amounting to more than $1,700 per bond even though the claim is for less than $1,000. Rather than distribute such a large block of securities it is generally expected that the 6s, 1940 will eventually be paid off in cash, a move made feasible by a provision in the plan that the maturity date of the 6s, 1940 be extended to six months after the actual consummation of the plan. With this possibility, the 6s, 1940 still appear attractive for purchase even after the sharp advance of last week. Senior liens, such as Housatonics, Central New Englands, and New England Railroads, all of which are to receive par for par in new 1st Mortgage bonds, are also considered as representing good investment values at recent price levels.

From a timing angle the appeal of the bonds secured under the Refunding Mortgage is less striking. Even under favorable conditions it is doubtful if actual consummation of the reorganization can be expected until well into 1945 and it may well drag out for as much as two years. Thus at the present time it may be assumed that the old bonds should sell to afford an arbitrage profit of around 25% as against the value of the new securities to be received. Also, prices for the new securities, on a when-issued basis, will probably be adversely affected by the likelihood that at least the European phase of the war will be over before the new securities are issued. There is a fairly widespread feeling that New Haven faces a particularly sharp drop in earnings after the war due to resumption of highway competition and the long term influence of migration of industry to other sections of the country.

The new 1st Mortgage bonds will be well protected and even in fairly early when-issued trading should sell around 90. Early prices of around 50 for the Incomes and 27 for the preferred would also appear reasonable. Such when-issued prices would give an indicated value of approximately 62½ to the Refunding 4½s (other bonds secured under the same mortgage would have slightly different values based on the smaller or larger claims for back interest). With an arbitrage spread of 25% the 4½s would then sell at 50, or only 3½ points above the closing price of last week. Near and intermediate term profit possibilities on such a basis are not considered as an attractive offset to potential price declines which would appear likely in the event of a series of favorable war developments.

A. M. Kidder Adds Ehrler

A. M. Kidder & Co., 1 Wall Street, New York City, members New York Stock Exchange and other Exchanges, announce that Vincent L. Ehrler, formerly with Morgan Davis & Co., has become associated with them.

Estabrook & Co. To Admit Newell To Partnership

BOSTON, MASS. — Henry H. Newell will be admitted to partnership in Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges, as of Jan. 1, 1944.

Mexico--Its Economic And Financial Policy

Editor, Commercial & Financial Chronicle:

During the last year particularly we have become more conscious of our neighbor to the south of us than ever before. Partly so because at present it is our only way to satisfy our desire to travel; therefore, we have learned to realize that Mexico is very beautiful scenically and also that its people and their ancient background are vastly interesting. Those, however, whose interest lies in business generally, and in banking and in national economy in particular, will be impressed by the steps taken within the last half year by the present Mexican Government, which appear to make the most of the unusual opportunity presented to put its economy and its finance on a sound footing. In fact, it seems to the writer, that an example has been set.

Gold, Monetary and Fiscal Policy

(a) On April 13th, the local papers reported a speech by Mr. Eduardo Villasenor, President of the Banco de Mexico, the central banking institution, the gist of which was that due to the fact that Mexico as a member of the United Nations was furnishing materials for which she was paid in currency, while on the other hand her bargaining position was restricted, and because to the largest extent her sole customer was the U. S. A., she was prevented from receiving needed materials or imports in kind because of restrictions imposed by the U. S. A. due to her own war requirements. The result was and is that deposits are piling up in the banks, causing a startling rise in prices, etc., etc. To prevent further harm he thought it might be necessary to put an embargo on funds coming into the country.

(b) While every one was speculating about the measures to be taken, the Banco de Mexico announced its intention to import gold to sell freely and encouraged those who wished to convert their savings into gold to do so. It might be mentioned here that it has been possible right along to buy gold here at a rate which conformed to the U. S. gold price, with this difference: in the open market different rates were applied to Centenarios ($50.-M.N.), Aztecas ($20-M.N.) and Hidalgos ($10.-M.N.).

(c) On April 18th, five days after these announcements, the papers brought an interview with Lic. Vicente Lombardo Toledano, President of the Confederation of Latin American Workers, referring to the recent conference of Mr. Villasenor and elaborating on it. It is too long to quote verbatim but the high points seemed to be, the economic coordination of the 21 American Republics, and while Mexico does not wish to enrich herself, it does not wish to be exploited; also "somos enemigos del imperialismo Yanqui" (we are against Yankee imperialism). Further: that it is indispensable that the economic policy of our country is organized with these two objectives: to raise the production and to reduce (stop) the misery of the people, etc.

Hard upon the foot of these incidents came the meeting of the two Presidents, Messrs. Franklin D. Roosevelt and Avila M. Camacho, with the subsequent appointment of the U. S.-Mexican Economic Commission, whose report was as expected.

In the meantime, the air was full with reports and speculation as to a change in the exchange

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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.

Public Utility Securities

Utility Tax Problems

The perennial problem of increasing Federal taxation has returned to plague the utility industry, although due to the lenient treatment received a year ago, the stock market has paid little attention to recent proposals. Chairman Kellogg of the Edison Electric Institute has estimated that if the proposals contained in House Bill 3687 should be applied to the estimated results for the calendar year 1943, net income would be $2,000,000 lower than in 1942, which in turn was $40,000,000 less than in 1941. The Bill proposes an increase in the excess profits rate from 90 to 95%, while the proportion of earnings exempted from the tax would also be sharply reduced.

Dr. Elisha M. Friedman, who has done important work before Congressional committees in obtaining amelioration of certain corporation tax provisions, and who is a prolific writer of letters "To the Editor," recently issued a double blast against the Federal tax policies in the December 21st editorial pages of the "Times" and "Sun." Dr. Friedman holds that our total corporation income taxes under the new Bill will be almost the highest in the world—exceeded only by the Germans (who do not tax excess profits), and our excess profits tax will be the highest in the world. He holds that these taxes invite inflation because they check production, while consumption remains almost untaxed; and that they invite inefficiency, since increased manufacturing costs are largely absorbed by the U. S. Treasury.

Commenting on a recent Treasury memorandum, "Comparisons of taxes in the United States, United Kingdom and Canada," Dr. Friedman states: "The Treasury tries to find the ultimate burden per shareholder of the corporation tax. It shows that the small American stockholder pays, in the example cited, twice as heavy a tax as the British shareholder. Furthermore, the Treasury analyzes the total burden on the shareholder of the combined corporate tax and the individual income tax. What are the results? In the highest brackets the burden in the United States and Great Britain is almost the same, about 95%. But in the lowest taxable bracket the American stockholder pays a total effective rate of 55%, compared to 36% for the British stockholder. . . .

"In the fiscal year 1942-43 the corporation income tax plus the excess profits tax raised 12% of the total taxes in Great Britain and 33% in the United States. In the same year the individual income tax raised 35% of the total taxes in Great Britain but only 21% in the United States. An individual net income of $2,500 before personal exemption pays 12% in the United States and 24% in Great Britain. Our corporation income tax per small shareholder is twice as high as in Great Britain. This is rank injustice to the little fellow."

Dr. Friedman also holds that the corporation income tax should be deducted first before levying the excess profits tax, rather than vice versa. He states: "The difference in the tax sequence may be seen in a simple case. Take a corporation, showing earnings of $100 in pre-war years, paying a 15% income tax, and having net income after taxes of $85. In 1943, it shows earnings of $200. Under our original sound sequence, a 40% income tax, or $80, leaves net income of $120 and excess profits of $35 above the pre-war $85. Then a 95% excess profits tax takes about $33 and leaves $87 net income after taxes in 1943, compared to $85 in pre-war years. What is the result, under the altered, unsound sequence? Of the $200 earnings in 1943 the so-called excess profits is $100, of which a 95% tax leaves $5 and total gross earnings of $105. Then a 40% income tax leaves $63 net income after taxes in 1943, compared to $85 in pre-war years. The excess profits tax is therefore not 95% but 122%. Was this the intent of Congress?"

Certainly our corporate tax program appears in need of a thorough overhauling, and this applies with particular force to taxes on utility companies, which appear entirely unreasonable as compared with those levied against other industries, and seem to reflect the prejudice against this particular industry which has characterized the present Administration in Washington.

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.

F. L. Lucke Elected V.-P. Of J. A. Ritchie

F. L. Lucke has been elected a vice president of J. A. Ritchie Co., Inc., 70 Pine Street, New York City, bank consultants, effective January 1, 1944, according to announcement by J. A. Ritchie president.

F. L. Lucke

For over ten years Mr. Lucke was assistant representative of the Manufacturers & Traders Trust Co. of Buffalo in the municipal bond department of the bank's New York office. Prior to that time he was associated with Tucker, Anthony & Co. in their Syracuse office, and previously, with White, Weld & Co., in their Chicago office.

Kobbe, Gearhart & Co. Offers Telecoin Stock

Kobbe, Gearhart & Co., Inc., New York, are offering in units of one share of preferred stock and two shares of common stock, at $5 per unit, 20,000 shares of $5 cumulative convertible preferred stock (par $5) and 40,000 shares of common stock (par 10 cents). Telecoin Corp. is a new corporation, organized in Delaware Nov. 20, 1943, to take over the property and business of the unincorporated business conducted under the name of Telecoin Co. This business consists of the ownership and operation of 450 coin-operated Bendix home laundries, located chiefly in Metropolitan New York. The machines are placed in apartment houses for the use of tenants who operate the machines by means of a coin device in which the users insert a coin whereby the length of time a machine may be operated is automatically controlled.

Due to the demand for these machines from landlords and real estate agents for placement in apartment houses, the corporation expects, when manufacture of additional machines is permitted, to be able to place a large number of additional machines. The present financing is being undertaken in anticipation of this demand.

"St. Paul" Securities Found Interesting

Frederick M. Stern, member New York Stock Exchange, with office at E. F. Hutton & Co., 61 Broadway, New York 6, N. Y., has a memorandum on "St. Paul" which discusses the new amendments to the ICC plan of reorganization. An interesting table with estimated prices for the new securities, shows percentages of possible appreciation for the outstanding bonds in terms of their allocations under the plan, as well as modifications if the RFC is paid off in cash. Copies of the report may be obtained from Mr. Stern upon request.

Now Hopkins, Harbach Co.

LOS ANGELES, CALIF. — The firm name of Hopkins, Hughey & Company, 609 South Grand Avenue, will be changed to Hopkins, Harbach & Co., effective January 1st. Partners in the firm, which is a member of the Los Angeles Stock Exchange, are D. Roger Hopkins, Jr., Edwin L. Harbach and J. J. Dagny Farrar. John M. White is in charge of the Sales Department.

Federal Judge Dismisses Claim Suit Under Wage-Hour Law by Building Service Employees

Judge Simon H. Rifkind, of United States District Court, in New York, dismissed on Dec. 28 a suit for liquidated damages brought under the Fair Labor Standards Act of 1938 by a group of building service employees engaged in interstate commerce.

The decision is at wide variance with one on the same subject handed down recently by Justices of the Appellate Division of the State Supreme Court, it was noted in the New York "Herald Tribune" of Dec. 29, which further reported:

Judge Rifkind ruled that such employees who have signed waivers absolving the employer from paying liquidated damages after receiving overtime compensation may not institute suit for further penalty payments.

In a 3-to-2 decision handed down on Dec. 23, Justices of the Appellate Division ruled that such building employees may file a claim for penalty damages, even if they have signed a formal release waiving all future claims.

Judge Rifkind characterized the action on the part of the employees in the case before him as a "heads you lose, tails I win" proposition, and said:

"The parties had a genuine dispute and having settled it, the plaintiffs repudiate the settlement, but tenaciously hold on to the benefits received. If they win they will collect the liquidated damages. If they lose, they, nevertheless, retain the overtime compensation to which they are not entitled. I do not believe that it is the intention of the statute to drive so wide a breach between law and morals."

The suit dismissed by Judge Rifkind was brought against D. A. Schulte, Inc., owners of a 23-story loft building at 575 Eighth Ave., by employees of the building. The employees sued for unpaid overtime and received the sums due them on Sept. 24, 1942, after signing waivers relieving the corporation of all liability in connection with the liquidated damage provisions of the act.

Judge Rifkind pointed out that the corporation, in response to the original demands for overtime compensation, had denied liability under the act but stated that, in order to avoid litigation, it was prepared to pay overtime compensation but not an equal amount in liquidated damages. The employees accepted that proposal after consulting with the wage and hour division of the Labor Department and their own union, Judge Rifkind said.

Both decisions are of extreme importance to real estate owners in the city and involve about $25,000,000 in outstanding claims filed by building service employees for overtime wages and penalties under the act. Which decision will hold is now a matter for the higher courts.

Financial District Committee Appointed For Paralysis Fund

Basil O'Connor, President of the National Foundation for Infantile Paralysis, announces the appointment of Edward Allen Pierce as Chairman of the Financial District Committee to aid in the coming appeal for funds. Serving as co-chairmen with Mr. Pierce are Fred C. Moffatt, President of the New York Curb Exchange; John L. Clark, President of the Association of Stock Exchange Firms and Herbert Allen, Allen & Co., Governor of the New York Security Dealers Association. Assisting in the work will be Peter P. McDermott, Peter P. McDermott & Co.; Sam J. Smith, J. S. Bache & Co.; Robert H. White, Asiel & Co.; Leonard C. Greene; Arthur F. Bonham; Carl F. Cushing, W. E. Burnet & Co.; Milton J. Heineman; Charles Leichner; Frank Wallin; Reid Rankin; James Currie, Troster, Currie & Summers; Wellington Hunter, Hunter & Co.; John White, and Alfred J. McDermott, Peter P. McDermott & Co.

This year the worst epidemics of infantile paralysis in 12 years have plagued the nation.

Municipal Bond Comm. Appointed By NSTA

Thomas Graham Chairman; Kingsbury, Vice-Chairman

Thomas Graham J. W. Kingsbury

Thomas Graham of the Bankers Bond Co. of Louisville has been named chairman of the 1944 municipal bond committee of the National Security Traders Association, William Perry Brown, Newman, Brown & Company, New Orleans, and Association president, announced today. J. Wallace Kingsbury, Kingsbury and Alvis, New Orleans, was named vice chairman. Raymond V. Condon, B. J. Van Ingen and Co., Chicago; Joe H. Davis, First National Bank, Memphis; and F. Thomas Kemp, Thomas Kemp and Co., Los Angeles, are the others on the committee.

John Butler Heads Dept. Of Huff, Geyer

Huff, Geyer & Hecht, 67 Wall Street, New York City, announce that John Butler has become associated with the firm as head of their expanded bank stock department. Mr. Butler has been in this phase of the brokerage business for 18 years, having been with G. M.-P. Murphy & Co. for seven years in charge of its bank stock department and more recently with Frederick H. Hatch & Co., Inc.

Interesting Rail Situations

B. W. Pizzini & Co., 55 Broadway, New York City, have available on request a basic five-page financial analysis and leased-line map of the Delaware, Lackawanna & Western; a recent two-page writing on Pittsburgh & West Virginia and map showing connections; and a 10-page analysis of the Boston & Maine Railroad. Copies of these may be had from B. W. Pizzini & Co.

Real Estate Securities

Specific Issues Mentioned In This Column During 1943 Have Given High Yields And Excellent Appreciation In Values

This column, established as one of the features of this publication in September, 1942, to acquaint dealers and the investing public with the unusual possibilities offered by well selected real estate securities, has attempted to show various factors as they became apparent and the possible effect these factors and improved conditions would have upon the market value of these securities. Some of the headlines for 1943 based on the contents of the column were as follows:

"Markets Show Continued Uptrend."

"Assessed Valuations Indicate Bonds Selling Far Below True Intrinsic Values."

"First Mortgage Liquidation Certificates Offer Attractive Investment Possibilities."

"Post-War Future of New York City Hotels."

"An Inflation Hedge, Hotel Securities Show Market Strength."

"Office Building Bonds Bear Watching."

"Advice of Real Estate Security Specialists Important."

"Changes Brought About By War and Economic Conditions Reacting to Benefit of Real Estate."

"Figures Compiled by Real Estate Board of New York, Inc., Show Large Increase in Dollar Volume and Number of Sales."

"Demand for Office Space in New York City, Rental Rates Be Increased."

In the text of the articles under the above headlines and in special articles many different issues were mentioned, detailed information given in order that readers would have the benefit of the facts and in order that points brought out in the articles could be illustrated by specific issues as an example.

We have made a tabulation of some of the issues mentioned during the year. It is shown below and we believe it is interesting to note the very sizable dollar appreciation securities of these issues have enjoyed in 1943. Interest payments have also been made on every issue, yields ranging as high as 15% on invested capital.

Issue—	*	†
Savoy Plaza, 3-6s 1956	280	370
London Terrace, 3-5s 1952	105	430
Hotel Lexington, units	210	730
10 East 40th, 5s 1953	45	905
Governor Clinton Hotel, 2s 1952	180	410
Hotel St. George, 4s 1950	115	535
Sherneth Corp., 5¾s	300	345
N. Y. Title, series C-2	105	355
N. Y. Title, series BK	110	510
N. Y. Title, series F-1	80	535
N. Y. Title, series Q	155	390
60 East 65 St., 3s 1950	160	400
Allerton-N. Y., 3-6s 1955	140	310
Hotel Taft, 5s 1947	80	920
Hotel Drake, 3-5s 1953	140	460
475 Fifth Ave., 5s	95	475
2 Park Ave., 4-5s 1946	80	600
Herald Square Bldg., 3-5s 1948	80	710
870 Seventh Ave., 4½s	220	470

*Dollar appreciation in 1943. †Approximate present market, per $1,000 or unit.

There is no doubt, in our opinion, that well chosen real estate securities merit consideration in view of better general real estate conditions and that the above issues (as well as others) at the present market levels as shown in the table may appear very attractive upon investigation through specialists in the field who can supply full information.

Steel Strike Ends

Most of the 170,000 steel workers idle since midnight Dec. 24, returned to their jobs on Dec. 28 with some of their leaders claiming victory in the first round in the battle of the CIO Steelworkers Union for a wage boost of 17 cents an hour above the ceiling fixed by the "Little Steel" formula, according to Associated Press dispatches from Pittsburgh, Pa., which further added:

"Reports from the nine States where scores of mills were closed showed more than 125,000 had returned by nightfall, with others expected back when operating conditions permitted.

"The 'Big Steel' contract is expected to be the master plan for others to be made with 500 concerns. Neither side would give an estimate of just when this agreement would be ready for the War Labor Board's approval or, if a stalemate developed as in the recent coal controversy, when it would go before the Board for a directive."

Associated Press dispatches from Washington, D. C., stated:

"The War Labor Board on Dec. 27 voted 8 to 4 to guarantee that wage increases which might be negotiated in coming months between the CIO steelworkers and 500 steel companies will be retroactive to the expiration date of the old contracts.

"In Pittsburgh, Philip Murray, President of the CIO-United Steel Workers of America, announced he has asked 'full compliance' with a War Labor Board directive asking uninterrupted production in the nation's steel mills until negotiations for a new contract are peacefully and finally resolved.

"The Board's action was a reversal of the stand labor members took on Dec. 22 when they voted against an almost identical proposal made by the public members."

Frank Ginberg To Be Strauss Partner

Strauss Bros., 32 Broadway, New York City, members of the New York Security Dealers Association, with offices in New York and Chicago, announce that Frank Ginberg will be admitted as a general partner in the firm as of Jan. 1, 1944. For the past eight years Mr. Ginberg has been head of the Statistical Advisory and Research Department of the firm and inaugurated the Strauss Bulletin, "Geared to the News," which is distributed to dealers throughout the country. He has represented the firm on many reorganization committees.

S. F. Stock Exchange Nominates For Office

SAN FRANCISCO, CALIF.—Frank M. Dwyer of Dwyer & Parrish has been nominated for the presidency of the San Francisco Stock Exchange. Mr. Dwyer is at present Vice-President of the Exchange.

Other nominees are: John Raggio, Greenwood, Raggio & Co., Vice-President; Arthur R. Mejia, Davies & Co.; G. W. Miller, Dean Witter & Co., and V. C. Walston, Walston, Hoffman & Goodwin, members of the Board of Governors, to serve two years.

The election will be held January 12th. Nomination is tantamount to election.

Inflation Prospects And Investment Policy

In connection with his address bearing the above caption, which was reprinted in full in our columns on Dec. 2, Benjamin Graham, President of Graham-Newman Corp. of New York City, and author of "Security Analysis," writes as follows:

Editor, Commercial & Financial Chronicle:

It was kind of you to reprint my address on "Inflation Prospects and Investment Policy" in your December 2nd issue. However, I have been asked some embarrassing questions as a result of your editorial headline under the title reading "Policy Advocated Calls for Exclusion of Bank Stocks and Public Utility and Railroad Shares."

The text of my address made it clear that such exclusion referred only to a program "seeking protection against loss of the purchasing power of money." I had no intention of suggesting that bank, rail or utility shares be avoided in general. This is particularly true since I advocated the purchase of common stocks only **secondarily** as inflation protection, but primarily because if soundly bought they are good investments at any time. For purposes other than protection against inflation, there would be no reason to exclude bank stocks, public utility and railroad shares.

The Unfairness Of A Ceiling Profit On Security Transactions

BY AN ANONYMOUS DEALER IN SECURITIES

This question may be debated in many different ways but it boils down to one fact and that is that the security business is vastly different than almost any other kind of business in the entire business world. The business of selling securities can be limited as to profit only on an ethical and reasonable basis. The Medical and Legal professions are not limited as to the profits they make, yet both of these professions are similiar to the security business inasmuch as they are in the business of advising clients. The recent statement made by the National Association of Securities Dealers limiting dealers to a 5% profit is not only unreasonable, in this writer's opinion, but really ridiculously foolish. In saying that 5% should be the ceiling no consideration is taken of the fact that most, if not all, over-the-counter dealers would only be getting 2½% of this amount and sometimes less as most all salesmen work on a 50-50 basis. Out of this 2½% and less the firm would have to take its overhead and thereby net, probably nearer 1½% or possibly 1%. If a firm is limited to such profits as these it cannot long remain in business with the present cost of labor and materials. This 5% limit is referred to only in the case of "riskless transactions" but just what are "riskless transactions"? Of course it is meant that the dealer takes no risk when he simply goes out and buys and then immediately sells to his client. It cannot be said that there is no risk in such a transaction. The client might die right after the order is completed or he might refuse to pay for the securities. A good example of this happened to the writer once. One of his salesmen took an order from one of his clients to buy 3,000 shares of an active listed stock. When payment time arrived the money was not only NOT there but the client had fled to parts unknown. The stock was going up and the client thought he could buy 3,000 shares at the market and get a few points profit by simply having the firm give him a profit check. While the firm was looking for this man the stock fell rapidly and the firm had to take a heavy loss. There was no position taken by the firm in the stock, it was a "riskless" transaction with the word "risk" omitted. Therefore there is no such thing as a "riskless" transaction unless there is money or securities in the account to take care of the transaction. It may be recalled that in the 1929 panic there were many "riskless" transactions but how many were without risk? Such transactions are badly named and should be named "Immediate Transactions" or some other name perhaps more appropriate.

There are some firms that can operate on a 5% basis but these firms must have many client accounts. The five-and-ten-cent stores can operate on a small percentage basis also, but if these firms did not have the millions of customers they sell they could not do so without loss.

In this writer's mind there should be no ceiling on profits. The NASD should have enough confidence in their members and control over them to prevent unreasonable and unethical profits to be made. There are certain transactions, of course, where large profits are unwarranted. In cases where much research work is necessary and the cost of selling the security is high, although no position is taken, it is only reasonable that a fair and equitable profit be made and in such cases, where all printing of circulars, telephone calls and other overhead expenses are paid for by the firm certainly a profit to the firm of only 2½% is not enough. It is evident that the entire problem is not seen through the eyes of the small dealer but only through the large firms who can afford to operate on a small percentage of profit and whose accounts may number, in some cases, many thousands.

Eastman, Dillon Will Admit Barton & Power

Eastman, Dillon & Co., 15 Broad street, New York City, members of the New York Stock Exchange and other Exchanges, announce that they propose to admit D. Frederick Barton and John F. Power as general partners on January 1, 1944, subject to the approval of the New York Stock Exchange.

Mr. Barton, who has been manager of their Trading Department for many years, started on his business career by entering the employ of Eastman, Dillon & Co., in their Philadelphia office and moved to the New York office to become manager of their Trading Department, in 1933.

He was one of the founders of the Security Traders Association of New York and as a director and active member was among those who caused the adoption of many improved practices in the over-the-counter market. In fact among the members of the Security Traders Association of New York there existed a Uniform Practice Code before the N. A. S. D. was organized and applied a uniform practice code to a much wider field.

Mr. Power joined the Eastman, Dillon & Co., organization in their Rockefeller Center office as a customers' man in 1936 and became manager of the Retail Sales Department in November 1940. The early years of his business activity were spent in writing and reporting on financial matters and in analytical and statistical work. He has been identified with three War Bond drives as a team sales manager.

Tomorrow's Markets Walter Whyte Says—

Usual influx of year-end forecasts about due. Market action indicates reaction in offing. Airplane stocks improve action.

By WALTER WHYTE

Now that the end of the year is just a few days off, Wall Street is again indulging its favorite pastime—predictions for the New Year. There is something weird about the lure a calendar holds for the usually reticent. Quarterly forecasts are not uncommon. Semi-annual forecasts are old-hat. But let the end of the year roll around then everybody goes to town. Pontifical utterances attributed to leaders in every field start pouring in. The fact that most are nothing but platitudes which either gaze with satisfaction or view with alarm doesn't prevent their appearing on schedule.

* * *

Market prophets find this period a field day. Pick up 10 market forecasts and you'll read 10 different opinions.

* * *

Some years back so-called market bureaus would, for a price, map out the trend for the full year. Some of these forecasts were tied up with astrology, some with numerology and others with some other kind of mumbo-jumbo. I don't know if you can still get one of these annual forecasts today; if you can't and insist on a private peek into the future, I suggest one of these Buck Rogers comic books. At least, when you're through with it, the kids will enjoy it.

* * *

This year's prognostications will be different. For in addition to the coming state of business and markets the war will come in for a sizeable play. Already our arm-chair generals and dry-land admirals are working on grand strategy. These ex-officio members of the General Staff have the campaign all worked out.

* * *

Last week you read how a "high Administration official" said that we can look for a 500,000 American casualty list. In case you don't know it, this official was the Assistant President, James F. Byrnes, who in a grandiose moment at a pre-Christmas luncheon gave that figure as his estimate.

Colorado's Senator Johnson then came out with a statement that 73% of the Second Front invasion force would be Americans. The Senator is on the Military Affairs Committee and maybe knows what he's talking about.

To make everything even, the Vice-President, Henry Wallace, comes out with his opinion that the war will be over in 1944, as soon as the Second Front is launched. The same prediction has been made by General Dwight D. Eisenhower, who will direct the impending Allied assault against Hitler's European fortress. Then along comes F. D. R. and warns that complacency is unwarranted. Industry is meanwhile busy with post-war plans, taking steps to reconvert into peacetime channels. So there you have a picture full of clashing colors. All you have to do is give it a title.

* * *

My business is not to pose as an art critic except where it has a bearing on the stock market. Yet the two are so closely intertwined it's almost impossible to divorce one from the other.

* * *

The market isn't an isolated medium composed of pastel shades. It is a mirror of the past and a reflection of the future. It reflects not only the opinion of one group but the mass opinion of all the knowledge of informed sources from all over the world. But just as these change so does the market veer. Under normal conditions these changes are slow. But these are not normal conditions. Wars make usually slow changes move at breath-taking speed. The cold, calculating market student interprets these changes and acts accordingly. To sit by and placidly view events in the fond belief that things will work out in the end is flirting with financial disaster. The market isn't a static

(Continued on page 2655)

NSTA Announces 1944 War Bond Committee

William Perry Brown, Newman, Brown & Company, New Orleans, President of the National Security Traders Association, announces the appointment of the Association's War Bond Committee for 1944. It includes:

John Sullivan

John E. Sullivan, Jr., F. Putnam & Co., Boston, Chairman; Don E. Arries, D. E. Arries & Co., Tampa; John L. Canavan, Rauscher, Pierce & Co., Dallas; Harry L. Coleman, H. O. Peet & Co., Kansas City; Cecil W. Weathers, City Securities Corporation, Indianapolis; George H. Williams, Kennedy & Co., Philadelphia; M. Ames Saunders, M. A. Saunders & Co., Memphis; Benjamin H. Van Keegan, Frank C. Masterson & Co., New York; Richard W. Simmons, Lee Higginson Corporation, Chicago; and Norman V. Cole, Ledogar-Horner Co., Cleveland.

"Our Reporter On Governments"

By S. F. PORTER

Back in the old days, when the Government bond market was a normal affair and the financial world worked itself into a happy excitement over a quarter-billion dollar issue every three or six months, it was "normal" of the price list to move up a bit around the year-end. . . . Some preliminary reinvestment demand. . . . A little speculation. . . . Lack of selling due to the fact that most institutions had completed their readjustments by the last week in December. . . . You remember. . . . But now that the market is an abnormal affair all the time, it acts abnormally at the year-end—which might be interpreted as entirely logical if you wish to take the sentence apart. . . . And to be specific, the quiet, lifeless movements of the moment are both abnormal and logical at one and the same time. . . . There's virtually no activity because institutions are waiting for the fourth war loan drive to use up their funds. . . . Selling has dried up, as should be the case after so many months of "cleaning house." . . . And the price level is just about motionless. . . .

Chances are the situation will continue into January and into the period immediately preceding the fourth war loan "blitz for billions." . . . And then, unless the majority opinion turns out badly wrong, the uptrend will be resumed. . . .

EASIER MONEY

The major factor behind the coming rally will be the easing of the money markets, according to experts. . . . And when you analyze the structure today, that makes considerable sense. . . .

For instance, when the fourth war loan gets under way, banks will be losing private deposits, against which they must keep reserves. . . . They'll be losing them, of course, because non-banking institutions and individuals will be buying the new 2¼s and 2½s. . . .

At the same time, they'll be gaining Government deposits, against which they are not required to maintain reserves. . . . The explanation, of course, is that the Government will be getting in money, placing it in banks at a faster rate than day-to-day withdrawals. . . .

So there's one part of the pattern—an easier money situation simply because of the drive. . . .

Also, money will start returning to the banks as soon as the holiday rush ends. . . . That's a trend with which you are completely familiar and although in recent years, money in circulation never has dropped after a holiday as much as it increased before a holiday, it still declines sufficiently to make some impression on the money markets. . . .

A possible offset to this may be selling of bills and certificates by the Federal Reserve Banks. . . . In fact, you may look for some of that liquidation, if the market shows any real signs of strength. . . . But it is inconceivable that the Reserve Banks will sell on a large enough scale to depress the price level at exactly the time when they want to have it appear attractive. . . .

And, therefore, the basic factor in the market in January, outside of the drive itself, should be a more healthy money market situation than we've seen in many months. . . .

BANKS BUYING?

By this time, it must be obvious to all except the small country banks that the drive in January and February is of virtually no use to commercial banking institutions. . . . To a bank with a minor amount of deposits, purchases of up to $200,000 of the 2¼s or 2½s may appear sufficient. . . . But to commercial banks with $5,000,000 to $10,000,000 and more deposits, the restriction on subscribing is almost equivalent to 100% limitation. . . . Which means that:

The commercial banks will be in the market in January and February for outstanding securities. . . .

And it's possible that the price rally may come before its logical time because institutions will be anticipating their demands. . . .

As for specific securities, there seems no doubt of the relative attractiveness of the 2s of 1953/51. . . . Selling close to par, maturing within the stated range, bearing a good enough coupon to give earnings to giant-sized institutions. . . . And now that the free riders and speculators have been cleaned out, the possibilities of a smart recovery in the 2s are substantial. . . .

ANOTHER SUGGESTION—THE 2⅞s

In addition to the 2s, you may be wise in examining thoroughly the profit and interest opportunities in the 2⅞s of 1960/55, selling at 111.19 to yield 1.45 after taxes. . . . That's a tax-exempt bond, as you know. . . .

A good switch would be out of the 2¼s of 6/15/56/54 and into these 2⅞s of 3/15/60/55. . . . On the basis of call dates—which is the only proper way to evaluate the 2⅞s and the 2¼s at their present price levels—the 2⅞s are only nine months longer than the 2¼s. . . .

The 1955 maturity puts it almost within the 10-year range for banks. . . .

The yield on the 2⅞s is 1.45%, compared with 1.30% on the 2¼s. . . .

If you have any ideas of a rise in Governments to the 1943 highs, the chances in the 2⅞s are much greater than in the 2¼s, due to the fact that the 2⅞s currently are 1 point and 10/32 below their 1943 high, while the 2¼s are only 22/32 below their 1943 peak. . . .

Both bonds are exempt and therefore, there is no difference in attractiveness on this score. . . .

As of today, this observer believes the 2⅞s have a better appeal than the 2¾s of 1965/60—always a favorite bond of experts. . . .

For one thing, the 2¾s are outside of the purchase limit of most banks, following the 10-year maturity restriction. . . .

For another, the 2¾s have some competition from other long-term exempts, while the 2⅞s are in a class by themselves. . . . The 2¾s of 1959/56, for example, are going to be in competition with the new 2¼% bonds. . . .

To sum up, if your institution is considering investing in the open market in January, an excellent choice would be either the 2s of 1953/51, taxable and selling close to par, or the 2⅞s, tax-exempt and selling at an 11-point premium. . . .

INSIDE THE MARKET

Price quotations are exceedingly close these days. . . . Quotes being printed in 64ths, instead of the customary 32nds. . . . The 2s, to cite one instance, have been fluctuating between 5/32 plus and 6/32 minus and plus. . . . Indicates dullness of market and lack of any real bids or offerings. . . .

Undersecretary of the Treasury Bell's speech of December 16 did not disappoint experts awaiting a clue to markets during war and possible post-war plans. . . . Bell said some definitely important things about financing patterns, made a clear-cut prediction on interest rates. . . . Considering the necessity for hedging and the usual veiled remarks from official sources, the forecast is vitally significant. . . . To quote:

"Interest rates have remained stable during the wartime period and confidence in the continuation of this stability has been and is widespread and well justified, and has caused investors to subscribe to new issues of Government securities in successive war loans without any sign of holding back in anticipation of higher rates." . . .

Bell then went on to quote Sir Kingsley Wood of Britain on his statement "we have revolutionized public opinion as to what are fair rates for Government war borrowing" and to add "I think it can be fairly said of the United States." . . . You can't ask for a more definite statement from the Undersecretary. . . .

Overwhelming percentage of dealers anticipating better market during the war loan drive. . . . With the 2¼s now accepted as the favorite issue. . . .

Reader Comments On Price Renegotiation

Editor, Commercial & Financial Chronicle:

On the subject of Renegotiation, Judge Patterson, the Under-Secretary of War and the foremost advocate of the present law, gives an illustration of what the amendment would mean, which proposes to renegotiate war contracts only after taxes have been computed. If you read the testimony, you will find that the principal complaints against the Act have been the inexperience and misunderstanding of the Boards, together with claims that the Boards have intimidated contractors.

Judge Patterson says, "It would be just as sensible to agree to pay a higher price for a suit of clothes or an automobile or any other piece of desired property because the particular seller was subject to a higher income tax liability than his competitors." The editor of the Washington "Post" says, "If Congress will bear in mind that the Renegotiation Act is a price and not a tax law, it will refuse to agree to the Senate Committee's amendment."

We believe the Judge's illustration shows clearly why businessmen do not trust his reasoning. He said, "Let us assume two contractors, A and B, each making the same article; for example, a rifle, sold to the Government at a price of $100 per rifle. Each contractor has the same unit cost with the single exception of Federal taxes. Let us further assume that the costs before taxes in each case amount to $70 per rifle but contractor A pays taxes of $12 (equivalent to 40% tax), while contractor B pays Federal taxes of $24 (equivalent to 80% tax)."

The Judge assumes that a 15% margin over cost before taxes represents a reasonable profit and, therefore, both contractor A and contractor B would be allowed a profit before taxes of approximately $10 and would be required to reduce their price on further deliveries to approximately $80 per rifle. On the other hand, the Judge says, "If Renegotiation were to be based upon profit after taxes and an equal amount were to be left to each contractor, it is obvious that if contractor A were to be given a price of $80, leaving him a profit of approximately $10 before taxes and $6 after taxes, it would be necessary to allow contractor B to continue his present price of $100, giving him a profit before taxes of $30 and a profit after taxes of $6, the same as that received by contractor A."

If we have a proper understanding of the Price Renegotiation Act, it is intended that the Government should pay exactly the same price to each of these two contractors, if they showed equal efficiency and cost reducing ability. Here is a comparison of Government cost in the Judge's proposed test case, which shows that his decision to buy at the same price of $80 gives one contractor a lower net profit and gives the Government a lower net price:

	Before Renegotiation "A"	Before Renegotiation "B"	After Renegotiation "A"	After Renegotiation "B"
Price	$100	$100	$80	$80
Cost	70	70	70	70
Profit before taxes	30	30	10	10
Profit after taxes	18	6	6	2
Govern. cost	$88	$76	$76	$72

To hold that one contractor should receive a lower net profit because he pays higher taxes to the Government is an absolutely untenable position. The Judge's unfortunate illustration is the very best proof any one could ask that the Judge should not have the final word in Price Renegotiation. He has testified that he had no previous industrial experience and that he is not a tax expert. He should be able to employ experts and certainly his illustration shows need for them. The Judge does admit that taxes are Government savings on cost and who can deny it?

E. W. MEYERS, Jr.,
Controller, Pittsburgh Equitable Meter Co.

Pittsburgh, Pa., Dec. 20, 1943.

Plan For Philippine Post-War Rehabilitation

Economic and financial rehabilitation of the Philippines is being planned now in preparation for the day when the Japanese are driven out, Secretary of the Interior Ickes revealed on Dec. 25.

In a report on the wartime status of territories and island possessions, Secretary Ickes disclosed that officials expect that liberation of the islands will find much of the United States Government's physical property destroyed or damaged, treasuries empty and banks and credit institutions insolvent. United Press Washington advices of Dec. 25, reporting this, further said:

In addition, the basis of public tax and revenue is expected to be so impaired that several years will be required for rebuilding, while public schools and health services will have been abandoned.

Thus far, Mr. Ickes' report indicated, post-war plans for the islands have been necessarily limited to taking stock of needs to be anticipated. Pointing out that other possessions had been affected by the war, Mr. Ickes stated that Puerto Rico and the Virgin Islands had "experienced severe dislocations" and Alaska was now a thoroughfare for offensive action through the Aleutian chain.

Hawaii, completely under war economy, he said, had seen housing, hospitalization, sanitation and disease control problems grow with the influx of workers beyond the island's normal capacity. He added that tuberculosis was on the rise there, although venereal disease had been controlled.

J. M. Keynes, Trade Cycles, And The Pace of Progress

(Continued from first page)

remedy for the trade cycle is not to be found in abolishing booms and thus keeping us permanently in a semi-slump; but in abolishing slumps and thus keeping us permanently in a quasi-boom."

All this, in plain English, means that we need never put on the brakes. "The right remedy for the trade cycle is not to be found in abolishing booms," in holding back investment on commodities other than gold, but in abolishing slumps. The fault with the gold standard has been that it does put on the brakes. When high wages and high prices check the mining of gold that tends to slow down the rate of monetary expansion below the rate of business expansion. And then also we have limits, legal or otherwise, to the volume of deposits, which check the expansion of credit at a certain ratio to gold. Monetary scarcity results from both these causes and forces up interest rates, ends booms, brings on depressions, and thus inflicts trade cycles and unemployment upon us. The remedy is to end the "tyranny of gold," do away with monetary scarcity, keep interest rates at artificially low levels, encourage "investment in the production of these (other) commodities," and thus, instead of suffering from the alternations of elation and depression, just enjoy continous elation. If business refuses to spend the added money made available Government must spend it. All we need to do is decline to put on the brakes!

"Government" unhesitatingly opened its arms to Lord Keynes' powerful free-spending ideas. Politicians seldom yearn to put on the brakes and the New Deal was in especial need of ample purse as well as ample patronage if it was to hold together its loosely-knit party. In somewhat modified forms these free-spending ideas are still potent. If correct they may create a wonderful new world. If wrong they are dangerous and ought to be exposed. What is the truth?

Two obvious objections to them instantly occur. The first is based on centuries of recorded history which teach that over-liberal governments have uniformly wrecked themselves "on the rocks of loose fiscal policy." Why has this plain teaching been so seldom heeded? It is because some seductive new excuse is always found for spending. The people want the money. The politicians are eager to give it to them. At the time of the French Revolution the excuse was that the "assignats" were wonderfully secured by valuable lands which the revolutionary French Government had confiscated from the church. Today it is that unemployment and business cycles are caused by too little money. "The only thing we learn from history is that we never learn from history." No one ever seems to want to put on the brakes.

The second objection rests on theory. It argues that there are cycles in all production, a potato cycle, a hog cycle, a cycle of inventories with excess at one stage and insufficiency the next, and that by analogy there must also be cycles of producers' goods such that we must expect over-optimism and over-expansion at one stage and a corrective shrinking back toward normal balance in the next. On this argument the brakes do need to be put on general investment when it goes ahead too fast just as much as they do on investment in particular lines.

Lord Keynes, however, seems sceptical about the possibility of general over-investment. On page 323 of his book he says, "It would be absurd to assert of the United States in 1929 the existence of over-investment in the strict sense." On pages 347-8 he says, "There has been a chronic tendency for the propensity to save to be stronger than the inducement to invest. The weakness of the inducement to invest has been at all times the key to the economic problem." And on page 376 he says, "But whilst there may be intrinsic reasons for the scarcity of land, there are no intrinsic reasons for the scarcity of capital." The brakes need never be put on general investment.

Lord Keynes' premise that there can be no such thing as *general* over-production, if that correctly states his position, is in line with much accepted economic doctrine. Human wants, so runs the usual reasoning on this point, can never be fully satisfied. There is therefore never any logical limit to our economic progress. We can suffer from unbalance through over-production of specific things such as potatoes or hogs or airplanes but there can never be over-production of everything at once. To put the brakes on everything at once, therefore, by high interest rates, just when progress and prosperity are getting well under way, is almost a criminal action, a coward's policy, one which should be swept into the limbo of outmoded aboriginal superstition along with its accomplice in mischief, the gold standard!

Let us pause a moment to clarify this argument. Are not businessmen also currently complaining that the New Deal has hurt employment by discouraging capital investment? See, for instance, Edgar M. Queeny's book, "The Spirit of Enterprise," Charles Scribner's Sons, New York, 1943, pages 56-63. What is the difference between Lord Keynes, who wants less brakes, and business which demands a wider open throttle? Do not both demand more speed?

The difference does not lie so much in the nature of the prescription as in the character of the disease diagnosed to be cured. If the pace of progress is too slow we do need stimulation. But if it becomes too rapid, as in 1929, we would need a sedative, more brakes. Lord Keynes doubts we can ever go too fast or need more brakes. His argument depends on the assumption that our cycles are not caused by over-speeding and must fail if his premise fails.

In one sense, as we have seen, there can never be over-expansion. The confusion arises on a point of timing. General over-production in the secular sense can be a different thing from general over-production in the immediate sense. The assertion that there is no ultimately foreseeable limit to the upward march of our material progress simply does not warrant the further assumption that there can never be any limit upward to the pace at which progress advances.

An illustration of a type dubbed by Mr. H. V. Hodson, "Robinson Crusoe," may help clarify this abstract distinction. Suppose an island peopled by a savage tribe, one half of which occupies itself quite fully doing the community fishing, while the other half does the community hunting. These men have plenty of other wants, homes instead of caves, clothes instead of skins, vegetables and fruits instead of so much meat and fish. There is no limit to the possibilities of their material progress. But at the moment they lack the time to produce anything but meat and fish.

One of these men has an idea. For months he employs his spare time making a fish net. When at last he puts it in the water he catches more fish with it than all the other fishermen together. There is suddenly a fearful glut of fish. Fish is a drug on the market, offered at bargain prices, fishermen can get next to nothing for it in the way of meat. Hence the fishermen are poor and starve while the hunters cannot find employment for their time.

This illustration, in spite of over-simplification and inadequacies, throws strong light on our subject and deserves serious study. These islanders are suddenly presented with spare time which they can use toward better housing, better clothes, a "more abundant life." But they have not yet found the means of so using it and, until they do, they have nothing more to live on and their spare time is actually a curse.

In fact, we see all the usual socialistic nightmares in this illustration. We see a "civilization which has solved the problem of production but failed to solve that of distribution." We see "want in the midst of plenty," "hunger side by side with too much food." "Over-saving" has not caused the trouble but over-investment. Progress, in the shape of the man with the net, has momentarily outrun its market and we have a temporary "general over-production" of everything at once. Consumers' goods are in excess. So are producers' goods. The unemployment does not arise from any fault of money or the interest rate but from a temporary lack of proper balance in production. There is too much fish.

What is the remedy? Is it to lower the interest rate and thus speed up the production of all existing kinds of producers' goods at once, bows and arrows, fish-hooks and lines and sinkers, nets and floats? Or is it to discourage the manufacture of all these things by taxing savings so that "savings will not outrun investment"? Can the dislocation be cured if only the chief of the tribe can find a nice unexpected hoard of wampum and start passing it around to create new "purchasing power"? Will the tribe really get what it needs in the way of more clothes and food and houses if the chief puts the unemployed to work on trails and parks and pyramids, or will that not rather discourage genuine reassimilation into honestly desirable production?

Speaking broadly the following conclusions seem warranted. While there may be no upper limit to the ultimate extent of our material progress there is always a definite mechanical temporary limit to the pace at which advances can be made. However, greatly material progress is dependent on the introduction of labor-saving machinery and methods, the pace at which these machines and methods are introduced cannot safely much outrun the pace at which the men displaced by the process are reabsorbed into new and genuinely useful work. Sound reabsorption cannot result from so simple a solution as the mere multiplying indiscriminately, through the provision of more money and lower interest rates, of the manufacture of existing types of producers' goods. What is needed, if the community is to realize its opportunities of material progress, is more genuinely salable production, usually new kinds of goods and services to satisfy new wants. Both private enterprise and government can help with this process of reassimilation but in the long run much must depend upon the men themselves. The incentives are the hope of profit and the fear of loss and, while no one should be let starve, these twin incentives cannot be too greatly diluted. It will be a mistaken "philanthropy" which handicaps potential new enterprise by threatening it with too great a dead weight of unemployment relief before it gets fairly started.

The fact must be faced that a certain displacement of labor by labor-saving machinery, a certain labor turnover, is an indispensable normal sacrifice on the altar of material human progress. Anyone grossly misleads labor who says otherwise. We can in very fact create employment in astronomical amounts by the simple means of reversing progress, destroying our machines, our spinning and cloth mills, for instance, and thus forcing a return to hand spinning and hand weaving. So that, in a very real sense, we have the alternatives of security in employment, on the one hand, and progress on the other. The question is one of degree as to how far we are willing to sacrifice material progress in the interest of easing the impact of progress on employment. The descendants of an adventurous and pioneering people, once the question is fairly presented, are not likely to err on the side of too great timidity. Americans expect progress.

This reasoning throws some light on the problems of post-war re-employment for it shows that the problem of excess plant capacity will be not only one of immunizing or avoiding an excess in specific lines but in dealing with potential over-production in all lines at once. A useful path of attack, therefore, on post-war unemployment, and one to which many businessmen are fortunately already alert, will lie in the encouragement of new inventions, new products and new services. What seems not so fully understood is that the emphasis, for a while at least, should be put either on such new inventions as do not displace labor at all, or else, if the inventions do save labor, on inventions in industries like the automobile industry which have an "elastic demand" for their products and can therefore themselves, by cheapening their products, constantly mop up as much or more labor than is displaced by the new labor-saving inventions.

The foregoing analysis envisages a normal upward rate of progress curbed and limited by the necessity of the reabsorption of the labor it from time to time displaces. If there were no limitation on this rate of progress other than mere shortage of money, Lord Keynes might be right and our cyclical unemployment problem might be solved by so "managing" money as to keep interest rates at an artificial low so as to stimulate continuous full-blast industrial activity. But low interest rates, as has already been said, would necessarily stimulate everything indiscriminately at once without the selectivity necessary for really sound reabsorption. They would merely apply a more or less even multiplier to all kinds of expansion at a time when, according to the theories here presented, our difficulties lay in too great general expansion. Factory expansion, of course, does temporarily mask its own unsound excesses by reabsorbing labor and providing a deceptive "mass purchasing power" in the unhealthy new factory construction. The question is whether new factory contruction can be overstimulated. If all we need is more and more factories, regardless of type, then Lord Keynes may be right. If, however, we can have temporary *general* overcapacity and *general* overproduction, as our "Robinson Crusoe" illustration seems to show we can, then he is wrong, and the gold standard, in calling the turn, applies a wholly necessary corrective to a false overestimate of the rate at which civilization can proceed along its upward course. The brakes then do need to be put on and cyclical disturbances normally initiated by too much money or an overrapid rate of expansion of money need to be curbed by high interest rates and a shortage of money.

Here, as elsewhere, nature seems to move in waves. Economic progress oscillates about an upward line of sound advance, as its line of balance, in waves above and below the line. Such waves, to our finite minds, seem wasteful, lost motion, unscientific, like the ebb and flow of the tides about the normal level of the ocean. But King Canute failed to compel the ocean tides to stand still and Lord Keynes is not likely to fare better with the tides of business.

Let us analyse these tides. In a very real way they are the tides of ideas, overoptimism at one point, overpessimism the next, overestimate at one stage, underestimate the next, expanding and contracting, inhaling and exhaling in response to laws of nature. Powerful as are "the ideas of economists and political philosophers," they cannot finally do away with this rythm. The more they lead us to try to fight natural laws the more punishment they will face us with when we ultimately fail. Properly interpreted the depression of 1929 and its aftermath was an example of such punishment.

Time For Labor Draft Near, Says Austin

The time for Congressional enactment of a national labor draft law is near, Senator Austin (Rep., Vt.) said on Dec. 25, in disclosing that members of the Senate Military Affairs Committee had conducted a confidential study of home-front man-power in relation to a stepped-up war tempo.

Senator Austin declined to make public details of the report, but said "it has increased our belief that we are confronted with the necessity of such direction of the labor resources of the country as will increase the efficiency of our war effort; it must be increased, and in my opinion legislation will be necessary to accomplish it."

In reporting this Associated Press Washington advices of Dec. 25 further said:

The man-power study was conducted under the direction of Colonel Lewis Sanders, adviser to the Military Affairs Commitee. It covered military and industrial man-power needs and prospects as of Dec. 6.

Senator Austin indicated he would seek action by the military committee soon after Congress reconvenes Jan. 10 on the pending compulsory service legislation jointly sponsored by him and Representative Wadsworth, (Rep., N. Y.)

Introduced early last year, the bill would make both men and women subject to assignment to essential war jobs as needed. In addition to men already registered under the selective service act, it would require the registration of women between the ages of 18 and 50 for possible conscription in war jobs in industry. In hearings earlier this year the legislation was strongly opposed by organized labor and it never reached a vote in either house.

Senator Austin said the continued heavy drafting of men for military service, plus a public complacency about the war, had contributed to the growing difficulty of maintaining peak war production. Man-power problems promise to grow more acute, he said, as the broadening scope of military activity in Europe and the Pacific increases was equipment requirements.

"We are entering the saddest, most costly, most difficult and most challenging phase of the war," he said. "It will require sacrifices beyond anything we have been willing to recognize thus far.

"The No. 1 obligation of Congress will be to promote an increase in the effort of every person who is competent to perform any act in total war. This overshadows all other obligations."

Signs Bill Freezing Security Tax For 60 Days

President Roosevelt signed on Dec. 23 the legislation freezing social security taxes at the present rate of 1% for 60 days starting Jan. 1 and permitting the duty-free importation for 90 days of grains to be used for feed.

This measure, which passed the Senate and House on Dec. 17, originally dealt with grain for livestock feed but the social security rider was attached to block a scheduled automatic increase in the rate to 2% on Jan. 1 for both employers and employees. The temporary freeze was decided on since there is a provision in the pending Senate tax bill to extend current rates for all of 1944.

Passage of this measure was noted in our issue of Dec. 23, page 2563.

Opposing Viewpoints Of SEC And IBA On Competitive Bidding Rule Presented To ICC

Sharply opposing viewpoints on the proposal to subject issuance of railway securities to compulsory competitive bidding were voiced on Dec. 24 in a simultaneous release of letters by Ganson Purcell, Chairman of the Securities and Exchange Commission, and Arthur Dean of the legal firm of Sullivan & Cromwell of New York.

Both letters were addressed to J. Haden Alldredge, Chairman of the Interstate Commerce Commission.

Mr. Purcell, it is learned from special advices to the New York "Times" from Washington, forcefully upheld the competitive bidding rule of the SEC as applied to public utility holding companies.

Mr. Dean, who represents the Investment Bankers Association, reiterated prior arguments that the rule actually operated to increase the cost of issuing of securities and that it would do the same thing in the case of railroad securities.

In further reporting on this matter, the Washington advices of Dec. 24 to the "Times" said:

Mr. Dean raised the new issue by citations of the experience of the Delaware Power & Light Co. in floating issues of bonds and preferred stock. He charged that operation of the SEC rules—specifically Rule U-50—had made it impossible for underwriters to obtain necessary information in time to give detailed study to the terms of the offer. Also, he stated that almost two months elapsed before this issue was effected, "whereas on a comparable negotiated issue where the commission grants acceleration, the issue could have been offered within approximately ten days after the filing date and the bonds could be delivered and the issue closed a few days thereafter."

"I have been informed," he went on, "and I believe reliably, that (with one or two exceptions) the issues of public securities offered since August, 1943, subject to Rule U-50, after the initial public offering to the public at the initial public offering price, have been sold to institutions at substantially lower prices, or in several of the syndicates substantial blocks of the securities remain unsold.

"In one of them, the $45,000,000 Northern Indiana Public Service 3⅜s due 1973, in which the syndicate was headed by Halsey, Stuart & Co., the funds of the underwriters were locked up approximately from August to December, which is a matter of substantial concern to an underwriter which is a member of the New York Stock Exchange."

Mr. Purcell contested all of Mr. Dean's assertions, and paid particular attention to the criticism of delays involved under this rule.

"Although our competitive bidding rule for utility securities," he said, "has been in effect for more than two years, this is the first criticism that has come to our attention of the mechanics of its operation. On a number of occasions we have made inquiries of bankers and issuers in that regard and have been advised that no difficulties have been experienced in the practical functioning of the rule.

"As you know, bankers and issuers, in their anxiety to take advantage of a prevailing market, customarily work under considerable time pressure. In that regard it may be noted that the only time differential between a competitive deal and a deal negotiated with underwriters is the ten-day period required under our competitive bidding rule between the advertisements for bids and the opening of bids. In a few instances, at the request of the issuer, we have shortened the bidding period by as much as three or four days where it was clear that all bidders would have ample time for full investigation and consideration of the securities that were to be sold."

Mr. Purcell maintained that the rule confers greater equality of opportunity for bidding by syndicates and "we have concluded that our competitive bidding rule has functioned with marked success."

Retire National Debt Through Income And Sales Taxes, Henry J. Kaiser Proposes

Henry J. Kaiser, West Coast shipbuilder, offered on Dec. 25 his plan for retiring the national debt, but he waved away suggestions that he might become a 1944 Presidential candidate.

"We could keep the present dollar volume of production when peace comes by servicing the national debt through a transaction (sales) tax, plus a high income tax which will eventually retire the debt," Mr. Kaiser said in an exclusive interview with a United Press correspondent in Oakland, Calif.

"The transaction and income taxes must be sufficiently equitable so that labor will not be unjustly taxed and the entrepreneur will keep his incentive for new ventures," Mr. Kaiser said, according to the United Press dispatch, which further stated:

The correspondent interrupted: "There have been suggestions that you might be a Presidential candidate"——

Mr. Kaiser looked the other way quickly, dusted his neat blue suit: "Let's not talk about that. I'm a builder."

Then, returning to his theme:

"The peak of America's war production in almost every item is over. The time has come to begin the gigantic task of shifting back to peace-time economy of efficiency in production.

"Credit has been reduced three or four times the amount necessary for private business because of the war; the Government has been the only customer, and it pays off every week.

"I propose a great credit risk pool with the banks, investment trusts, insurance companies, the Government and labor unions putting billions into it. The credit would be made available both to great and small enterprises. After credit is furnished, the creative minds, inventors and planners, then the builders, then the distributors and sellers would get peace-time goods into production.

"Fantastic things lie ahead. Don't ask whether management can produce. The West produced no ships before the war. Now we are 'over the hump in shipbuilding' even before we have hardly begun to fight.

"Can't you envision houses stamped out in steel units and the great future of air travel when a million boys who have learned to live and work in the air return?

"As for the people's health—a model for that is working right here now." He referred to the Permanente Hospital, or Kaiser Foundation, which gives shipyard workers all necessary hospital and medical attention for 50 cents a week, deducted from pay checks voluntarily.

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

In time of war banks perform an indispensable service to their country and its Government. During the Revolutionary War the finances of the Colonies were in a precarious condition and it became necessary to take drastic action in order that George Washington and the Continental Army might have proper financial support. Robert Morris, superintendent of finances of the Revolutionary Government, together with Thomas Paine and others, consequently founded the Bank of Pennsylvania. Its functions, however, were much restricted, and though it proved to be helpful, Robert Morris considered that a bank with broader functions was what was really required. In May, 1781, therefore, Morris obtained from the Continental Congress its consent to charter the Bank of North America. Inasmuch, however, as there was some doubt as to the legal power of the Continental Congress, the bank was also chartered in 1782 by the State of Pennsylvania and operated under this charter until it joined the national banking system in 1864. During the remaining years of the Revolutionary War the bank loaned to the Government approximately $1,250,000 and was of great assistance at a time when financial support was desperately needed.

After the Revolutionary War the First Bank of the United States was chartered by Congress in 1791, and proved to be a great success. But due to the antagonism of state banks, and to other political factors, its charter was not renewed by Congress and it closed down in 1811. Thus, when the War of 1812 broke upon the country, there was no national banking institution, though there was a large number of state banks. However, these were relatively weak and ineffective and many of them failed at a time when the Government badly needed strong financial aid. It is of interest that a few weeks before war broke out the City Bank of New York, now the National City Bank of New York, opened its doors and was almost immediately called upon to assist the Government in the flotation of its war loans.

During the first years of the Civil War, the North faced a difficult financial situation. Specie payments were suspended, greenbacks were issued, and gold and silver coins were driven out of circulation. Secretary of the Treasury Chase proposed a national banking system, in order to provide a safe and uniform bank note currency secured by United States bonds, and a market for United States bonds. In February 1863, the National Bank Act was passed, later to be repealed and superseded by the National Bank Act of June, 1864. Thus, the financial difficulties of the Government were eased to a considerable degree during the last two years of the war.

The next important change in the banking system came just before the opening guns of World War I, when Congress passed the Federal Reserve Act, which was signed by President Wilson on Dec. 23, 1913. It seems worthwhile to quote the following words of Carter Glass, champion and advocate of the Federal Reserve System: "In the Federal Reserve Act we instituted a great and vital banking system, not merely to correct and cure periodical financial debauches, not simply indeed to aid the banking community alone, but to give vision and scope and security to commerce and amplify the opportunities as well as to increase the capabilities of our industrial life, at home and among foreign nations." The help afforded the country and the Government during World War I by the banking system, not only through aiding in "Liberty Loan" drives, but also through the making of direct loans to the Government and providing a ready market for Government bonds, is too well known to need more than this passing mention.

In turning now to World War II, it is interesting to note what Edward L. Smead, Chief, Division of Bank Operation, Board of Governors, Federal Reserve System, has to say regarding the service which the banking system of today is rendering the nation. He points out that the banks are active in seven vital fields of wartime service, as follows:—

(1) Participation in War Loan Drives: the banks co-operate actively and fully with the Treasury, using their staffs and mail facilities in active selling.

(2) Sale and Redemption of War Savings Bonds and Stamps: the banks sell and issue a large volume to their employees and the general public.

(3) War Loans: in addition to

(Continued on page 2649)

Management's Job

(Continued from first page)

capital, labor, management, agriculture and the learned professions alike." He stated that the first part of management's job is to practice what it preaches—that business has certain responsibilities that it simply must assume, because the voluntary acceptance of social stewardship is the keystone of liberty." "To this end," said Mr. Prentis, "management must acquire a better sense of proportion in respect to competitive tactics, and think more and more in terms of the long-range business strategy required to perpetuate the free institutions that we have until recently so complacently enjoyed."

Mr. Prentis, who is Chairman of the NAM's Legislative Policies Commission and past President of the Association, likewise said that jobs, freedom and oportunity for us and succeeding generations depend on how well we safeguard "the mechanism by which our forefathers sought to harmonize the will of the majority with the personal rights of the individual." He further said that the preservation of the Constitution's basic principles "is just as essential to the continuation of the private competitive business system of this country, as the maintenance of the political, intellectual and spiritual freedom that the Constitution guarantees."

Legislative correction, Mr. Prentis said, is necessary on these five matters:

1. Importance of private capital formation in order to prevent the advent of socialism.
2. A proper scheme of taxation designed to preserve individual incentive.
3. The importance of sanely organized labor relations.
4. Provide opportunity for every individual to obtain sound social security.
5. The need for curbing bureaucracy through revival of local responsibility for local affairs.

Full Text of Address of Mr. Prentis

As some of you know, I have had the privilege of speaking in various capacities at previous meetings of the Congress of American Industry. I can truthfully say, however, that I have never been more eager to drive a message home than I am this afternoon in my function as Chairman of the Legislative Policies Commission, which might far better be called "The Better America Committee." During my talk today I shall utter 4,375 words and, frankly, I wish I had some sort of radar apparatus by which I could get the exact range of every mind and heart in this audience. For time is short, and the task forces of those who seek to undermine the governmental system under which America has grown great, have entrenched themselves strongly in the fox holes, pillboxes and fortresses of bureaucracy. To loosen the throttle hold that they have secured on the throat of private competitive business — one of the vital bastions of our freedom—is a job that will call for every bit of intelligence and zeal that American business managers, and other patriotic citizens, possess. As a former Cabinet officer of the present administration said recently: "We need a great crusade to restore America to its own people."

Looking back over my own business career, I realize that it took me quite a while to learn that a real business manager has two functions—not one. The first is clear: He must lay plans and carry them through. The second is not so obvious, but equally important: He must create among his associates and employees an atmosphere of sympathetic understanding of his objectives, which will ensure the smooth and successful execution of his carefully prepared programs. Formerly a good business manager could stop there. But that was before Government stepped in and took over the control of our economic life. Today management's job has been extended far beyond its previous bounds. That job now includes a large portion of a task that all good Americans must shoulder, namely, the creation of the type of governmental climate required for the preservation of private competitive business—one of the cornerstones of our liberty.

In the early days of the Republic, when administrative power was lodged in the hands of Presidents who had themselves helped to set it up, the people could rely on the Executive Department to jealously guard their freedom through scrupulous observance of the Constitution and the exercise of executive self-restraint. Later, as the memory of early struggles against royal tyranny grew dim, and the Executive Department sought more power, the Federal Courts became a mighty bulwark of constitutional freedom. In recent years, however, "sociological jurisprudence" has left the American people only one source to look to for the preservation of their liberty, and that is Congress. Today the 531 members of that body constitute the only dependable defense line that stands between them and national socialism.

Do not say lightly that I exaggerate. Read the plan of Professor Alvin H. Hansen, the trusted economic adviser of the present administration, in which he advocates the establishment of a so-called "Monetary and Fiscal Authority." Under his recommendation "the executive should be empowered to increase or curtail public improvement expenditures" and "to determine the imposition and withdrawal of taxes." This, he calls "bold social engineering" in order "to make the economy workable under modern conditions"! Analyze the statements of Mr. Berle, Assistant Secretary of State, in reference to the desirability of procuring productive capital from governmental instead of private sources. That spells national socialism. Examine the radical monographs of the Temporary National Economic Committee and the socialistic recommendations of the President's National Resources Planning Commission. Get the recent reports of the Select Committee to Investigate Executive Agencies, headed by Representative Howard W. Smith. Your conclusions will support mine. So the American people do have an early "appointment with destiny" in respect to their freedom — in fact, not in theory. And because we are an industrial nation, business management must assume the major segment of responsibility in meeting that appointment.

Industry plans for a better America in the post-war years—an America of jobs and freedom and opportunity. The broad objectives of that program were presented to you at the luncheon today by Mr. Crawford—our hard-working and hard-hitting President, in his own inimitable and inspiring fashion. Mr. Weisenburger has just given you its details. It is a program for promoting production—for providing jobs and better living and security—in the American way. It is a program to make possible all of these things while retaining and increasing the dignity, self-reliance and freedom of the American citizen. It is definite, positive and constructive. It points out each specific step and the reason for it. It is not designed for industry alone; it is a program for the American people as a whole. It cannot possibly satisfy everyone, for we do have diverging interests, but it is a program on the fundamentals of which we can all agree. It is based on one primary assumption, namely, that the American people want freedom. It offers no miracles, no panaceas. It promises nothing to anyone save as a result of his own efforts. But it does promise opportunity and a square deal. No sane American has ever asked more.

It is not enough, however, to have a constructive program. If it gathers dust in the archives of time, it will never serve America. Management's job, therefore, is to take it to the people and get them to approve it—not because it is new, not because it is revolutionary, not because it promises something for nothing but because it takes the best from the America that has been, and seeks to improve it for the better America ahead. It is based on facts, on experience, on performance, on mutual trust, not suspicion. It rests upon the recognition of the rights of all classes of our population—capital, labor, management, agriculture and the learned professions alike. Hence, the first part of management's job is to practice what it preaches; to recognize that in the highly industrial world in which we now live, business has certain responsibilities that it simply must assume, because the voluntary acceptance of social stewardship is the keystone of liberty. Hence it is management's job to weigh every day-to-day decision it is called upon to make in respect to products and prices, dividends and securities, research and patents, customer treatment and employee relations — in the light of the ultimate effect of such decisions not merely on the individual business involved, but on the whole national body politic. To this end management must acquire a better sense of proportion in respect to competitive tactics, and think more and more in terms of the long range business strategy required to perpetuate the free institutions that we have until recently so complacently enjoyed.

To use business terms, management's job is to take this program for a better America and merchandise it effectively. That job —just as would be the case with any product in your own business —involves: first, advertising; second, sales promotion, and third, selling. Handling the advertising is the function of the National Industrial Information Committee, whose program Mr. Adams and Mr. Harrison will present to you. The sales promotion phase is represented by the group cooperation activities of the Association in which industrial managers and business men are meeting with ministers, educators, farmers and women's organizations to discuss national problems of common interest.

The sales function is the particular task of the Better America Committee of which I have the honor to be Chairman. It is our task—not to establish policies—but, taking the conclusions and recommendations of the working committees of the National Association of Manufacturers — help management to do the job of selling these policies to the public and the men and women who represent us in Congress. For, after all, no matter how much post-war planning may be done by individual businesses and by local communities and States, the ultimate success of all those programs hinges on the governmental climate in which private competitive business will have to operate when peace comes. Various means to assist you to carry out this selling job in your own community will be placed at your disposal. But to do it you must, in essence, become a teacher. Someone has said, you know, that all business is teaching: Teaching people to make goods is manufacturing; teaching people to want goods is selling; teaching people to work together is organization. I add a fourth: Teaching our fellow-citizens to understand the American system is practical patriotism.

To be a good teacher, however, one must know his subject. A salesman cannot sell a product unless he knows how it is made, what it will do, and its distinguishing points of excellence. How many of us managers of American business really know the nature of our peculiar form of Government? How it was put together? What the vital factors are that have enabled it to function successfully for 154 years? Very few. So, first, we must ourselves understand the system we have to sell. Fortunately—apart from my old favorite, the Federalist Papers—there are some excellent books now available from which you can get that information in easily digested form. If there is any man or woman here who has not read these four books, let me urge you to do so at your first opportunity: "Challenge to Freedom," by Dr. Henry M. Wriston, distinguished President of Brown University, who will speak at the dinner tomorrow night; "The Spirit of Enterprise," by our able fellow-industrialist, Edgar M. Queeny, of the Monsanto Chemical Company; "The God of the Machine," by Isabel Paterson—brilliant book critic of the New York "Herald Tribune"; "Men in Motion," by the eminent war correspondent, Henry J. Taylor.

For fear, however, that some of you may not perform this home work as promptly as you should, let me give a bare outline of the American system as I see it. To our forefathers, tyranny was not just a word. They knew what it meant literally in terms of religious, intellectual, economic and political oppression. They dreamed of a land where every man—no matter how humble—could have liberty and the opportunity to pursue happiness in his own personal way, so long as he did not interfere with the rights of others. Hence, they resolved to set up a form of government that would prevent tyranny from ever raising its ugly head again. They gave us the best instruments designed to that end, that the mind of man has yet devised—our Federal and State Constitutions. But we in business all know that no contract is worth any more than the spirit behind it. Similarly, our constitutions are worth no more than the kind of citizens behind them. It is management's job to help make the right sort of citizens.

Our forefathers came from many creeds and countries but they were fundamentally religious people. They put the phrase, "In God We Trust," on every coin they minted. So naturally enough the cornerstone of the Republic they established was a religious concept: the conviction that every human being is endowed with a soul that is sacred in the eyes of a Sovereign God. From this principle they deduced two basic theses:

First, they concluded that, since God had created man in his own image with the power to distinguish between right and wrong, every individual ought to listen with respect to the opinions expressed by his fellow citizens, and that whatever judgment was expressed by the majority of such divinely - created human beings after full and free discussion, was likely to be close to God's will for all of them. **Vox populi, vox Dei**—the voice of the people is the voice of God! Governments derive their just powers from the consent of the governed.

Their second thesis was equally logical, namely, that every mortal soul is endowed by its Creator with certain natural inalienable rights that no human agency whatever may justly invade—neither any man called "king," nor any group of men representing a temporary majority called "government." To guard these natural rights, government, in John Locke's words, must confine itself to the protection of life, property, peace and freedom.

The problem of the founders of this Republic, therefore, was how to combine these two opposing principles into a workable, durable government adapted to human nature in its manifold economic, intellectual and spiritual aspects, and to a large population scattered over a wide geographical area. In other words, the question they faced was how to make effective the majority will of the people in governing themselves and at the same time not destroy the individual rights that the Creator had conferred upon each person.

They resolved this paradox by setting up a government of laws—not a government of men. As the first step, they adopted a written Constitution with its Bill of Rights, as a permanent bulwark to safeguard individual and minority rights from hasty and ill-considered attacks by temporary majorities. Hence, they purposely made the process of amending the Constitution long and difficult. That is the reason why sociological jurisprudence—stretching the Constitution to meet current demands for legislation—instead of honest forthright amendment of that document after full discussion—is so very dangerous to our freedom. As Thomas Jefferson said: "Our peculiar security is the possession of a written constitution. Let us not make it a blank paper by construction."

In the second place, our forefathers incorporated in their system of government the principle of representative rather than direct action, with different terms of office and different modes of electing senators and representatives, to cushion the action of any current majority, and to enable government to function over a large geographical area.

Next, they provided a system of checks and balances by painstaking separation of the powers of the legislative, executive and judicial branches. I wish I had time to quote the provision on this point in the Constitution of Massachusetts, which was adopted in 1780 and which spells out explicitly the fact that in the government of that Commonwealth no one of the three departments may ever exercise any of the powers of either of the others "to the end that it (the government of Massachusetts) may be a government of laws and not of men." As the Federalist Papers said: "The accumulation of all powers —legislative, executive and judicial—in the same hands, . . . may justly be pronounced the very definition of tyranny." Hence the present blurring of the lines of responsibility between the three departments of the Federal Government — which had gone far even prior to the outbreak of the war—is perhaps the most sinister of all threats to our freedom in the post-war period. The rise of the tyranny of administrative law — the bureaucratic despotism from which we suffer today—would be impossible if the lines of demarcation between the legislative, executive and judicial functions had been kept sharp and clear.

As a fourth step, the founders of our Republic divided the responsibilities of government between the Federal Union and the States, counties and towns. They did that, so that each particular segment of government would not get too big for an intelligent citizen to understand its functions and for his elected representatives to legislate intelligently. Today, the Federal Government has arrogated to itself so many state and local powers, and has become so extremely huge and complicated that the average Congressmen will tell you frankly that it is impossible for him even to read all of the legislation that is proposed or desired by the various Federal departments. In other words, the size of the central government puts such a tremendous load on Congress that our representatives are unable to function effectively to protect the rights of the people who elected them. It is exactly as though a business corporation permitted itself to expand to a point where the directors and officers chosen by the stockholders, found themselves unable to cope with the enormous number of problems that were put up to them for decision. Centralization of power in Washington, moreover, undermines state and local government, and thus destroys the opportunity local self-government affords for practical experience in citizenship. Unless a man first acquires some training in handling public problems in state, county, town or city, he certainly is not likely to become qualified to deal with the large questions of national scope on which his freedom ultimately depends.

Drawing from the experience of our British ancestors, the fifth step was to keep the control of the public purse in the hands of the House of Representatives—the arm of government closest to the people. Every effort at popular self-government that I have read about in history, has eventually been destroyed by some demagogue who has gotten his hands on the people's own money. In recent years Congress has delegated more and more latitude in respect to public expenditures to the Executive Department. Hence another grave threat to our freedom in the post-war years is arising from what might well be termed, the privy power of the public purse.

Last but not least, the men who set up the American Republic reserved the largest possible field for local and individual initiative by strictly limiting the powers of the central government. In respect to business, only interstate and foreign commerce was made subject to its regulation. The Tenth Amendment to the Federal Constitution provides specifically that "the powers not delegated to the United States by the Constitution nor prohibited by it to the states, are reserved to the states respectively or to the people." As the late Justice Brandeis said: "The makers of the Constitution. . . . conferred, as against the government, the right to be let alone, the most comprehensive of rights and the right most valued by civilized men." I leave it to you to say to what extent in your own business that halcyon situation still exists!

There, in a nutshell, is the mechanism by which our forefathers sought to harmonize the will of the majority with the personal rights of the individual. Jobs, freedom and opportunity for us and succeeding generations depend on how well we safeguard that mechanism — a mechanism based on meticulous analysis of all previous attempts at self-government in the world's history; a mechanism so ingenious, so carefully organized, so accurately compensated against human vagaries and lust for power, that it led Gladstone to say that the Constitution was "the greatest instrument of government ever struck off at a given time by the hand and brain of man." The preservation of its basic principles is just as essential to the continuation of the private competitive business system of this country, as the maintenance of the political, intellectual and spiritual freedom that the Constitution guarantees.

So the Committee which I represent here today is organized to help management carry the truths on which freedom and post-war progress depend, to the mind and heart of every manufacturer in America. Working in cooperation with the business organizations affiliated with the National Industrial Council, our objective is to imbue business men generally with this fundamental philosophy so that they in turn may be able to cultivate an adequate and accurate understanding of the vital place that private enterprise occupies in the life of every American citizen. All of this to the end that an aroused public imbued with its own legitimate self-interest will seek appropriate means of protecting itself in the benefits that the private competitive business system provides.

At the present moment our Committee is preparing graphic presentations dealing with five specific matters in respect to which legislative correction is necessary, namely:

1. The vital importance of private capital formation in order to prevent the advent of national socialism in the post-war years.

2. A proper scheme of taxation designed to preserve individual incentive on which the development of new enterprises and new jobs depends.

3. The importance of sanely organized labor relations so as to insure social unity. Obviously, representative democracy cannot long exist in the face of acute class cleavage.

4. The importance of providing opportunity for every individual to safeguard his own future against the four specters of sickness, unemployment, old age and death. Sound social security is a stabilizing factor against revolution and anarchy in any form of government.

5. The vital necessity of curbing bureaucracy through the revival of local responsibility for local affairs.

Through these five presentations and others to follow, we hope to equip the business executive during this coming year with enough facts and enough definite remedial suggestions to enable him to become a true business missionary in behalf of a "Better America through Better Private Competitive Business." Such legislative suggestions as are offered will be based—as I have said—on the reports of the Committees of the National Association of Manufacturers working in close cooperation with the constituent organizations of the National Industrial Council. I am convinced that state, local and national manufacturing trade associations, without interfering with or detracting in any way from their own activities, can help achieve a broad program for private competitive business and American liberty, that will give a thrill of satisfaction to every manufacturer for having secured his own salvation through the vision of the organizations that he supports. In fact, with the public now more favorable to business than in years, and a people weary of arrested progress, of costly tampering with economic verities, it would be unthinkable if industry were not to achieve the highest degree of unity in furthering this program for a better America.

To sum up: Management's job is, first, to devise a program. That has been done. That program must now be publicized to the American people and their representatives in Congress. To sell it effectively, management must understand the principles of the American Republic; apply the political and ethical philosophy on which it is based to the conduct of the every-day affairs of business; be articulate in the interpretation of those principles to the public; test every Government proposal against those basic concepts; support every constructive move, whether it springs from management, labor, agriculture or government, that will make for a better and more productive America; and, last but not least, emulate the faith and courage that characterized the men who came to the shores of this new continent to escape the religious, intellectual, economic and political tyranny of the Old World.

Those ancestors of our would never have landed on "the stern and rockbound coast" of New England or fought their way into the trackless Appalachians if they had not been at an early stage in the recurring cycle of human freedom; tyranny had brought them spiritual faith; faith had brought courage; courage, the will be freedom. Thus they demonstrated once more the truth of Pericles' assertion 2,400 years ago that "the secret of liberty is courage"; not food, not comfort, not money—but just plain, old-fashioned fortitude of mind and body and soul. How many business managers have equal courage today—in the face of the tax inspector, the factory inspector, the boiler inspector, the wage-and-hour inspector, the labor board inspector, the SEC inspector, the wage-and-salary stabilization inspector, the OPA inspector, the WPB inspector, the Congressional investigator? How many of us are willing to face persecution, if necessary, to protect and defend our hard-won constitutional rights?

So while our brave sons and brothers are dying on the battle-fronts, one of management's primary jobs is to have a rebirth of courage—no matter how loud the threatening war whoops of the bureaucrats may sound in our ears, or how many business scalps may be drying at the moment in their marble tepees along the Potomac! One thing is sure: If business managers, and all other patriotic, intelligent Americans, do not fight the good fight for freedom here on the home front, the national socialists in our midst who glibly maintain that government can control our economic life without destroying our political, intellectual and spiritual liberty, will ultimately win by default, and our nation shall then have fought World War II in vain.

An eminent American author epitomizes the lessons that history has taught him in four well-known epigrams: He whom the gods would destroy, they first drive mad with power. The mills of God grind slowly, but they grind exceeding small. The bee fertilizes the flower it robs. When it is dark enough we can see the stars.

In the darkness and confusion that now envelops the whole world, in the poignant personal grief of our mounting casualty lists, we can see the same stars in the heavens that guided the Pilgrims of New England and the planters of Virginia across the stormy wastes of the North Atlantic 300 years ago. In fact, at this very moment those same stars are guiding the navigators of a thousand ships and planes carrying our flag on all the seven seas. Likewise, the same religious and philosophic principles that directed the minds and hearts of the wise men who set up the American Republic are still there to keep us on the true course to freedom, if we 20th century Americans will but seek out those stars through the murk of our ignorance and apathy. Only by finding and following them can American management help secure for all our people the choicest blessings of free men: the eternal quest of a venturing mind, the sweeping reach of an unleashed spirit, the sounding joy of an unfettered soul!

Calif. Business Up

Business activity in the State of California during November was 255.6% of the 1935-39 average, as compared with a revised figure of 251.9% in October and 225.2% in November, 1942, according to the index compiled by the Wells Fargo Bank & Union Trust Co., San Francisco.

Canadian Securities

By BRUCE WILLIAMS

Political indications continue to point towards the weakening of the CCF challenge and the growing strength of the Progressive Conservative Party. All over Canada, and especially in the West where it was thought that the Socialist movement made the greatest headway, electors have very plainly shown their disapproval of the latest tactics of the CCF. In Edmonton only one CCF candidate was returned out of five vacancies for the City Council; Calgary elected one of six aldermen; in Winnipeg there was a gain of only one seat and the complexion of the Council remains virtually unchanged; Brandon elected two of eight candidates; in Hamilton, Ontario, all the CCF candidates except one, the Mayor, were defeated.

Meanwhile, into the limelight on the political stage, moves the solid figure of Progressive Conservative leader, John Bracken. After a year's tour of the Dominion, his recent address to the nation, in which he made a comprehensive review of the political situation and stated plainly his party's platform, was received with acclaim throughout the country.

Also, after a complete disappearance from the political scene, following his resignation as Liberal Premier of Ontario, Mitchell Hepburn, the stormy petrel of Canadian politics but nevertheless a strong and able leader, has just made a public statement. He, curiously enough, warmly endorsed the action of his successor, Colonel Drew, the Ontario Progressive Conservative leader, in reopening in London a provincial representative's office which he himself had closed. He also deprecated the fears of the old-line parties as to the strength of the CCF challenge, and intimated that against a solid front it stood not the slightest chance of success.

Turning to financial matters, it was interesting to read the Budget Address of Premier Stuart Garson of the Province of Manitoba. Since the time of the depression and extensive drought in the early '30s, Manitoba has followed the straight and narrow path of financial orthodoxy and has successfully emerged, through its own efforts, to the extent that it was able recently to refinance a maturing issue on a basis equivalent to that which the Province of Quebec was able to obtain on a similar operation.

Mr. Garson, who is becoming a force in national as well as provincial politics, also raised the point that the first item on any Dominion post-war planning agenda should be the full implementation of Sirois Report recommendations. As already mentioned, this is a distinct possibility for the immediate post-war period, and the implications are clear.

The financial position of the comparatively weaker provinces would be immeasurably strengthened, and investors here should not delay in reviewing the Canadian situation with this thought in mind. A further significant indication was given when the Dominion Treasury refused to renew a recent Alberta treasury bill maturity and insisted on payment. It would be patently unfair to a Province like Manitoba, which has done everything possible to maintain its credit, if others which have not made similar sacrifices, should have the same reward.

With regard to the market for the past week, there was again little worthy of note from the angle of price movement. Interest further developed in the internal issues and the rate hardened to 10% discount. The Canadian dollar was also in demand in the "free" market for year-end remittances. Furthermore, there are growing indications of capital movements to Canada in connection with industrial enterprises.

As already mentioned, the market tone as a whole has improved as we approach the end of the year, and if the normal reinvestment demand makes its appearance in January, this, coupled with the diminished supply of external bonds available in Canada, should lead to higher prices generally.

To Form R. Y. Guarniery Co.

PHILADELPHIA, PA. — The firm of R. Y. Guarniery & Co., members of the Philadelphia Stock Exchange, will be formed with offices in the Stock Exchange Building, as of January 3rd. Partners will be Robert Y. Guarniery, Philadelphia Exchange member; Robert A. Guarniery, and Miriam H. Guarniery. Mr. R. Y. Guarniery has been active as an individual member of the Philadelphia Exchange.

Employees' Trusts*

(Continued from page 2631)

that we analyze the tax statutes applicable thereto.

The term "Employees' Trusts" includes pension plans, pension trusts, profit-sharing plans and profit-sharing trusts, as the expression is used in the Internal Revenue Code and the Revenue Act of 1942.

Throughout this article frequent references are made to plans or trusts. These words are not to be used interchangeably. The word "trust" connotes the existence of a trustee. One of the essentials to the validity of a plan is that there can be no diversion of the trust for any purpose other than the protection of the employee or his beneficiary. If assets are set up under a plan, who will hold title thereto? If the corporation retains it there is the possibility of abuse. If title is given to the employee there is the possibility of conversion without conformity with the plan. In many cases the best procedure is to create a trust with the appointment of a trustee, and the creation of a trust instrument, with title vested in the trustee, which procedure avoids either difficulty. However, the law does not go so far as to insist upon a trust, and plans of various types, including group annuities, can properly be set up without the necessity for a trustee.

The purpose of this paper is to present briefly the characteristics of sound Employees' Trusts, with reference to the tax statutes to the extent applicable, and with some comment on the tax changes which may be anticipated.

I

What Is a Proper Concept of a Pension Program in Industry?—Certainly there can be no justification for any plan unless it accomplishes a genuine social or economic result. No one will quarrel with the desirability of or the necessity for a plan which will permit business to accumulate reserves against the depreciation of its manpower through superannuation. If such reserve is accumulated, what is to be the retirement age? We must recognize that this will vary in different industries and as between the sexes. Generally, men can, and should, retire at ages 65 or 70, and yet in heavy industry employees have rendered valuable services although they are beyond 70 years of age. The generally accepted retirement age for women is 60 or 65 years, and yet we know that these age limits are unreasonable in certain types of industry and probably all of them are beyond the limits which a certain social philosophy indicates is the period for individuals to commence to enjoy a fuller life.

If the retirement age is determined by the requirements of a particular industry, an income for life should then be guaranteed to such employee. Provision for such retirement income on a modest, proper and reasonable basis is the proper responsibility of management in business. However, the mere accumulation of reserves for this purpose lends itself to the development of supplementary thoughts or ideas. If the individual employee dies prior to the retirement age, should the reserve accumulated be given to his beneficiaries? The real question is, however, does a responsibility for such payment exist upon management? If the individual employee becomes totally and permanently disabled while in the course of employment, should an accumulated reserve be utilized to relieve the economic problems of such employee? Would management make provision for such employee out of current funds if no reserves were being accumulated? If the employee is laid off, through no fault of his own, should industry provide some form of severance pay to tide over the employee until he obtains new employment? Will this be done if no reserve is accumulated? You will note that some of these problems are the problems of industry, regardless of reserve accumulations, while others can be made to look like problems largely because a reserve exists.

What Are the Objectives of Business in the Creation of These Plans?—Is the plan to be a reserve against **all** of the situations which may arise during the course of employment, or is the plan to be limited solely to a pure **pension** program, which provides retirement pay if the individual remains in employment until retirement age? Obviously, a pure pension plan requires less accumulation than a plan with broad benefits, and we must be careful in advising industry that, in creating such a plan, they are not misled by objectives which they would not undertake in years of lower corporate earnings and lower tax brackets.

From a tax point of view, the law and regulations are liberal in their tax treatment of these plans. All of these benefits can be provided on a favorable tax basis, and the Internal Revenue Code has been amended specifically to provide that provisions can be made for the beneficiaries of employees as well as for the employees themselves.

What Should the Pension Benefits Be?—Should they represent the mere accumulation of funds over a period of time, with the promise of distribution in periodical installments as long as the fund lasts? Or should an effort be made to accumulate a definite fund, coupled with a fixed guaranty which will assure certainty of income as long as the employee lives, after retirement? If fixed guaranties are involved related to the continued life of the employee, then most certainly annuity contracts, as issued by the life insurance companies, should be used. Should these benefits stop with the death of the employee after retirement, or should they involve additional guaranties which will provide a remainder interest to the beneficiary of such employee, if he lives but a short period after retirement? Either method can be utilized both from a social point of view and from a tax point of view.

What Should Be the Amount of the Pension?—One must remember that there is a Social Security program; that this program is a permanent part of our national legislation cannot be questioned, at least as far as old age benefits are concerned. Industry will be asked to contribute, and contribute heavily, toward the cost of maintaining this Social Security program, and therefore both the benefits and the costs of the Social Security program must be considered and integrated when a private pension program is being arranged. The benefits to be given to an employee upon retirement under a private pension plan should be reasonable and conservative.

How Are Reasonable and Conservative Pension Benefits to Be Determined?—Is the amount of pension to be predicated upon the wage or salary which the individual is receiving at the time of retirement? Or should it be predicated upon the average earnings of the individual over the period of his effort? It is human nature to raise the standard of living as income increases; and the average man retires, theoretically, when he has reached his highest earning power. If pensions are predicated upon average earnings, a lower standard of living must result. Either method may be used, and it may be well to have each individual industry define its objectives.

Is the Amount of Pension at Retirement to Be Related to the Employee's Length of Service?—Are we going to provide more pension for the man who has given 40 years of service than for the man who has given 30 years of service? Or is the objective to be that each man, at retirement, after any reasonable period of service, is to have a compensation sufficient to sustain him? In the calculation of pension benefits, should a distinction be drawn between service rendered prior to the commencement of the plan, and service rendered subsequent thereto? Mathematically, there is merit in providing a lower amount of pension for prior service than for future service, if such pension is to be based upon the salary which the employee is receiving at the time the pension plan is commenced. This for the simple reason that the pension for past service will be based upon the highest salary that the man has received over the period of prior service, whereas if the plan had begun years before, pension at a higher rate would have been based upon lower salary. Payments for overtime and payments of bonus should never be used in the calculation of pension benefits. By their very names, such payments are are earmarked as extraordinary, unusual payments, and certainly pensions should be based only upon normal earnings.

How Should the Cost of the Plan Be Defrayed?—Should it all be borne by the employer, or should there be contribution by the employee? It is salutary for the employee to share in the responsibility of creating a fund for his own retirement. Unquestionably such contributions would be psychologically sound, and in the long run would serve to give the employee a feeling of independence rather than dependence. But, as a practical matter, can industry today add another deduction to the already lengthy list of deductions which properly are being taken from the weekly pay envelope? With deductions for Social Security payments, War Bond purchases, hospitalization, withholding taxes, city wage taxes in certain communities and, in some cases, union dues, can any additional substantial contributions be made by employees which will not result in an eventual demand for wage increases when stabilization rules are lifted or liberalized? If, on the other hand, the employer pays the entire cost, might it not be adding an additional load to payroll which will present difficulties competitively with like industry which has no such plan? Likewise, might it not present too heavy a load, visualizing it for what it is—deferred compensation?

II

Profit-Sharing Plans differ from pension plans in their objectives. A profit-sharing plan is one, as the name implies, that endeavors to distribute, or place in trust for later distribution, a share of the profits earned by the employees who contributed toward such profits. In its simplest form, it represents an accumulation of funds built out of profits. It can promise no known or guaranteed results for, obviously, profits are of an uncertain character and amount from one year to the next. It affords to the individual the incentive to work to create profits so that he may participate therein. But it may be questioned that such incentive may be destroyed if distribution under the Trust is long delayed and related to such distant, unreal happenings, in the thinking of the average person, as death, disability and old age. To the average person profit-sharing means a current distribution of this year's profits in cash this year; and experience alone will tell whether a profit accumulation put aside in trust against a "rainy day" will be regarded as little more than a tax device in the thinking of the average man, although it is a flexible method available to industry for the accumulation of uncertain reserves against certain problems.

III

Tax Status of Plans and Trusts—Section 165 (a) defines the essentials of a valid pension or profit-sharing trust or plan. After these requisites are met, the plan or trust will be a tax-free entity, and will have the approval of the Treasury Department.

Section 23 (p) defines the extent to which the cost of such plan or trust will be deductible by an employer.

Section 22 (b) 2 defines the taxable status of benefits under such a trust or plan to an employee or beneficiary thereunder.

What Are the Essentials for a Valid Plan Under Section 165 (a)?—It must be created for the sole purpose of distributing the principal and income of the fund to he employees included thereunder and their beneficiaries. It must be for the exclusive benefit of such employees or their beneficiaries, and cannot be diverted for other purposes. It must include 70% of the employees eligible thereto and at least 80% of those eligible under the 70% requirement must participate if the plan is contributory. You may exclude employees who work less than 20 hours a week, less than five months in a year, and you can eliminate those who have not had a minimum period of service with the company, which period, however, cannot be more than five years. You may make certain classifications of employees so as to include only those in a salary group or clerical group as distinguished from those who are paid on an hourly rate basis in the shop. You may set up other classifications subject to approval by the Commissioner of Internal Revenue. But in any and all of these classifications you must not discriminate in favor of officers, stockholders, higher compensated employees, or persons in supervisory positions. Nor may you discriminate in favor of those same four groups of "devils," either in contributions made in their behalf or benefits to be received by them.

This section of the law provides that it is not a discrimination to make the benefit proportionate to the salary received, and that it is not a discrimination to include those receiving compensation in excess of Social Security limits and exclude those below such limits.

The Regulations issued July 9, 1943, prescribe a series of tests for the integration of private plan benefits with Social Security benefits. It is provided that, after 1943, a plan to be valid must meet the requirements of the Code on at least one day for each quarter of the taxable year. These limits of a valid plan apply uniformly to pension and profit-sharing plans and trusts. If a plan or trust meets all of these requirements, it is repeated that such plan or trust is in itself a nontaxable entity. But the approval of a valid plan by the Treasury Department does not mean that the entire cost thereof will be a deductible tiem of expense to the employer.

To determine this question one must refer to Section 23 (p) of the Internal Revenue Code. We find there that distinctions are drawn between pension plans and trusts and profit-sharing plans and trusts. With reference to a profit-sharing plan or trust, the primary rule is that the cost thereof will be deductible, if such a plan is otherwise a proper and reasonable business expense, provided that the amount contributed toward such a plan or trust does not exceed 15% of the aggregate compensation of the individuals included in such plan or trust. Section 23 (p) further provides that a profit-sharing plan must not provide benefits capable of actuarial determination, because to do so would be to create a plan that fixes a predetermined known cost which obviously cannot happen if the contribution to the plan or trust is dependent upon profits.

In a pension plan or trust the objective is to produce a known result, either by establishing fixed cost on a payroll basis or purchasing a fixed benefit, with fluctuating cost over the years ahead. To the extent that the cost of a pension plan or trust does not exceed 5% of the aggregate compensation of the individuals included thereunder, no prior approval of cost or formula need be obtained. However, industry is permitted to exceed 5% to the extent that additional payments are necessary to amortize properly the cost of the plan over the years to the retirement of each individual included thereunder. If for cost and payment purposes there is to be a separation between past years' service and future service, industry is permitted to set up the entire cost of past years' services on a lump-sum basis. But tax deduction thereof is limited to 10% of such cost in each of 10 succeeding tax years. This procedure can be very helpful to industry because it can fully liquidate its liability for prior service over a 10-year span and thus reduce its future load to current and future service only. This method is in contrast to a method of payment which undertakes to amortize both past and future service over a period remaining to retirement for each individual included in the plan. The regulations provide that liquidation of liability in a period less than 10 years is subject to the Commissioner's approval, and undoubtedly the purpose of this provision is to prevent an effective discrimination in favor of certain individuals if the plans is discontinued.

In a profit-sharing plan, you may recall that deductibility was limited to 15% of the aggregate compensation of the individuals included in such plan or trust. There is no such percentage limit applicable to a pension plan or trust, but rather the restriction that the cost of the plan must be a reasonable and necessary business expense, and, further, that the rate-making factors included in such a plan are based upon sound, actuarial principles involving proper credits or discount for mortality, turnover, excessive interest, etc.

Can There Be Both a Profit-Sharing Plan or Trust and a Pension Plan or Trust?—If the same employee is not included in both plans, each plan can operate without reference to the other. But if the same employee is included in both plans the entire cost of both plans must not exceed 25% of the aggregate compensation of the employees included thereunder. If excess amounts are paid which are not deductible in the current year such excess amounts can be carried into the succeeding tax year, which excess, when taken together with the contribution in each succeeding year, may not exceed 30% of the aggregate compensation of the employees included thereunder.

To What Extent Are the Contributions to a Plan or Trust, or the Benefits, Taxable to an Employee or His Beneficiary?—If the plan is a valid plan under Section 165 (a), and the contributions are deductible to the corporation under Section 23 (p), the contributions to the plan or trust will not be taxable to the employee. However, when the employee receives the benefits thereunder they become taxable income in the year in which received. This will likewise be true, in the event of the death of an employee, with payments to his beneficiary. If, however, the plan is invalid under Section 165 (a), but all rights to the contributions under the plan are vested in the employee, the corporation may deduct such contributions, but they are returnable as taxable income by the employee in the year in which the contributions were made by the corporation. If an employee has contributed toward the cost of the plan, the benefits, when paid to him, are taxed under the annuity rule. This rule provides that the income received by the beneficiary shall be free from tax to the extent that it exceeds 3% of the aggregate contributions made by the employee until the amount of such tax-free income represents repayment to the employee of his aggregate contributions. Thereafter the entire income is taxable as received. If an employee severs his employment and receives the proceeds in trust for him, and if such proceeds are paid to him within a taxable year, they may be treated as a long-term capital gain.

Can a Valid Pension Plan Include Therein Supplementary Life Insurance Benefits as Such?—In a pure pension plan or trust a reserve is accumulated over the years to reach a certain figure necessary for retirement purposes at retirement age. Is it desirable to supplement the reserve in the early years of the plan as to each individual by supplementary death benefits until the reserve reaches an adequate figure? In the Regulations it is clearly provided that if such supplementary life insurance benefits were added to or included in a pension plan, the additional cost entailed by such procedure could properly be deductible under the salary account of the individual employee involved. But since, in effect, the benefits thereof would vest immediately in the employee, the cost thereof should be considered as current taxable income to the employee.

The Treasury Department has ruled that such increased cost of life insurance in a valid pension plan may be paid by a corporation on behalf of an employee through salary account and to the extent that such cost does not exceed 5% of the compensation otherwise paid to such employee, such increase in salary or wage does not require the approval of the Treasury Department or the War Labor Board.

How Should a Pension Plan or Profit-Sharing Plan Be Funded?—Should the corporation endeavor to set up and administer its own fund through investments in the hands of a trustee? Or should it purchase contracts issued by insurance companies? If insurance company contracts are used, should they be individual contracts or group annuity contracts? Or should such contracts issued by insurance companies contain supplementary life insurance benefits?

Much has been written and much has been said about the relative merits of these different channels of investment. It is my reasoned opinion that if the corporation undertakes to guarantee lifetime pensions to its employees it would be wiser to use the contracts issued by insurance companies than to accept the moral responsibility of making good any deficiencies which may exist over a period of years in a plan funded through investments.

In a profit-sharing plan, where no guaranties are or can be involved, the funds during the period of accumulation should be handled through investment channels rather than annuity channels. If annuities are to be used, in any event, the distinction between group annuity and individual contract does not turn on relative costs, but rather upon the principles underlying the two types of contracts and the benefits available thereunder. In a group annuity, mortality can be discounted. The effect of turnover can be better measured by reason of the higher cash refunds which are available under certain conditions. Death benefits can be eliminated. Such a contract can well serve the purpose of a corporation which may have high turnover and which does not require death protection. The contract has a certain rigidity, but, nevertheless, may well answer the purposes of a company. The individual contract contains more benefits; is more flexible, and has a higher initial cost. Mortality is not discounted in advance, but the effect of mortality experience is given to the corporation, rather than discounted, and reduces cost through return of values at death.

Conclusion

If corporations will examine into the economic and social aspects of pension and profit-sharing plans, and determine how such a plan can encourage production, diminish turnover, develop the loyalty of its employees, improve their efficiency and give to them a sense of security; if corporations will relate the problems of benefits and costs so as to build for themselves reserves against the human problems which employment brings; if corporations will be broadminded and honest in their approach to these plans or trusts, not only will they be rewarded by lessened operating costs, more efficient personnel and greater productiveness, but also the tax advantages will prove significant.

The future of tax legislation governing Employees' Trusts can be dictated by industry if it raises its sights and creates and improves pension plans for the good which they will do rather than the taxes they will save.

N. Y. Court Upholds Overtime Wage Payments & Penalties In Case Of Building Service Worker

By a 3 to 2 decision, the Appellate Division of the New York Supreme Court ruled on Dec. 23 that a building service worker employed by a landlord whose tenants are engaged in production of goods for interstate commerce could collect penalty damages equal to the amount of overtime if the overtime was not paid at the end of each week or work period.

According to the New York "Herald Tribune" of Dec. 24, the decision, if upheld by the higher courts, will involve about $25,000,000 throughout the city including $12,000,000 in Manhattan, in outstanding claims by building service employees for overtime wages and penalties under the Fair Labor Standards Act of 1938.

The justices who handed down the majority decision were Irwin Untermyer, Edward S. Dore and Alfred H. Townley.

As to the court's findings, the "Herald Tribune" said:

"In the decision, which upheld a previous ruling by the Appellate Term of the Supreme Court, the Appellate Division further held that a claim for penalty damages may be prosecuted even if a formal release has been signed by the employee, waiving all future claims.

"The suit on which the court ruled yesterday was not concerned with actual payment of overtime, which was paid in a lump sum by the employer. Although the employer paid the overtime, the ruling of the court dealt with the failure to pay overtime at the end of each work period instead of making payment in a lump sum.

"The action, the first of its type to reach the Appellate Division, began with a suit in Municipal Court by William J. O'Neil, a night watchman in the building at 443 Fourth Avenue. The building is operated by the Brooklyn Savings Bank. Mr. O'Neil was employed as a night watchman from Oct. 24, 1938, to Aug. 30, 1940.

"Through his attorney, Max R. Simon, of 225 West 34th Street, Mr. O'Neil contended that although his employer had paid him $423.16 on Nov. 13, 1942, in full settlement for all overtime wages earned during the period of his employment, he was entitled to an equal amount in damages plus attorney's fees, because his employer failed to pay the overtime at the end of each week.

"Mr. O'Neil admitted he signed a receipt for the $423.16 releasing his employer from further claims, but held that his release did not bar him from instituting a claim for double damages. The contention Mr. Simon raised in court was that the money was not paid as it became due.

"Mr. Simon argued that an employee was entitled to weekly payments of overtime as earned, under a United States Supreme Court ruling of June 1, 1942, which held that employees engaged in the maintenance of buildings where tenants produced goods for interstate commerce came under the Fair Labor Standards Act.

"The Brooklyn Savings Bank maintained that an adjustment of the full overtime wages due the watchman was made soon after the Supreme Court's decision, notwithstanding its belief that tenants in its building were not engaged in the production of goods for interstate commerce.

"The Municipal Court denied the claim for penalty damages and attorney's fees, but the decision was reversed by the Appellate Term of the Supreme Court.

"Asking permission to intervene as a friend of the court, the Mutual Life Insurance Co. of New York said that many similar cases now before the courts were being held up pending the Appellate Division decision and that 'there are many other employees paid by your petitioner who may institute suit if this court should decide the instant case in favor of the plaintiff.'

"The Realty Advisory Board on Labor Relations, Inc., 12 East 41st Street, asking permission to intervene on the same grounds, said the question was one of 'vital importance to petitioner's members, since many building employees already had sued or contemplated suit for overtime wages and penalties.'

"In affirming the Appellate Term decision, the majority ruling of the Appellate Division reduced counsel fees from $200 to $100.

"A dissenting opinion written by Justice Joseph M. Callahan and concurred in by Justice Edward J. Glennon said in part: 'Under the construction now proposed, no employer would be safe unless he decided correctly and on each current pay day the precise amount of compensation due, despite all the conflicting issues that frequently arise affecting such rights.'"

A court ruling affecting building service workers was noted in our Dec. 16 issue, page 2439.

China Takes Control Of Foreign Exchange

China has taken full control of foreign exchange with dissolution of the Chinese Currency Stabilization Board, on which China, the United States and Great Britain were represented, it was reported on Dec. 8 in an Associated Press account from Chungking, which further stated:

"An official announcement said exchange control passed from the board into the hands of a Chinese Exchange Control Commission on Dec. 1. Nine banks have been authorized to deal in foreign exchange, all of them Chinese except one, the Hongkong and Shanghai Banking Corporation."

Investment Trusts

Where Do We Go From Here?

The other day we had lunch with the originator of the Stock Price Trend Indicator occasionally referred to in this column. Since our last mention of this intriguing device on Sept. 9, there has been no change in the longer term trend which has now remained steadfastly upward since April 28, 1942.

In recent months the short term indicator has given two signals, neither of which was reported here at the time. For the record we report them now. On Oct. 18 the short term indicator turned down; on Dec. 6 it turned upward again and is presently in that position.

It is, of course, the longer term trend of security prices with which investors in mutual funds are most concerned. However, so-called intermediate reactions in a bull market can be highly disturbing. We are therefore happy to report that, as we enter the New Year, both indicators point to an upward trend.

* * *

A highly interesting discussion of "1944 Outlook for Business and Securities" is presented in the Dec. 23 number of **Investment Timing** published by National Securities & Research Corp. and is given in full in this issue of The "Chronicle," starting on page 2630 and continued below:

1944 Outlook For Business And Securities

(Continued from page 2630)

produce in the neighborhood of $2,000,000,000 instead of the $10,500,000,000 originally asked by the Treasury, and, except for cancellation of the earned income credit, will not increase individual income taxes to any appreciable extent.

In raising the excess profits tax to 95% and lowering the exemption schedule, the pending tax bill appears to discriminate against large corporations, such as railroads, utilities and industrial companies using the invested capital base for calculating exemptions; it burdens more heavily those that were not prosperous before the war and is more favorable for companies that were prosperous during pre-war years and that use the average earnings base of exemption. The bill contains a provision requiring that the authorities in carrying out renegotiation take into consideraiton "whether the profits remaining after the payment of estimated Federal income and excess profits taxes will be excessive." Heavy excess profits taxes have one negative virtue—a cushion in decline in gross revenues or gross business volume.

Although new higher taxes may be requested by the Treasury next year, it is probable that the pending bill represents wartime maxima. On the other hand, little easing can be expected until the entire war is over.

V. Money and Banking

While some firming in short-term interest rates may be seen, no marked change in long-term rates is anticipated in 1944. The volume of private new capital financing should show an increase over 1943, with a moderate expansion in commercial loans, which might be accelerated to provide reconversion money after Germany is defeated. Bank earnings are expected to show improvement. Government bond flotations will not be as large as in 1943, and will start the new year with the Fourth War Loan of $14,000,000,000.

Since the Government is going to be a heavy issuer of bonds for some time to come, undoubtedly it will keep the controls that enable it to finance at low rates. Even a change of Administration at Washington would be unlikely to alter this.

Corporations to some extent may desire to convert holdings of Government securities into cash in order to help meet their post-war capital expenditures for reconstruction and expansion. Some individuals probably will want to redeem war bonds in order to buy goods and homes or tide themselves over a period of unemployment. Redemptions are reported now to be 25% of recent sales.

VI. Agriculture

In the last two years farmers' income has almost doubled, but the rate of increase will not be continued next year. Present price trends and the announced agri-

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1944 Outlook For Business And Securities

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cultural production program for 1944 indicate a slightly higher farm income, probably between 5% and 10%. The support price of the most essential crops may be raised to assure the attainment of the proposed production goals. Demands of relief and rehabilitation abroad will maintain a high level of output even if the war is over. Subsidies, where they are allowed, will go partly to farmers, partly to processors.

VII. Labor—Wages—Unemployment

We expect that the manpower situation will improve in 1944, the draft except for 18-year olds ending with the defeat of Germany, and war contract termination increasing the labor supply.

Submission to John L. Lewis' demands for the coal miners has opened a veritable Pandora's box of wage increase demands: the steel workers for 17 cents per hour, now the railroad brotherhoods' threatened strike, and undoubtedly more to come. Labor's objective is to maintain wartime weekly wage levels without reduction in earnings by shorter post-war hours. In the wake of reconversion we shall have growing labor unrest—revival of jurisdictional disputes, fight for preservation of wartime gains in wage rates, and demand for reduction in hours of work. But labor will not occupy its present strong economic position in the transition and post-war periods. Employment in 1944 should decline about 10% and probably from 3,000,000 to 5,000,000 will be unemployed at the end of the year. Lower labor costs will probably be effected mainly through reduction of the work-week and elimination or reduction of overtime pay.

VIII. Reconversion

Reconversion from war to peace may be slow and more difficult for many companies than was conversion from peace to war. It will gain as cancellations of war contracts increase, and is already under way to some extent; for example, locomotive makers have ceased making tanks for increased production of locomotives, and tire companies have stopped producing tracer bullets and gas masks to resume making tires. Production quotas for farm machinery in 1944 indicate considerable increase over 1943, possibly as much as 100%.

"Economic indigestion" when the war in Europe ends is predicted because $30-40 billions of war contracts will be terminated and consequently $3-4 billions of present $8-9 billion monthly expenditures for war cancelled. It is difficult to foresee to what extent and how quickly such a drop will be cushioned by a resumption of production of civilian goods.

A major problem in reconversion will be allocation of materials for civilian production, a method of timing reconversion to peace without giving some companies competitive advantages over others.

Army experts estimate that after the end of the European War we could cut back our munitions production by as much as 80% and still have enough to fight a full-scale war against Japan.

IX. Business

Total volume of business in 1944 will probably be about 10% below 1943. Activity will decline under impact of war contract cancellations after Germany is defeated. While some further rise in costs is expected, controls to some extent will be eased.

Production—Production is not likely to gain much further. Before the end of the war with Germany, civilian increases should take up much of the slack, however.

We now have an industrial plant nearly 70% larger than when the war broke out four years ago. After the Civil War and World War I we had phenomenally rapid increases in manufacturing output, and should have similar developments this time. We have much larger numbers of experienced industrial workers than before. We have made more technological advances in materials, in methods and in new applications of physics and chemistry to industrial production.

The Federal Reserve Board estimates that 70% of current output is going into the war effort, and that the 30% for civilian production is equivalent to 70% of the 1935-39 average. The latter will increase simultaneously with the decline in war output. Some war materials will continue in production and Lend-Lease, now taking 7% of the total, will go on.

After the defeat of Germany, industrial production will undoubtedly experience a sharp decline. The Federal Reserve Board production index, now at 247, the highest level on record, may drop to 140-175 in the transition period, but just as its rise was not reflected in a comparable rise in stock prices we do not anticipate that its decline will exercise a like depressing influence.

Distribution—The first half of 1944 will probably witness a decline in sales volume of retail trade from the record-breaking high level this year of about $63,000,000,000 (up 9½% from 1942), due principally to shortage of goods on retailers' shelves. Output of civilian goods will increase, but as it takes 3 to 9 months for most goods to pass from the raw material stage to consumers' hands, not much improvement in supply situation can be expected until the latter half of the year.

Construction — This year has seen a decline exceeding the 40% we predicted a year ago, and the decline will continue in 1944, when the total, it is estimated, will be $3,800,000,000, 51% of the 1943 total and 29% of the 1942 volume.

There was a building shortage before the war, the result of the depression of the 1930-40 decade. Several million dwellings unfit for proper living must be replaced, and we are witnessing a relocation of our population, part of which will be permanent.

War Industries should experience considerable earnings decline, taking place after Germany's defeat, with aircraft and shipbuilding probably best placed until the termination of the war with Japan.

Peace Industries should do best, relatively.

Straddle Industries will show some declines in activity due to reconversion.

In **oil**, basic economic factors will bring about higher prices because of steadily increasing demand in the face of dwindling domestic supply. If the war continues there will be a shortage of domestic crude of 500,000 barrels daily by late 1944, and this country may begin importing oil for the first time.

The **railroads** will be subject to excess profits taxes to a greater degree than in 1943 and at the higher rate of 95% compared with the previous 90%; the exemption is being reduced somewhat and in the main they have exhausted their carry-over credits. The roads face a moderate decline in earnings, but the major portion will come out of taxes and fixed charges will be lower.

For the **utilities** continued record output is expected for the duration, and earnings in 1944 are unlikely to show much change. The industry faces no serious reconversion problems, and being in the excess profits category will suffer little from temporary reduction in industrial power sales consequent upon war termination.

X. Earnings and Dividends

Corporation profits in 1944 probably will show a decline of 10% to 15%, partly because of reduction in military expenditures and partly because of higher excess profits taxes and lower exemptions, if enacted, for those using the invested capital base. There will be a decline of smaller degree in dividends, which should show no more than moderate decline as a whole. Industries not having serious reconversion problems will register the best results. Wartime taxes and Government regulations will not be lifted to much extent until after the end of total war has been reached.

XI. Commodity Prices—Inflation

Prices for commodities in 1944 should be higher, favorable factors being: high level of consumer purchasing power, pent-up demand for civilian goods, and prospect for continued high level of agricultural exports. Any weakness in commodity prices would no doubt elicit Government support.

We do not fear any considerable degree of inflation in 1944. Price controls will restrain rising price tendencies and the wartime habit of saving will continue, especially as declines in production and employment may occur. Increasing civilian supplies should absorb purchasing power before it has pronounced inflationary effects.

Government control of post-war inflation may be half-hearted and ineffective, judging from the present apparent retreat by Congress from inflation controls even before the war is over and long before June 30, 1944, when the Price Control Act will be renewed or expire. Inflationary forces continue at work, and instead of further rollbacks we may see resumption of the upward trend of prices.

War-born barriers to recovery include: contract termination, disposal of surplus goods, continuation of price, ration and priority controls, rehabilitation and demobilization of service men and war workers.

Undoubtedly most of the present anti-inflation controls will remain in some degree for a long time, but a minimum of Government activity and interference with business will give the best results and may be anticipated from a change in Administration. The study which the President requested of the accuracy of the cost-of-living index is to be ready in January.

A factor in optimistic speculation is that both the U. S. and British Governments have begun to organize orderly transition from war to peace. Bernard M. Baruch was named to map the transition here, and Lord Woolton, the Food Minister, is his counterpart in Britain. Congressional action on Mr. Baruch's reconversion program may come early in 1944.

XII. Bond Prices

High-Grade Bonds are at a cyclical peak, and continued high prices show a narrow spread between low yields and those of war bonds. 1944 prices should continue close to current levels. **Government** bonds will continue in a controlled market. **Municipal** bonds are in less favorable position, as the war has complicated State and municipal financial problems.

Medium-Grade Bonds continue in favorable position, their relatively liberal yields attracting buying by investors seeking more income. They continue to have the advantage of higher earnings coverage enhanced by the fact that interest is a charge before income and excess profits taxes. However, highly speculative bonds will probably prove extremely vulnerable in the transition period.

XIII. Preferred Stock Prices

High-grade preferred stocks should continue to show similarity of price movement with high-grade bonds; medium-grade, liberal-yield issues are likely to show a like relation to comparable bonds, and speculative preferred stocks will probably continue to move in line with equities. Progress should be reflected in the situations of many medium- and lesser-grades, with further substantial reductions in arrears in the latter group.

XIV. Common Stock Prices

If the war should end suddenly we should expect a temporary recession in stock prices, but not a prolonged decline, for no doubt peace has already been discounted to a considerable extent. Our view for 1944 is that the Dow-Jones Industrail Average will range between 110 and 125 in the lower level and 145-160 in the upper.

XV. Selectivity

We anticipate next year a highly selective stock market. When the market finishes discounting peace (at least in Europe), it will start discounting the post-war boom. For the investor best results should be obtainable from a diversification among the best-appearing medium-grade bonds, preferred stocks and common stocks regardless of their groups, rather than from attempting to select the one best group or from expecting superior performance from the average of a group.

XVI. Conclusion

As indicated, the year 1944 will be an eventful one, marked with a Presidential election and possible change of Administration and probably the end of the war with Germany. Favorable factors are that the latter event is being increasingly discounted, no further appreciable tax increases are to be expected beyond the present bill, and 1944 production, national income and business activity are likely to continue at a high level, although not quite up to 1943. Unfavorable factors are increased pay demands by labor, a probable increase in the cost of living, and temporary confusion at the end of the European War with acceleration of unemployment. We look for the market in securities to be characterized by wider intermediate swings and extreme selectivity.—From Dec. 23 "Investment Timing," issued by National Securities & Research Corp., New York City.

1944 Outlook for Major Industries

(in comparison with 1943, assuming a 10-15% decline in 1944 corporate profits)

	Above General Industry Average	
Air Transport	Drugs & Cosmetics	Printing & Pubg.
Baking & Milling	Food Products	Railroad Equip.
Banks	Gold	Rayon
Brewery & Dist.	Machinery, Agric.	Rubber
Chemicals	Meat Packing	Ships & Shipbldg.
Coal	Motion Pictures	Sugar
Dairy Products	Office Equipment	Utilities
	Oil	
	Average	
Aircraft Mfg.	Electrical Equip.	Mail Order
Apparel	Finance Companies	Machinery, Indus.
Automobiles	Grocery Chains	Paper
Auto Parts	House Furnishings	Railroads
Can Mfg.	Household Appl.	Steel & Iron
Cotton Textiles	Insurance	Telephone
Department Stores	Leather & Shoes	Variety Chains
	Below General Industry Average	
Aluminum	Copper	Machine Tools
Building	Glass (Containers)	Wool
Cement	Glass (Flat)	

Sloan Outlines Program To Publicize Post-War Ambitions Of American Enterprise

Asserting that "expanding job opportunities are a social, political and economic essential in the post-war era" which can be achieved only by "a virile and expanding system of American enterprise," Alfred P. Sloan, Jr., Chairman of the Board of General Motors Corporation, outlined on Dec. 20 a program to carry that message to the American people.

As Chairman of the National Industrial Information Committee, to which 6,000 business organizations subscribe and which is sponsored by the National Association of Manufacturers, recognized spokesman of American industrial management, Mr. Sloan said that every avenue of communication would be utilized fully to bring home to 137,000,000 Americans the post-war ambitions of American enterprise.

The campaign will be carried in newspaper and magazine advertising and go beyond it to include radio broadcasting, public discussions, labor participation and community group meetings from coast to coast. Superimposed upon its normal functions, American business leadership must take on a broader philosophy of management in the form of "economic statesmanship," Mr. Sloan said. He continued:

"Jobs are a result of certain definite forces put into motion. They result from a combination of capital, management and opportunity.

"The catalyst is a possible profit. The foundation is confidence in the future of enterprise as determined by national economic policy. Without these ingredients there can be no jobs in a free economy. This is the message we propose to carry into every American home."

It is hoped that American businessmen of all categories—retailers, insurance men, bankers, as well as manufacturers—will participate personally in attaining the objectives of this activity, Mr. Sloan said.

Associated with Mr. Sloan in the development of activities is James S. Adams, President of Standard Brands, Inc., who is Chairman of the NIIC's Program Committee.

Discusses Dr. Anderson's Article On Post-War Exchange Stabilization

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ernmental channels whenever possible, because the odium of refusing loans to foreigners does not then fall directly on the government. These were among the reasons for the suggestion in my article in the "Chronicle" of December 2nd that a semi-private domestic organization be created to suggest, recommend, and approve or disapprove foreign loans made in this country. Another reason is that foreign governments are less likely to default upon issues sold generally to our public than upon loans made directly by our government, because a borrower's credit is more seriously damaged by default on a private loan. Moreover, a recommendation from some influential and disinterested body will be often necessary, and always helpful, to the sale of foreign loans in this market at present. No governmental body can ever recommend any investment, except its own obligations, to the public for obvious political considerations. Nevertheless, the Government can not be wholly divorced from the problem, and a guarantee of part of the interest and principal by our Treasury will be necessary to make certain foreign loans marketable through private channels. Outright gifts to foreign nations will have to be financed wholly by the Government.

It is not impossible that the type of international organization which finally evolves will be very different from those which are now proposed. It may prove to be more practical to establish an active international research and consultative body composed of various suborganizations or committees to study and present recommended solutions of a great variety of complex problems. Such committees might be composed of representatives of government, finance, and business from all nations which cared to send such representatives. Such an organization would not actively engage in the clearing of foreign transactions or the extension of loans. Having no other powers than to make reports and recommendations to which concurring or dissenting opinions might be written by the representatives of any nation who cared to write them, and to provide a central place for discussion and negotiation, it would be free of the antagonisms and suspicions which arise when the power to force solutions is present. It would in particular free the larger nations of the charge of trying to run the world. Its influence would be chiefly the collective moral influence of those who participate. On the other hand, committees composed of representatives of the diplomatic sphere and of the business sphere have in the past accomplished important things. Possibly they are capable of accomplishing more than a League of Nations, definite alliances, or purely political and diplomatic negotiation without the admixture of representatives of business, finance, and labor on their respective committees on which such representation is appropriate. It seems probable that this loose, cooperative type of international organization, which seeks to settle problems by adequate joint study, negotiation, moral force and the strength of world opinion, will be likely to endure longer and to accomplish more than any overall government in which representatives vote according to some preconceived system, and thereby exert the force of legal compulsion. In the latter type of organization, either the powers will be so circumscribed that it will be ineffective, or its effectiveness is likely to be destroyed by the creation of blocs, alliances, and cliques. No such organization is likely to meet the desires of everybody in a world in which governments take so many forms, and in which interests and ideas change radically and unpredictably. The looser type of organization can by a continuous process of negotiation and effort settle problems on an overall or a piece-meal basis, as each case suggests. If a nation finds itself isolated in its views, the implications will be such as to cause it to think twice. If the action and the views of such a nation should become particularly offensive to the rest of the world, it will lead to special alliances of force against it. On the other hand, the absence of any power on the part of any nation or group of nations to dictate terms directly through the international organization would tend to keep it free of charges of dictatorship, or of serving special interests. This would tend to keep it from cracking up. This sort of organization will probably be found to be most practical, not only with respect to foreign affairs generally, but with respect to financial affairs in particular. Especially will this be true, if the larger nations, as well as the smaller ones, make it a practice, by custom rather than by law, to solve as many problems through the use of the organization as possible.

Dr. Anderson makes a very pertinent reference to the £1,000,000,000 of blocked sterling balances in London. It is self evident that a condition of balance in short accounts in London, such that no Sterling balances need to be blocked, is a prerequisite of a free and natural Sterling market, not under constant pressure towards depreciation. So long as short accounts in London are not in balance, no agreement can be made by the British to maintain a fixed ratio of Sterling to gold or to the dollar, which will be representative of the appropriate purchasing power parity of the two currencies, and which will also have a reasonable chance to endure. It is in our interest, as well as in the interest of orderly world trade, that there should be no separate Sterling area and Dollar area, but that Sterling and the Dollar should be tied together permanently by a fixed ratio to gold. It was the unbalance of short accounts in London, and not a British plot to capture world markets, which caused Britain to abandon gold, and Sterling to depreciate in terms of the Dollar in the middle 1930s. One can scarcely believe the British to be so naive as to suppose that by mere depreciation of their currency, they can capture the markets of the world, for it is self evident that what is gained on one side of the ledger by this process is lost on the other. No country ever became a great exporting nation in this way. During the years of her best growth in the international trade, Great Britain was firmly on the gold basis. Only under such conditions can foreign trade and investment reach their ultimate. But such stability can be brought about only by correcting the fundamentals, which in this case means restoring balance between the short liabilities and the short obligations of the London market, and freeing blocked balances. This can be accomplished in any short time only by a long term loan from us, or extended through some sort of international organization. If the loan is made directly by us, it can be conditioned upon a return of Sterling to the full gold standard basis, and upon other measures designed to assure the permanence of the sound condition thus restored to the London exchange market. Such a loan is the first essential to the restoration of orderly trade conditions throughout the world. It can be more soundly made and conditioned by direct negotiation through a loose and decentralized international organization and a strong domestic organization, than by indirection through a world clearing organization and a world RFC of uncertain scope.

This loan is by far the largest likely to be required for stabilization purposes. It could be made by our Government, but there is less likelihood of default, if the loan is floated publicly in this country, because the effect of such a default on general British credit would be greater than the effect of a default upon an intergovernmental loan. England did default upon $11,000,000,000 owed to our Government after the last war, but she did not default upon any private loan. Assuming that at the end of the war, a loan of $4,000,000,000 to $5,000,000,000 would still be adequate to restore balance in the London exchange market, and to free blocked balances, we must next inquire whether or not a loan of this magnitude could be sold publicly in the United States. Probably not, unless the loan were guaranteed in part by the United States Treasury. Under the plan suggested in my previous article, we would, therefore, expect to see a long term loan of $5,000,000,000 to England, bearing 3% to 3¼% interest, guaranteed to the extent of 75% of principal and interest by the United States Treasury, and providing for full amortization by means of a cumulative sinking fund similar to that used on the Argentine external loans floated in this country. Such a rate should appear attractive both to London and to our market under the conditions assumed.

This suggestion also fits into a suggestion that I made several years ago for certain changes in our banking set-up. Under that set-up, the entire proceeds of such a loan could be easily exported in gold, if desired, without affecting our member bank reserve accounts, or in any way disturbing our domestic money policy. If the gold thus exported, became redistributed about the world through the liquidation of blocked sterling balances thus made possible, events would have transpired whereby the financial position of many countries other than England, would be improved indirectly by this single loan. If, in time, the gold tended to drift back to us in exchange for our goods, we could, under the banking set-up suggested, absorb it, also without disturbance to our domestic monetary situation.

The practical reasons for the suggestion made several years ago and the suggestion made recently grow clearer as the nature of the problems and underlying conditions with which we are faced becomes more apparent and imminent. A further reason for the foreign exchange and banking set-up suggested, lies in the need of ability to manage domestic monetary conditions smoothly and easily in the face of extraordinary foreign trade and fiscal conditions, so that a refunding of the domestic governmental debt may be accomplished readily after the war.

JAMES A. HOWE

Greenwich, Conn.
December 21st, 1943

To Change Firm Name

The firm name of de Saint-Phalle, van Heukelom & Co. will be changed to Andre de Saint-Phalle & Co., effective Jan. 1, 1944. The firm, which is a member of the New York Stock Exchange, has offices at 25 Broad Street, New York City.

What Investment Program, Now?

Generation of generation, the world has been amazed at America's ability to produce—more things, better things, more quickly, more cheaply. The most recent emphasis was laid on this characteristic of capitalistic America when Socialist Premier Stalin at the Teheran conference lifted his glass to American production and said: "Without American production the United Nations could never have won the war."

Obviously, with the coming of peace, America will not lose her capacity to produce for the home market and the world. Obviously, at some price level, the common stocks representing the ownership of this productive capacity are attractive to investors. Is such a price level with us now and is this the time to become a partner in American business?

Stock prices are at relatively low levels and, despite all the world-shaking events, stock prices have been remarkably stable since the outbreak of the war. The average price of industrial stocks is practically the same as the day the war began in September, 1939. In the meantime, the fluctuations have been less percentage-wise than for any period since 1895, except for the years from 1910 to 1914.

The further question remains: Is the outlook for business profits and rising stock prices better today than it was in September, 1939?

The economic background is stronger today than it has been for many years. Shortages in durable goods and semi-durable goods—locomotives and electric toasters, washing machines and vacuum cleaners, radios and refrigerators, automobiles and typewriters—have been building up for two years. Supplies have been exhausted. And all the time we have been building up purchasing power through savings accounts and war bonds to make this deferred demand effective when peace comes. The financial condition of both consumers and business is strong — a situation favorable to a high degree of prosperity.

The political trend has been developing favorably. The various international meetings between the political leaders of the United Nations have built up confidence in the future of world trade and commerce.

While production levels could decline temporarily with whatever unsettlement may come with reconversion, stock prices have not followed up the curve of production but have remained at relatively low levels while the production index sky-rocketed. Stock prices, therefore, need not decline even though production may.

The problems of reconversion appear to have been over-emphasized. Many industries have none at all. The industries that may have them, are the industries that astonished everyone with the speed with which they converted to war production. With reconversion, they do not have to learn a new business; they merely go back to the old job.

Excess profits taxes will probably be removed or greatly ameliorated within a reasonable time after the war is over. The carry-back provisions of the excess profits tax will tend to keep earnings up, even though volume declines temporarily. Moreover, earnings have been held to moderate levels by the excess profits tax, so that a reduction in volume of business would decrease the amount of taxes paid to the government far more than it would decrease earnings after taxes and available for stockholders.

In addition, inflation is such a possibility that it dominates the speeches of our government officials, our economic journals, and our editorial pages. Already we have had some degree of inflation. How much more we will have after the war cannot be foretold with accuracy. But if the magnitude of the efforts to control it are any guide, inflation on a scale to justify making it an important factor in investment policy appears to be a reasonable prospect. The conventional view is that common stocks offer greater protection to the value of principal when the purchasing power of the dollar declines than fixed-income, fixed-face-value securities.—From "The Parker Corporation Letter."

Roosevelt To Discard "New Deal" Slogan, Replacing It With "Win The War"

Disclosure was made by the White House on Dec. 23 that President Roosevelt wants to abandon "New Deal" as a slogan and replace it with "Win the War" or something akin to that. This is learned from Washington Associated Press advices (Dec. 23), which stated that Stephen Early, Presidential Secretary, confirmed that the President had told Delworth Lupton, of the Cleveland "Press," Tuesday (Dec. 21) that "New Deal" is outmoded and the phrase "Win the War" or a like term should be substituted.

The Associated Press added:

The Secretary would not elaborate except to say that Mr. Lupton came forward for a handshake and chatted less than a minute. For himself, Mr. Early commented that the phrase "New Deal" was born back in the 1932 economic emergency and "it's now 1943."

The Democratic National Committee would not comment on Mr. Early's disclosure, although one officer there expressed the belief the President's remark was not intended for publication.

From the same press account we also quote:

Immediately, Harrison E. Spangler, Chairman of the Republican National Committee, saw in the suggestion an effort by the Chief Executive to unburden himself of a "political load" while running for a fourth term.

Senator O'Mahoney (D., Wyo.) said it was a good idea to scrap the term because conditions are different now and the "battle conducted under the New Deal banner" has long since been won.

Republican Chairman Spangler, however, issued this formal statement:

"Can the leopard change his spots? Evidently Mr. Roosevelt thinks so when he tells the press that he wants to get away from the tattered emblem, New Deal.

"We have great sympathy for him in his desire to forget the record of his Administration for the past 11 years. It is quite a political load for him to carry as he and his palace guard feverishly conduct their campaign for four more years in office.

"The American people the day after Pearl Harbor adopted the slogan, 'Win the War.' After two years Mr. Roosevelt has caught up with them, but the spots still remain."

Senator O'Mahoney, who has disagreed with the President on some major domestic issues, particularly the Supreme Court battle, said it was a good idea to scrap the phrase New Deal because the circumstances which led to its adoption "brought about legislative reforms which were supported by an overwhelming majority of the people, Republicans as well as Democrats."

Mexico--Its Economic And Financial Policy

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value of the peso. One of the daily papers brought an interview with a financier from Los Angeles, Cal., in which he advocated a value of 3 pesos to $1.

The discussion continued unabated—to be or not to be. Both sides had good arguments. Those who believed it would be unwise or impossible to revalue the peso comprised largely the business elements, principally those interested in banking and exports and imports. They said for one, that the revaluation would cause to the Banco de Mexico losses in its gold and dollar balances to exceed its capital and surplus. To which those holding the opposite belief replied that as a matter of public policy the Government could easily absorb this loss, because in reality after a few years the economy as a whole would be benefited to such an extent that this loss would become a profit by reason of the increased amount of U. S. dollars received for the same peso trade balance, and in later years Mexico would be able to replenish its equipment at a much lower peso cost. Others arguing against revaluation said it will damage industries, because of higher exchange rates Mexico would not be able to sell. Their thought was probably more of the future than of the present, while in non-essential articles like food, a declining demand was expected to relieve the pressure on the rapidly and alarmingly mounting cost of living. However, in this discussion the most important point to be considered is probably that Mexico's great national pride might be the deciding factor, remembering that originally the ratio was 2 pesos to $1, or a peso valued at 50¢ U. S. (before devaluation).

The problem of the revaluation of the peso, it may develop, will be taken care of without any untoward action and solely by the consensus of appraisal of values, namely, the market. Just as the peso rose to 6 pesos to $1 in 1939, to decline a little later, then to drop to its present level and of which perhaps also the present quotation for gold Centenarios may prove to be an indication.

It is quite certain that the powers that be in Mexico at the present time, fully realize that hard money is the best antidote against inflation; therefore, its policy. However, it must be realized that by far the greatest majority of the population, it is safe to say, has a predelection for hard money, profiting by experience, and in particular for silver, as the hoarding of silver coins shows.

Immediately following came the announcement of the extension for another two years of the Stabilization Agreement made between Mexico and the U. S. A. and all talk of a present change in the peso value subsided immediately.

Reverting to the announced policy of the Banco de Mexico to sell gold, the immediate consequence was a lowering of quotations in the outside market so that Hidalgos could be bought for 4.04% or considerably less than $35.-U. S. an ounce, i.e., when the Central Bank sold gold in a mixture ½ Hidalgos and ½ Aztecas. Then it was announced a new coin would be issued in place of the Centenario ($50.-M.N.) containing the same amount of gold but bearing the inscription "37½ gramos de oro" instead of fifty pesos. The new coins are called Tejos. However, upon the issue of the Tejos, the bank ceased issuing Aztecas, making the mixture 75% Hidalgos and 25% Tejos, causing a rise in the price of Hidalgos and Centenarios. But when later it decided to issue nothing but Hidalgos, the gold quotations in the outside market took a big jump, the old Centenarios rising to 4.50% from 4.20%, the new Tejos to about 4.25%, while Hidalgos rose to 4.10% which is mint par. The ostensible reason for the change in the mixture of the type of coin is that all the facilities of the Casa de Moneda were given over to the coining of silver and fractional currency of which there was a painful shortage.

The Banco de Mexico sells gold, which is 900 fine, at 0.84362140¢ U. S. or $4.10 M.N. (pesos) for one peso gold. For a while it sold bar gold at $4,869.25 M.N. a kilo, to change the price later to $5,466.67 M.N. a kilo of $4.10 M.N. a gold peso.

Large purchases of gold are reported, for the most part for domestic account. Recently the price of Centenarios ($50.-M.N.) had risen to 4.90% against the paper dollar, as it has been called, of $4.85, with the smaller coins rising in price proportionately. Ordinarily such a bidding for gold would be considered that all the storm signals were up; however, counter measures were taken and referred to later, which are extremely conservative and sound. In the last phase of the bidding up of prices the chief motive undoubtedly was speculation for which the principal reasons were: (1) psychological and (2) that the Banco de Mexico for a while was selling nothing but medio-Hidalgos ($5.-M.N.) and for a while U. S. $5.00 gold pieces, all of which was reflected in the open market price for gold. However, in the last few days Banco de Mexico announced that it would sell bar gold at 4.10%, which immediately brought open market quotations for the large coins down to 4.40% or a drop of 50 points.

Other Circulation

Circulation totals over 2,400 million pesos, in which, however, is included bank deposits. The statement of the Banco de Mexico as of September 30th shows outstanding 1,023 million pesos in notes and 422 million pesos in metallic currency.

To combat this pressure of idle funds, various measures were taken:

1. Reserves against deposits were gradually raised to 33% in the Federal District, which is Mexico City, and to 30% for the country as a whole, with a penalty of 1% per month.

2. Loan and investment portfolios of the banks were frozen as of Oct. 31, 1942, which in the light of our experience of the period leading up to 1929 will decidedly lessen the danger of a frozen loan position when the inevitable day of readjustment comes.

3. In order to syphon off excess deposits, the Government has authorized the issue of 200 million pesos of Defense Bonds, which are partly to be subscribed to by banks and financial institutions and partly by individuals. However, since the banks' investment position is frozen, there is a limit to the amount which they can absorb. In the mechanics of their placement, our procedure of crediting War Loan account is not followed. The Nacional Financiera, the Government sponsored underwriter, in which private capital participates, issues the bonds to the selling banks in a way which might be called on consignment, for a certain selling period, against payment. Any unsold portion at the expiration of the period can be returned or a new selling contract made. The banks receive no interest while the bonds in their possession are unsold, merely ⅛% as a selling commission.

The purpose to which the proceeds of these bonds can be applied is extremely interesting and enlightening, and shows how purposeful the framers were to put Mexico's financial house in order for the day of reckoning. The enabling act prescribes that the Banco de Mexico, as trustee, may use the proceeds:

(1) To retire any evidences of the Mexican Government internal debt which this institution has in its portfolio;

(2) To purchase foreign exchange for the purpose of

(a) acquiring evidence of the Mexican external debt issued in foreign currency;

(b) acquiring evidence of debt of Mexican corporations issued in foreign currency;

(c) acquiring other securities issued in foreign currency with any balance remaining which in its judgment offers the necessary guarantees.

Since the fiscal position of Mexico has a direct bearing on its financial position it might be well to mention that tax collections in the first quarter of this year were more than 455 million pesos and the President, Mr. Avila M. Camacho, stated in his annual message that if, in the second semester, the same amount is obtained, it will total more than 900 million pesos for the half year. On the other hand, it was published that the budget for the year would be 900 million pesos or less than the expected intake for one half year. The President stated further that the Banco de Mexico retired this year 157 million pesos of Treasury certificates.

It would seem, therefore, that the aforementioned measures are ample evidence of a sound financial and economic policy.

Silver

The question is often asked, what the situation of Mexico will be after the war ceases when, among other things, the U. S. A. may reverse its silver-buying policy.

The price of silver in the past has had its ups and downs, having been, as may be said, no place, until the U. S. Treasury buying started its upward swing. Its fate as related to Mexico after the war would seem to depend upon several factors. The most important may be said to be its monetary use, or perhaps put more correctly, the role which will be assigned to it upon any (expected) international currency agreement to be reached. In addition it is expected that there will be considerable demand from the Far East, chiefly China and India, for silver in replenishment of its monetary stocks, since it appears that the initiation of the silver-buying policy as usual caused the flow of their silver coins to the U. S. A. Then, of course, there is the demand for silver from industry and the arts.

With regard to its place as a medium of exchange there have been opinions voiced of the necessity of a bi-metallic system because the stock and the production of gold is held as not sufficient for world currency needs. While this is probably true as far as it goes, it will depend to a very large extent, if and after international currency agreements are reached, how important the need will be for metallic currency, aside from International Bank or Central Bank reserves. If a scheme of international settlements or clearings is adopted, which seems quite probable, then the need for any medium of exchange will be greatly minimized and reduced to its use as till money. In the event that the plan of an International Bank is put into operation, which appears very certain, and which as seems necessary, requires a deposit of metallic reserve, many and perhaps the majority of the nations who subscribe to this International Bank may find it necessary to "arrange" to obtain these reserves. After having done so the cupboard may be so bare that for internal use

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NASD Markup And SEC Disclosure Rules Destructive Measures

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customers would be confused by the difference in costs, prices and size of the transactions by different dealers. Unfair competition would immediately develop between the scrupulous and honest dealers and the unscrupulous and dishonest. The natural differences in costs and prices that must exist in this business would be used to undermine the honest and conservative dealers.

If Congress had intended to apply any such bunglesome rules of price disclosure to the over-the-counter securities market or any such gross spread limitations why did they single out this particular business? Why did they not treat all business alike and apply similar price and cost disclosures and gross spread limitations to the grain and cotton business, to the grocery business, the drug, jewelry, shoe and clothing business? It seems clear beyond a doubt that Congress never intended any such bureaucratic destruction of free enterprise in the over-the-counter capital markets.

How Are Prices Made?

It seems too simple and too well known to repeat but in the long run prices for goods of all kinds tend to be near the costs of production. The reasons are, if prices are much above the costs of production, new producers and traders will take up the business in order to take advantage of the opportunity to make profits and prices are soon driven down to costs of production by the increased volume and competition to make sales. If the prices are below the costs of production over any long period of time the higher cost producers are driven out of business by losses. The volume of business shrinks and the competitive efforts are reduced and prices rise. In this way prices tend to again stabilize near the costs of production for normal times. These conditions of course, are constantly being upset by unknown developments but nevertheless the tendency remains for prices to seek a level near costs. The public reaps the benefit of this increased efficiency and struggle to lower costs. Free competition is, therefore, in favor of the consumer because of this competitive effort between producers to lower their costs and increase or maintain a desired ratio of profits.

If these fundamental and well established principles of free enterprise are different in the over-the-counter securities business from other kinds of business, how do they differ?

Over-the-Counter Securities

Over-the-counter securities are the instruments representing the capital ownership in corporate enterprises, large or small, private or public. What determines the price of these instruments? Clearly it is the quality of the instruments. This quality is affected by many varieties of factors. In the case of bonds the quality of a Federal, State or municipal bond is determined by the interest rate, the supply of the bonds available, their suitability for various collateral purposes, the maturity dates and the capacity and intention of the public authority to pay together with its past reputation. It is not new to readers that U. S. Government bonds and bonds of the State of New York sell at a very low yield or at a very high price because of their high quality and the public confidence. It is equally well known that the bonds of Mexico, Bolivia, Germany and even the Province of Alberta sell at a much lower price or at a much higher yield because these public authorities do not provide the quality and do not command the confidence of the public investor for the same reasons.

If we now turn to small size municipal issues, we find that the bonds of a small local high school district which is comparatively unknown and the size of whose bond issues is relatively small, are equally high priced with our highest grade government bonds where they have like quality which maintains the confidence of the investor and these bonds almost always sell over the counter. The bonds of private corporations may be classified in the same manner. The bonds of Standard Oil of New Jersey sell at a very high price relative to yield. This is a large corporation, but on the other hand we find that the bonds of a comparatively small oil company such as Superior Oil of California with a good reputation for quality sell at almost as high a price as those of the larger entity. Clearly it is not size of the debtor but the quality of its instruments that largely determines investor valuation of its obligations.

If we examine the railroad bond prices we still find many railroad bonds command very high prices and very low yields because of their security and very fine quality. On the other hand there are the well known railroad bonds selling for 10, 20 or 30 cents on the dollar of their par value and paying no interest. Clearly it is again a case of quality and confidence known to the investor.

Now let's examine a few stock issues. General Electric Common stock sells at a very high price relative to dividends and even to earnings. It is not unusual to find a stock of this character or that of say Sun Oil selling at 15 to 25 times dividend yield or even earnings. On the other hand we could point out that Southern Pacific Railroad stock is selling a little above one time average earnings for the past three years, while the shares of many very busy companies in the aviation industry, producing necessary war equipment, are selling for less than this year's earnings or less than the average earnings for the past three years. Upon examination you will find that the uncertainties existing in the future of a railroad with a vast debt and near term maturities and some plants producing war goods are such that the investor has some doubts about the future income from the common stock.

Quality And Price

This brief presentation seems to me adequate to make clear to the casual reader some of the fundamental conditions that make prices and the great variance in prices of securities. It is essentially a matter of quality and quality is determined by numerous factors. There are technical factors, of course, such as a sudden offering or unexpected demand for a large block of one of these securities, which may tend to drive the price of the securities up or down within a few days or few weeks irrespective of their long term merit as an earner or a producer. But how does price making here differ from price making in any of the other markets? Whether they be for raw materials such as copper, lead, zinc and lumber or finished goods such as shoes, overcoats and motor cars—is it not a matter of public opinion based upon careful consideration of all of the known factors to the buyers and sellers with respect to each? The price making forces are the same, the economic conditions tending to affect prices are the same. The immediate price in either case may have no relation to the price at some distant date or in the near term past. Present conditions are different from those that existed only yesterday and very different from the conditions that existed a decade ago. Changes in the future over any long period in advance defy an accurate analysis and forecast. Still it is this effort to analyze and forecast and make a judgment on what the future holds that keeps eternal hope and progress going. Is there any reason to saddle one section of the market with a definite series of rules and regulations or limitations upon gross spread of costs and profits different from that of any other section of the market? Should the dealer in the over-the-counter securities markets be required to educate his customer before doing business with him or should the customer before doing business take the responsibility of educating himself?

Shall the dealer ask the customer to guarantee him that he will confine his business exclusively to the office of this dealer if he discloses to him information about his costs, prices, profits and other details about securities which have cost the dealer time, money and a vast amount of expense and labor to learn? If the customer takes such information and goes to another office and discloses it, he is giving to another dealer free what has cost the first dealer heavily and which may result in such heavy costs and little or no gain that he cannot continue in business. It is fully understandable that where a customer carries his whole account with one dealer and confines his business exclusively to that dealer over a period of years and the dealer has confidence that this relationship will continue that such dealer will make available to such customer a vast amount of expensive information and research which he would otherwise regard as strictly confidential because this is the dealer's stock in trade and he must keep it confidential to protect his customers. It is also conceivable that for a customer of long standing and who has a sufficiently large amount of business a dealer will go to a great deal of expense in doing research for that customer and provide him with information. But if such information is to be immediately disclosed to the public or to customers who may make it public or who may carry it to other offices then the dealer who has done the valuable work may lose the full benefit of his labors and also his customers are the losers. This is not competition. This is destruction of competition.

Competition Is The Life Of Trade

While "Competition is the life of trade" the very life of competition is determined by knowledge, foresight, investigation, hard work and drawing right conclusions ahead of the other fellow. When a dealer must comply with a long set of complicated rules and regulations which absorb his time and disclose to the customer or any one else full information about gross spread and other details about securities in which he is dealer his position as a competitor is weakened and his incentive to remain a competitor and provide his customers with the best possible information is immediately destroyed by having any gains from these efforts taken from him through the disclosures. It would be a fine thing if all dealers and all customers were equally intelligent and equally industrious but even then they would not all have the same information, if one could suppose they all had the capacity to draw correct judgments. It happens to be that there is such a vast number of securities dealt in over-the-counter and such a large number of corporations that dealers frequently specialize in one small group and often in just a few select corporations and securities in a group in order that the dealer may have the best possible information on these securities for the benefit of his customers. Competitors are always seeking to get this information and use it for their advantage and thereby avoid the costs of ascertaining this valuable information which have been borne by the industrious and successful dealer. If the dealer is compelled to disclose all of this information, instead of creating competition, competition is thereby killed and the incentive to industry and effort in behalf of the customer is destroyed.

Mexico—Its Economic And Financial Policy

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the only method open may be the fiat money basis. We have had the object lesson of Germany in the years leading up to the present war, when it operated its economy successfully, both internal and external, with hardly any gold cover, and with the necessity added to provide exchange for repayment of loans. Therefore, instead of the various nations using even silver as part of their circulating medium, it is not at all impossible that they may have to turn to the use of baser metals for coinage.

The future of silver is of prime interest to the countries of the American Continent because they produce 75% of all the silver, whereas they produce a little more than 4% of all the gold, and of which silver Mexico heretofore has produced about 40%. Therefore, when Mexico was invited to join in the studies leading to the establishment of an international organization for money stabilization it felt pleased at the opportunity to present the view of the Mexican Government regarding this important problem among those who battle for the recognition and the larger use of silver as a currency.

Mexican official quarters feel that statistics reveal that silver now discharges monetary functions in many countries and that it is therefore clear that in any organization which is finally established the function of silver will be recognized, thus guaranteeing its international use, which necessarily signifies an increase in the requirements for internal use as reserves of the different States which are part of the system, and which in turn will reflect the benefits to the nations of the Americas.

The Mexican production of silver heretofore has totaled in:

1939	2,300,000 kilos
1940	2,500,000 kilos
1941	2,400,000 kilos
1942	2,600,000 kilos
1943 it will probably reach	3,000,000 kilos

Against this production the Mexican international consumption of silver heretofore has been very low, amounting to scarcely 100 thousand kilos a year. Of this 100 thousand kilos, the industry absorbed a little more than 50 thousand kilos. This has been the normal consumption up to 1943. The balance was needed for coinage purposes. In the years before 1943 the metallic circulation has been:

	Total Pesos
1939	278,000,000
1940	330,000,000
1941 a little less than	308,000,000
1942	*347,000,000
	Silver Coin
1941	288,000,000
1942	325,500,000
1943	388,500,000

The balance constitutes nickel and copper coins.

*Almost 350,000,000.

Here, it might be added, in addition the note circulation totaled 999 million pesos.

In the meantime the domestic consumption of silver has increased from about 3 thousand kilos a month to 15 thousand kilos a month, and has most probably increased a great deal further, besides an enormously increased need for coinage as will be seen later, so that Mexico's own consumption of silver now totals 80% of its production, leaving only about 600 thousand kilos free. One of the causes lies in the fact that the export of silver otherwise has increased tremendously because of (1) the demand for silver articles from the U. S. A.; (2) the disappearance of many of the larger silver coins, like the peso and the 50 centavo pieces, which are believed by many to have gone into contraband for melting down in the U. S. A. to be sold at 71¢ U. S. an ounce. This insistent demand developed because of the absence of silver articles in the U. S. market and its scarcity otherwise.

Even as regards the domestic industry, while silver was rationed by the Banco de Mexico, it had difficulty in filling its needs on the one hand and on the other faced the very high price of the uncontrolled market. Therefore, since the peso contains 12 grams of fine silver (.720) it means it takes 83⅓ pesos per kilogram of silver, which explains their disappearance as a circulating medium and their probable march toward the melting pot.

Mr. Eduardo Suarez, the Secretary of the Treasury, said that the Government is anxious to protect the silver industry as long as it is compatible with the monetary system, but at the same time it must protect its monetary system by every pertinent means, no matter how drastic those may be, in order to prevent this exportation which has become an abuse; even to prohibit it if that should become necessary. In August an export tax of 45 centavos per gram (net) or 45 pesos per kilo was put on manufactured silver which does not contain precious stones. It also issued a decree forbidding the export of silver coin.

When the Mexican Government, to meet this tremendous increase in the domestic consumption and in order to comply with its agreement made with the U. S. for the sale of its silver, ordered a reduction in sales of its silver to domestic consumers, this created a terrific scarcity causing a rise in the price of silver in the uncontrolled (black) market up to 87, 100 and 120 pesos per kilo. The rationing of silver in the meantime has been abandoned as the rising consumption indicates.

It must be mentioned here in passing that originally an agreement existed to sell silver produced in Mexico to the U. S. at 35¢ U. S. an ounce. However, when the U. S. Treasury agreed to pay 45¢ U. S. an ounce, it said in effect: "If I pay you 10¢ more than I have paid you before, it is necessary that you obligate yourself to deliver me all of your silver production (outside of domestic needs)". Mr. Eduardo Villasenor, Managing Director of the Banco de Mexico, in a speech delivered on September 10th on the silver question before the convention of Chambers of Commerce in Mexico, was careful to point out that the U. S. Treasury paid United States producers at the rate of .71111¢ an ounce.

Probably the hoarding of silver currency commenced at the time of the rationing of silver to the industry. The hoarding most likely was helped along by the psychological reaction created by the issue of paper pesos, done to economize in the consumption of silver for the reasons stated. Another cause of hoarding in all probability was the unbelievable shortage of fractional currency caused by the supposed melting down and the export of silver coins. This was particularly noticeable—in fact, it was painful—in the markets where a small shopkeeper more often than not would be obliged to run all over the markets to obtain change for a one peso note. Even at the banks it was impossible to obtain fractional currency often for as little as one peso. Mr. Villasenor estimated that the hoarding of silver coin may have reached the total of 200 million pesos. This difficulty is gradually being alleviated because the Casa de Moneda is turning out 80 thousand pesos daily (1 million pieces) in fractional currency, not counting pesos and 50 centavo pieces.

For these reasons the Banco de Mexico proposed to the Government:

(1) to request the U. S. A. to suspend its purchase of silver from it; and

(2) to modify the monetary law to authorize the coinage of 20 centavo bronze pieces in place of silver.

Inflation and the After War Let-Down

Mr. Eduardo Suarez, Secretary of the Treasury, stated recently in an interview that examination of the facts reveals that Mexico is not confronted with uncontrollable inflation.

While of course the 20% premium asked for Centenarios at their high and the premiums asked for the smaller coins ranging from 5% to 15%, also at their high, would ordinarily be considered ominous, but in view of the measures cited before, there would appear to be no serious danger of a runaway inflation, if any. Any inflation probably will be confined to a price inflation, especially since a great deal of the actual circulation is hard money, aside from the gold backing.

It must not be overlooked that the prices of every kind of product of Mexico are under a tremendous pressure due to the insistent demand from the U. S. A. which will inevitably subside as the war ceases, and thereby relieve decided scarcities.

Undoubtedly there has been quite a boom in building and in real estate values, which will be subject to readjustment when the time comes. Just how serious this readjustment of value will be, is of course impossible to foretell with any degree of certainty. However, considering the circumstances it will probably not approach in any way the seriousness of our real estate collapse in 1933. The reason for this assumption is that this real estate boom is confined chiefly to centers like Mexico City, and will therefore affect a relatively small percentage of the population. While

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America's Role In China's Post-War Reconstruction

(Continued from page 2631)

tion of this wider interest in China's problem on the part of the American people. It is a new national sentiment which bids every American of this generation to look beyond the seven seas to help build a new society of nations wherein there will be no wars but permanent tranquility in international relationships, and the assistance which this country, we trust, will give to China in the post-war period should be the first step toward the fulfillment of this added moral responsibility of the American people.

II

The need for the industrialization of China was long envisaged by the late Dr. Sun Yat-sen, founder of the Chinese Republic. In his immortal work, "The International Development of China," published in 1922, he laid down a gigantic scheme of economic reconstruction for his country along the following lines:

"I. The Development of a Communications System.
- (a) 100,000 Miles of Railways.
- (b) 1,000,000 Miles of Macadam Roads.
- (c) Improvement of Existing Canals.
  - (1) Hangchow-Tientsin Canals.
  - (2) Sikiang - Yangtze Canals.
- (d) Construction of New Canals.
  - (1) Liaoho - Sunghwakian Canal.
  - (2) Others to be projected.
- (e) River Conservancy.
  - (1) To Regulate the Embankments and Channel of the Yangtze River from Hankow to the Sea, Thus Facilitating Ocean-Going Ships to Reach That Port at All Seasons.
  - (2) To Regulate the Hwangho Embankments and Channel to Prevent Floods.
  - (3) To Regulate the Sikiang.
  - (4) To Regulate the Hwaiho.
  - (5) To Regulate Various Other Rivers.
- (f) The Construction of More Telegraph Lines and Telephone and Wireless Systems All Over the Country.

II. The Development of Commercial Harbors.
- (a) Three Largest Ocean Ports With Future Capacity Equalling New York Harbor to Be Constructed in North, Central and South China.
- (b) Various Small Commercial and Fishing Harbors to Be Constructed Along the Coast.
- (c) Commercial Docks to Be Constructed Along All Navigable Rivers.

III. Modern Cities With Public Utilities to Be Constructed In All Railway Centers, Termini, and Alongside Harbors.

IV. Water Power Development.

V. Iron and Steel Works and Cement Works On the Largest Scale in Order to Supply the Above Needs.

VI. Mineral Development.

VII. Agricultural Development.

VIII. Irrigational Work On the Largest Scale in Mongolia and Sinkiang.

IX. Reafforestation in Central and North China.

X. Colonization in Manchuria, Mongolia, Sinkiang, Kokonor, and Tibet." [1]

The thoroughness with which Dr. Sun approached the problem is indeed penetrating. It is only fitting that the National Government ever since its establishcent in 1928 at Nanking has adopted it as the cardinal principle for the reconstruction of China along the lines of modernization. The gradual extension of the nation's transportation system and the rapid strides made in the development of ocean transportation—just to mention two of the many phases of industrial progress made in the pre-war years, that is, 1937—indicate clearly the feverishness with which the objectives of the program were to be accomplished. To speak frankly, that was the principal motive behind the Japanese invasion of China on July 7, 1937, as Japan realized then that a few more years later she would have to deal with a China thoroughly baptized in and modernized by Dr. Sun's doctrines.

It was indeed unfortunate that war had to break out in that fateful year of 1937. This war against Japan's unprovoked aggression has already been in existence for seven long years. The story of the wanton destruction of human lives and properties need not be repeated here; all this is well known to the civilized world. Suffice it to say that so far as the industrial development is concerned, whatever had been accomplished from the time of the establishment of the Central Government in 1928 to the time when Japan launched her barbarous attack in 1937, is already gone, as it were, with the wind.

From the outbreak of hostilities to December 7, 1941, those were surely the darkest hours in China's history and the worst was that during those dreadful years China had to stand alone against the onslaught of the aggressor. Under such circumstances, it was only natural that the public was silent on the subject of post-war planning, the general feeling being that it was futile to talk about post-war reconstruction while the roof of the house was still burning; hence the paucity of attempts even on the part of the most ardent industrialists to map out any specific program for rebuilding the country after the war is over. This sullen outlook for the future of the country, however, took a favorable turn when the United States joined the war against Japan in the Pacific as a result of the latter's sneaked attack at Pearl Harbor.

Such being the good fortune of the war, it is no wonder that since that fateful day the people in general have taken a much more serious view of the subject concerned. Everywhere talk of economic reconstruction is revived and new schemes of modern industrialization are forthcoming constantly both from government and private sources. Today, "Resistance and Reconstruction" has become the most popular slogan in Free China and it has even been crystalized into a book by Generalissimo Chiang Kai-shek.[2]

The plans currently mapped out by the people are all very practical indeed, each having its individual merits, but the most specific and the most authoritative of all is perhaps none other than that which has been put forth by Dr. Wong Wen-hao, Minister of Economic Affairs and concurrently Chairman of the Chinese National Resources Commission. Dr. Wong deems it necessary that China after the war should adopt a ten-year reconstruction program which will be ambitious enough to be of real value to the country, but not so burdensome as to place it beyond the means of the people.

The minimum objective of his plan is, according to expert interpretation, "to insure a solid industrial base for the strengthening of China's national defense and for raising the general living standard of the people by industrialization.[3] Thus in the first decade in the post-war period he laid down the following goals for the nation to accomplish:

China's Minimum Goals for Economic Reconstruction in the Immediate Stage Following the War

	Total Output For 10 Years	Value in Millions of Chinese Dollars	The 10th Year Output	Value in Millions of Chinese Dollars
Steel, tons	14,000,000	19,500	5,000,000	7,500
Coal, tons	500,000,000	12,500	100,000,000	2,500
Gold, ozs.	12,000,000	7,500	2,500,000	1,500
Cement, barrels	85,000,000	4,500	20,000,000	1,000
Machines		10,000		2,500
Steel plates, tons	5,000,000	7,500	1,000,000	1,500
Cotton yarn, bales	29,000,000	59,000	5,000,000	10,000
Railways, kilometers in new lines	48,000			
Rails, tons	3,360,000			
Locomotives	2,400			
Steamships, tons	3,000,000			

The manner in which the people of Free China are captured by this wave of enthusiasm in preparing the country for the gigantic task of post-war reconstruction is indeed encouraging. It proves beyond any doubt that the unfaltered belief that Japan will be defeated in the long run, if not sooner—a psychological factor which is equally essential to the successful prosecution of the war—is once again reaffirmed by the general public.

But while taking comfort to notice this favorable trend in the nation's outlook for a better post-war industrial society, it should be mentioned that blueprinting is one thing and that the means by which the blueprint can be put into practice is quite another. That is to say, what is the prospect for obtaining the necessary capital equipment for the successful accomplishment of the minimum objective as designated in Dr. Wong Wen-hao's program, since, as we all know, the possession of **capital** is the beginning of industrialization?

After the war, it may be safely said without fear of over-statement that the United States will be the only country which can supply the rest of the world with capital funds. The loudest argument for this is that because this country is far from the scene of actual fighting, its industrial apparatus obviously will be intact. Not only that. In consequence of wartime expansion much of the productive facilities of this country as a result of the technological changes brought about by the exigency of the war in all probability will become obsolete and thus be available in large quantities for export.

China, after the war, with her meager capital supply bound to deplete entirely—a condition which is already true at present—inevitably will and must look to this country for capital if she is to finance her industrial reconstruction. There is no other immediate source on which China can depend for the amount necessary to carry out even such a program as mapped out by Dr. Wong illustrated above. Assuming that the total needed would amount to $50,000,000,000, which is to say the least is an extremely conservative estimate, such a sum of money can never be raised from among the overseas Chinese in this country as their annual remittances to China on the average amount to $30,000,0000 only. There is, as is generally believed, a great deal of Chinese "hot" money in the banks on Wall Street. But how much? Again this is hard to say. Some put it at $200,000,000; others at $300,000,000[4]. Assuming that $400,000,000 is a correct figure, it still cannot be construed to mean that the money will immediately return to the Chinese market once the war is over, and even if it would, it too may not necessarily be invested in those lines of productive enterprises as planned in Dr. Wong's program.

Such being the situation with which China will have to be confronted after the war, it may safely be said therefore that China will and must come to the United States for all the necessary capital supply toward the realization of her industrialized programs.

III

In order to attract American investments there are several fundamental conditions which must be fulfilled on the part of China. First, the return on investments must be relatively higher than that which the same would receive in the home country on some domestic enterprises whose risks are comparable to those abroad. The return on investments being assured, the return of investments should also be made secure in the long run, always assuming that all post-war foreign investments in China will be made on a long-term basis.

If China is to assure the American investors of these two fundamental conditions, it is incumbent upon her not only to guarantee that American investments will be given a relatively higher rate of interest, but to maintain a good and stable government run not according to the wishes of the oligarchs, but by law. In other words, both the industrial and social milieu must be so set as to be conducive to the growth of capital, both foreign and domestic.

That the Chinese Government will have every intention to make it attractive to American investments in postwar China can be seen from its recently announced policy toward foreign investments in general.

At the Sept. 11 (1943) meeting of the 11th Plenary Session of the Central Executive Committee and the Supervisory Committee of the Kuomintang, one of the most important decisions relating to foreign investments in China reads:

"Therefore, be it resolved that to show a spirit of close cooperation with China's friendly powers, all restrictions applying to Chinese-foreign joint enterprises shall be revised. Hereafter, no fixed restriction shall be placed on the ration of foreign capital investment in joint enterprises. In the organization of a Chinese-foreign joint enterprise, except for the chairman of the board of directors, the general manager need not necessarily be a Chinese. The foregoing terms of cooperation shall become effective after an agreement by the parties concerned has been reached and the approval of the Government secured. At the same time, aliens, in accordance with the provisions of Chinese law and regulations, and having received the sanction of the Chinese Government, may finance their own enterprises in China. Negotiations for foreign loans for state enterprises shall be centralized. Private individuals may negotiate foreign loans for their enterprises and such loan agreements shall become effective following the approval of the Government. The Government shall determine at an early date which category of state enterprises may accept foreign investments and which categories may seek foreign loans." [5]

The greater leeway given to foreign investments is highly encouraging and as such should be taken as a sincere desire of the Government of China to assure all foreign investors of the possibility of greater **profitableness** and **security**.

Recently we also have the benefit of having in our presence from China a high-ranking Chinese Government official, Dr. Chang Kai-ngau, former Minister of Railways and Minister of Communications, who took occasions to answer three particular questions frequently raised by prospective American investors concerning foreign investments in post-war China. These questions are (1) will China be politically stable? (2) will China welcome foreign capital? and (3) will foreign investments enjoy adequate protection? It is perhaps idle for us to ponder at length on his answers to the first two questions, as it is a foregone conclusion that China will always be unified, and even more so after the war and that she will need every penny which the creditor nations can spare, as has already been spoken of above. But with special reference to the third question, Dr. Chang came forth with this bold statement, saying "The answer is that since rehabilitation and reconstruction in China can only be accomplished effectively with foreign economic cooperation, the Chinese Government will surely **give all the reasonable protection required by foreign investors.**" [6]

That China will not only need foreign capital but will try every means to afford foreign investors the greatest protection therefore should be unquestionably clear. But if the United States is to finance China's post-war industrialization, there is however one condition which this country as a capital exporter should observe if future entanglements in connection with the transfer of capital funds are to be avoided. That is to say, the United States as a creditor nation must be prepared to accept China's goods and services if interest, amortization, dividends and profits are to be received over a period of time on her foreign commitments. This country cannot insist on the payment in gold alone; as a matter of fact, China has no gold, because international trade is not a one-way street but a two-way traffic. And a nation simply cannot export without importing. During the first ten years of this country's being a creditor nation after the last war, tariffs of this country were raised twice—in 1921 and in 1930—much to the distress of many debtor nations. The consequences of those unwise steps, if they may be so-called, are too familiar to be repeated here.

If it is agreed that this country will be willing to accept goods from China, one would naturally ask, what is China's capacity to pay? Our answer to this question can be sought by looking into the goods which China can export to this country in the postwar years.

There are a great many kinds of commodities which China can export in large quantities abroad after the war. To name some of the important we may mention soybeans, raw silk, egg products, tungoil, peanuts and peanut products, bristle, leather products, hand-knitted and embroidered goods, tea, wool, etc. Besides, China is rich in mineral resources. She possesses almost a world production monopoly of antimony, tungsten, and large quantities of such metals as tin and manganese, all of which are also avail-

1 Sun Yat-sen, The International Development of China, pp. 5-6.

2 Chiang Kai-shek, Resistance and Reconstruction, (New York: Harper & Brothers, 1943).

3 Cf. Dr. Kinn-wei Shaw's speech entitled, "China's Post-war Economic Reconstruction and the World Peace Strategy," delivered before the First World Conference of the World Confederation of International Groupments, New York, Dec. 5, 1942.

4 Fong, H. D., "The Prospect for China's Industrialization," The Pacific Affairs, vol. XV, No. 1 (March 1942) p. 49.

5 See Chinese News Service, Special Release, September 15, 1943.

6 "Economic Cooperation in Postwar China," an address by Dr. Chang Kai-ngau at the University Club, New York, October 21, 1943. (Bold-face mine).

able in huge quantities for foreign consumption.[7]

However it should always be borne in mind, that fundamentally the factor governing China's exports to this country or to any other country is but the ability of the Chinese producers to ensure the supply of goods, at competitive prices, of guaranteed quality. Given a free hand to develop herself after the war there seems no doubt that China will have the ability to live up to this expectation. The experience of the United States Government in connection with several of its loans to China, that is, loans to be paid back in goods of "guaranteed quality" gives us ample evidence to this effect.

IV

In regard to the industrialization of China there is one particular misconception which is deeply ingrained even in the thinking of many intelligent people and which we would like to clarify here. It is too often said that the industrialization of agricultural and "backward" countries will inevitably lead to a reduction in the volume of international trade, the contention being that as a country becomes more industrialized the degree of self-sufficiency will be intensified with the result that it would tend to buy less and less abroad until finally the whole system of international trade be brought to a standstill.

It should need no serious stretch of language to say that the assumption underlying this misapprehension about the significance of industrialization is entirely groundless and in the light of historical experience does not hold water at all. Take England, for example. England is undoubtedly one of the most industrialized countries in the world. But who can deny the fact that she is the best customer of this country? For, as Professor Nadler, of New York University, put it, "Industrialization invariably raises the standard of living of the people, resulting in a growing demand for new types of goods and services. To be sure, the composition of the trade undergoes a considerable change. The volume and the value are not reduced, however, unless direct measures are taken to restrict international exchange of commodities." [8]

Indeed, as the standard of living of the people gradually rises, the purchasing power must necessarily rise at the same time, and in our particular case if the buying power of the 450,000,000 Chinese as a result of the industrialization of China could be raised by only $10 per capita, the impetus given to the export trade of this country would be so great as to baffle our imagination.

The beneficial effect following such a course of events should not be dismissed without due consideration. It is true, foreign trade has contributed on the average, over a period of years, only 10% of the national income of this country, but this cannot be construed to mean, as is too often contended, that foreign trade has played only a small and insignificant role in the stabilization of the industrial development of the domestic economy. Yes, ten per cent is only a small fraction of the total production. But when people say that an average of ten per cent of the national product must be exported to ensure producers against the possibility of incurring losses in their productive enterprises and to maintain a high level of employment, in fact these people tell us but half the story. On top of this it must be realized that there are simply too many stable products of this country which large areas rely for insurance against hard times, and which must be sold abroad in much greater volume than ten per cent of the total national production. It is only when this state of affairs is fully appreciated that the importance of America's foreign markets impresses itself vividly on the public mind. For this reason Professor Paul V. Horn, of New York University, has characterized the income of this country derived from foreign trade as the "profit margin" [9] of the national production, and his statement is correct.

That the actual business of making foreign investments will give fillip to American export trade can be illustrated by the experience which the British have gone through during the first half of the 19th century in which British capital flowed out to all parts of the world, hastening the growth of industrialism of many backward countries by providing them with capital funds for factories, plantation, railroads, etc. To Great Britain these foreign investments not only meant interest money or dividends, but greater "activity in the export trade," [10] as in the wake of capital export went also an exodus of British goods. Thus British shirts were worn by white, brown and black races in all parts of the world and the supremacy of British commercial power was everywhere unchallenged. It is hoped that the past experience of the British will be capitalized on by the American business man to the fullest extent when this war is over. America has nothing to fear that in so doing she would be branded as practicing economic imperialism. America's record in matters pertaining to international economic cooperation is clear and straight. Europe knows that and Asia knows that also.

V

It is generally believed that after the war the Government of this country will play a major role in the reconstruction of this wartorn world. However, while it is agreed that political reconstruction should be the handmaid of the State Department in cooperation with other United Nations, it cannot be taken for granted that economic reconstruction too should be entirely entrusted to the hands of the Government. As a matter of fact, the policy of the Government, if it could be so formed at all, ought to permit private business enterprise, as far as foreign investments are concerned, to do what it can and to supplement that by whatever governmental action is necessary in addition—a policy which no doubt will meet with the greatest approval of the common run of people of this country. For the chief economic need of the postwar world, we believe, is not the creation of more governmental super-machinery, of which we have too much today, but "the return of individual Goverments to policies under which a restoration of international confidence and private international lending will be possible." [11]

But in order to bring about such a governmental policy the final decision perhaps lies not so much with the Government as with the private business man himself. It is he, after all, who is expected to bear the risks of investments as the Government can only guide but cannot guarantee the profitableness of an enterprise. It is therefore up to him to accept the challenge of going abroad, so to speak, when the opportunity arises. True, many private foreign loans were unsoundly made in the '20s immediately after the last war, but however unsound they may have been made, the record still stands that their repayment was at least incomparably better than government loans made in those years. And this should serve to dissipate the misapprehension of the defeatist that the system of private lending is passe and through.

But the necessity of seeking outlets abroad on the part of private investors perhaps goes deeper than the mere restoration of international confidence, which however important as a basis for world-wide economic reconstruction should, as far as regards the "intelligent selfishness" of the American business man, be considered as an inescapable adjunct to a greater and immediate objective, namely, to help maintain a higher level of employment at home. It should be borne in mind that after the war this country will have an army of 10,000,000 unemployed to take care of if more employment cannot be provided through private channels. In that eventuality the Government certainly will not hesitate to take over the whip, as it were, and be the chief employer. Already people are saying that if full employment can be achieved by the Government during wartime through spending billions of the taxpayer's money, the same no doubt could be accomplished in peacetime. The consequences of such a state of affairs will be dreadful. As is timely warned, "When once the government is the chief or the only employer and owns most or all the instruments of production, the issues at stake will probably be too great to be manageable by the democratic process. If we place upon government the responsibility of assuring jobs, incomes, and a high standard of living, that government must have **power** and **authority** to command, to dictate and to implement a policy with certainty and continuity, once it is adopted." [12]

The American business man certainly would not like to see the day when private business is stifled to such an extent. But in order to avoid such consequences and thus continue to lead the industrial society of this country for the years to come, it seems necessary then that he should come forward and face the opportunity which may necessitate his going to places far beyond the horizon of the blue Pacific after the final victory is won.

VI

From the foregoing it may be concluded, therefore, that helping China to help herself to a better life ought to be one of this country's greatest opportunities in the post-war years. It cannot be claimed that in so doing America would be wholly altruistic. To cooperate with China and to assist her to lay a solid foundation of industrial development may indeed open, as has already been spoken of above, a field in which tens of thousands of returned American soldiers may find employment. Consider the task of building a net work of railways and highways as mapped out by Dr. Sun; of equipping it with the necessary locomotives, freight and passenger cars; of supplying the highways with millions of trucks and buses; of furnishing necessary industrial equipment for China's seaports, shipyards, mines, steel works, machine shops, textile mills, and other industrial machinery of every conceivable kind, and our imagination is just baffled by the immensity of the work involved. The late notorious world-swindler, Ivar Kreuger, once was approached to express his views on the future possibility of this world which would absorb large capital investments and thus bring about a new period of world-wide production expansion and prosperity. Unhesitatingly he offered one possibility and that concerned China. He said, "If China should be ready for development on Western lines, she would keep the world busy for sixty years." [13] However wrong Kreuger may have been on other occasions, this time he was right.

Perhaps it may be questioned that if China is helped to become industrialized she may become one day so strong as to endanger as dreaded by the exponents of so-called **Geopolitics**, the "position of the Western Power." [14] It is out of place here for us to go into the essence of Chinese philosophy to show that the Chinese are a civilized people. All we should like to say is that after this grim business of fighting is over, and when the nations of the world, large and small, are free to be masters of their own fate, we can only expect that China in order to make her largest contributions to the peace of the world probably will have to keep herself continously occupied with the task of reconstruction, not for ten years nor twenty years, but for generations to come. There is simply no reason whatsoever that China would adopt a pattern of imperialistic conquest even if she were in a position to do so. For as a contemporary historian put it, "The Chinese have never been a conquering race, and it is unlikely that they will become so in any visible future." [15] As a matter of fact, the Chinese are no **nouveaux arrives**; through the centuries they have known power, but they have never become inebriated by it yet, and they are not likely "to be hyponitized by it," in any distant future.[16]

Moreover, a strong and industrialized China will always serve as a peace enforcing power for the Far East as a whole. A strong Japan will endanger peace everywhere. But a powerful China will be a bulwark of the Brotherhood of Man.

7 Cf. Wang Chung-yu, "China's Position in the World of Minerals," **National Reconstruction**, (published by Committee on Wartime Planning for Chinese Students in the United States) Vol. III (April, 1943) p. 7.

8 Marcus Nadler, "The Postwar International Economic Position of the United States," **The Annals of the Academy of Political and Social Science**, Vol. 228 (July 1943) pp. 94-95.

9 Horn, Paul V., **International Trade: Principles and Practices**, p. 25.

10 Johnson, E. A. J., **An Economic History of Modern England**, p. 140. British capital investments abroad stood at £4 billion in 1913 as compared with £1,302 million in 1885. **Cf. Ibid.**

11 New York Times' Editorial, December 4, 1943.

12 Schmidt, E. P., **Why Plan for the Post-War Period?** (U. S. Chamber of Commerce, Postwar Readjustments Bulletin No. 1) p. 9. (Bold-face theirs.)

13 Quoted by The Wall Street Journal, Editorial, Nov. 29, 1943.

14 Spykman, N. J., **Amerca's Strategy in World Politics**, p. 469. For further discussion on this point see Chen, Henry C., "Musings on Some Recent Platitudes," **The China Monthly**, Vol. IV, No. 2 (January 1943) pp. 7-9.

15 Parkes, Henry B., **The World After War**, p. 205.

16 New York Times' Editorial, Nov. 27, 1943.

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(Continued from page 2647)

prices, of course, have also risen in other cities, it is reported that the rise has been in a very much smaller degree. Then, Mexico appears to have benefited by our debacle in real estate in so much as all mortgages are amortized, in most cases mature in 10 to 15 years, and that the amount lent generally is less than 50% of the valuation. What is more is that all mortgages are required to be approved by the Commission Nacional de Bancaria.

What is of great significance, both with respect to the real estate situation as well as the general situation, when the demands or the benefactions engendered by the war cease, is that perhaps more than 60% of the population live close to the ground, whose consumption has not developed to any degree. Therefore, if there is a great shrinkage in income, it affects a relatively small percentage of the Mexican population seriously. Also any let-down after the war is apt to be cushioned as concerns Mexico by the fact that Mexico has no war industries in the sense that we have them, with its attendant expansion. It is quite evident then, that for this reason it will not face the serious problem of unemployment which we face from this source, aside from returning sodliers, and for another reason that its population is chiefly agricultural and that which is not, is of the small craftsman type . . . so far.

Therefore if there is a dimunition in the export demand for food, it may be a blessing rather than otherwise for the Mexican people, whereas a decrease in the demand for the products of the mines may be balanced by a demand from war ravished Europe, which should last long enough to permit a readjustment of the domestic Mexican economy.

Another point worth considering is that Mexico, due to its vastly improved financial position, development by new industries of articles which were formerly imported, may have entered a period of a gradually rising price level.

In this respect it may be noticed and with wonder, that even in the last five years, with the exception of one year, the trade balance has been in favor of Mexico and still until now the Mexican economy has not been flourishing. One of the reasons probably has been that the invisible balance of payments has been against Mexico. However, with the results of the measures taken, the repatriation of its wealth and of its obligations, like the settling of the external debt on the basis of one peso for one dollar owed, and the very considerable balance of payments created by the ever increasing tourist traffic of late years, etc., etc., the picture in future is apt to be radically different.

And last but not least: prosperous people do not revolt.

ALEXANDER T. STEPHAN,
Alexander T. Stephan, Inc.,
New York City

Dec. 15, 1943, Mexico, D. F.

Bank & Insurance Stocks

(Continued from page 2639)

making direct loans to the Government by the purchase of Government securities, they make many loans to contractors and sub-contractors engaged in war work, and to other essential activities.

(4) Banking Services: they cash millions of allotment and allowance checks for servicemens' dependents; they have opened banking facilities at more than two hundred military reservations and make up cash payrolls for innumerable war industries.

(5) Ration Banking: they receive and maintain accounts for many millions of ration coupons for sugar, gasoline, shoes, meat and other rationed products.

(6) Foreign Funds Control: they examine and watch their records and advise the Treasury of deposits, collateral or other assets which appear to be owned or controlled by "non-nationals." They also advise the Treasury of all foreign securities or other foreign assets which are owned or controlled by any American citizen or corporation.

(7) Miscellaneous: they assist their customers in problems pertaining to priorities; they aid the war effort through newspaper and radio advertising, and they assist the Government in the restriction of consumer credit under Regulation-W.

Meanwhile, since Pearl Harbor, holdings of Government Bonds by New York City Member Banks haxe expanded from $5,356,000,000 to $12,369,000,000; and by member Banks in 101 cities, from $11,932,000,000 to $34,965,000,000.

To Admit Partner

PHILADELPHIA, PA.—Frances L. Snyder will be admitted as a general partner in the Philadelphia Stock Exchange firm of Geo. E. Snyder & Co., Stock Exchange Building, as of Jan. 3, 1944.

Billions Of Municipal Financing In Prospect For After-War Years

Long-term municipal financing amounting to more than $5,000,000,000 is in prospect during the four-year period following close of the war, and the total may exceed $8,000,000,000 in the event that the post-war history of the first World War "repeats itself only in part," it was stated in the annual report of the Municipal Securities Committee of the Investment Bankers Association of America. The Committee, of which H. Fred Hagemann, Jr., Boatmen's National Bank, St. Louis, is Chairman, is making a nation-wide survey of the post-war financing plans of the various States and larger municipalities which will serve as a guide to the nature and amount of the municipal financing task in the years following the cessation of hostilities. In reporting progress in its undertaking, the committee noted that practically all of the States, and many local governmental units, have established post-war planning commissions to conduct studies of local needs resulting from wartime conditions. While some projects will be financed on a pay-as-you-go basis from reserve funds now being established, the committee reports that most of the plans it has received anticipate bond financing, coupled with expected Federal aid, and pointed out that "A free market for municipal securities is obviously essential for the development of these undertakings." Text of the committee's report, with slight deletions, follows:

H. F. Hagemann, Jr.

The states and municipalities quite generally throughout the country are giving definite thought to their post-war needs and problems. They recognize the importance and value of advance planning to the extent practicable.

Your committee for some time has been making a nation-wide survey of the post-war financing plans of the various states and larger municipalities. Such a survey, it is felt, will be of value to the states and municipalities in giving them information as to what other governmental units are doing and will also be of value to the members of the Investment Bankers Association in giving them an idea of the nature and amount of the municipal financing task that will face them in the years following the war. A study of this nature is a sizable undertaking and of necessity will be a continuing process until post-war plans are fully crystallized.

At this time we report progress in our undertaking. The various municipal officials have been very cooperative and we want to take this opportunity to thank them for the excellent response which we have received from them concerning the status of their planning, most of which is presently in varying stages of study and development.

Factors which these planners must weigh are legislative authority, costs, means of financing, methods of payment, ability to pay, stability of revenues, debt limitations, tax limitations, engineering plans, necessary advance appropriations, and in many cases, the approval of the voters at elections. Considerable enabling legislation was enacted this year when the various state legislatures were in session. Additional legislation will be needed in some instances.

These municipal plans require considerable time for completion especially in seeing that they are comprehensive and carefully prepared, based on real community needs and confined to practical and economically sound projects, with financing such that the respective states or communities will be able to meet the obligations incurred throughout difficult as well as prosperous times.

In many cases, the programs provide for planning considerably beyond the time which we hope will prove to be the necessary adjustment period. Most of the programs upon which we have received advices are flexible and readily adjustable in scope and character to meet varying post-war circumstances and conditions. A real effort is being made to do constructive post-war planning and to avoid post-war wishing. We believe that the great majority of the states and cities will be prepared to proceed with constructive plans very promptly following the conclusion of the war—that is, of course, if the necessary construction materials to carry on these programs are then available.

Reserve funds that may be applied to post-war requirements are being built up in numerous instances. While some of the municipalities are planning to proceed on a pay-as-you-go basis, most of the plans received by us anticipate bond financing. We are presently summarizing the prospective post-war financing as indicated by the more matured plans now in hand. This information together with that obtained from additional programs that will be developed during the next few months will be included in a subsequent report. For the purpose of presently indicating what is under consideration in some instances, a few briefly summarized illustrations are appended to this report.

Public works projects will play an important part in post-war financing. "The Bond Buyer" is making a survey of public works plans. For the purpose of avoiding duplication of effort, arrangements have been made to exchange pertinent information on the subject and we take this opportunity of expressing our appreciation of the valuable and constructive work "The Bond Buyer" is doing in this regard. We direct attention to its report on the survey as developed to date which appears in its daily issue of November 3rd.

"Action For Cities—A Guide for Community Planning," should be very helpful to city officials and planning bodies. It is a 77 page booklet published under the sponsorship of the American Municipal Association, the American Society of Planning Officials and the International City Managers' Association. As pointed out in the foreword, it is neither a manual nor a textbook on the technique of community planning. It does not answer all of the questions and it will not substitute for experience or thinking or hard work on the part of the community's citizens and officials. However, intelligent use of the guide will greatly facilitate a planning program and help to make it effective. The guide has been published by the Public Administration Service, 1313 E. 60th Street, Chicago, Illinois.

By Way of Review

Of general interest for the purpose of review is the amount of long-term municipal security financing (as distinguished from temporary loans) during the ten year period (1913-1922) surrounding our participation in World War I. According to the "Record of Municipal Bond Sales" issued by "The Bond Buyer", the per annum volume of such bond financing was as follows:

Year	Amount	Year	Amount
1913	$408,477,702	1918	$262,818,844
1914	445,905,510	1919	770,195,248
1915	492,590,441	1920	773,663,986
1916	497,403,751	1921	1,383,368,900
1917	444,932,848	1922	1,279,553,134

It will be noted that the total for the four years preceding our entrance into that war (1913-1916) was $1,844,000,000 and that the total for the four years following the war (1919-1922) was $4,206,000,000 or about 2⅓ times greater.

It may also be of interest to have before you for review and comparison, the yearly volume of long-term municipal bond financing during the past 10 years. This, considered in the light of the influencing factors and conditions during those years may perhaps provide a basis for some reasonable approximation of the amount which may be issued during the coming conversion period. Sales of long-term issues during the past 10 years were reported by "The Bond Buyer" to be:

Year	Amount	Year	Amount
1934	$1,175,333,698	1939	$1,098,604,265
1935	1,195,717,486	1940	*1,497,683,294
1936	1,156,254,317	1941	1,229,493,072
1937	984,094,835	1942	575,588,229
1938	1,229,105,539	1943 9 mos.	402,844,228

*Included in the sales for 1940 was approximately $310,000,000 New York City Transit Unification Bonds issued in exchange for the securities of the former private transit companies.

During the four years preceding our entrance into the war (1938-1941 inc.), long term financing totaled somewhat over $5,000,000,000. There was a substantial volume of refunding issues ($1,300,000,000) during that period and refunding has since continued to play its part. New money financing, however, has been drastically curtailed to meet the war situation. Many improvements and projects were shelved for the duration and repairs and replacements deferred.

The accumulated requirements for deferred maintenance and improvements together with new undertakings and refundings will, in the aggregate, create a need for a very substantial volume of new security financing during the post-war conversion period. Although no one now knows what the length of this adjustment period may be or when it may begin or what economic or other conditions may then prevail, it seems reasonable to anticipate that in the four years following the war such municipal financing will be at a rate in excess of what it was in the four years preceding the war, so that over 5 billion dollars of long-term municipal financing is in prospect. Should the post-war history of the first World War repeat itself only in part, such financing may exceed 8 billion dollars during the period.

We, as members of the investment banking fraternity, must use our energy, our initiative, and our knowledge of financing and should cooperate to the fullest extent in the formation and execution of the financing plans of these various state and municipal bodies. Proper and sane planning now and prompt execution of those plans in the post-war period will be an important influence on the type of economy in which we are to live.

The Boren Bill H. R. 1502

There has been no change in the status of this bill from that stated in our Interim Report of last June. It will be recalled that the Bill was introduced by Congressman Lyle H. Boren of Oklahoma to clarify the Securities Exchange Act and protect the markets for state and municipal securities from hampering and discriminating regulations. It was referred to a subcommittee of the Interstate and Foreign Commerce Committee of the House appointed to consider securities legislation. The members of the subcommittee are:

Clarence F. Lea, California; Lyle H. Boren, Oklahoma; Clarence J. Brown, Ohio; Robert Crosser, Ohio; Leonard W. Hall, New York; Oren Harris, Arkansas; John P. Newsome, Alabama; J. Percy Priest, Tennessee; B. Carroll Reece, Tennessee; Thomas D. Winter, Kansas; Charles A. Wolverton, New Jersey.

Maricopa County, Arizona

This situation was also discussed in our June report and action concerning it was taken at the time by our Board of Governors. Since then the appeal brief in the State of Washington vs. Maricopa County case has been filed with the U. S. Circuit Court of Appeals for the Ninth Circuit. The case will probably be heard by that court some time during the winter.

Texas County Bonds

The Supreme Court of Texas rendered an opinion on June 16, 1943 (amended July 22, 1943) in the Cochran County vs. Gerald C. Mann case holding certain county limited tax bonds to be optional. These bonds had previously been considered non-optional and were originally sold and subsequently dealt in on that basis. The opinion was rendered in connection with mandamus proceedings filed against the Attorney General of Texas by Cochran County to force approval of bonds authorized to refund outstanding Cochran County bonds which the Attorney General held to be non-optional.

The Municipal Securities Committee of the Texas Group appointed a Special Committee to direct its attention to the problem arising from this situation and the effect of the decision upon county credits and upon bondholders who had in good faith purchased the bonds as non-callable.

The Cochran County decision raises a question as to whether or not an option may also be read into other bonds which were not directly issued under the statute in question. The Special Committee obtained on July 26th the opinion of Mr. W. P. Dumas, municipal bond attorney of Dallas, relative to the scope of the court's decision. Those desiring a copy of the Supreme Court's decision and copy of Mr. Dumas' opinion may obtain them upon request at the I. B. A. office.

A bondholder's suit has been entered in the District Court of Texas (51st Judicial District)—Annie Norton, Trustee vs Tom Green County. The county had sold $294,000 Court House 5% bonds dated June 15, 1927, maturing serially June 15, 1928 to 1967 inc. and received a premium of $12,178 therefor. By order of the County Commissioners' Court, on July 12, 1943, $212,000 of the bonds maturing 1944 through 1967 were called for redemption on October 10, 1943 at par and accrued interest. After which date interest, the notice states, will cease. The plaintiff holds $5,000 of the bonds maturing 1948, 1953 and 1954. The plaintiff seeks the court's judgment on several points in the county's procedure and contests the right of the county to force her to surrender her bonds at par or to cease paying interest on them to maturity.

Minnesota Legislation

Last spring a mandatory call provision—House File No. 1373—was introduced in the Minnesota Legislature by Chairman Claude Allen of the House Appropriations Committee. The measure provided that all indebtedness of the State or of any governmental subdivision thereof evidenced by bonds, certificates of indebtedness or other instruments issued hereafter shall be payable at the option of the authority issuing same on or before the maturity date fixed by such evidences of indebtedness.

The Minnesota Group of our Association opposed the Bill as did also the State Treasurer, officials of Minneapolis and St. Paul and the League of Minnesota Municipalities, as such legislation would seriously effect the marketability of the bonds. The Bill was not passed.

Legal Opinions and Transcripts

The plan of disposition of these papers on deposit with the Official Depositary was fully set forth in our June report. On June 15th detailed advices were sent to all of our members and later The Manufacturers and Traders Trust Company communicated with all non-member depositors. Due to the amount of work involved in segregating the papers that are to be sent to Chicago for storage, the physical transfer has not as yet been made.

Paying Agencies

We recently communicated with thirty banks located in various parts of the country which act as paying agencies for municipal bonds. These represent a good cross section of all banks acting in this capacity. With but one exception these banks, where they have knowledge of the fact that bonds are called, make it a practice of advising the presenters of coupons detached from such bonds that the principal has been called for redemption. Different methods and forms of advices are used. Some more extensive than others. Obviously the practice calls for a substantial amount of additional work on the part of the banks. It is, however, a valuable interest saving service to investors and is greatly appreciated by them and by dealers and undoubtedly by the municipalities for which the paying agency is acting as it serves to get the bonds in more promptly.

Summary of Credit Information—Municipal Revenue Bonds

As limited obligations in the form of municipal revenue bonds require for the purpose of analysis, etc., much more specific and detailed information than is ordinarily necessary in the case of general obligations, some of the officials of the Federal Reserve Bank of Chicago prepared, early this year, a summary of credit information for the banks in the Seventh Reserve District. The form was issued after conferences with a number of investment bond houses and banks as an outline of pertinent data to be assembled by the banks for their use and information and that of bank examiners.

There are seven general parts of the summary each with a number of sub-parts:

1. Description of the issue.
2. Description of the revenue producing project.
3. Protective covenants and related features.
4. Amounts, interest requirements and maturities of entire issue.
5. Earnings data and other information for the four preceding years.
6. Financial statement of the issuing governmental body including the tax levy and collection record for the four preceding years.
7. Economic description of territory served.

As authorized at the June meeting of this Committee, a Special Committee was appointed to study means of facilitating procedure and to determine in what way unnecessary duplication of work in supplying the information called for by the form may be reduced to a minimum or eliminated entirely.

As this matter, at least at present, is mainly in the Seventh Federal Reserve District, the members of the Special Committee were selected by our Chairman from cities within that district. Those serving are: Harry E. Thurston, Detroit; John L. Kenower, Detroit; Chester W. Laing, Jr., Chicago; Charles O. Main, Chicago; S. E. Johanigman (Chicago), Milwaukee; Carl N. Stutz, Davenport; Edwin J. Wuensch, Indianapolis; H. Fred Hagemann, Jr., Chairman, St. Louis.

The Special Committee is presently studying the possibilities.

Respectfully submitted,

MUNICIPAL SECURITIES COMMITTEE.

H. Fred Hagemann, Jr., Chairman; Fred M. Ackley, Clifford S. Ashmun, Edward Boyd, Jr., Walter W. Craigie, Paul O. Frederick, D. Ripley Gage, John G. Heimerdinger, Walter D. Kingston, W. E. Knickerbocker, Chester W. Laing, Jr., Loomis C. Leedy, Stanley G. McKie, Lewis Miller, Frank H. Morse, Francis Moulton, Russell Olderman, Augustus W. Phelps, W. P. Sharpe, Amos C. Small, F. Kenneth Stephenson, Carl N. Stutz, Harry E. Thurston, Robert C. Webster, Frederick W. Willey, Paul E. Youmans.

APPENDIX

Report of the Municipal Securities Committee

New York City, N. Y.

New York, in keeping with its position as the largest city in the country, has a very extensive post-war program for public works involving about $700,000,000. Mayor La Guardia, in submitting to the City Planning Commission on Sept. 15 a report of the Director of the Budget, said in part:

"When I speak of New York City's Post-War Plan, I am not talking about pictures, drawings or a list of desirable projects or wishful thinking. New York City has now on the shelf complete working plans, specifications and designs for $76,000,000 of public works. That means that any time we can get the material we can go to work. On $66,000,000 of additional public works, the actual working plans are over 50% completed. On $348,000,000 more of public works, the detailed working plans have actually been started, out of a program, as of June 30, 1943, including 511 projects, at an estimated cost of $697,000,000. Since that time additional projects have been studied and considered which, together with new projects to be submitted by your Commission, will bring the total well over $700,000,000."

Comptroller Joseph D. McGoldrick points out that the size of the post-war program was predicated on the hope—and it is certainly no more tangible today—that there would be substantial Federal assistance toward carrying forward such program as an aid in post-war economic readjustment and a source of post-war employment. Also, that self-imposed and war-imposed restrictions have greatly strengthened the financial position of the city. This city can now look forward to a prompt and substantial program of public improvements as soon as the war ends. The planning that is now going forward is not vague dreaming; it is being developed to the point of actual blueprints and contract specifications. The speed with which that program may be pushed or the volume that may be put under contract at any one time will depend on many factors not at all easy to determine in advance and, above all, it will have a bearing on the annual expense budget of the city to which the Board of Estimate, the Council and the City Planning Commission will have to give careful thought.

Philadelphia, Pa.

The City Planning Commission consists of nine members. Edward Hopkinson, Jr., of Drexel & Co., Philadelphia, is Chairman and John H. Neeson, Director of Public Works, Vice-Chairman. The Commission recently engaged as its Executive Director Robert D. Mitchell, formerly Chief of the Urban Planning Studies Section of the Natural Resources Planning Board. Mr. Mitchell was previously in direct charge of the test plans developed for Salt Lake City, Utah; Tacoma, Wash., and Corpus Christi, Texas, in cooperation with their local officials and organizations.

It has been recommended that $800,000 be made available in the 1944 budget for detailed survey plans and specifications for needed post-war and public works projects to be recommened by the Planning Commission from time to time. Some plans have already been proposed for certain projects, others are practically finished and on still others there is considerable work to be done.

Mr. Neeson, Vice-Chairman of the City Planning Commission and Director of Public Works, points out (excerpts from his article in the "Philadelphia") that:

"The City Planning Commission faces the task of planning a Philadelphia of the future that far transcends the immediate needs of the post-war era. Nevertheless, it begins functioning immediately as the clearing house of listed departmental projects already estimated to cost well over $200,000,000, which must be evaluated in relation to orderly planning, usefulness and priority. Included in this group are numerous major projects of the Department of Public Works: sewage disposal, underground drainage and flood control, extension and improvement of the water supply service, bridges, elimination of grade crossings, completion of railway terminal improvements and others.

"Over and beyond this aggregate, the Department of Public Works offers the nucleus of a plan of highway construction upon which it is expected that ultimately $50,000,000 will be expended."

Richmond, Va.

Post-war planning studies in the form of a survey of physical needs and financial possibilities of Richmond were made, at the request of Mayor Ambler, by the Department of Public Works, G. M. Bowers, Director, and the Department of Finance, J. M. Miller, Comptroller.

A summarization of the recommendations reflects:

Purposes—	Estimated Costs
Public Works	$18,515,700
Public Utilities	6,703,000
Public Safety	2,994,000
Public Health	470,000
Public Welfare	104,100
School Board	2,101,025
Public Libraries	415,000
Total	$31,302,825

The financing of the contemplated improvements is based on:

Bond issues	$23,095,925
Federal aid (if granted)	5,797,500
Railroad aid (if agreed to)	1,092,300
State aid (if granted)	500,000
Current revenue (portion)	417,100
Gas tax (portion)	400,000
Total	$31,302,825

It is pointed out that the city can without necessarily adding to the tax burden of its citizens finance as much of this program of capital improvements as is proposed to be financed through new issue of bonds, provided that part of the program is spread over a period of 10 years. That portion of the program which is proposed to be financed through Federal aid will of necessity have to await the development of such a Federal program of assistance. Grade separations, the construction of which is proposed to be financed solely at the expense of the railroad company, will of necessity have to await the consummation of an agreement with the railroad or railroads involved. Other projects of the program such as is proposed to be financed from current revenue and apportionment of the State gas tax anticipate only a four-year program.

Durham, N. C.

A capital improvement program for Durham was submitted to the City Council by Henry Yancey, City Manager. It is, Mr. Yancey says, an attempt to determine the long-term outlook for the city, its physical needs and financial capacity, and to budget prospective capital funds in order to meet those needs economically and in the order of their importance.

War conditions by deferring most construction, continues Mr. Yancey, now affords us an excellent opportunity to study our needs and our financial position, develop our program and get the benefit of public reaction. Furthermore, if post-war unemployment should evoke Federal stimulous to public construction, the city will be ready with a carefully studied program of essential needs rather than a possibly hasty list of unrelated projects.

The program reflects planning for a period of six years after the war. The estimated expenditures and method of financing may be briefly summed up as follows:

Amount	Method
$411,000	Tax-supported (revenues, reserves, or bonds)
90,000	Cash
1,550,000	Self-supporting bonds — water works improvements
255,000	Revenues and reserves — water works improvements
$2,306,000	Total of estimates

It is pointed out that no provision is made in the program for improvements such as new streets, sewer lines and water mains, which would be required by an unexpected rise in population and housing construction. Nor does the program include any tax-supported projects, however desirable, which would involve outlays now considered excessive—such as a major series of grade-crossing eliminations, for instance. On the other hand, the probable substantial volume of deferred maintenance, which will result from wartime scarcities, is likewise omitted herein because it is considered not a capital but an operating problem, to be met from appropriate maintenance reserves accumulated during the period of war shortages.

Miami, Fla.

Miami's plans embrace 14 major projects at an estimated cost of from $115,000 to $12,000,000 each, representing a total of $42,000,000. These improvements include sewage, city buildings, harbor, hospital, police, fire, park and stadium facilities, reconstruction of Miami River crossings, improvement of existing streets, new streets and sidewalks, extensions of the water works system, a Pan-American center and slum clearance.

The plans for these projects are reported from 35% to 80% completed except in the case of the extension of hospital facilities where the plans and specifications are now fully complete and the bonds validated. It is planned to finance the cost of these improvements as follows:

Amount	Form
$27,610,000	Revenue Bonds
2,651,000	Special Improvement Bonds
5,037,000	Budgeted and contingent funds
2,650,000	Funds in hand
4,000,000	Method to be determined
$41,948,000	Estimated Total

O. P. Hart, Director of the Research Bureau of the Office of the City Manager, says that the schedule may appear ambitious, but it is in fact a conservative program to meet the demands of a community which has consistently led in population growth in the past 25 years. Obviously it will be impossible to start such a program complete at one time as it will probably take 10 years or more for the completion of it.

Mr. Hart also points out that Miami's program is only a part of the public works program scheduled for this metropolitan area. There are 14 suburban communities which have a considerable program, including especially Miami Beach, Coral Gables and Miami Shores. The Dade County Administration has a program which approximates $12,000,000 and the major part of this work is within the Miami metropolitan area.

Saginaw, Mich.

An extensive post-war capital improvement program has been prepared for the Mayor and the City Council of Saginaw by Carl H. Peterson, City Manager, with the cooperation of the Local Public Works Programming Office and others. It is a long-range, flexible program covering a period of over nine years, intended to provide for an orderly development of the city, considering carefully the taxpayers' ability to pay for the improvements. It is calculated to produce a maximum of accomplishment at a minimum of cost and avoid stimulation of the expenditure of public funds. It is also intended that the necessary expenditures for public improvement from year to year may serve not only the purpose of the moment, but also the needs of the future.

This capital improvement program is divided into four parts:

1. Projects to be financed by the General Fund	$1,169,176
2. Projects to be financed by the Water Fund	572,775
3. Projects to be financed by the Special Assessments	5,122,432
4. So-called "Reserve" projects divided into three groups:	
Group 1	14,221,200
Group 2	1,054,500
Group 3	12,877,050
Total	$35,017,133

The division of the "Reserve" projects into three groups reflects their classification in the order of their relative need to the city. In group 1 are preferred projects including those considered as highly essential improvements which however, cannot be undertaken until a means of financing can be arranged. They include among others $4,000,000 for a sewage collection and disposal plant; $5,000,000 for trunk and relief sewers; $1,121,000 for drains, and a new source of water supply in conjunction with Flint, Bay City and Midland of which Saginaw's share would be $4,000,000.

Under group 2 are six projects designated as desirable and under group 3 a substantial number of deferrable projects, including the construction of a municipal power and distribution system at an estimated cost of $6,107,000. In all there are 49 separate undertakings within the $28,000,000 "Reserve" groups.

San Diego, Calif.

San Diego experienced a tremendous growth in the past few years. Its 1940 population (Federal census) was 203,341. As of June 30, 1943, its population was estimated (based on OPA ration books issued) at 385,000.

R. C. Lindsay, City Treasurer, points out that due to the rapid expansion of the city as an aircraft manufacturing center and the growth of government military plants, it has been necessary to make heavy expenditures—approximately $20,000,000 during the past five years, of which about 50% was contributed by the city from bond proceeds and from current revenue. In 1941 the city issued about $6,300,000 water and sewer bonds.

The city adopted a long-term program in 1938. Recently its charter was amended to permit the accumulation of a capital expenditures reserve. It is estimated that this will reach about $3,500,000 by July 1, 1944. Mr. Lindsay also points out that the city's major problem is the development of an assured water supply. While the city has expanded its water plant, it may be necessary to go to the Colorado River for at least an additional standby supply of water. The method of financing such a project is in a very indefinite status, as it would involve a considerable amount.

Seattle, Wash.

Ten departments of Seattle have submitted to its Post-War Planning Committee, of which Mayor William F. Devin is Chairman, post-war plans totaling over $38,800,000, the larger of which are:

Engineering Department—	
Needed improvements	$10,406,700
Desirable improvements	8,868,000
Total	$19,074,700
Water Department—	
Needed improvements	$2,793,500
Desirable improvements	3,306,800
Total	$6,100,300
Fire Department	909,250
Department of Lighting	2,810,000
Library Department	1,845,000
Park Department	2,494,560
Building Department	5,600,000

Mayor Devin's statement on the subject, as quoted in the Seattle "Municipal News," is so directly in point that it should be read in connection with this outline. He says:

"This is all more or less in the line of window shopping, now our work really begins. It is like a man and his wife who are downtown in the evening when the stores are closed. They look in the windows and see all kinds of things they would like to buy. When they get home they get out the checkbook and the family budget and figure out just what they have to spend, and what they will have to earn if they want to buy some of those things.

"The Committee's first job probably will be to meet with the City Council and find out just how much the city can set aside for post-war projects. The city had a time digging up $2,500,000 to pay off the deficit.

"If that is any indication, that $38,000,000 may even boil down to $5,000,000. When we find out what we can spend, then we can figure out what we need the most.

"Just what the Federal Government is going to do is another question. Maybe they will match us dollar for dollar. If so, we will be in a position to add more projects."

Lend-Lease Meat Shipments 9.5% of Supply

The Foreign Economic Administration announced on Dec. 17 that 9.5% of the country's total meat supply was exported to other countries under lend-lease in the first 10 months of 1943, as against 6.1% during the same period last year, but in compensation as reverse lend-lease substantial amounts of beef, veal, lamb and mutton were received from Australia and New Zealand. Australia and New Zealand are supplying most of the food requirements for American forces in the Southwest Pacific.

Washington advices Dec. 17 to the New York "Times" reported:

Beef and veal shipped under lend-lease during the first ten months totaled 1.2% of the country's supply, or 100,700,000 pounds, as against 0.3% in the same period of 1942. Of lamb and mutton 11.7% was exported in 1943, as against only 6.4% in 1942, and of pork 15.6%, against 11.9%.

Expressed in ounces per week per United States civilian, 5.6 ounces of dressed meats were exported in the January-October period of 1943, as against 3.3 ounces during the same period a year earlier.

Lend-lease shipments of milk products, in terms of fluid milk equivalent, were 3.3% of our milk supply—slightly lower than in 1942, when 3.6% of the supply was sent to our Allies. Exports of cheese have been substantially below 1942 shipments. In the first 10 months of 1943 lend-lease exports of cheese were 12.7% of the supply; for the year 1942 these were 23.6%.

Relatively small amounts of butter and canned vegetables, which are in short supply in this country, are being exported under lend-lease.

The Securities Salesman's Corner

Salesmen Should Have Support And Assistance In Creating New Business

If good salesmen have the support of their firm they will be more productive salesmen. Every dollar wisely spent upon pre-approach mailings, newspaper advertising, and direct mail follow-ups, will not only add to their earnings but to the profit of the firm itself.

Occasionally we have heard salesmen remark that their firm doesn't believe in advertising—that's why they hire salesmen. Now it is possible that good salesmen can go out and create their own opportunities for doing business without anyone's help or direction. However, these men usually have sufficient creative ability and initiative to make them eventually independent, and sooner or later they will leave and go into business for themselves. Most of the progressive retail organizations in existence today are the outgrowth of just this sort of situation. A good salesman seeing that he has produced a substantial volume of business without the assistance of his firm, eventually decides that there is no reason why he should work on a commission and pay his firm 50% of his gross, so he then either gets together with another such salesman, or starts out for himself.

It may be argued that this type of salesman will eventually take such a course whether or not he feels dependent upon his firm for success. In some cases this may be so, but it would nevertheless hold true that any firm which has salesmen who are self-starters on its payroll would likewise stand a better chance of keeping its organization intact if the men themselves realized that a good portion of their success was due to the fine service and the backing-up they received from their organization.

During the next few weeks we are going to present a few concrete ideas regarding means and methods of cooperating with salesmen in their efforts to create business. There is one fundamental consideration that we believe underlies the successful operation of any such plan. IT IS ALWAYS ESSENTIAL TO HAVE A SINGLE IDEA, STICK TO IT UNTIL YOU HAVE EXHAUSTED ITS POSSIBILITIES, AND WHILE YOU ARE WORKING YOUR CAMPAIGN, WHATEVER IT MAY BE, DO SO ENTHUSIASTICALLY AND THOROUGHLY.

If you start a campaign, pick out your central theme. Build around it somewhat like a composer constructs a symphony. Follow it through to the climax and the conclusion. Your pre-approach mailings (about which we will have more to say next week) should set the stage. They should open the door for your men. They should only whet the appetite for what is to come. The salesmen should bring in the dinner. That is why such cooperation by the firm will bring results. In other words, both the sales assistance offered to the men, and the efforts of the salesmen, are tied together into one cohesive effort instead of being misdirected into all sorts of haphazard channels as is often the case.

So if you do believe in mail campaigns and newspaper advertising, tie it all together. Don't have your salesmen out talking about everything under the sun and nothing in particular, while you are spending money in the newspapers or in direct mailings telling people about a similar hodgepodge of generalities. Such a campaign (if you could call it one) will rarely bring results sufficient to pay for the expense involved.

PICK OUT AN IDEA; PORTFOLIO ANALYSIS, INFLATION PROTECTION, A DRIVE FOR 100 NEW ACCOUNTS, INCREASE IN INCOME, A SPECIAL SECURITY YOU LIKE, POST-WAR INVESTMENTS, or whatever it may be, and build your entire campaign around this one subject. Next week we'll try and get down to cases on an idea for a combined mail and sales campaign with specific suggestions for going about it.

Senate Finance Group's Report Defends New $2.2 Billion Tax Bill

The Senate Finance Committee made public on Dec. 23 its formal report on the new tax bill designed to yield $2,275,600,000 in additional revenue.

The report estimated that the bill, in conjuction with existing tax laws, would raise the total annual Federal revenue to $43,599,000,000 over a full year's operation. Individual income tax payers would be called on for $364,900,000 more than at present, principally through elimination of the 10% earned income credit. Corporations would pay $502,700,000 more. The rest would be made up by increases totaling $1,011,100,000 in excise taxes and postal rate boosts aggregating $96,900,000.

The Senate Committee had approved the bill on Dec. 16 but did not report it to the floor until Dec. 21, the day when Congress began its holiday recess.

In its report, the Committee defended its action in only seeking one-fourth of the Treasury's requested $10,500,000,000 tax goal and also the proposal to freeze Social Security pay roll taxes at 1% for another year.

The following regarding the Senate Committee's report was given in Associated Press Washington advices Dec. 23:

Discussing the Treasury's request for a bill that would bring in $10,500,000,000 additional, the report declared:

"Your committee was not convinced that a sum as great as proposed by the Treasury could equitably be raised at this time in the manner suggested by the Treasury—that is, in the main, by higher rates of individual income taxes. In his testimony before your committee, Secretary Morgenthau indicated that the Treasury Department preferred a bill raising only two to three billion dollars to one which would include more by resort to a general retail sales tax.

"Aside from its merits, about which there was some difference of opinion, the Treasury's position in this matter weighed heavily in the minds of the committee members."

The committee's report acknowledged that its amendments, coupled with those previously voted by the House, had "reduced the area of renegotiation" under which the Government recaptures excessive profits on war contracts.

In explaining its decision to freeze Social Security payroll taxes at the present rate of 1% each on employers and employees, instead of permitting an automatic statutory increase to 2% Jan. 1, the committee expressed the belief that "the present and prospective revenues from this tax will protect the full and complete solvency of the old age and survivors benefits fund."

The report said the committee "gave special attention to the factors pending toward inflation, to the mounting Federal debt and to the burden of present taxes imposed upon the American people.

"In arriving at its conclusions not to seek more than a fourth of the $10,500,000,000 requested by the Treasury, your committee was influenced by the fact that, between the time the Treasury representatives testified before the (House) Ways and Means Committee and their appearance before your committee, the Bureau of Budget lowered by $11,000,000,000 its previous estimate of the current year's deficit.

"This reduction is due in a large part to the lowering of estimated Government expenditures in certain lines of war goods. These stoppages of output cannot free resources immediately for other types of production and there are instances of at least small-scale unemployment of both men and resources.

"In view of this, it would appear that income payments in 1944 will be lower than the $156,900,000,000 estimated by the Treasury. If any amount of steel and other metals is released for limited civilian production, as now appears inevitable, the total amount of civilian goods may be greater than in 1943.

"Together, these trends would leave the inflationary gap smaller than was anticipated."

The committee said its decision against any sharp increases in the individual income tax burden was influenced by the thought many individuals will be paying for the next two years a carry-over for liability for either 1942 or 1943—the result of forgiveness, under the pay-as-you-go tax law, of three-fourths of the tax on the lower year's income for most taxpayers.

"So far as corporation taxes are concerned," the report said, "your committee is in agreement with the House bill that any increase in corporate taxes should be by way of excess profits taxes rather than normal and surtax."

The excess profits levy would be raised from 90 to 95%, but the combined normal and surtax rate of 40% would be retained.

As approved by the Senate committee, the tax legislation is $144,000,000 higher than the form in which it passed the House. The higher yield of the Senate measure results from a rise of about $500,000,000 in individual income taxes.

The following regarding the Senate committee's bill was reported in Associated Press Washington advices, Dec. 16:

The committee, revising the new revenue measure passed by the House, decided to:

1. Keep the victory tax and make it a flat 3% on everybody's income over $624 a year. (The House had voted to combine the victory levy with the regular income tax, and set up a minimum tax to catch revenue from those who now pay a victory tax but no regular income tax.)

2. Adopt the House plan to abolish the earned income credit now used in figuring normal income tax.

3. Leave present individual income tax rates unchanged. Committee experts said the net effect of the changes would be to increase anticipated revenue by $540,000,000. They said income tax provisions of the House bill, designed to simplify tax law by combining the victory and regular income taxes and by eliminating the earned income credit, virtually canceled out so far as raising additional revenue was concerned.

But when the Senators rejected the combination plan and kept in the provision wiping out the earned income credit, there was a gain of $600,000,000 in anticipated revenue. The victory change subtracted an estimated $60,000,000.

The proposed change in the victory tax would lower the amount obtained from single individuals, increase slightly the tax on married persons with dependents.

Under the Senate committee provision single and married persons would pay the same 3% tax, with no credit for dependents. At present the victory tax is 5%, less a credit which amounts to 25% of the tax for a single person; 40% of the tax for a married person, plus 2% for each dependent.

Higher excise taxes account for a large proportion of the additional revenue in the bill. Whiskey, beer and wine purchasers were called on to shoulder $458,000,000 of that burden.

Whiskey, now taxed $3 per 100-proof gallon, will bear a $9 levy under the new bill. The tax on beer rises from $7 a barrel to $8, while the rate on wine increases by 50% to 100%.

The tax on furs and jewelry is doubled, for a new rate of 20% of the retail price. In a last-minute change, admission charges to places of amusement were raised to one cent on every five cents of the charge, or fraction thereof, compared with the present one-cent-per-dime rate. Cabaret checks, now subject to a 5% tax, go up to 20%.

The tax on personal transportation, now 10%, is raised to 15%. Taxes on local telephone service go up in that same proportion, and the new levy on long-distance calls from 20% to 25%.

Luggage and handbags become subject to a 15% retail tax; electric light bulbs, now taxed at 5% of the manufacturers' sales price, go up to 15%.

The rate on toilet preparations and cosmetics is boosted from 10% to 25% of the retail price. Federal license fees for bowling alleys and pool tables are doubled.

The committee accepted $92,400,000 in House-approved postal rate increases but balked at doubling the third class rates. Rejection of that feature cost the Treasury an estimated $74,400,000. Locally delivered letters, now carried by a two-cent stamp, will cost three cents under the new bill, and the air mail rate will rise from six cents to eight cents.

The Senate committee accepted almost without change the House provisions affecting corporate taxation.

The excess profit rate was advanced from 90% to 95%, but the existing combined normal and surtax rate of 40% was retained. Also retained was the existing over-all ceiling of 80% with respect to corporate normal, surtax and excess profits taxes.

A previous item on the tax bill appeared in these columns Dec. 16, page 2437. The adoption of the bill by the House was noted in our Dec. 2 issue, page 2206.

Higher Canadian Pulp Shipments For Reserve

The War Production Board stated on Dec. 21 that the larger-than-scheduled deliveries of Canadian newsprint to the United States in the first quarter of 1944 will have no effect on the announced publishers' allotments.

The Canadian Prices Board disclosed in Ottawa on Dec. 19 that pulp production for the first six months of 1944 will be at a monthly rate of 252,900 tons, with at least 200,000 tons available for shipment to the United States. This contemplated shipment of newsprint is far above the 182,000 tons of previously scheduled monthly deliveries, based on an earlier low forecast of wood cut.

However, the WPB said these increased deliveries will be bought by the Government as a reserve against possible shortages in the last half of the year. This Government's commitment to buy excess Canadian shipments is limited to the first three months of 1944.

The WPB said that the stockpiles, in addition to building up the national reserves will also be a hedge against unforeseen military requirements for pulpwood products.

Further cuts in the 1944 use of paper by newspapers, magazines, book publishers and commercial printers were ordered on Dec. 20 by the WPB. Paper tonnage allocated to all graphic arts industries in 1944 is roughly 75% of 1941 consumption, the WPB said, and will result in a scheduled annual saving of 1,250,000 tons of paper. The cuts follow recommendations made by industry advisory committees when the shortage of paper became acute.

Associated Press Washington advices of Dec. 20 had the following to say in the matter:

"Paper consumption has been running far ahead of war-reduced pulp production, the WPB said. The curtailment orders will bring consumption in line with estimated production and preserve inventory reserves, which the WPB reported at dangerously low level.

"Newsprint available to newspaper publishers in the first quarter of 1944 will be 23.6% under the 869,293 tons consumed in the first quarter of 1941, the WPB estimated. Newsprint quotas will be based on tonnages required to print net paid circulation in the corresponding quarters of 1941. The order fixed a sliding scale of use reductions, with the larger papers required to make the deepest cuts, as recommended by the industry advisory committee findings publisehd Nov. 18-19.

"The order will cut the 941,000 tons used by magazines in 1942 to 711,500 tons in 1944, the WPB said. Book publishers, who used 142,036 tons in 1942, will find their allocations for 1944 cut to 108,280 tons.

"The order will cut 1944 commercial printing consumption of paper by 220,250 tons, in comparison with 1941 use, the WPB estimated."

Ins. Group Organizes For Fourth War Loan

Officials of ten of the leading insurance companies of the United States have inaugurated plans for the insurance industry's participation in the Fourth War Loan drive, starting Jan. 18, it was announced by Gale F. Johnston, Vice-President of the Metropolitan Life and Chairman of the Insurance division of the War Finance Committee for New York.

"We plan to more than equal our record in the Third War Loan when 30,000 Bondadiers were recruited from the ranks of the insurance companies in New York and total sales amounting to more than 171,000, with the money value of more than $43,000,000 were realized."

Those attending the inauguration meetings were: Raymond Johnson, Vice-President, and Hamilton Cook, of the New York Life; A. P. Carroll, of the Equitable Life; F. F. Werdinborner, Vice-President, and Dr. M. B. Bender of Guardian Life; Victor Butts, of John Hancock; Louis H. Schmidt, of Prudential; T. E. Lovejoy, Vice-President, of Manhattan; Julian Myrick, Vice-President; Walter Shaw and Oliver M. Whipple of Mutual; C. C. Fulton, of Home Life; Clifford L. McMillan, President of the General Agents Ass'n.; Gale F. Johnston, Vice-President; R. R. Lawrence, H. L. Rhoades, H. C. Miller, B. J. Dunne, all of the Metropolitan Life, and Karl D. Gardner, director, Community Sales Division of the War Finance Committee for New York State.

Chairman Johnston explained that the insurance division was better organized today and was fortified with the experience obtained in the Third War Loan and that the same system of approach would be maintained in the Fourth War Loan drive that was practiced in the Third drive.

Municipal News & Notes

Puerto Rico Water Bonds Scheduled for Market

One of the pieces of financing likely to reach the market early in January comprises an offering of $20,000,000 of Puerto Rico Water Resources Authority electric revenue bonds. Part of this issue will be placed privately and the balance, approximately $10,000,000, is expected to be offered publicly by a group headed by The First Boston Corporation and B. J. Van Ingen & Co.

The Puerto Rico Water Resources Authority is a body corporate and politic constituting a public Corporation and Governmental instrumentality of The People of Puerto Rico. The Authority itself consists of the Governor of Puerto Rico, the Commissioner of the Interior of Puerto Rico and the Commissioner of Agriculture and Commerce of Puerto Rico. The Authority was created for the purpose of conserving, developing and utilizing the water and energy resources of Puerto Rico and for the purpose of promoting the general welfare of the island. For these purposes the Authority has been granted broad powers by the Act of the Legislature creating it.

The purpose of the present financing is the funding or retirement of outstanding obligations amounting to a total of approximately $10,000,000, and for the acquisition of the Porto Rico Railway, Light and Power Company. On completion of this financing the Authority will have a total outstanding debt of $20,000,000, and will have an integrated power system under unified control doing more than 90% of the total electric power business of the island. The electric power business constitutes about 95% of the gross revenues of the Authority, the balance being derived from varied services. It is expected that eventually the Authority will derive all its revenues from the development and sale of electric power.

New Jersey Taxing Units Arrange Debt Redemptions

Several New Jersey taxing units recently obtained permission from the State regulatory agency to apply excess revenues to the redemption of outstanding bonds. The Borough of Tuckerton was authorized to expend $18,900 (including $900 premium) in the purchase of general refunding bonds of 1941, maturing in 1957, 1958 and 1959, these being the last maturing bonds of the issue. Prepayment of the bonds will result in saving to the borough of $10,760 in interest charges. The Township of Delaware was empowered to purchase, at par, $21,000 3% bonds maturing Dec. 1, 1944.

Under a proposal approved for the Town of West New York, the municipality will retire $600,000 4% bonds dated Feb. 1, 1941, which mature in the years 1958 to 1960 and become callable on Feb. 1, 1944, on 30 days' notice. To accomplish the debt retirement, the town will issue $600,000 temporary refunding bonds bearing date of Feb. 1, 1944, and to mature on Aug. 1, 1944.

These latter securities will be redeemed out of the $894,000 in second-class railroad taxes owing to the town. This money is now held by the State Treasurer and its distribution is being restrained by litigation. It is anticipated that the litigation will be disposed of by the Court of Errors and Appeals early in 1944 and upon its termination the State Treasurer will be enabled to distribute the approximately $20,000,000 which is to be paid to various taxing units in the State.

Oklahoma Municipal Financial Data Compiled

R. J. Edwards, Inc., Oklahoma City, Okla., announces publication of the 1944 edition of their Oklahoma Financial Survey, which contains a wealth of data pertaining to the debt burden, assessed valuation, sinking fund and population of the various counties, cities, towns and school districts in Oklahoma. The information contained in the survey is generally as of June 30, 1943, and should be very helpful to all those interested in checking the financial status of the various taxing units in the State.

California Seeks Bids On $2,580,000 Bond Holdings

Charles G. Johnson, State Treasurer, is asking for sealed bids until Jan. 12 on a total of $2,580,000 California State and municipal and U. S. Treasury bonds, including $1,947,000 held by the Second San Francisco Seawall Sinking Fund and $633,000 held by the Third San Francisco Seawall Sinking Fund. The majority of the bonds being offered, Mr. Johnson says, are in coupon form and those in registered category are so identified in the official tabulation of the offering. Separate bids are required on both of the lots to be sold. The bulk of the entire offering is made up of bonds of the State itself. The State Treasurer advises that the State will not assume any responsibility with respect to the furnishing of a legal opinion on any of the bonds.

N. Y. City's Net Funded Debt Reduced $97,000,000

The City of New York effected a reduction of $97,011,224 in its net funded debt in the fiscal year ended June 30, 1943, according to the annual report for that period recently issued by Comptroller Joseph D. McGoldrick. The gross funded debt at June 30, last, stood at $2,963,706,129 and accumulated assets in the sinking fund for the redemption of indebtedness cut the net figure on that date to $2,381,141,363. On June 30, 1942, the gross and net totals were $3,034,484,944 and $2,478,152,587, respectively.

The volume of temporary obligations outstanding on June 30, 1943, reflected an increase of $2,800,000 over the aggregate at the previous June 30 date, the figures for the respective dates being $85,060,000 and $82,260,000. However, the temporary debt outstanding at Nov. 30, 1943, was decreased to $60,610,000 as compared with $73,160,000 on the same date in 1942, or a reduction of $4,550,000. The extent of the city's improved fiscal position in the past decade may be judged from the fact that on Dec. 1, 1933, its temporary debt, representing borrowings against anticipated tax collections, amounted to $183,814,000.

The city succeeded in collecting 91.66% of the taxes levied during the 1942-43 fiscal period, this representing the highest rate of collections in the past 20 years, Comptroller McGoldrick reported. It reflected a continuance of the improving trend in tax collections that has been in evidence since 1935, when only 83.67% of the levy was collected, the Comptroller said. The 1942-1943 levy amounted to $483,940,316 and collections reached $443,562,825. In 1935 only $392,707,506 of the year's levy of $469,370,548 was received.

The report shows a surplus of $7,043,821 in the budget operations of the fiscal year 1942-1943. This surplus amount is composed of the gain of $446,975 in the extension on the tax rolls of the flat tax rate instead of the decimal rate, and $6,596,846 of unencumbered balances of appropriations for 1942-1943. This, however, is based on the total of the taxes levied. It should be noted, Mr. McGoldrick says, that this statement is made up on a modified accrual basis. Thus, the tax levy actually billed to taxpayers has been included as a revenue. A part of this levy may prove uncollectible, provision is made for future losses first, by an appropriation to the Tax Deficiency Account as shown under Expenses; and, secondly, by transferring to the same account the surplus realized from the operation of the budget, mainly savings in appropriations. The surplus in the budget is required by law to be applied against the Tax Deficiency Account, and this was done by resolution of the Board of Estimate Nov. 18, 1943.

The Comptroller's report also shows that the balance in the General Fund at June 30, 1943, was $341,075. In other words, that, while the estimate for the fiscal year was $184,700,000, the actual receipts were $185,041,075. At the time of his estimate of the General Fund for the fiscal year 1942-1943 the Comptroller stated that there would be a small balance left in the General Fund at June 30, 1943. Some members of the Council and of various organizations contended that there would be millions of dollars as a carryover for the next fiscal year.

Summary, condensed and detailed statements with respect to the expense budget, the capital improvement budget, the city's debt, its sinking funds, etc., are shown in the report, designed for the taxpayer, the investor and the analyst of financial reports.

Gross Indebtedness Of States Cut $1 Billion

The States reduced their gross indebtedness by almost $1,000,000,000 and invested a total of $1,500,000,000 of surplus funds in Federal bonds during the year 1943, according to Frank Bane, Executive Director of the Council of State Governments. An Associated Press dispatch from Chicago, dated Dec. 25, quoted Mr. Bane as saying:

"With surprising uniformity, the States have followed recommendations first made by the Council's Tax Committee in December, 1941, which urged that States pay off debts, restrict new expenditures to essential war activities, invest surpluses in War Bonds, maintain tax rates and economize by improving State administration."

Mr. Bane also reported that in 1943 every State had an agency or commission at work on programs of post-war development and reconstruction.

Signs Oil Lease Extension

The White House announced on Dec. 23 that President Roosevelt had signed the legislation extending until Dec. 31, 1944, expiring oil leases on public lands which otherwise would not be subject to renewal because the lands embraced now are within the boundaries of producing oil or gas fields. The Senate passed the resolution on Dec. 9 and the House approved it on Dec. 14.

OUR REPORTER'S REPORT

With most potential issuers and institutional investors directing their efforts chiefly toward the customary tail-end adjustments, the current and final week of the year appeared destined to pass on without so much as a single new bond issue making its appearance.

And since there will remain little more than a fortnight after the New Year before the launching of the Treasury's Fourth War Loan Drive, there is little prospect for any great activity in the corporate bond field during the first month of 1944.

Underwriters and dealers seemed pretty well agreed on that score as 1943 drew to a close. Market conditions have been quite all that a prospective issuer might hope for so far as prices and yields are concerned.

But it has been established precedent over a long period of years for portfolio managers of the majority of large institutional buyers, such as insurance companies and banks, to steer clear of the market in the closing two weeks.

That interval normally is spent going through the process of "taking inventory" or "culling" over holdings with a view to liquidating certain securities and preparing to pick up others once books are reopened.

This year has been running true to form and though there are several sizable propositions awaiting the "green light" from the Securities and Exchange Commission, it has been recognized for some time that these must go over the turn of the year.

Rochester Telephone Stock

Interests who are awaiting approval of the proposed issue by the Public Service Commission of the State of New York were confident that the way would be cleared for the marketing of 380,000 shares of common stock of the Rochester Telephone Corporation, probably next week.

The State Commission was in session this week and is believed to have finally taken the matter up for consideration. The necessary registration was filed with the Securities and Exchange Commission back in October, disclosing plans for reclassification of the 48,140 shares of preferred stock and 1,000 shares of old common into 500,000 shares of new $10 par common.

Certain Rochester interests would retain 120,000 shares of the new common and propose to offer the balance for public subscription when as and if the State Commission sanctions the program.

Florida Power & Light

The next large issue which appears destined to clear the hurdles in advance of the Treasury's war financing is that of the Florida Power & Light Co., which plans refinancing involving $55,000,000 of new securities.

The matter is now before the Securities and Exchange Commission and it is expected that if approval is given within the next few days the company will call for bids to be opened probably on Jan. 10 next.

Securities involved here include $45,000,000 of new bonds and $10,000,000 of debentures. It is the fond hope of the several syndicates preparing to seek the securities that the rivalling bids will be respectably close.

Municipal Prospects

It looks as though the municipal bond market, which has been showing evidence of good demand recently, especially for tax-exempt State and local obligations, may come in for an early test of its staying powers.

A banking group is now preparing the groundwork for a $20,000,000 issue of revenue bonds of the Puerto Rico Water Resources Authority. Indications are that approximately half of the total will be placed privately with the balance to be offered to the public.

This financing will provide for the funding or redemption of some $10,000,000 of outstanding debts and for the acquisition of the Puerto Rico Railway, Light & Power Co.

Rail Seizure and Bonds

Investors in railroad securities failed to become panicky upon the announcement that President Roosevelt had ordered seizure of the lines in consequence of the strike threat.

Recognizing that the railroad brotherhoods, more than any other union group, have stood by the letter of the law and gone through the required stages of arbitration of their demands, ignoring the arbitrary action of other unions, investors apparently concluded that a peaceful settlement would be worked out.

They looked upon the Government's action as little more than a gesture since the same officials and the same employees will continue to operate the roads.

And it was quickly pointed out that there is no real dispute between the men and the companies, but rather a distinct cleavage among Government aids and bureaus, the War Labor Board having sanctioned certain increases which the roads were willing to pay until the Stabilization Director ruled that such increases would violate the "hold the line" rule.

Railroads Seized By U. S. To Prevent Strike

After all but three of the five railroad operating brotherhoods had rejected President Roosevelt's offer to arbitrate the rail wage controversy, the War Department took over the nation's railroads at 7 o'clock p.m. on Dec. 27 under an order by the President issued an hour earlier as a means of preventing interruption of the country's rail transportation service. The walkout by the 230,000 members of the Brotherhood of Locomotive Firemen and Enginemen, the Order of Railway Conductors of America and the Switchmen's Union of North America scheduled for 6 a.m. today (Dec. 30), was called off yesterday.

The two operating unions, the Brotherhood of Railroad Trainmen and the Brotherhood of Locomotive Engineers, which had withdrawn their strike orders on Dec. 24 and submitted their dispute to the President's arbitration, were awarded increases of 9 cents an hour, which represented the 4-cent raise already approved by Fred M. Vinson, Director of Economic Stabilization, and an added 5 cents "as the equivalent of or in lieu of" claims for overtime pay and expenses while away from home.

President Roosevelt's order of Dec. 27 to Henry L. Stimson, Secretary of War, directed him to take possession and control of all railroads, express companies, terminal companies and sleeping, parlor and private car companies, but not street car companies or local public transit systems.

Just an hour before President Roosevelt issued his executive order, the 1,100,000 employees represented by the 15 non-operating unions called off their threatened strike and expressed a willingness to accept an arbitration award.

Smuts Proposes Permanent Peace Structure Organized By U. S., Britain, Russia And China

A proposal that the United Nations, led by the Big Four—the United States, Great Britain, Soviet Russia and China—be organized as the foundation of a free new world on which, in due course, the permanent peace structure for the whole world may be built, was made on Dec. 28 by Field Marshal Jan Christian Smuts, Premier of the Union of South Africa, speaking by radio from that country.

The adoption of a "realistic spirit" and an avoidance of "novel departures" in the maintenance of future peace and security was suggested by the 73-year-old Premier, said the New York "Times," as he outlined an organization based on the existing framework of the United Nations. According to the same paper, warning that the neglect to provide adequate force to fight aggression put the world at war, he described freedom unbacked by force as "a mere illusion" and democracy without leadership as "weaker than water."

Likewise, the "Times" observed, the Premier emphasized the necessity for making provision for power to enforce action by the United Nations. "Without the force which they will command and the unity in leadership which they could provide in an emergency, the period after this war may be followed by the same erratic course which ruined the last peace," he warned.

Reporting Marshal Smuts' views, the New York "Sun" (from which the first paragraph above is taken), stated that the Big Four would be responsible for the leadership and the defense of this new international authority, which he suggested as a temporary framework for the building of a permanent international organization, into which neutral countries would be admitted. For the defeated enemy powers Marshal Smuts suggested a period of "convalescence" under proper guardianship until they could be cured of their "dangerous obsessions and distorted international outlook." The account in the "Sun" of Dec. 28 went on to say:

It was noted that in this address, in contrast to the one delivered last month to the United Kingdom branch of the Empire Parliamentary Association, Marshal Smuts specifically mentioned China as a leader in the proposed international organization. In the earlier address he characterized France as a nation which will have disappeared as a Great Power, along with Italy and Germany.

The Marshal's speech, broadcast over the NBC network, was in acceptance of the Woodrow Wilson Award for Distinguished Service. The presentation of the award was made on the 87th anniversary of the birth of Woodrow Wilson, from the Memorial Library of the Woodrow Wilson Foundation, at 8 West 40th St., by Mrs. Quincy Wright, of Chicago, President of the foundation. Ralph William Close, Minister for South Africa, received the medal in behalf of Marshal Smuts.

The Marshal said he valued the medal not only as a great honor but "as a link with a great leader and a great and poignant period of history and of my own life." In tribute to Woodrow Wilson he said, "the human vision which was his, which is his legacy to the world, which is in a deep sense the message of the New World to the Old, still remains."

Reviewing the tragic history of the League of Nations and its failure to preserve the peace, Marshal Smuts said that instead of going too far, as some critics have objected, the league covenant did not go far enough.

"It was not clear and explicit enough in imposing definite obligations for the preservation of the peace," declared the 73-year-old Premier of the Union of South Africa. "And so in the end the door was left open for the greatest and most destructive world war of history. . . .

"The essential oneness of our world is rapidly emerging from the old territorial partitions, and from the point of view of war there is no sacrosanctity in continents, no security in oceans, no safety behind rivers and mountains. The war is burning that fact into our consciousness with a force which no wishful thinking could undo, calls for a fundamental reconsideration of our international outlook and practice. Such, it appears to me, is the great lesson of this war."

With international boundaries being destroyed or overcome by science, neighborliness, or the "good neighbor," are not only ethical concepts but are rapidly becoming economic, political and international concepts of human behavior which we violate only at our peril, the Marshal continued.

"Please, do not misunderstand me. Woodrow Wilson did not favor, nor do I for a moment advocate, an international outlook which ignores the existence and the essentially beneficent role of nations in our world order. . . . We shall leave untouched the national sovereignty of the State and all it legitimately implies—territory, flag, language, culture, political and administrative institutions—in fact, all that the term 'self-determination' connotes. But over and above all will be an international regime of law and order which will maintain peace and guarantee to each State the peaceful pursuit of its own life, free from fear of aggression by its neighbors; in fact, a regime under which the aggressor will be an outlaw to be dealt with by the international authority as such. The criminal law will be extended to the international sphere with the appropriate machinery for punishment."

Marshal Smuts admitted that the founders of the League of Nations were perhaps dominated by realistic expectations "badly out of tune with the hard realism of the times" and suggested that this time it will be necessary to "mix realism with our idealism and provide leadership for freedom."

In this way, he said, "we shall commence the peace with the group already existing in the United Nations and organize them for future peace and security. Neutrals can join in due course, while the defeated enemy Powers can wait until they have been cured of their dangerous obsessions and distorted outlook on the world. A period of convalescence under proper guardianship will do them good, and meanwhile the United Nations, already existing in fact, can be organized as the foundation of the new free world on which the permanent peace structure for the whole world can be built in due course."

He proposed that within the democratic organization of the United Nations there would be a Council and a General Assembly on the existing league model and that, in addition, a definite place be assigned to the great Powers in the leadership, with specific responsibility for maintaining the peace, at least in the interim period.

"The U. S. A. and the British Commonwealth of Nations and the U. S. S. R. are marked out for this leadership and this responsibility for defense, and to them may be added China in recognition of her inherent importance, her heroic resistance to Japan and her new leadership in Asia," he said. "Systematic cooperation between the Big Four may build up a common understanding which would be an indispensable condition for future world peace. . . ."

In conclusion, Marshal Smuts said: "We stand at a great moment in history. The story of this generation, with its two terrible world wars, proves that at last the stage has been reached in our human advance when this problem of international organization and security against war must be solved or mankind and its civilization may perish. . . . Not only would it be stupid and cowardly, it would in fact be suicidal to evade the task before us—the task to make this world safe for our children and for the principles we hold dearer than life itself. The call has come to us, a trust is imposed on us which it will be our duty and honor and privilege to obey and fulfill. We have already decided that there shall be an international authority for peace and war. And we mean to follow this decision up with a covenant which this time we mean to keep, and if there is to be any war in the future it will be only for the purpose of vindicating and protecting this solemn covenant and perpetual peace charter of our race."

President Overruled WLB In Steel Case Wilfred Sykes Charges

Wilfred Sykes, President of the Inland Steel Co., charged on Dec. 28 that President Roosevelt had again overruled the War Labor Board by promising steel workers that any wage adjustments made in new agreements shall be applied retroactively to the date when contracts would have expired; this was reported in Chicago advices to the New York "Sun," which further said:

He (Mr. Sykes) declared that the WLB denied the union's petition for a retroactive declaration ahead of bargaining after the union had made 22 new demands—including the equivalent of a 22-cents-an-hour increase — and said that the impact of the demands on steel costs would be staggering.

"No steel company could accept these demands without large increases in prices," he said. "Steel prices were frozen in 1941 at the 1939 level. Since then there have been two wage increases to all steel workers, in addition to the coal wage increase and other substantial additions to costs."

Mr. Sykes said that the new demands include such items as the following:

"1. A guarantee that every man now in the payroll will have 40 hours of work per week for the next two years.

"2. Five cents extra per hour for the afternoon shift and 10 cents for the night shift, or 22 cents total increase for the second shift and 27 cents total increase for the third shift. Thus when operations are continuous, the demand is not for 17 cents but for an average increase of 22 cents an hour.

"3. Severance pay on leaving employment.

"4. Increased vacation pay.

"5. Sick leave, in addition to vacation pay, of equal amount.

"6. Annual vacation pay for all men in the armed services.

"7. Free industrial clothing and equipment.

"8. More holidays."

H. L. Buchanan Co. To Be Members Of N. Y. S. E.

H. L. Buchanan & Co., 120 Greenwich Street, New York City, members of the New York Curb Exchange, will become members of the New York Stock Exchange on Jan. 6, 1944, when Briggs W. Buchanan, partner in the firm, acquires the Exchange membership of Charles H. Bean.

Insurance Cos. Operate In Inter-State Commerce, Biddle Contends In Brief Filed In Supreme Court

Attorney General Biddle filed on Dec. 28 with the Supreme Court a 141-page brief insisting that insurance operates in interstate commerce; he made this statement in furtherance of an effort to have the Court hold that insurance companies are under the Federal anti-trust laws. The arguments in the case in which the Government seeks to prosecute nearly 200 Southeastern fire insurance companies under the Sherman Act for allegedly conspiring to fix rates and premiums are scheduled to begin Jan. 10.

In Washington advices, Dec. 28, to the New York "Times," it was stated:

"The arguments will come at a time when legislation is pending in both Houses of Congress specifically stating that insurance is not subject to the anti-trust laws.

"So far the Government has been defeated in its anti-trust suit against the Southeastern Underwriters Association. Federal Judge E. Marvin Underwood held that the Supreme Court has 'unequivocally and unambiguously' construed the insurance business as neither interstate or intrastate commerce and thus not liable to anti-trust prosecution. The Department of Justice appealed to the Supreme Court.

"There is no secret that the Government would like to see such a decision handed down as soon as possible, for should the Supreme Court hold that the insurance business moved in commerce, the Government thinks, it would have a significant bearing on the fate of the bills pending in Congress.

"Mr. Biddle argued that the country-wide scope and magnitude of the insurance industry placed it within 'the limits of the Federal Commerce power.' He said that to concede exemption of the Southeastern fire insurance companies from the Sherman Act would let them 'continue to coerce any companies which sought to compete with them on a rate basis, to boycott any agents and customers who had the temerity' to deal with such competitors.

"'The fire insurance business would not exist in its present magnified form, with the geographically diversified risks which insure its solvency, if it were not for the continuous use of the channels of interstate commerce for the transmission of instructions, information, papers and money,' Mr. Biddle argued.

"These activities, which include the performance of the insurance contract, are unquestionably of interstate commerce."

Harris, Upham Opens Los Angeles Branch

LOS ANGELES, CALIF.—Harris, Upham & Co., members of the New York Stock Exchange and other national Exchanges, have opened an office at 523 West Sixth Street under the management of Lowell Grady. Mr. Grady has been associated with the firm for many years in the Chicago office.

Ins. Stocks Prospects

The current issue of "News Review" being distributed by Huff, Geyer & Hecht, 67 Wall Street, New York City, contains an interesting discussion of recent happenings affecting insurance stocks and their prospects for the future. Copies of this "Review" and a bulletin of current news on various insurance issues may be had from the firm upon request.

Year-End Valuation Of Canadian Securities

Wood, Gundy & Co., Inc., 14 Wall St., New York City, have issued an interesting pamphlet entitled "Year-End Valuations of Canadian Securities." Copies of this pamphlet may be had from the firm upon request.

Bank Subscriptions To Fourth War Loan Bonds

Subscriptions by commercial banks—those accepting demand deposits—for United States Savings Bonds of Series F and G may be made to the Federal Reserve Banks, beginning Jan. 1, while subscriptions to the 2½% Treasury Bonds of 1965-70 or the 2¼% Treasury Bonds of 1956-59 may be made during the period Jan. 18 to Feb. 15. However, all such subscriptions will be considered outside of the $14,000,000,000 goal of the Fourth War Loan Drive and will not be considered a part of any quota under Treasury regulations for the campaign.

In making known Secretary of the Treasury Morgenthau's advices in the matter on Dec. 27, Allan Sproul, President of the Federal Reserve Bank of New York, in a letter to commercial banks in the New York Reserve District says:

Subscriptions by such banks for their own account to the issues referred to above may not exceed, in the aggregate, 10% of the savings deposits (as defined in Regulation Q of the Board of Governors of the Federal Reserve System) as shown on the bank's books as of the date of the most recent call statement required by the supervisory authorities prior to the date of subscription for such issues, or $200,000 (issue price), whichever is less. No such bank may hold more than $100,000 (issue price) of United States Savings Bonds of Series F-1944 and Series G-1944, combined.

Copies of our application Form No. 6, for use by commercial banks in submitting subscriptions for their own account to the issues referred to above, are enclosed. A separate application should be submitted for each issue in respect of which a subscription is to be entered. Subscriptions to Savings Bonds of Series F or Series G may be made on and after January 1, 1944. Such bonds will be dated as of the first day of the month in which payment is received by us; accordingly, if bonds of such series dated as of the first day of January are desired a subscription accompanied by payment of the full issue price must be in our hands not later than January 31. Subscriptions to 2½% Treasury Bonds of 1965-70 and 2¼% Treasury Bonds of 1956-59 may be made during the period January 18 to February 15, 1944, both dates inclusive. Each of these issues will be sold at par plus accrued interest from February 1, 1944, to the date payment is received by us, except that accrued interest is waived on $500 and $1,000 subscriptions.

The regulations governing United States Savings Bonds provide that such bonds may not be hypothecated as collateral; accordingly, bonds of Series F or Series G may not be deposited with us as collateral for a War Loan Deposit Account. There is no restriction upon the use of 2½% Treasury Bonds of 1965-70 or 2¼% Treasury Bonds of 1956-59 as collateral, and bonds of such issues will be acceptable as security for a War Loan Deposit Account.

Interesting RR. Situation

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock and Curb Exchanges, have issued an interesting bulletin containing preliminary comments on the New Haven reorganization decision. Copies of this bulletin may be had upon request from Vilas & Hickey.

Forms New Partnership

On December 31st the present partnership of T. J. Beauchamp & Co. will be dissolved and a new partnership consisting of T. J. Beauchamp, member of the New York Stock Exchange, and E. F. Beauchamp will be formed as of Jan. 1, 1944. Office will be at 11 Wall Street, New York City.

T. N. Perkins In Boston

(Special to The Financial Chronicle)

BOSTON, MASS.—Thomas Nelson Perkins, Jr. will engage in a general securities business from offices at 84 State St.

Hoyt Of OWI Criticizes "Rash Predictions Of Disasters To Come"

Palmer Hoyt, Director of the Domestic Branch of the Office of War Information, on Dec. 28 criticized the high but unidentfied government official who recently predicted heavy American war casualties in the next 90 days as a means of combating complacency on the home front.

In indicating this, the New York "Journal-American" of Dec. 28 further said:

He declared that fast, realistic reporting of both defeats and victories — such as the hard-hitting newspaper accounts of the bloody battle for Tarawa—would do more to drive home the seriousness of the war "than all the lectures of all the high government officials concerned."

In what may be his last speech before returning next month to his post as publisher of the Portland Oregonian, Mr. Hoyt told the New York Sales Executive Group at the Roosevelt Hotel, that he disagreed with those Washington officials who felt that the way to offset overconfidence was by "lecturing or frightening the people."

"Only the other day, the newspapers carried an interview with a high official who declined to be named," Mr. Hoyt said. "This official undertook to lecture the American people on taking the war seriously and sought to drive home his point by predicting that we would suffer a half million casualties in the next 90 days."

Such "rash predictions of disasters to come" is hardly the way to upset complacency, he declared.

It is essential, Mr. Hoyt continued, to insure an orderly flow of news because "nothing can be so discouraging and so confusing to a willing public . . . than a confused set of signals from Washington."

Pay On Cuban 5s

J. P. Morgan & Co. Inc. is notifying holders of Republic of Cuba external debt 5% gold bonds of 1914, due Feb. 1, 1949, that $345,400 principal amount of the bonds have been drawn for redemption on Feb. 1, 1944, by operation of the sinking fund, at 102½% of the principal amount and accrued interest. Interest on the drawn bonds will cease on the redemption date. The drawn bonds will be payable on and after Feb. 1, 1944, at the office of J. P. Morgan & Co. Inc., New York City, or at the office of their agent, Morgan Grenfell & Co. Limited in London.

On Dec. 21, 1943, $39,900 principal amount of the bonds previously called for redemption were still unredeemed.

Stable Currency Necessary, Says Dean Madden

(Continued from first page)

'20's most countries had achieved budgetary equilibrium and a stable exchange rate.

"During the '30s the severe economic depression, with its consequent mass unemployment, impelled governments to take measures aimed at aiding the economically distressed, providing work and bringing about recovery. Since these schemes could not be financed by taxation alone, the governments were confronted with the choice of either incurring budgetary deficits or of depreciating the currency with a view to increasing exports and thus creating employment—or of employing both means. With one exception, however, no country dared to remove both pillars simultaneously, for fear that this might destroy the people's confidence in the ability of the government to preserve the economic structure. Not even the totalitarian countries, where the governments had absolute control over the economic life of the nation, risked having both an unbalanced budget and a fluctuating currency at the same time.

"Since the outbreak of World War II the policy of a stable external value of currency and an unbalanced budget has been adhered to by the belligerents and by some neutral countries. The United Nations maintain stable exchange rates through lend-lease and mutual-aid agreements, as well as through government control over practically all international financial transactions. The maintenance of currency stability in the Axis countries is a simple problem because their balance - of - payments transactions, including trade with the conquered and to a great extent even with the satellite countries are one-way transactions requiring no compensation at all, or no immediate payments, as in the case of clearing credits in reichsmarks. Imports of goods and services from subjugated countries into Germany and Japan are not based no free contractual agreements, which would require payments by the two Axis powers and thus affect the external value of their currencies. Commodities and services are obtained in the conquered countries by charging exorbitant occupation costs, requisitioning, confiscation, and looting. Japan has no foreign trade with any neutral country, while the trade of Germany with the few small neutral countries in Europe is based practically on barter. Although the known facts about the financial condition of the Axis countries and their satellites indicate that the external value of their respective currencies is substantially lower than the official rate, these countries cling to the fiction of a stable exchange.

"In the postwar period a serious effort will be made by all nations to stabilize their currencies and to balance their budgets as soon as conditions permit, in order to restore the foundation of sound economic progress. Since it will be impossible for most countries to balance their budgets for some time after the war, each economic unit will strive to maintain its currency on a stable level."

In discussing currency stabilization methods the bulletin states: "The Keynes and White plans, which propose to stabilize simultaneously the currencies of all the United Nations, have been criticized as grandiose, ambitious, impractical, and even dangerous schemes. Some opponents of an international organization advocate a return of all countries, or at least of those whose currencies are international in character, to the pre-1914 orthodox gold standard or to the gold exchange standard where gold reserves are insufficient. Others propose a key-currencies stabilizaton approach to the problem and claim that once the currencies of two or more leading countries have been stabilized in relation to each other, stabilization of all other currencies will be a relatively easy task.

"Under conditions that will exist in the immediate postwar period the key-currencies stabilization plan would not work satisfactorily."

In conclusion the bulletin has the following to say:

"The initial stabilization is bound to be temporary and will be maintained through exchange restrictions. During the immediate postwar years changes are bound to be made in the exchange rate of the individual currencies. The type of exchange control to be imposed by a country, whether moderate and intended merely to regulate the flow of credit and capital, or all - embracing and hence insulating the national economy from the price structure abroad, will depend on the amount of foreign financial assistance granted that country.

"Since all countries will attempt to stabilize their currencies, even though only temporarily, as soon as they are freed from foreign interference and particularly from the yoke of the conqueror, it would be of advantage to all if the stabilization could be carried out simultaneously with the aid and supervision of an international organization. Such an organization could exercise considerable influence not only on the initial exchange rates to be adopted by the various countries shortly after the cessation of hostilities, but also on later rate adjustments and the permanent stabilization. An institution that would extend credits to countries for stabilization of their currencies and purchase abroad of commodities needed in the first stages of reconstruction would be able to prevent individual governments from borrowing exclusively from the banks and particularly from the central bank. Since such an organization would of necessity be in constant touch with the central banks and foreign exchange control boards of the various countries, it would be in a position to prevent a member country from using foreign exchange control as a means of insulating its economy from the cost and price structure of the rest of the world.

"Since the experience in North Africa and later in Italy has demonstrated that the military authorities of the United Nations will not permit the currency of a liberated territory to fluctuate but will establish an arbitrary rate of exchange, it would seem advisable to have such a rate determined by an organization thoroughly familiar with the problems involved."

Jos. R. Hixson Joins Vilas & Hickey Staff

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, announce that Joseph R. Hixson, formerly with Emanuel & Co., has become associated with them in their investment department. In the past Mr. Hixson was with Alexander Eiseman & Co., Gilchrist & Co., and was a partner in Hixson & Co.

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.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2636)

element, it is a volatile substance which can explode with a terrific violence.

Fortunately these rapid changes seldom come without warning. The market, in its own way, warns of changes, even if not the extent. Right now it is beginning to show signs of disintegration. The leading stocks of a few weeks ago—the alcohols—are beginning to run into heavier and heavier offerings while new stocks—second-grade motors — are vieing for tape popularity. It is almost an axiom that when the leaders fail to move, or start backing away while other groups are beginning to advance, a reaction is in the offing. That is what is happening today. This doesn't mean that a bear market is around the corner. It does mean that what buying is in prospect should be done at a price and not at present levels. It also means that the stocks recommended here in the last two weeks at prices, in some cases five points away from the present levels, is the extent of the coming reaction.

Incidentally, the airplane stocks look like they've been about sold out. I know their post-war future is dubious, but I'm not interested in post-war outlooks. So I suggest Lockheed at 13½-14 and Curtiss Wright 14½-15. The prices on the rest of the stocks remain the same. You may get most of them before next week rolls around.

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.*]

Industry Members Of WLB Denounce Government's Handling Of Labor Disputes

Denouncing the Government's handling of major labor disputes along lines laid down recently by the Government itself, industry members of the War Labor Board contended unanimously on Dec. 27 that a continuation of such a policy would eventually "destroy all honest collective bargaining at the source," it was reported in a Washington dispatch to the New York "Times," which further said:

Dissenting from the Board's action, taken shortly before, to assure retroactive readjustments of pay scales in advance of settlement of the wage dispute in the steel industry, these members said:

"It is apparent that administrative action in the coal dispute has become the national policy for all future large-scale labor disputes. In spite of the no-strike pledge of labor, a union's members have only to strike in sufficient number to secure abrogation of WLB decisions. These so-called spontaneous strikes are, in fact, becoming a policy of certain unions; they continue to occur in increasing numbers and rarely fail to obtain their objectives."

This dissenting statement came after the four labor members, who had voted with the industry members on Dec. 22 to deny retroactive payments of wage adjustments, although for different reasons, shifted to the position taken by the four public members. Within an hour after the shift was made public, Philip Murray called off the steel strike.

The industry members' statement was signed by George K. Batt, Frederick S. Fales, James Tanham and Walter Margetts.

"We strongly feel that the Government decision in coal does not and cannot govern like action in steel," they said. "The facts and surrounding circumstances are not comparable.

"The War Labor Board, both before and after the decision in the coal case, stated that its action in coal could not be followed as a pattern in the future in other national industries.

"The Board policy is to entertain no action while there is a strike or work stoppage in progress.

"There is no wage adjustment due the steel workers under the 'Little Steel Formula.'

"Retroaction is an inherent and integral part of collective bargaining. It is intertwined with wage demands in every case. To grant one before bargaining on the other or in the settlement is tantamount to sanctioning a contract without full knowledge of its terms.

"The contracts in the steel industry were terminated by the union following a statement in the steelworkers national convention to the effect that the so-called 'Little Steel Formula' must be broken.

"General counsel for the steelworkers' union stated in a recent public hearing of the industry and union before the Board that there would be no strike or work stoppage and that the union demand of 17 cents per hour and full retroactivity, including contract continuance, were the union's main objectives.

"The Board has no formal policy to grant wage adjustments retroactively to the date of an expired contract. Even in its case-by-case approach, the Board does not consistently follow such a practice. Its recent decision on the cotton garment industry is sufficient illustration of the absence of such a policy and practice."

C. M. Gillies To Be Hayden, Stone Partner

BOSTON, MASS.—Charles M. Gillies will become a partner in Hayden, Stone & Co., members of the New York Stock Exchange, on January 1st. Mr. Gillies will make his headquarters at the firm's Boston office, 85 Water Street.

1943 Rayon Output Sets New Record

United States production of rayon in 1943 totaled approximately 660,000,000 pounds, representing a 4% gain over last year's output and establishing a new production record for the industry, according to William C. Appleton, President of the American Viscose Corp. Output in 1942 amounted to 633,000,000 pounds and in 1941 to 573,000,000 pounds. Production has more than doubled in the past five years, the output in 1938 having totaled 288,000,000 pounds.

The firm's announcement Dec. 23 further said:

"Rayon's versatility and ability to fill many varied needs was demonstrated during the year by its use in many types of military equipment and in a broad range of civilian applications. The principal military uses included extrastrength tire cord and tire fabrics, parachutes for fragmentation or anti-personnel bombs, cargo and supply parachutes, uniform linings, and self-sealing gasoline tanks.

"A major development of the year just past was commencement of the large-scale program for expanded output of rayon tire cord yarn ordered by the War Production Board. This program calls for production to be increased to a level of 240,000,000 pounds annually. The program was initiated to provide sufficient rayon tire cord for the manufacture of tires for our military aircraft, armored cars, heavy guns, Army trucks and other motorized equipment, and also for the manufacture of the new synthetic rubber tires. These tires generate more heat than those made with natural rubber. Rayon tire cords possess exceptional ability to resist such heat and to retain their strength under heat, and are regarded as indispensable to the successful carrying out of the nation's synthetic rubber tire program.

"Under the provisions of the State Department's Good Neighbor Policy, designed to increase economic callaboration and good will between the two Americas, United States rayon producers, as in 1942, set aside each month a specified amount of their production for export to the Latin American countries.

"War demand for rayon affected the hosiery situation by absorbing the extra-strength viscose rayon yarns for tire cords, parachutes and self-sealing gasoline tanks. Certain types of these yarns had been developed specifically for use in hosiery. Their application in this field must now wait until after the war is over. Meanwhile, although standard rayon yarns are being used, the quality of rayon stockings was very greatly improved during the year.

"In the civilian field rayon provided a large proportion of the country's essential clothing requirements. Surveys show that considerably more than one-half of all women's dresses sold today are made of rayon and the fiber is being used on an increasing scale in fabrics designed for men's wear.

"The increasing versatility of rayon, demonstrated in 1943 by its important war-time applications, will make the fiber of wider usefulness in times of peace. Now, however, the industry must devote its accumulated skill and experience to helping win the war at the earliest possible date.

Illinois Dealers Move To Form New Ass'n

CHICAGO, ILL.—A movement toward the formation of a new association of securities dealers in Illinois has resulted in the appointment of a committee for the purpose of drafting a report defining the objectives of such an organization, the Chicago "Journal of Commerce" reported on December 23rd.

The committee, according to the "Journal of Commerce," was appointed by Henry T. Berblinger, Secretary and Treasurer of Sills, Minton & Co., who "presided at a preliminary meeting held earlier this month, at which steps toward the formation of a new association were launched.

"The committee consists of Walter R. Brailsford, partner of Brailsford & Co.; W. A. Gorman, President of Link, Gorman & Co., Inc.; Owen V. Van Camp, Vice-President of Enyart, Van Camp & Co., Inc.; Henry D. McFarlane, partner of Alfred O'Gara & Co., and W. W. Sims, Vice-President of Sills, Minton & Co. Mr. Berblinger said the members of the committee would elect their own chairman.

"The movement toward the formation of a new association of Illinois securities firms was launched after over-the-counter dealers began to discuss informally the implications of a recent report of the Board of Governors of the National Association of Securities Dealers on the question of markups.

"These discussions led to a meeting Dec. 2 in the offices of Sills, Minton & Co., when it was decided to name a committee to define the objectives of a new organization. After the new committee makes its report, another meeting will be called to decide whether a new association actually should be formed.

"One of the questions that the committee will have to decide is whether the new organization could serve any purpose that now is not being handled by the National Association of Securities Dealers and the Investment Bankers Association of America."

Attractive Situation

Common stock (when delivered) of Delaware Power & Light Co. offers interesting possibilities according to a circular discussing the situation issued by Bear, Stearns & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Copies of this circular may be obtained upon request from Bear, Stearns & Co.

The Broker-Dealer Customer Problem

Morris Cohon, 42 Broadway, New York City, has had printed a new study of the problem of disclosure of markets or profits containing an analysis of recent cases. This interesting booklet, entitled "The Broker-Dealer Customer Problem," is available to brokers and dealers at a cost of $1 per copy, and may be obtained from Morris Cohon.

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 from McLaughlin, Baird & Reuss upon request.

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

BELLEVILLE, ILL.—**Frank E. Ward** has become associated with **Edward D. Jones & Co.**, 300 North Fourth Street, St. Louis, Mo. Mr. Ward was previously with O. H. Wibbing & Co., of St. Louis, Festus J. Wade, Jr., & Co., and in the past with Edward D. Jones & Co.

(Special to The Financial Chronicle)

BOSTON, MASS. — **William J. Cassidy** has become connected with **Laidlaw & Co.**, 110 Franklin Street.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Dorothy A. Parsons** has been added to the staff of **Lee Higginson Corp.**, 50 Federal Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Mrs. Elsie J. St. Laurent** is now with **Union Securities Corp.**, 75 Federal Street.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Morrell P. Goodwin** has become affiliated with **H. C. Wainwright & Co.**, 60 State Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Louis N. Fuller** is joining the staff of **F. L. Putnam & Co., Inc.**, 77 Franklin Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Alvin Willard** is now connected with **J. Arthur Warner & Company**, 89 Devonshire Street. In the past Mr. Willard was with Coburn & Middlebrook.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**John H. Kasbeer** is with **Kidder, Peabody & Co.**, 135 South La Salle Street. Mr. Kasbeer was previously with C. F. Childs & Company, Inc.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Joseph B. Nystrom** is now associated with **Doyle, O'Connor & Co., Inc.**, 135 South La Salle Street.

(Special to The Financial Chronicle)

CHICAGO, ILL. — **Bertel T. Malmquist** is now with **Glore, Forgan & Co.**, 135 South La Salle Street.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Wesley Blom** has rejoined **Paine, Webber, Jackson & Curtis**, 209 South La Salle Street. Mr. Blom was recently with Kebbon, McCormick & Co.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Harry H. Jones**, formerly with E. H. Rollins & Sons, Inc., and Cray, McFawn & Co., is now affiliated with **Merrill Lynch, Pierce, Fenner & Beane**, Buhl Building.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Homer M. Eaton** has become associated with **Charles A. Parcells & Co.**, Penobscot Building. Mr. Eaton was previously manager of W. E. Moss & Co.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Claude E. Mulkey** has been added to the staff of **Wm. C. Roney & Co.**, Buhl Building. Mr. Mulkey was formerly with Merrill Lynch, Pierce, Fenner & Beane.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Carl B. Ruble** is now with **E. F. Hutton & Co.**, 623 South Spring Street.

(Special to The Financial Chronicle)

MIAMI, FLA.—**Charles B. Davis, Eugene L. Ward** and **Howard J. Ayres** have become associated with **Cohu & Torrey**. Mr. Davis was previously with Corrigan, Miller & Co.

(Special to The Financial Chronicle)

MIAMI BEACH, FLA.—**Robert T. Kulp** is now with **Blair F. Claybaugh & Co.**, Mercantile Bank Building.

(Special to The Financial Chronicle)

NEW HAVEN, CONN.—**Charles N. Hammond** has become connected with **Day, Stoddard & Williams, Inc.**, 95 Elm Street.

(Special to The Financial Chronicle)

PORTLAND, ORE.—**Joseph J. DuLong** has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane**, Wilcox Building.

(Special to The Financial Chronicle)

PORTLAND, ORE.—**A. O. Rosentreter** has become associated with **John Galbraith & Company**, Porter Building. For the past 10 years Mr. Rosentreter has been with Russell, Hoppe, Stewart & Balfour.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**Walter L. Edwards** is now with **H. R. Baker & Co.**, Russ Building.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**Benjamin A. Armstrong**, formerly with Conrad, Bruce & Co., is now affiliated with **Hannaford & Talbot**, 519 California Street.

Lawyers Trust Joins N. Y. Clearing House

At a meeting of all the members of the New York Clearing House Association on Dec. 26 the Lawyers Trust Company was admitted to membership in the Association.

Their clearing number will be 110, which is the number formerly held by the Lawyers Trust Co. while a member of the Clearing House from 1911 to 1933, when they withdrew from membership and merged with the former County Trust Co., the merged institution later taking the name of Lawyers Trust Co.

In commenting on the action, Orie R. Kelly, President of the Lawyers Trust Co., said:

"We believe that membership in the New York Clearing House presents distinct advantages in operating procedure, and we feel that membership in the Association will prove to be of considerable benefit to our company."

The Lawyers Trust Co., has total assets in excess of $60,000,000. In addition to its main office at 111 Broadway, it has two other offices in Manhattan, namely, Fourteenth Street Office, at 8th Avenue and 14th Street, and Empire State Office, 5th Avenue and 34th Street, as well as an office in Brooklyn, at 16 Court Street.

The admission of the Lawyers Trust Co. marks the fourth new member in the last two months. The Brooklyn Trust Co. was admitted to the Clearing House on Dec. 13, and, prior thereto, the United States Trust Co. of New York was elected to membership, under date of Nov. 29, and J. P. Morgan & Co. Inc. under date of Oct. 29.

The admission of the Brooklyn Trust was noted in our issue of Dec. 23, page 2565.

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.

Wrath Of Dealers Over NASD 5% Decree Not Subsiding

(Continued from page 2631)

vain. THE 5% RULE MUST NOT AND WILL NOT STAND.

Those interested in this subject will not want to miss reading "NASD Mark-up And SEC Disclosure Rules Destructive Measures," by Raymond Murray, which starts on the outside front cover of this issue.

Such additional letters from dealers on the 5% profit spread as could be accommodated in today's paper are given below. As in the past, no letter favorable to the 5% decree has been omitted. And please remember 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. 102

NASD Profit Limitation Decree

I feel strongly that the dealers' or brokers' profit should not be determined by government decree. The naming of a certain fixed percentage, regardless of the figure, is a suggestion that that rate may be regarded as a proper profit on any transaction. As a matter of fact, the 5% rate suggested by the Association is an extremely large profit for many transactions in securities and will protect the dishonest trader who would hesitate to take this profit without the protection offered by this regulation. A fair profit for one sort of security will be entirely inapplicable to another kind. Moreover, rates in existence under certain conditions may be out of order under other conditions possibly six months or a year later. It will be impracticable to change these regulations to suit the changes of conditions.

Need Does Not Exist For Forced Limitation Of Profits On Transactions In Securities

Profits in other lines of business, such as manufacturing and mercantile, are not prescribed by government regulations. Why start on the assumption that everyone in the investment business is dishonest and must be governed by ironclad regulations to prevent fraud? I believe that any fair investigation would show that in this business, as in others, most men are honest. There will be crooks in every business who, when discovered, can be brought to justice by the existing state or federal laws without the necessity of a special set of laws particularly applicable to the investment business.

In a few words, the idea of the government's picking out one particular business and prescribing a certain set of rules for carrying on is fundamentally unfair and unjust. In the second place, to determine any such set of rules that can be equitably applied for all cases is, in my opinion, an impossibility.

SEC Bid and Asked Disclosure Plan

The language of this regulation imposes terms impossible to fulfill. For inactive securities one cannot give with accuracy the bid and asked quotations. The opportunities for seeking quotations on such securities are unlimited. One might easily try five or six places or even more without success and obtain the desired quotations on the next effort or he might fail in all his efforts and someone else might succeed at his first attempt. Furthermore, the quotations on such securities are usually not made "firm" but "subject to confirmation," different figures being made when the transaction changes from the prospective stage to the conclusive stage. Thus, in the first place, the time taken in endeavoring to obtain these quotations would make it economically impossible in many instances for the dealer to undertake the transaction and, secondly, the information when obtained, as shown above, would not be reliable and might later subject the dealer to much unjust criticism.

All this is another case of some one person or some one group having a hostile attitude toward the banking or investment fraternity, making regulations applicable to a business with the details of which they are not familiar and do not mean to take the trouble to become familiar.

The rules for keeping records merely add one more consideration, making it impossible to do business in a considerable number of perfectly sound securities affected by these regulations. On this subject the statements made by Mr. Benjamin M. Anderson in his article in the "Chronicle" are so good that I see no opportunity for further comment. I consider his statements remarkable in their clearness and fairness and I wish that in their printed form they could be made prescribed reading for every Congressman, every Senator and every member of the President's cabinet.

DEALER NO. 103

I have been following the articles appearing in your paper and elsewhere on the recent action of the NASD regarding profit limitations. This morning I received the letter mailed you by Mr. J. A. White of Cincinnati commenting on this subject and dated November 29, 1943. I agree with Mr. White and so expressed myself to him on the telephone this morning. As a competitive dealer and with no motive to grind Mr. White's axe I do feel that it is high time dealers in all branches of finance respect one another and work cooperatively toward a solution of our problems from within.

I am thoroughly opposed to bureaucracy and if this letter will in any way encourage you in your continuation of this struggle for what you know to be right, I assure you it will be my pleasure.

DEALER NO. 104

I have been reading with a great deal of interest your articles regarding the NASD and the SEC, etc., and the thing that has disturbed me more than anything else about the situation is a quotation I read from a letter written and signed by a small dealer in Virginia, which I quote:

"One thing that amazes me is, in all the comments that you have in your paper 99% of the dealers haven't the guts to endorse what they write. Any industry or institution that is so spineless because of fear of reprisals doesn't deserve, in my opinion, better treatment. I realize of course that SEC can put anybody out of business today or tomorrow if they wish—but what of it? Most of us can make a living doing something else."

I have noticed that practically all the letters are unsigned and in most of them the fear is expressed of reprisals of some kind if they are signed. I think the most important thing you could do for our industry would be to find out the reason these communications of any kind regarding our business, are unsigned. It is certainly contrariwise to the American system and either indicates our business has no virility or vitality of its own, or somewhere a fear has been created of bureaucracy, which of itself would be most anti-American.

As per the attached clipping, Lyle Boren spent Friday and Saturday with us here for a "grass roots" discussion of the investment business. Naturally, the question of NASD came up. The only comment I have to make on the rule is—this organization was formed by an Act of Congress and everybody has to join who wants to do any corporate business. Either the small dealers haven't got any real fight left in them, or there is something wrong with the mechanics, as obviously most of the Board of Governors represent Stock Exchange and big underwriting houses. I am not criticizing these gentlemen, as I think they have done a very good job under the circumstances, but I have always questioned whether the governing setup is proper.

I think Wallace Fulton, under very difficult circumstances, has done a splendid job; but I also think that the mechanics of the organization and the right to vote look like they need some adjusting. The judgment of the Board on the 5% ruling certainly represents the present policy of 99% of the dealers in this country on riskless trades. The only thing I question is that I believe the membership as a whole ought to have been given a chance to consider this particular matter. The NASD is not a private body; it is a public body, and therefore, should act—rightly or wrongly—through ordinary democratic processes.

At no time in the history of the investment business are we in better position with the investing public and with the Congress and Senate, and if things are going on detrimental to the public interests and to our business, this is the time they ought to be straightened out once and for all.

DEALER NO. 105

I have read with a great amount of interest and concern the campaign conducted by the Financial Chronicle against the 5% Regulation of the NASD.

As a member of the NASD, I have always been led to believe them to be the Securities Dealer's friend, and I hope that, in the end, they will prove to be our friend. Right now, it looks like they are attempting to stress some of their authority and act completely against the members of their own organization.

Of course, I am not in favor of the 5% regulation and can only see disaster for the future of the small dealer.

Right now is the time for the various dealer organizations, including the NASD, to work together and I believe a dealer educational program would be time and money well spent.

P. S.: Please do not use our name.

DEALER NO. 106

For some weeks I have followed with interest your campaign relative to the 5% profit limitation, which seems to be the latest curse and abomination visited on the securities business.

I can't indulge in any academic treatise on the subject, but any sane person knows that all this foolishness has got to stop if we are all going to be able to live in a decent world.

The Business Man's Bookshelf

American Banking and Currency Stabilization—E. E. Agger—Monetary Standards Inquiry, 408 Graybar Building, New York 17. N. Y.—paper—10 cents.

Agricultural Income and Farm Real Estate Prices, Ninth Federal Reserve District—Arthur R. Upgren—Federal Reserve Bank of Minneapolis, Minn.—paper.

Agricultural Production in Continental Europe During the 1914-18 War and the Reconstruction Period—League of Nations Publication, 1943. II.A.7—Columbia University Press, International Documents Service, 2960 Broadway, New York 27, N. Y.—Cloth, $2.25; paper, $1.75.

Aspects of the Coming Postwar Settlement—Kingsley W. Hamilton—October 1943 issue of "International Conciliation" — Carnegie Endowment for International Peace, Division of Intercourse and Education, 405 West 117th St., New York 27, N. Y.—paper—five cents.

Automobile Facts and Figures (25th Edition)—Automobile Manufacturers Association, New Center Building, Detroit, Mich.—paper.

Countries of Central America, The — A Financial and Economic Review — The Chase National Bank of New York, Pine Street, corner Nassau, New York City.

Describing the Supervisor's Job — Victor V. Veysey — Industrial Relations Section, California Institute of Technology, Pasadena. Calif.—paper—$1.00.

Danube Basin And The German Economic Sphere—Antonin Basch — Columbia University Press, Morningside Heights, New York City — Cloth — $3.50.

Effect Of War On Business Financing, The — Manufacturing and Trade, World War I—Charles H. Schmidt and Ralph A. Young—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper—50 cents.

Financial Accounting — George O. May—The Macmillan Co., 60 Fifth Ave., New York City—cloth —$3.00.

Fundamentals of International Monetary Policy—Dr. Frank G. Graham, Princeton University—The Monetary Standards Inquiry, 408 Graybar Building, New York 17, N. Y.—Paper, 10c (prices for quantity orders on request).

High Spots In the Case For a Return to the International Gold Standard—Edwin Walter Kemmerer—Economists' National Committee on Monetary Policy, 70 Fifth Avenue, New York City—Paper—no charge.

How Nazi Germany Has Controlled Business—L. Hamburger—The Brookings Institution, 722 Jackson Place, Washington 6, D. C.—cloth—$1.00.

International Conciliation for **November, 1943** ("An Essay Towards the Present and Future Peace of Europe," by William Penn; and "Catholic, Jewish, and Protestant Declaration on World Peace") — Carnegie Endowment for International Peace, 405 West 117th St., New York 27, N. Y.—paper—5¢.

Montgomery's Federal Taxes On Corporations 1943-44—The Ronald Press Company, 15 East 26th Street, New York 10, N. Y.—cloth —two volumes—$15.00.

Oil Industry and Transportation, Pre-War and Post-War—P. Harvey Middleton, Executive Vice-President of Railway Business Association—Railway Business Association, First National Bank Building, Chicago, Ill.—paper.

Oil in War and Peace—Joseph E. Pogue, vice-president of the Chase National Bank of New York—paper.

Packaging, Marking & Loading Methods for Steel Products for Overseas Shipments — American Iron & Steel Institute, 350 Fifth Avenue, New York City—paper—$2.50.

Paving the Way For An Incentive Plan—John W. Riegel, Director of the Bureau of Industrial Relations of the University of Michigan—California Institute of Technology, Pasadena, Calif.—paper.

Pioneering in Personnel — A History of the Personnel Club of New York—Mary Rodgers Lindsay—The Personnel Club of New York, 19 West 44th Street, New York City — paper — thirty-five cents.

Post-War Employment and the Settlement of Terminated War Contracts—Committee for Economic Development, Washington, D. C.—paper.

Post-War Plans of the United Nations — Lewis L. Lorwin — Twentieth Century Fund, 330 West 42nd St., New York City—cloth—$2.50.

Post-War Reemployment, The Magnitude of the Problem—Karl T. Schlotterbeck—The Brookings Institution, Washington 6, D. C.—Paper—25¢.

Prices in a War Economy—Frederick C. Mills—National Bureau of Economic Research—1819 Broadway, New York 23, N. Y.—paper.

Railroad Travel and the State of Business—Thor Hultgren—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper—35c.

Small Loan Laws of the United States—fifth edition, September 1, 1943—Pollak Foundation for Economic Research, Newton, Mass.—paper—ten cents (seven dollars per hundred).

Study of Retail Trade Areas in East Central Illinois—P. D. Converse—University of Illinois, College of Commerce and Business Administration, Bureau of Economic and Business Research, Urbana, Illinois—paper.

Sweden, A Wartime Survey—American - Swedish News Exchange, Inc., 630 Fifth Ave., New York City—Cloth (illustrated).

Trade Union Library, A—Industrial Relations Section, Department of Economics & Social Institutions, Princeton University, Princeton, N. J.—paper—40 cents.

Using Descriptions of Supervisory Jobs—Victor V. Veysey—Industrial Relations Section, California Institute of Technology, Pasadena, Calif.—paper—1.00.

Uses of Reason, The—Arthur E. Murphy—The MacMillan Company, 60 Fifth Ave., New York City — cloth — $3.00.

New York Savings And Loan Associations Active In Savings And War Bond Sales

Savings in the 248 savings and loan associations in New York State reached a record high of $428,567,000 on Nov. 30, 1943, according to figures released on Dec. 27 by Zebulon V. Woodard, Executive Vice-President of the New York State League of Savings and Loan Associations, which comprises in its membership 201 of these mutual thrift and home mortgage financing institutions. The announcement reports that for the 11 months' period private share savings increased by a net amount of over $35,000,000, representing a gain of 8.9% since Jan. 10. Based upon these reports, Mr. Woodard estimated that the total resources of all 248 savings and loan associations in the State on Nov. 30 had reached the amount of $516,100,000.

The announcement further said:

"Mortgage loans granted during November aggregated $5,118,000, of which $3,972,000 was for the purchase of homes and $524,000 for refinancing of previous mortgages. Many of the loans made for refinancing represented the placing of old straight mortgages on an amortized basis. Savings and loan associations specialize in and were the originators of the monthly-payment reduction type of home mortgage.

"The liquid resources of the associations in the form of cash and Government bonds now constitute 21.6% of all assets. War Bond sales since May 1, 1941, by savings and loan associations aggregate $48,621,000."

Eisenhower Predicts Victory In 1944

Gen. Dwight D. Eisenhower, who has been selected to command the Anglo-American offensive against Germany, predicted on Dec. 27 that "we will win the European war in 1944."

The General made this statement at a farewell press conference at Allied headquarters in North Africa.

In reporting his remarks, Associated Press advices from Algiers, stated:

He was resisting an impulse, he said, to qualify his prediction of victory in 1944. Modestly he added that only time would tell whether he was the right man for the job ahead of him. He indicated that he would soon leave Algiers for Britain to take over his new duties. He said that his task would be to create an Allied Supreme Staff to run the big invasion.

"My own and personal job immediately, of course, will be to do what we have done here. That is to weld the directing team together in such a way that no real friction ever develops, that people trust each other, work in unison and go into this thing with full weight. I believe we have developed here that sense of partnership which has come as near as humanly possible to elimination of the friction that has been typical of Allied actions in the past," he said.

"The only thing needed for us to win the European war in 1944 is for every man and woman, all the way from the front line to the remotest hamlet of our two countries, to do his or her full duty."

According to Washington advices Dec. 27 to the New York "Times," Secretary of State Cordell Hull held out qualified hopes of ending the European war in 1944 when he subscribed on that day in general to the views given along that line by Gen. Dwight D. Eisenhower. From the "Times" we quote:

"This might come to pass, he said, provided everyone made a full contribution to the war. It was the first time he had discussed military operations.

"Mr. Hull said at his press conference that he thought Gen. Eisenhower was right to the extent that, in his opinion, we would win the European war at some stage near which Gen. Eisenhower suggested.

"However, this would happen, he added, only if the peoples in all the United Nations, both behind the lines and on the battle fronts, and especially those behind the lines, redoubled their efforts in giving support to those who were carrying on the fight and if they promoted a greater state of unity in their cooperative efforts in support of the war.

"But, Mr. Hull counseled, we should not become too optimistic about the termination of hostilities."

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has reported the following firm changes:

Transfer of the Exchange membership of Bertram F. Brummer, partner in Salomon Bros. & Hutzler, which will continue as a member firm, to Edward Necarsulmer, Jr., will be considered on Dec. 30. Mr. Necarsulmer, it is understood, will act as an individual floor broker.

A. Lawrence Peirson, general partner in Goodbody & Co., New York City, will become a limited partner, effective Jan. 1, 1944.

Oscar C. Schmidt, member of the New York Stock Exchange, a special partner in Hecker & Co., Philadelphia, will become a general partner in the firm on Jan. 1, 1944.

Thomas J. Megear, general partner in Luke, Banks & Weeks, New York City, will become a limited partner as of Jan. 1, 1944.

James B. Mabon, Jr., general partner in Mabon & Co., New York City, will become both general and limited partner as of Jan. 1, 1944.

Earl W. Huntley, general partner in Merrill Lynch, Pierce, Fenner & Beane, will become a limited partner effective Jan. 1, 1944, on which date Almar H. Shatford, general partner, will become both a general and limited partner. Robert A. McCord and Elizabeth B. Laundon will withdraw from partnership in the firm on Dec. 31.

Joseph R. Swan, general partner in Smith, Barney & Co., New York City, will become a limited partner, effective Dec. 31, 1943.

Claire G. Hoffman, limited partner in Walston, Hoffman & Goodwin, San Francisco, will become both a general and limited partner, effective Jan. 1, 1944.

Thomas Moffitt will retire from partnership in Jesup & Lamont, New York City, on Dec. 31.

J. F. Flynn will retire from partnership in Sincere & Co. on Dec. 31. Mr. Flynn made his headquarters in the firm's New York office.

Chester Simmons, member of the Exchange, will retire from partnership in G. H. Walker & Co. on Dec. 31. Mr. Simmons made his headquarters at the firm's New York office.

Percy S. Weeks retired from partnership in Stokes, Hoyt & Co., New York, on Dec. 15.

Kerr & Armstrong, New York City, will be dissolved on Dec. 31.

Pollard & Co., New York City, will be dissolved as of Dec. 31.

Scheer & Eis, New York City, was dissolved as of Dec. 8th.

Elton Parks, partner in Dominick & Dominick, New York City, died on Dec. 21.

Brazilian Economic Convention Adjourns

Recommends Central Bank Patterned After Federal Reserve Bank

The Brazilian Economic Convention, which has been in session since Nov. 25, ended on Dec. 18 with the adoption of resolutions dealing with post-war economic matters.

In indicating this a dispatch from Rio de Janeiro, Dec. 18, to the New York "Times" further said:

The outstanding recommendation calls for a Ministry of National Economy, which is provided for in the constitution but never created. Business men believe such a Ministry would be a valuable coordinator in carrying out convention suggestions.

The convention also recommended the creation of a government central bank patterned after the Federal Reserve of the United States.

An increase in industrialization was urged. The convention recommended that experts be sent to the United States, Britain and Canada to study industrial development.

Another resolution welcomed foreign capital, and suggested that investors have exchange freedom. The resolution opposed government restrictions on capital of a "confiscatory nature."

Spain Apologizes For Valencia Incident

The Spanish Foreign Ministry on Dec. 22 expressed deepest regret to the American Ambassador, Carlton J. H. Hayes, over an attack by two Falangists on the American consulate in Valencia on Dec. 18. Punishment of the two men was promised. Said Associated Press advices from Madrid which also stated:

"The Secretary-General of the Falange, Jose Luis Arrese, also apologized in the name of the Falange."

The State Department's statement of Dec. 21 regarding the incident reported by Ambassador Hayes, follows:

"The American Consul at Valencia has reported to the American Embassy at Madrid that on Saturday Dec. 18, 1943, at approximately 6 p. m., two persons identified later as Falangists and former members of the Blue Division entered the American Consulate in Valencia, tore down press photographs and harangued visitors on the premises. Police stationed at the street entrance of the consulate arrested the two Falangists who were then taken to a police station near by and subsequently transferred in handcuffs to the central police station. The ambassador reports that appropriate representations are being made in Madrid and in Valencia by the American representatives."

Senate Acts On War Goods Excess Disposal

A resolution dealing with eventual disposition of upward of $75,000,000,000 of war materials, machinery and factories was passed by the Senate on Dec. 9 and sent to the House.

The legislation, sponsored by Senator Murray (Dem., Mont.), calls upon President Roosevelt to direct Federal agencies to provide within three months the first of a series of studies of:

1. The types, quantities, cost, location and custody of those war materials, real estate and other tangible property, real and personal, owned or controlled by the Government which, now or later, won't be needed for war purposes.

2. The adequacy of current records and inventory controls to keep Congress and the Executive informed.

3. Modifications that may be necessary to make such information readily available.

According to the Associated Press, the Senate acted on a recommendation of its Military Affairs Committee which warned that Congress is faced with establishing a national policy "on how this tremendous amount of Government property is to be used."

"At the present moment," the Committee reported, "the inventory control methods of the various war agencies are inadequate to give a full, current picture of the types and amounts of Government property, let alone surplus property."

The New St. Paul Plan

(Continued on page 2633)

posal does not differ too drastically from the plan which reached the U. S. Supreme Court, excepting that the substantial cash distribution obviously reduces the principal distribution in new securities. Although some opposition may arise from the Chicago Terre Haute & South Eastern lease line holders, informed opinion suggests that this latest plan will be approved in substantially its present form. If so, the holders of each $1,000 par amount of old So. Paul securities will receive the following:

Old Company	Cash Payment	Undis-turbed	1st Mtg. 4s 1994	Gen. Mtg. A 4½s 2019	Gen. Mtg. B 4½s 2044	Pfd. $100	Com. No Par
Equipment & trusts	-----	$1,000	-----	-----	-----	-----	-----
RFC loan	*	-----	-----	-----	-----	-----	-----
Milw. & No. 1st 4½s 1939	$100.50	-----	$858.23	$141.77	-----	-----	-----
Milw. & North. Cons. 4½s 1939	208.67	-----	337.81	407.16	$231.17	72.62	-----
Chi. Terre Haute & S. E. 1st 5s 1960	-----	†1,000	-----	-----	-----	-----	-----
Chi. Terre Haute & S. E. inc. 5s 1960	-----	†1,000	-----	-----	-----	-----	-----
Bedford Belt Ry. 1st 5s 1938	-----	†1,000	-----	-----	-----	-----	-----
So. Ind. Ry. 1st 4s '51	-----	†1,000	-----	-----	-----	-----	-----
Chi. M. & St. P. gen. "A" 4s 1989	172.16	-----	327.73	395.01	224.27	70.45	-----
Chi. M. & St. P. gen. "B" 3½s 1989	139.21	-----	326.56	393.60	223.47	70.20	-----
Chi. M. & St. P. gen. "C" 4½s 1989	207.13	-----	328.46	395.89	224.77	70.61	-----
Chi. M. & St. P. gen. "E" 4½s 1989	207.79	-----	328.51	395.95	224.80	70.62	-----
Chi. M. & St. P. gen. "F" 4¾s 1989	225.60	-----	328.90	396.42	225.07	70.70	-----
Chi. M. St. P. & Pac. 5s 1975	225.60	-----	-----	-----	179.38	918.91	0.975
Chi. M. & Gary 1st 5s 1948	-----	-----	-----	-----	-----	1,140.60	2.969
Chi. M. St. P. & Pac. adj. 5s 2000	-----	-----	-----	-----	-----	-----	10.919

*Provided the RFC loan is paid in cash, these allotments will be revised slightly. †Under the plan the Terre Haute lease line securities would receive 2¾% interest in fixed income and 1½% in contingent income.

The new first mortgage bonds will represent a lien on the entire enterprise excepting equipment and will represent a fixed charge. The lien of the General Mortgage "A" 4½s and "B" 4½s will be the same but subject to the first mortgage. Furthermore, the General Mortgage "B" 4½s will be subordinated to the "A" issue in the matter of interest, but will carry a conversion privilege into 10 shares of the new common stock for each bond. The preferred stock will be entitled to non-cumulative dividends at the rate of 5% per annum and will further participate equally with the common stock after $3.50 has been paid on that issue. Dividends on the new common are prohibited until the preferred has paid three yearly consecutive dividends of 5%.

Applying the earnings of recent years to the newly proposed capitalization indicates that the new first mortgage issue has adequate earnings protection although coverage on the junior obligations was somewhat erratic. In the matter of the preferred and common stocks, 1942 operations would have resulted in per share earnings of $18.90 and $7.26, respectively, comparing with deficits on both issues for the years 1938 and 1939. The details are as follows:

	5 Yr. Av.	1942	1941	1940	1939	1938
Times Charges Earned						
1st Mtg. 4s 1994	5.7	10.0	8.6	4.6	3.0	2.1
Gen. Mtg. A 4½s 2019	4.7	9.6	8.2	3.3	1.5	.39
Gen. Mtg. B 4½s 2044	3.6	9.4	8.0	1.9	*	*
Earnings Per Share						
Preferred stock	$4.80	$18.90	$14.00	$1.31	*	*
Common stock	None	7.26	4.73	None	*	*

*Deficit.

As stated before, the present plan does not differ drastically from the previous proposal, under which the issuable securities were actively traded on a "when issued" basis. Average quotations for these "when issued" contracts were as follows:

First Mortgage 4% bonds	93
General Mortgage A 4½s	60
General Mortgage B 4½s	50
Preferred Stock	40
Common Stock	19

Even on the basis of a more conservative appraisal for the new securities most of the present St. Paul issues are currently selling for less than the "when issued" value of what they will receive under the new plan. Valuing the new securities as follows:

First Mortgage 4s	90
General Mortgage A 4½s	50
General Mortgage B 4½s	40
Preferred Stock	30
Common Stock	10

The following equivalent values result:

	Cash Payment	1st Mtg. A 4s 1994	Gen. Mtg. A 4½s 2019	Gen. Mtg. B 4½s 2039	Pfd. ($100)	Com. Shs.	Est. Total Value	Actual Mkt. Value
Estimated Value	100	90	50	40	30	10		
Mil. North. 1st 4½s '39	$100	858	142	---	---	---	---	---
Approx. worth	100	772	71	---	---	---	$942	960
Mil. No. Cons. 4½s '39	209	338	407	231	73	---	---	---
Approx. worth	209	304	204	92	22	---	831	725
St. Paul gen. A 4s 1989	172	328	395	224	70	---	---	---
Approx. worth	172	295	198	90	21	---	776	690
St. Paul gen B 4½s '89	139	327	394	223	70	---	---	---
Approx. worth	139	294	197	89	21	---	740	650
St. Paul gen. C 4½s '89	207	328	396	225	71	---	---	---
Approx. worth	207	295	198	90	21	---	811	720
St. Paul gen. E 4½s '89	208	329	396	225	71	---	---	---
Approx. worth	208	296	198	90	21	---	813	710
St. Paul gen F 4¾s '89	226	329	396	225	71	---	---	---
Approx. worth	226	296	198	90	21	---	831	730
St. Paul gold 5s 1975	226	---	179	919	---	1 sh.	---	---
Approx. worth	226	---	89	368	---	$10	683	460
Chi. M. & Gary 1st 5s '48	---	---	---	---	1,141	3 shs.	---	---
Approx. worth	---	---	---	---	342	$30	372	315
St. Paul adj. 5s 2000	---	---	---	---	---	11 shs.	---	---
Approx. value	---	---	---	---	---	$110	110	120

Calendar Of New Security Flotations

OFFERINGS

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 in which it gives the offering price on its proposed issue of 101,389 shares of 4¼% cumulative convertible preferred stock, par value $100, at $100 per share.

Subscription warrants will be issued by the company to holders of record of common stock at the close of business Dec. 23, 1943, giving them the right to subscribe at $100 per share for the new preferred at the rate of one share for each eight shares of common stock so held of record. The subscription warrants will expire at 3 p.m., Jan. 5, 1944.

The preferred stock is convertible at the option of the holders into common stock, at the rate of 2.33 shares of common stock for each share of 4¼% cumulative convertible preferred to and including Jan. 15, 1954, and at the rate of two shares of common for each share of such preferred thereafter, subject to adjustment in certain events.

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.

Registration statement effective 3:15 p.m., EWT, on Dec. 23, 1942.

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.

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.)

SUNDAY, JAN. 9

PUBLIC SERVICE CORP. OF TEXAS

Public Service Corp. of Texas has filed a registration statement for $800,000 5% 25-year first mortgage bonds.

Address—Burk Burnett Building, Fort Worth, Texas.

Business—Public utility corporation.

Underwriting—Keystone Pipe & Supply Co., Butler, Pa., is named underwriter, parent of registrant.

Offering—There will be no principal underwriter, but the bonds received by the Keystone Pipe & Supply Co., parent of registrant, will be offered to holders of its preferred stock in exchange for same. The basis of exchange is to be $100 par of the bonds for $100 par value of preferred stock. The underwriter is not bound to take all the securities registered. The underwriter is the owner, however, of 24,096 shares of the preferred stock of the registrant and has agreed to accept at par the bonds registered in exchange for registrant's preferred stock which it owns.

Purpose—The securities are to be offered by the registrant in exchange for its outstanding preferred stock and by the underwriter (Keystone Pipe & Supply Co.) in exchange for its outstanding preferred stock. The basis in each case is one $100 par value in bonds for $100 par of preferred stock. The balance of the preferred stock of the registrant outstanding in the amount of $5,875 will be called in by the registrant and retired.

Registration Statement No. 2-5274. Form S-1. (12-21-43.)

PUBLIC SERVICE CO. OF OKLAHOMA

Public Service Co. of Oklahoma has filed a registration statement for $1,500,000 5% preferred stock, cumulative, par $100 per share, and $6,600,000 first mortgage bonds, Series A, 3¼%, due Feb. 1, 1971.

Address—600 South Main Street, Tulsa, Okla.

Business—Engaged principally in generating, purchasing, selling electric energy and also natural gas and selling water.

Underwriting—None involved in issue of stock which is for exchange purposes. Bonds will be offered for sale at competitive bidding and names of underwriters will be supplied by amendment.

Offering—The company is offering to the holders of 24,255 publicly held shares of $6 preferred, without par value, of Southwestern Light & Power Co., principal subsidiary of Oklahoma, the right to exchange, on a share for share basis, 15,000 of such shares of Southwestern for a like number of 5% preferred shares of Oklahoma. Subscriptions to be reduced pro rata in case the holders of more than 15,000 shares of Southwestern accept the exchange offer. Middle West Corp. has agreed to purchase from Oklahoma at $100 per share and accrued dividends, 2,500 of said 15,000 shares, less such number of shares thereof in excess of 2,500 shares as may be subscribed for pursuant to the exchange offer, and American Public Service Co. has agreed to purchase from Oklahoma, at $100 per share and accrued dividends, 10,000 shares of said 15,000 shares of 5% preferred, less such number of shares thereof in excess of 5,000 shares as may be subscribed for pursuant to the exchange offer. No underwriting commissions will be paid by the company in connection with the exchange offer. Offering price of bonds will be filed after the result of competitive bidding by the filing of a post-effective amendment.

Proceeds—Pursuant to authorization in December, 1943, by the Securities & Exchange Commission, Oklahoma will, upon the dissolution of Southwestern, principal holding company of Oklahoma, acquire assets of Southwestern subject to the liabilities of Southwestern at date of acquisition. Oklahoma will acquire the properties of the subsidiary, subject to $6,648,000 face amount of the subsidiary's first mortgage bonds, Series A, 3¾%, due Dec. 1, 1969. The net proceeds, to be received by Oklahoma from the sale of the bonds of Series A registered, together with general funds of the company, are to be applied to the redemption, at 105%, of such bonds of subsidiary.

Registration Statement No. 2-5275. Form A-2. (12-21-43.)

WEST VIRGINIA PULP & PAPER CO.

West Virginia Pulp & Paper Co. has filed a registration statement for 155,830 shares of cumulative preferred stock, 4½% Series, par value $100 per share.

Address—230 Park Avenue, New York City.

Business—Owns and operates six highly integrated mills engaged in the manufacture of white papers, kraft papers with collateral production of certain chemicals and chemical by-products and other related products.

Underwriting—Harriman Ripley & Co., Inc., New York, heads the group of underwriters. Others will be named by amendment.

Offering—Company will offer to holders of its outstanding 155,830 shares of 6% cumulative preferred stock, the right to exchange such shares for shares of 4½% series registered, on a share for share basis, together with a cash dividend adjustment of 37½ cents, which adjustment, together with the dividend receivable on the cumulative preferred stock, 4½% series, will give the stockholders who exercise the right to exchange a dividend for the quarter ending Feb. 15, 1944, the date when unexchanged shares of preferred stock will be redeemed, at the annual rate of 6%. Exchange offer will expire 3 p.m., Jan. 14, 1944. The company will call for redemption on Feb. 15, 1944, any of the shares of preferred not deposited for exchange at the callable price of 106.50, including equivalent of $1.50 quarterly dividend per share. The underwriters have agreed to purchase any of the 4½% series preferred not issued in exchange for presently outstanding preferred, at a purchase price of $100 per share plus accrued dividends from Nov. 15, 1943; and 90% of the excess, if any, of the initial public offering price per share (exclusive of accrued dividends) over $100 per share on any offering made by the underwriters of such shares prior to the closing date, but such purchase price shall not exceed $104.50 per share and accrued dividends. Underwriting agreement provides for compensation to the underwriters. Public offering price will be named by amendment.

Purpose—To effect exchange and redemption of outstanding preferred stock.

Registration Statement No. 2-5276. Form S-1. (12-21-43.)

TUESDAY, JAN. 11

MISSISSIPPI VALLEY BARGE LINE CO.

Mississippi Valley Barge Line Co. has registered 227,000 shares of common stock, par value $1 per share. The shares are issued and outstanding and do not represent new financing by the company.

Address—1017 Olive Street, St. Louis, Mo.

Business—Is a common carrier by water engaged in the transportation of freight on the Mississippi, Ohio, Monongahela, Allegheny and Kanawah Rivers.

Underwriting—To be furnished by amendment.

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

Proceeds—Atlas Corporation as of Dec. 15, 1943, owned of record 277,612 shares of stock of the company, constituting 39.66% of the voting power of the company, making Atlas the parent of Mississippi. The stock owned by Atlas includes the 227,000 shares offered by prospectus in connection with the registration. The total held by Atlas also includes the shares (not exceeding 50,000) which the company contemplates purchasing from Atlas shortly after the completion of the offering under the prospectus, for the purpose of resale to certain of its officers and keymen at the same price that it purchases such shares from Atlas. Proceeds will go to the selling stockholder.

Registration Statement No. 2-5278. Form A-2. (12-23-43.)

NORTHWEST AIRLINES, INC.

Northwest Airlines, Inc., has filed a registration statement for 139,460 shares of common stock, without par value, of which 117,460 shares will be offered to the company's present common stockholders and the balance to be issued under options.

Address—1885 University Avenue, St. Paul 4, Minn.

Business—Engaged in air transportation with respect to persons, property and mail, and in the performance of contracts with the United States in connection with the prosecution of the war.

Underwriting—Auchincloss, Parker & Redpath head the underwriting group. Others will be named by amendment.

Offering—Holders of record at a date in January, to be named, of the company's common stock will be given pro rata rights to subscribe to an aggregate of 117,460 additional shares of common stock, in the ratio of one share for each two shares then held, at a price to be named by amendment. The subscription warrants will expire at 3 p.m. on Jan. 15, 1944. The underwriting group will purchase the unsubscribed shares and offer them to the public at a price to be named by amendment.

Proceeds—The entire net proceeds will be available for general corporate purposes pending specific application of such funds, and it is expected they will be invested temporarily in securities of the United States Government. It is considered desirable that the company at this time provide itself with funds with which to meet its future responsibilities and opportunities. It is expected funds will be used for the acquisition of additional flying, communications and other equipment, the construction of hangars, the purchase of machinery and other facilities in connection with its present routes and such new routes as may hereafter be acquired or participated in by the company. It is probable, although not certain, that additional flying and other equipment may become available for commercial operations before the termination of the war. As additional flying and other equipment becomes available, the company must be in a position promptly to place orders sufficient for its needs. In carrying out the program, the company may find it necessary to provide additional funds through the sale of additional securities, bank borrowings, the issuance of equipment trust certificates, or other financing, although the company has no present plans for any such other financing.

Registration Statement No. 2-5279. Form A-2. (12-23-43.)

WEDNESDAY, JAN. 12

FOOD FAIR STORES, INC.

Food Fair Stores, Inc., filed a registration statement for $3,500,000 15-year 3½% sinking fund debentures, due Feb. 1, 1959.

Address—2223 East Allegheny Avenue, Philadelphia, Pa.

Business—Operates supermarkets engaged in the retail sale of groceries, meats, meat products, vegetables, etc.

Underwriting—Eastman, Dillon & Co., New York, head the underwriting group, with names of others to be supplied by amendment.

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

Proceeds—To the payment of outstanding bank notes of $3,150,000, with prepayment premium and accrued interest, and to increase working capital.

Registration Statement No. 2-5280. Form S-1. (12-24-43.)

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.

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).

Amendment filed Dec. 27, 1943, to defer effective date.

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.

BUTTES OILFIELDS, INC.

Buttes Oilfields, Inc., has filed a registration statement for 306,305 shares of class A common stock, par $1 per share.

Address—912 Syndicate Building, 1440 Broadway, Oakland, Cal.

Business—Organized to drill and develop certain properties held under a community oil, gas and mineral lease.

Underwriting—None named.

Offering—The company plans to reorganize its capital structure and put it virtually, if not wholly, on a common stock basis. The exchange features of the offering are limited to holders of the corporation's outstanding 6% preferred stock and to holders of its 8% unsecured notes. The offering for cash is limited to stockholders of record as of July 15, 1943. If fully subscribed, cash proceeds from the issue will be $150,000.

Proceeds—Cash proceeds will be disbursed as follows: liquidation of general indebtedness, $40,000; operating capital, $5,000; general cash reserve, $60,000; reserve for property acquisitions, etc., $45,000. Price per unit for securities to be offered for cash is $1.60, with no underwriting discounts and commissions.

Registration Statement No. 2-5268. Form S-1. (12-7-43.) Statement originally filed in San Francisco.

Amendment filed Dec. 24, 1943, to defer effective date.

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 senior 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.

Registration statement effective 3 p.m., EWT, on Dec. 18, 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.

(This list is incomplete this week)

Record Freight And Passenger Traffic Handled By Railroads In Year 1943

J. J. Pelley, President of the Association of American Railroads, in a statement authorized on Dec. 28, says "railroads in 1943 handled the greatest volume of freight and passenger traffic in their history." "All previous transportation records were broken by them in doing it," he added. Further particulars as given in Mr. Pelley's statement follow:

Freight traffic moved by the railroads in the current year amounted to 725,000,000,000 ton-miles. This was an increase of 14% above that for 1942, the previous record year, and 117% more than in 1939. It was more than 1¾ times the volume moved in 1918, the peak year of World War I. Freight car loadings in 1943 approximated 42,350,000 cars, a decrease of 475,000 cars or 1.1% below 1942. Heavier loading of freight cars and longer hauls per ton accounted for the increase in the ton-mile volume of freight, contrasted with the decrease in the number of cars loaded.

Passenger traffic in 1943 was by far the greatest for any year in railroad history. It amounted to 85,000,000,000 passenger-miles. This was an increase of 58% above 1942, twice what it was in 1918, and nearly four times what it was in 1939. The heavy movement of passengers in 1943 can be attributed in part to Army troop movements, more than ten million men having been moved in special trains and special cars. This does not include the millions of soldiers, sailors, and marines on furlough who traveled during the year, nor does it include small groups of individuals moving on order, nor Navy and Marine Corps movements, nor prisoners of war.

On the basis of the present outlook, freight traffic in 1944 is expected to increase between 2% and 5%. An increase of between 10% and 20% in passenger traffic is anticipated.

Outstanding operating records established by the railroads in 1943 follow:

1. Average load of freight per train was 1,116 tons, the highest on record. In 1942, it was 1,035 tons.

2. Performance per freight train more than doubled in 20 years, gross ton-miles per freight train hour having increased from 16,764, in 1923, to 36,079 in 1943, while net ton-miles per freight train hour increased from 7,770 in 1923 to 17,022 in 1943.

3. The average load per car of carload freight was 41 tons in 1943 compared with 40.1 tons in 1942.

4. Average daily movement of freight cars was 51.2 miles in 1943 compared with 48.8 miles in 1942.

5. Average haul of freight was 480 miles in 1943, compared with 428 miles in 1942.

6. The average number of passengers per car and per train was much greater than ever before.

7. Average daily movement of both freight and passenger locomotives attained a high record, that of the former being 125 miles compared with 122.4 miles last year and the latter, 220.3 miles compared with 206.8 miles one year ago.

8. Average revenue for hauling a ton of freight one mile was 0.933 cents compared with 0.932 in 1942. These averages are the lowest since 1918.

9. Average capacity of freight cars was 50.8 tons at the end of 1943, the highest on record.

10. Tractive power of steam locomotives averaged 52,548 pounds at the end of 1943, the highest ever recorded and an increase of 34% compared with 20 years ago.

The increase in freight traffic was handled this year by the railroads in the face of an increase of less than 1% in the number of freight cars and an increase of only 1.4% in the number of locomotives owned. There was no appreciable change in the number of passenger cars owned.

Railroads in the first eleven months of 1943 installed in service 26,433 new freight cars and 656 new locomotives. They had on order on Dec. 1, 1943, 36,253 freight cars and 1,004 locomotives. In order to take care of increased traffic and replace worn-out equipment, they are expected to need between 40,000 and 50,000 new freight cars and about 1,200 locomotives by next October.

Delafield & Delafield Admit Four Partners

Delafield & Delafied, 14 Wall Street, New York City, announce that Carroll Coleman, Thomas F. Lennon, Leslie H. Thompson and Theodore P. Tsolainos will be admitted to general partnership in the firm on Jan. 1, 1944.

Admission of these new partners was previously reported in the "Financial Chronicle" of Dec. 30th.

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Commerce-Industry Ass'n Opposes Kilgore Bill As Giving Arbitrary Control Over Production

Charging the Kilgore Bill (S702) as designed "to create a political mechanism which would drastically change the economic structure of the United States," the Commerce and Industry Association of New York Dec. 20 went on record as strongly opposed to its passage and requested a hearing.

The Association filed its statement with the Senate subcommittee of the Military Affairs Committee, now holding certain hearings on the proposed measure. Association Secretary Thomas Jefferson Miley requested appearance of an Association representative in a letter to Senator Harley M. Kilgore, the bill's proponent. Senator Kilgore has indicated this would be arranged when the schedule for general witnesses is prepared. No indication of the time was made.

Described as arbitrarily placing under one office full control over the nation's productive capacity, the Association statement points out that while the bill is advanced as a war measure, "although the Government already has full powers in respect to war," it proposes to give a Government agency sovereign jurisdiction over the realm of science. An initial $200,000,000 appropriaiton would be authorized, with further sums to be created as necessary, according to the statement, which said:

"The bill would appear to be based on the false premise that private industry impeded our preparation for war through failing to coordinate scientific information, and failing to utilize scientific resources in relation to the national need. It would appear to overlook entirely the fact that American enterprise has helped to develop in this country a technological civilization that is unsurpassed in the world.

"To attempt to 'mobilize' science and technology by putting it all in one 'office' is simply another way of arbitrarily placing under that one office full direction over the productive capacity of the nation. This office would have control of and responsibility for all the management and operating personnel with 'an aggregate of six months training or employment in any scientific or technical vocation.'

"It is arrant nonsense, unmatched by any totalitarian Government, to apply any such definition as the test for the classification of persons to be put under the control of one Administrator of one Office of the Government.

"Insofar as there is any general principal applicable to all, the American concept is that it is not desirable for the Government to intervene in the practical productive activities of its citizens.

"People who wish to hold themselves out to the public as skilled scientists and technologists in many categories are subject to examination and licensing, and to certain other controls, by appropriate Governmental authorities. The plumber, the electrician, engineers of many classifications, shipmasters, pharmacists, architects, insect exterminators, and a host of other scientists and technologists are subject to governmental regulation appropriate to the needs of the public in each instance. In some few cases, this is a Federal function, but in most it is a function of State or local governments."

Declaring that in its judgment the bill "would create a vast patronage agency," the Association adds: "It would put into the hands of the Administrator the authority to recruit a staff without limit in number to exempt its personnel from civil service requirements when he deemed it necessary and, except for six executive assistants to be paid $10,000 each per year, to fix their compensation. The bill lays no obligation upon the Administrator to report on the use of the funds of the Office of Scientific and Technical Mobilization; but it does obligate all persons, under penalty of $5,000 fine or one year in jail or both, to furnish the Administrator upon his request information, data and records concerning scientific and technical facilities during the war and concerning scientific and technical personnel at all times.

"We deplore the exploitation of the war which is implicit in the introduction of the bill at this time. We reject its false premises and denounce its concealed purpose to socialize, or collectivize, scientific research, development and technical service."

The Association's Committee on Protection of Industrial Property which compiled the statement is composed of Edward S. Rogers, Chairman, Sterling Drug, Inc.; John P. Bartlett, Bartlett, Eyre, Keel & Weymouth; Eberhard Faber; R. B. Fiske, American Cyanamid Co.; Frank A. Howard, Standard Oil Development Co.; John C. Kerr, Cooper, Kerr & Dunham; Lawrence Langner, Langner, Parry, Card & Langner; B. L. MacChesney, International Business Machines Corp.; Joseph T. Mackey, Mergenthaler Linotype Co.; Harry D. Nims, Nims, Verdi & Martin; Louis H. Porter, Porter & Taylor; G. H. Reid, General Electric Co.; Patrick L. Ryan, R. H. Macy & Co., Inc., and William Wallace White, William Wallace White & Scotti. Neal Dow Becker, President of Intertype Corp., is the Association's President.

Investment Possibilities In Auto Accessories

A survey outlining the present investment possibilities in the automobile accessories field was issued yesterday by Ward, Gruver & Co., 40 Exchange Place, New York City, members of the New York Stock Exchange and associate members of the New York Curb Exchange.

The survey, based upon a study of the common stocks of 10 leading accessories manufacturers, shows a record of satisfactory earnings and dividend payments since 1935.

For 1943, the yields have ranged from 4.5% for the Stewart-Warner Corporation to 8.1% for the Spicer Manufacturing Corporation.

Other companies studied, together with the 1943 yields of their common stocks, are: Borg-Warner Corporation, 4.6%; Briggs Manufacturing Company, 7.4%; Briggs & Stratton Corporation, 7.7%; Eaton Manufacturing Company, 7.3%; Electric Auto-Lite Company, 5.2%; Houdaille-Hershey "B," 7.7%; Motor Wheel Corporation, 5.6%, and Noblitt-Sparks Industries, 6.2%.

These companies, which at present are almost exclusively engaged in essential war work, can look forward to an extremely heavy replacement demand for their peace-time products after the war.