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The Challenge

Alfred P. Sloan, Jr. Sees Control of Prices During Post-war Period Of Shortages A Real Problem—Asserts Utilization of Raw Materials, Manpower and Plants Can Create High Level Of Production And Insure A Sound Advancement In Our Standard Of Living With Expanding Job Opportunities.

Condemns Double Taxation On Corporate Enterprise And Urges Elimination Of Capital Long Term Gains Tax And Confiscating Levies On Individual Incomes—Wants NO WORLD WPA At Expense Of American Tax Payer.

The belief that American business leadership is willing to accept the challenge of a post-war "opportunity for accomplishment unparalleled both in magnitude and scope in the history of American enterprise" was expressed by Alfred P. Sloan, Chairman of the Board of the General Motors Corp. In an address last month before the annual dinner in New York City of the National Association of Manufacturers.

Alfred P. Sloan, Jr.

Emphasizing that acceptance of the challenge must take the form of an all-out effort all along the whole production front, Mr. Sloan said that if it is met "it will reestablish, in a fundamental way, free and competitive enterprise as the pattern of the American economy for the long-term position ahead." He explained that the General Motors' "master plan" including the cost of conversion, the advancement of present equipment to the latest standards of technology and re-

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American Policies Of Post-War Readjustment*

Professor Somers Traces Course Of Business In Years Immediately Following Civil War And First World War And Warns Provision Must Be Made For Keeping Up Purchasing Power And Spreading It Over Time.

Sees Rapid Demobilization Of Armed Forces And Need For Substantial Discharge Payments To Servicemen And Dismissal Wages to War Workers.

By HAROLD M. SOMERS
University of Buffalo

It is becoming generally accepted that the war economy persists for some time after peace comes; it is equally true that the post-war economy emerges long before the war ends. The war and post-war present time, at an unknown number of months or years from the economies overlap each other for a considerable period of time on both sides of the date marking the end of hostilities. Even at the end of the war, we are witnessing the appearance of numerous signs of readjustment in this country. Contracts are being terminated, plants are being closed, surplus materials are being sold, disabled soldiers are being discharged, and previously curtailed civilian items are reappearing on the market. The magnitudes are still relatively small but their significance as portents of the future can hardly be exaggerated. Post-war economic

Harold M. Somers

*A paper read by Professor Harold M. Somers of the School of Business Administration, University of Buffalo, at a joint session of the American Historical Association and the Economic History Association, Wednesday, Dec. 30, 1943, at Columbia University, New York.

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SEC And NASD Attempting To Establish Custom And Usage In Securities Business By Fiat

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

The customs of a business or industry are those established practices, resting for their authority on long consent, which have the effect of unwritten law.

Both age and consent are implicit in custom and usage. Of course, the customs of a business are well known at least to those engaged in that particular industry, since their existence is dependent upon that acquiescent knowledge. Once a particular usage finds general disfavor and a substituted practice is engaged in, we may be seeing the birth of a new custom.

Custom is never something you deliberately set out to establish. Like Topsy, it just grows. If duly constituted

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

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"All In The Same Boat"

Emil Schram, President of the New York Stock Exchange, on Dec. 31 visited the floor of the New York Curb Exchange to wish its members a happy and prosperous New Year. Following his introduction by Fred C. Moffatt, President of the Curb Exchange, Mr. Schram said:

Emil Schram

"If the Curb Exchange doesn't succeed, the Stock Exchange will not be able to succeed. We want you to know that our battles are your battles and that we will work together."

It was the first time a President of the Stock Exchange had addressed the members of the Curb Exchange, although in 1942 Mr. Schram paid a similar friendly visit.

The "Chronicle" is particularly impressed with the sentiments expressed by Mr. Schram as it is

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PENNSYLVANIA SECURITIES section containing information and comment pertinent to dealer activities in that State starts on p. 62

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Prospects For Business In 1944

Leonard P. Ayres Sees Business Taking Long Step Into Realm Of Economic Reality Following Germany's Defeat—Says 1944 Will Also Be Boom Year For Business

The most important prospect for 1944 will result from the defeat of Germany when business takes "one long step back toward, and partly into, the realm of economic reality," Brig.-Gen. Leonard P. Ayres, Vice-President of the Cleveland Trust Co., predicted last month in his annual business forecast before the Cleveland Chamber of Commerce.

Gen. L. P. Ayres

Gen. Ayres asserted that "when the war with Germany is won, the demands of the Government for munitions will be sharply curtailed," adding that "when Japan is defeated the demands for munitions will almost cease and then we shall take our second long step."

Pointing out that "for more than three years American industry has been living in an artificial atmosphere, and during the past two years that has been largely true of almost all kinds of business," Gen. Ayres declared that before long "we are going to make a partial return to peace-time competition." In urging that post-war planning become post-war preparedness, he warned that "millions of war workers are a good deal nearer to returning to peace-time activities than are the men in the fighting forces."

As to the question of man-power, Gen. Ayres said that the stringency of the labor supply will probably continue until Germany is defeated and that after this "there will follow so considerable a decrease in the demand for munitions and ships

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Gov. Bricker Says 1944 Will Decide Individual's Place In Society

Says Full Use Of Nation's Industrial Plant And Higher Than Pre-War Production Vital Need.

Declaring that the events of 1944 may well determine the kind of life people will live for centuries to come, Governor John W. Bricker of Ohio on Jan. 1 called for "a great new faith in ourselves, in our fellow-man, in God and in our country."

In a radio address over the Blue Network, Gov. Bricker proposed a nine-point "declaration of America's faith" to guide this nation in solving the great problems to be faced when the war is won.

John W. Bricker

Pointing out that most people expect the major issues of the war to be settled in 1944, the Governor warned that problems of production and employment will be "acute" when the many millions in the armed forces and in war industries return to civilian pursuits. He asserted that Government and industry cannot do the job alone but that "everyone engaged in the production, transportation or selling of goods must utilize his money and ability to the fullest extent to employ others".

Mr. Bricker, who has formally announced his candidacy for the 1944 Republican Presidential nomination, further stated that, if high employment is to be maintained and prosperity preserved, the "great industrial plant must be utilized to the fullest extent and production kept even at a higher level than that achieved in the pre-war period."

The full text of Mr. Bricker's address follows:

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Strauss Bros. Admit Ginberg As 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. Mr. Ginberg's admission to partnership in Strauss Bros. was previously reported in the "Financial Chronicle" of December 30th.

Major John W. Clarke In European Theatre

Fred Gray, Chicago representative of the "Commercial and Financial Chronicle," has received an attractive V-Mail Christmas greeting from Major John W. Clarke, now serving with the American Military Government

Major J. W. Clarke

Department in the European theater. Major Clarke was formerly head of John W. Clarke & Co., Chicago.

He would be glad to hear from his friends in the bond business—his present address is: Major John W. Clarke, O-519659 Company "D," 2675th Reg't. A. C. C., A. P. O. No. 394, Postmaster, New York City.

Feight-Yager Officers

DAYTON, OHIO— George W. Peffer and Mrs. Elizabeth Brewer are officers of Feight-Yager & Co., Gas & Electric Building. Fred C. Yager is president of the firm.

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Post-War Foreign Exchange Stabilization Further Considered

In an article bearing the above caption and published in the "Chronicle" of Dec. 16, Dr. Benjamin Anderson, Professor of Economics at the University of California, Los Angeles, and formerly Economist of the Chase National Bank of New York City, renewed the discussion of the British and American proposals for post-war foreign exchange in light of the revised plan issued by the Treasury in July, 1943, and the plan for an international investment bank which was promulgated in October, 1943. Dr. Anderson's analysis of the proposals originally made for stabilization of foreign exchange had appeared in two parts in the Chronicle issues of May 20 and May 27, 1943. In the article recently published, Dr. Anderson also elaborated on his own alternative constructive proposals for financial and currency stabilization in the war-stricken countries. In connection with this further paper on the subject, the "Chronicle" has received various comments, some of which can be accommodated in today's columns and are given below. Others will be given in subsequent issues.

By HON. CHARLES S. DEWEY
Member House of Representatives and of the House Ways and Means Committee

Rep. Chas. S. Dewey

I have read "Post-War Foreign Exchange Stabilization Further Considered", with the deep interest that I always accord to all of Dr. Anderson's statements. Coming just at this time, I think it presents to the public some very practical points of view—not only in regard to our future activities, but the experiences of our government in the period following the First World War. I think that a great many members of the administration, who are giving thought to these subjects, would do well to

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NASD 5% Rule Contrary To Will Of Congress And Must Go!

Dealers Flatly Reject Contention Advanced In Some Quarters That Continued Opposition Is Futile And Are Ready To Participate In Any Organized Effort To Kill Measure.

A meeting of the Board of Governors of the NASD is to be held at Hot Springs, W. Va., on the 17th and 18th of this month and the "Chronicle" hopes that the Governors will at that time have the good sense to rescind the illegally adopted 5% mark-up rule if they have not already been instructed to do so by the SEC.

Aside from the utter lack of wisdom inherent in such a rule, the Maloney Act, which spawned the NASD, makes it obligatory upon the Board to do so and mandatory upon the Commission to compel such action. We say this because the Act states, as mentioned in a previous article, that an association shall not be registered as a Maloney association unless it appears to the Commission that **"the rules of the association assure a fair representation of its members in the adoption of any rule of the association or amendment thereto * * *"** If this does not make the intent of Congress clear one only has to read the proceedings of the hearings held by the Senate and House of Representatives Committees on the Maloney Bill to have all doubts in this respect dispelled.

The Honorable George C. Mathews, who was Chairman of the SEC at the time, and Milton Katz, who was then attached to the legal staff of the SEC, testified at those hearings. Representative Boren asked Mr. Katz whether under the bill the individual members "will have their rights properly protected in the Association." Without any hesitation Mr. Katz said "yes" and then proceeded to read that part of the bill which we have quoted above in bold face to prove his point.

Additional testimony by Mr. Katz at this stage of the hearing was intended to convince Representative Boren that it was not true that "certain economic advantages might arise as between individuals and the corporate entity (meaning a Maloney Association)." Is this not conclusive evidence of the fact that Congress did not mean to countenance the adoption of any 5% mark-up rule that would work to the detriment of the small fellow? If not, it is only necessary to read the reports of the Congressional Committees on the Maloney Bill to make this clear. Furthermore, such reading would also make it obvious that Congress definitely intended to actually prohibit any Maloney association from imposing any schedule of prices or commissions whether in a bona fide attempt to prevent, or under the pretext of preventing,

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Greatest Possible War Effort And Preparations For Reconversion Stressed By National City Bank

Devoting every effort and resource to winning the war and making all possible preparation to facilitate the reconversion to peacetime work are the two great tasks facing the United States at the beginning of the new year, according to the January "Letter," published by the National City Bank of New York.

Regarding general business conditions, the bank's review further states:

"The reason why reconversion problems have become pressing while the war is still far from won is that we have found that we can produce more of some types of weapons and munitions than the armed forces can use. This leads to cutbacks in production schedules, which release materials and labor first to make other war products, and in due course to turn out more civilian goods.

"Before the end of 1944 the release of materials and plant facilities for civilian production, which is now only a trickle, seems likely to become a good-sized stream. General Eisenhower has expressed himself without qualification as believing that the defeat of Germany will come during 1944. When that happens contract cancellations will rise to an enormous volume, even though war production must continue large until the defeat of Japan. Unless policies have been established and organizations enlarged to handle contract settlements promptly, and to deal with the related problems of disposal of inventories, machines and plant, the transition to peacetime manufacturing will be slow and difficult. Much of the industrial organization will be tied in knots, with working capital frozen in war inventories and working space encumbered with Government property.

"Other problems which call for policy-making decisions are also pressing. More materials, especially metals, are available and could be used for civilian goods to the extent that labor, plant capacity and component parts are

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Senate Finance Group Minority Assails Renegotiation Law Changes

A minority group of the Senate Finance Committee criticized on Jan. 4 several proposed amendments to the war contracts renegotiation law in the pending tax bill.

The minority report, signed by Senators Walsh (Dem., Mass.); Connally (Dem., Tex.); La Follette (Prog., Wis.), and Lucas (Dem., Ill.), contended that "a new crop of war millionaires" will result if the Committee's revisions are allowed to stand.

In a statement, Senator Walsh said the proposed amendments would "emasculate" the renegotiation statute and would strike down the existing protection against war profiteering "allowing, and in some cases, compelling large groups of war contractors to make courageous profits."

In Associated Press Washington advises, the following additional was reported:

"The renegotiation statute has provided an effective means of limiting war profiteering," the Senator said. "Under it war contractors have been allowed liberal profits on their war business, but inordinate profits have been eliminated. Through its operation, soldiers and the public have been given a measure of assurance that no group would make exorbitant profits during the war from munitions and war supplies."

Mr. Walsh said the minority report would list 200 specific examples of excessive profit after taxes. He did not name any of the firms in his statement, but commented:

"Forty of these companies which have had war contracts with the Government show over 100% earned after taxes in 1942 on the net value of these companies as shown by their books. The highest per cent earned by the companies listed is 965% and there are several companies which have earned in excess of 500%.

"Incidentally, these cases have been solely selected from among cases which are in process of renegotiation by the War Department. Similar cases are contained in the files of the Navy and Treasury Departments, the RFC, the Maritime Commission and the War Shipping Administration."

Declaring "in the long run business itself will pay most dearly for any recurrence of war profiteering," the minority called for the defeat of five specific amendments.

The proposed exemption of "standard commercial articles" from renegotiation, they claim, "would permit excessive profits, clear and free of taxes, amounting to a quarter million dollars."

The minority said another section which would exempt from renegotiation the profits on products not physically incorporated in a completed contract item "actually compels profiteering on war business."

Another section, which the minority condemned as a "sleeper," retroactively would exempt prices and profits on any article furnished in obedience to a WPB directive and under an OPA ceiling.

"This mysterious provision may be tantamount to repeal of renegotiation for all war production except combat weapons," they said.

Also criticized was an amendment permitting "de novo" appeals to the Court of Claims of all renegotiation cases, including those which contractors already have agreed to close, and another which would require renegotiators to take into account Federal taxes and probable post-war reconversion costs in computing suitable profits for a contractor.

In our issue of Dec. 30, the majority report of the Senate group on the tax bill was referred to on page 2652. Also in this issue were Secretary of the Treasury Morgenthau's criticism (page 2665) and Senator George's reply (page 2664).

C. E. de Willers Co. Adds Samuel Weinberg

Announcement is made that Samuel Weinberg, for the past several years with S. H. Junger Co., has become associated with the over-the-counter securities firm of C. E. de Willers & Co., 120 Broadway, New York City, as Manager of their Trading Department. Some years ago, Mr. Weinberg inaugurated an active service to brokers by bidding on bonds with missing coupons or bonds that are mutilated thus creating a market for "poor delivery securities." Through his new association, Mr. Weinberg will continue to render a personal service as a brokers' broker. Chester E. de Willers was recently elected Second Vice-President of the Securities Traders Association of New York.

Text Of Dewey Resolution Providing For Central Reconstruction Fund For Rehabilitation & Currency Stabilization

We are giving below the text of the joint resolution introduced in the House on Dec. 16 by Representative Dewey (Rep., Ill.) providing for a central reconstruction fund to be used in "joint account" with foreign governments for rehabilitation, stabilization of currencies, and reconstruction.

Mr. Dewey, a former Assistant Secretary of the Treasury in the Coolidge Administration and United States financial adviser in Poland on currency stabilization from 1927 to 1930, testified before the House Foreign Affairs Committee on Dec. 17, urging adoption of his new international plan. He proposed it as an amendment to the bill under consideration which provides for U. S. participation in work of the United Nations Relief and Rehabilatation Administration.

In describing his proposal on the floor of the House on Dec. 21, Representative Dewey said that it "is not only germane but indispensable to all matters of rehabilitation and reconstruction, because it will bring all such efforts under a single supervision; hence, the American people will know at all times the extent of their commitments in the post-war period." Mr. Dewey explained that the central reconstruction fund provided in his resolution "can do everything proposed by the Treasury stabilization fund and reconstruction bank." He further said:

"It also cooperates with that section of the United Nations Relief and Rehabilitation Administration attempting any rehabilitation work. It can do all these things in joint account, that is by specific contract agreement, with

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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. Mr. Butler's association with Huff, Geyer & Hecht was previously reported in the "Financial Chronicle" of December 30th.

Townsend, Graff & Co. Admits New Partners

Townsend, Graff & Co., 120 Broadway, New York City, members New York Stock Exchange, announce that Harry A. Greenhall and Irving Herzenberg have been admitted to general partnership in the firm.

Admission of Mr. Greenhall and Mr. Herzenberg was previously reported in the Financial Chronicle of December 23.

The Seizure Of The Roads

The seizure of the railroads by the Government has little in common with the corresponding move by President Wilson in December, 1917. Then lack of coordination in traffic movements, with other factors, had caused such congestion that inadequate transportation service was the bottleneck of the whole war effort. The government action was for the purpose of establishing coordination and control by a central authority. No such condition has arisen in this war. On the contrary, the accomplishment of the railroads commands the admiration of the country.

President Roosevelt's move was for the purpose of putting the railway unions in the position of working for the Government, thereby subjecting them to penalties against strikes, and to put the roads under the protection of the Army both for security and to aid in operation if necessary. The President instructed that the ordinary management, operation and financial transactions of the roads were not to be disturbed except in such manner as necessary to secure the purposes of the order. The natural deduction is that a return of the roads to their owners is contemplated as soon as labor relations become stable again, following the parallel to be found in the taking over of the coal mines earlier. — From the January Monthly Bank Letter of the National City Bank of New York.

Friday Night Bond Club Dinner Dance

On Saturday evening, Feb. 12, the Friday Night Bond Club will hold its eighth annual dinner-dance at the Hotel Delmonico, 59th Street and Park Avenue, New York City.

Membership of the Club includes employees or officers of most of the large firms and banking institutions on the "Street." The aims and purposes of the organization are to create a better understanding among, and contact between, the personnel of the financial section.

Garvin, Bantel Co. To Admit Daniel Condon

Garvin, Bantel & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Daniel G. Condon to partnership in the firm shortly. Mr. Condon will act as alternate on the floor of the exchange for Henry S. Allen, Jr.

Railroad Securities

Despite the impact of increased wages (the full extent of which has not as yet been determined) and the heavier tax burden due to the fact that a majority of the major carriers had finally used up the balance of their tax credits and were thus subject to excess profits taxes, final earnings results for 1943 will prove highly favorable. It is now estimated that net after taxes and charges will not fall far below $900 million compared with roundly $960 million reported in the preceding year.

There are a number of uncertainties in the earnings picture for the current year. Certainly the tax bill will be heavier than in 1943, and wages, even though largely offset by the tax factors, will be higher. Also, the carriers will not have any benefits from increased rates which were in effect in the early months of 1943. Finally there will be the course of the war, which will be the major determinant of traffic volume.

Regardless of the duration of the war, all present indications point to maintenance of peak traffic volume throughout the major part of 1944 at least, and even with taxes, wages and rates exerting a drag on net, as compared with a year ago, there is little question but that earnings will remain at high levels in relation to the pre-war experience. Also, there is little question but that the debt retirement programs will again be pushed. In fact, in view of the complete financial rehabilitation of practically all of the marginal carriers it is generally expected that an even larger proportion of net income will be diverted to this cause in 1944 than in 1943.

With the background of a virtually assured high level of earnings and the prospect of additional debt retirement, many rail men anticipate that junior bonds and the stock of Southern Pacific will be the leaders in the further advance in rail securities looked for in 1944. It is pointed out that these securities have not yet reflected to any great extent the financial progress already made, that the company still has very substantial liquid resources, and that the Pacific war will support traffic even if the European war should be brought to a successful conclusion some time this year.

The complete details as to Southern Pacific's 1943 debt retirement are not as yet available. Figures that have been published show a reduction of some $63,000,000 in non-equipment debt from Dec. 31, 1942, through Jan. 2, 1944, and it seems likely that the final figure will be in excess of $65,000,000. During the next five years the company now has only about $10,000,000 Central Paciiic European Loan 4s, 1946 to worry about while maturities of ten years or under (exclusive of regular serial equipments) have presumably been reduced below $150,000,000. To aid in refunding these maturities the company will have the security behind the maturing bonds, including the San Francisco Terminal property and virtually all of the Central Pacific mileage, as well as the security which supported loans aggregating $100,000,000 (RFC, banks and the 3¾s, 1946) which have been repaid in recent years.

Finances are still strong enough to warrant further substantial debt reduction in the coming year. As of the end of October cash items stood above $176,000,000 while receivables (believed in large measure due from the Government) were about $94,000,000. The total of these items, roundly $270,000,000 compares with $146,660,000 a year earlier. Net working capital during the 12 months had increased approximately $52,000,000 to $126,000,000 even with the interim debt reduction and dividend payments. In addition, it is indicated that holdings of Government securities not included in current assets amounted to $20,000,000 or more on Oct. 31, 1943, compared with none a year earlier. Only about $29,300,000 of these resources, which were presumably increased by operations in the last two months of the year, were needed to retire the Secured 3¾s.

It is estimated that net income last year ran between $60 million and $65 million and even with heavier taxes and increased wages it is expected that net will hold above $50 million in 1944. Up to now the company has concentrated its debt retirement program on near maturities, which at the outset of the boom were admittedly a serious problem. By now, however, the problem of refunding the intermediate term maturities does not loom so large. It is felt, therefore, that the company may soon change its former policies and start on the retirement of the longer term Debentures and Oregon Lines 4½s, 1977. These bonds are outstanding at slightly less than $206,000,000 and are still selling in the 60s. Use of cash to repurchase these issues would naturally result in a far

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Smith Barney Announce Five New Partners

The admission of five new general partners is announced by Smith, Barney & Co., 14 Wall Street, New York City, members of the New York Stock Exchange and other Exchanges, effective January 1. They are W. Fenton Johnston, Holden K. Farrar, Norbert W. Markus, James Cheston 4th, and C. Cheever Hardwick. Joseph R. Swan has retired as a general partner to become a limited partner.

These partnership changes were previously reported in the Financial Chronicle of December 23 and December 30.

Pennsylvania Brevities

Renewed Activity in U.G.I. Shares

Last week's approval by the SEC of the distribution to United Gas Improvement stockholders of 1,162,000 shares of Delaware Light & Power Co. common brought renewed activity and interest in U.G.I. shares. A special meeting of U.G.I. stockholders has been called for Feb. 29, at which time ratification of the distribution is expected.

Each holder of one share of the 23,252,000 shares of U.G.I. now outstanding will receive 1/20 share of Delaware Light & Power. With the new Delaware stock actively traded on a "when issued" basis around 15, the distribution has an indicated value of about 75 cents per share of U.G.I. Physical distribution of the dividend is not expected before the latter part of May.

U.G.I. directors also state that action will be taken at the annual meeting, May 1, 1944, on a proposal to change the present "no par value" classification of U.G.I. common to a stated par of $13.50 per share and to exchange each present share for 1/10 share of new U.G.I. This action comes in belated recognition of demands of stockholders and dealers, dating from last spring, when U.G.I.'s holdings of Philadelphia Electric Co. and Public Service Corp. of New Jersey were scheduled for distribution.

Because of the fact that the program of disposal of assets of U.G.I. is well under way and that further negotiations are in progress, the board has decided not to appeal the two divestment orders entered against the company by the SEC.

York Corp. Initial Dividend

With the payment of an initial dividend of 15 cents per share on Jan. 4, to stockholders of record Dec. 20, York Corporation signalized completion of its Plan of Recapitalization and Merger. Steps in the Plan included merger of the former York Ice Machinery Corp. into York Corp., refunding former York Ice Machinery 1st 6s, 1947, with an issue of York Corp. 1st 4½s, and the exchange of 15 shares of York Corp. common for each share of York Ice Machinery Corp. 7% preferred, thereby eliminating the latter issue.

In its statement for the fiscal year ended Sept. 30, 1943, the company reports net sales of $31,394,281, compared with $22,541,345 for the preceding fiscal year. Net income is reported as $902,314, equal to 97 cents per common share, compared with $1.11 for the previous comparable period. The slight decline in net is entirely attributable to the impact of heavier taxes. Provision for Federal and State taxes for 1943 were $2,196,000 compared with $716,000 for the previous year.

New business booked during the year totaled $34,462,556, of which 85% comprised refrigeration and air conditioning related to the war effort. It is significant, however, that less than 2% of total productive floor space has been completely converted to manufacture of direct war material. Thus the company's reconversion problem appears to be comparatively simple.

The annual meeting of York Corp. will be held Jan. 11 at York, Pa. It is proposed to amend the by-laws by adoption of a resolution which will "stagger" directors' terms of office from one to three years. This will assure a greater continuity of direction by persons familiar with the operations and affairs of the company. Mr. John S. McMartin, Vice-President of Selected Industries, one of the Tri-Continental Corp. group of investment companies, has been nominated as a director.

Application to list the 962,046 shares of York Corp. common stock on the New York Stock Exchange has been made by the company. It is expected that the listing will become effective the latter part of this month.

Pittsburgh Railways In Spotlight

Restive holders of some $4,000,000 in underlying bonds of the Pittsburgh Railways Co. system and $1,000,000, more or less, of divisional stocks, were represented by a dozen security dealers from Philadelphia and New York who met in the offices of Craigmyle, Pinney & Co., 1 Wall St., on Dec. 17 to discuss ways and means of finding a practical solution of the traction company's problems.

Operated by court-appointed Trustees since 1938, the system has adequately met the heavily increased demands of war-time transportation. Equipment and rolling stock is in excellent condition. Earnings are at all-time high levels and the Trustees find themselves possessed of something over $13,000,000 in idle cash. Following their appointment five years ago, the Trustees devised a Plan of Reorganization involving a drastic scale-down of capitalization. The Plan was never acceptable to public security holders who now believe it is inappropriate and impossible of consummation. The Philadelphia Company, which owns all the common and preferred stocks of Pittsburgh Railways and is a very substantial holder of many underlying securities, opposes any subordination of its interest. It would seem apparent that the conflict of interests between public holders and the Philadelphia Company can only be resolved by compromise and there is good reason to believe that steps now being undertaken may be productive of such results.

The present trend of thought is for the public holders to join with the Philadelphia Company in a petition to dismiss the Trusteeship and to return the properties to its owners without reorganization. Such a procedure would be highly desirable from a tax standpoint. Preliminary letters of inquiry suggesting such a program were delivered to the Philadelphia Company early this week by holders of substantial amounts of securities.

Philadelphia Company

The high rate of war production in the Pittsburgh area is expected to maintain revenues at peak levels over the medium term. Earnings for 1943 may be somewhat greater than the $42 earned per combined preference share in 1942. While costs are somewhat up, the company files a consolidated return with that of its parent, Standard Gas & Electric Co., thereby achieving a reduction in Federal tax liability. The Standard Gas & Electric Plan of Reorganization, thus far approved by the SEC, provides for the retention of Philadelphia Company.

Final opportunity for exceptions or objections to the Philadelphia & Western Railroad Plan of Reorganization will be at a hearing on Jan. 10 before Judge W. H. Kirkpatrick in the U. S. District Court. Special Master L. I. Deininger reports that $1,941,000 out of $2,089,000 first mortgage bondholders have accepted the terms of the plan. It is expected that Judge Kirkpatrick will rule final approval.

Members of the Philadelphia Stock Exchange are following with keen interest the tiff between the SEC and the Chicago Stock Exchange regarding the delisting of securities on the motivation of the issuing corporation. The Fuller Manufacturing Co., for reasons which it considered good and sufficient, withdrew its common shares from the Windy City board. The Chicago Stock Exchange, feeling itself outraged, promptly adopted a retroactive ruling providing that a security should not be withdrawn on request of issuer unless proposed request be approved by 66⅔% of the amount outstanding and then only provided less than 10% have not objected. The SEC, in all fairness, ruled against the right of the Chicago Exchange to enforce a retroactive rule, but promised to do some cogitating of its own. Over-the-counter dealers are suggesting that it is a poor rule that won't work both ways. If stockholder approval is to be required for de-listing, why shouldn't the same approval be required for the original listing? In either event, it would seem that the choice should properly rest with the security holders. Such a ruling, both ways, would save a lot of internecine strife, which the business could well do without.

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Pennsylvania Municipals

Throughout the year 1943 the Pennsylvania municipal market was definitely and consistently strong. Dealers were faced with a scarcity of new issues and the market received very little in the way of liquidating orders with the exception of some City of Philadelphia issues.

There were, however, a few sales that provoked comment as to the strength of the market and indicated a willingness on the part of dealers to step up into higher price levels to obtain merchandise. In June, Allegheny County sold $1,500,000 bonds from 1944 to 1973 as 1¼s at 100.20. This was an exceptional price and coupon considering the long average life of the issue. In October, the City of Pittsburgh sold $1,000,000 bonds, 1944-1963, as 1.10s at a bid of 100.376, or an interest cost to the city of about 1.06%. The City of Allentown sold a small issue ($100,000), 1954-1952, as 1s at a bid price of 102.26, reflecting an interest cost to the city of about .58%.

Of note in a comparatively dull year was the refunding of the Delaware River Bridge issue. A large syndicate of dealers purchased $37,000,000 new 2.70s as against the former coupon rate of 4¼%. The market absorbed the issue on an over-subscription basis and the bonds are currently selling several points above the issue price.

The financing of the Pennsylvania Turnpike entered its latter stages with the sale to the public of an additional $1,500,000 bonds, an amount quite insufficient to satisfy the public demand for this high-yielding issue. It is understood that an additional issue of $1,500,000, to be sold in the future, will complete this financing.

Firmness throughout the year characterized City of Philadelphia issues. Improvement in the city's financial affairs was officially recognized on January 3, 1944, when city bonds regained an "A" rating. Edgar W. Baird, Jr., City Treasurer, announced that during the first eleven months of the year, receipts reached a total of 99.09% of the budget estimate for the entire year, indicating a comfortable overage for the year when final figures are available. The unexpected success of the Refunding Plan marked the turning point in the city's credit rating. Of a total of $161,000,000 bonds authorized for exchange under the Plan, over $100,000,000 were converted or exchanged. This amount far exceeded the expectations of the managers and group members negotiating the refunding.

The outlook for 1944 is for a continued scarcity of offerings with a further firming of prices. Little can be expected in the way of public works or municipal improvement issues until after the end of the war.

Buckley Brothers Add G. E. Parks In N. Y.

Buckley Brothers, members of the New York and Philadelphia Stock Exchanges, announce that G. Everett Parks is now associated with them as Sales Manager of the New York office, 63 Wall Street.

Now S. T. Jackson & Co.

YOUNGSTOWN, OHIO—The firm name of Flannery-Jackson & Company, Inc., Union National Bank Building, has been changed to The S. T. Jackson & Company, Inc. Officers of the new firm are Stacy T. Jackson, President; J. C. Manning, Vice-President; Jean L. Truog, Treasurer, and Arthur Morgan, Secretary.

Tomorrow's Markets Walter Whyte Says—

Current market action indicates end of hesitation and renewal of upward trend—Railroad equipment, airplane and specialty stocks recommended.

By WALTER WHYTE

Up to a few days ago the market had all kinds of symptoms that pointed if not to a decline then certainly to a dull period devoid of speculative interest. Much of this tendency was a reflection of the conditions both here and abroad. But whatever the basic causes they spelled disinterest

* * *

The only group which seemed divorced from the action of the general list was the airplanes. This may have been due to two causes. The war, the end of which seemed to be just around the corner, seemed to be on again, presupposing an increased and sustained demand for airplanes. The other reason was in the market itself.

* * *

For months the airplane group had been declining. While other groups were merrily playing leap frog on the way up the airplane issues displayed a lackadaisacal quality which seemed strange in comparison with the products these issues represented. But there was one thing the group had accomplished in its slide down the ladder. It had reached a level from where if it couldn't advance it at least showed it had reached a base from where values began to poke their heads.

* * *

The term "values" is one I don't care to use. It means so many different things to many people that its definition only leads to arguments. But if I'm not interested in statistical appraisals then I am interested in market action. And based on market action the airplanes, together with other stocks, seemed to have reached a level which pointed to higher levels. I therefore recommended the purchase of two stocks at specific prices, Curtiss Wright "A" and Lockheed.

* * *

The favorable action of one group doesn't make for a bull market. So keeping in mind the signals of a decline the averages were beginning to point to I warned that storm clouds were gathering. All this held good until Tuesday, when this column was written.

* * *

On that day the market was placed in a corner from which one of two things had to happen. Either it would start nibbling at offerings or it would back away to lower levels. A few weeks ago in looking ahead I believed the weight of offerings would

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Pennsylvania Brevities

(Continued from page 62)

Net earnings of Girard Trust Co. for the year ended Nov. 30, were $2,176,146, or $5.44 per share, compared with $1,722,928, or $4.31 per share for the preceding year, as reported by James E. Gowen in his report to stockholders.

Philadelphia bank stocks closed 1943 at their highest level of the year. In the week ending Dec. 31, the aggregate market value of 10 stocks comprising the H. N. Nash & Co. index was $187,538,000 and yield 4.55%. Increase in market value for the year was 27%.

Recapitalization plan that may involve refunding of over $35,000,000 outstanding debt with new obligations bearing lower coupon rate is under consideration by the Scranton-Springbrook Water Service Co. Issues that may come under the plan are $16,000,000 Scranton-Springbrook Water Service "A" and "B" 5s, $11,000,000 Scranton Gas & Water 4½s, 1958, and $7,800,000 Springbrook Water Supply 5s, 1965.

In annual report to stockholders for the fiscal year ended Oct. 31, 1943, George L. Russell, Jr., President of John B. Stetson Co., reported net profit of $406,218, equivalent to $1.20 per common share, compared with $174,931, or $0.23, for the preceding year. It was stated that the company had repaid $450,000 of the $750,000 borrowed in 1942 for plant improvements.

Philadelphia & Reading Coal & Iron Co. reports net profit of $1,670,432, after taxes, for the 12 months ended Sept. 30, 1943, compared with a loss of $521,334 for the preceding 12-month period.

Jones & Laughlin Steel Corp.'s drive to produce steel products sent its operating rate to 102% of capacity and resulted in 598 new production records in 1943, according to a report by the company. New records were made in the firm's plants at Pittsburgh, Aliquippa and McKeesport, Pa., and Cleveland, O.

J. Hamilton Cheston, Vice-President of Philadelphia Saving Fund Society, has been elected a director of Reading Co., to fill vacancy caused by death of Joseph E. Widener.

Public Utility Securities

Delaware Power & Light

Trading over-the-counter in the "when issued" stock of Delaware Power & Light was recently initiated around 13½ and the stock has advanced to its present quotation, around 14-14½. From the large number of dealers appearing "in the sheets," the new issue appears to be having a popular reception. The present company represents a merger between Delaware Power & Light and Eastern Shore Public Service Company, which was taken over from Associated Gas in a complicated series of deals between that system and United Gas Improvement.

The pro forma consolidated earnings statement in the bond prospectus indicates share earnings about as follows for the new common stock:

Year Ended May 31, 1943	$1.08
Calendar year 1942	1.09
Calendar year 1941	1.26
Calendar year 1940	1.64

These figures did not reflect economies in operations or other benefits arising from the merger, and no effect was given to immediate tax savings resulting from special deductions in connection with refunding of the bonds and preferred stock. Also they were after deducting 14 cents "amortization of electric and common plant acquisition adjustments," though this does not represent a cash outlay. Later interim figures on the new basis are not yet available, but should be forthcoming in a few weeks (the September figures based on the old set-up were released about Nov. 5).

All of the common stock of the merged company is held by United Gas Improvement, and in line with that company's dissolution program, it recently announced that 1,120,600 of the 1,162,600 shares of Delaware would be distributed to its own stockholders in the ratio of 1 for 2, on or about May 22, 1944, following a 10-for-1 "reverse split-up" for that stock.

United Corp., as the largest stockholder in U. G. I., will receive 303,311 shares or 26.09% of Delaware's stock. It is anticipated that Delaware may pay dividends on a liberal basis—possibly $1 a share, in view of the earnings of about $1.22 before plant amortization, and the substantial Federal tax savings anticipated as a result of the 1943 financing.

The cash position of the new company should be excellent as the pro forma consolidated balance sheet for May 31 (giving effect to the financing and merger) showed total cash of $2,436,051 and total current accrued assets of $3,804,475, as compared with current liabilities of $2,041,734.

Delaware Power & Light serves Wilmington, principal industrial city of Delaware, and also a large part of the remaining area of that State. Two subsidiaries (presumably not merged because their operations are in other States) serve a substantial part of the Delmarva peninsula" on the eastern side of Chesapeake Bay and four counties in southern Maryland on the other side of the Bay. This territory is principally rural, helping to balance the industrial load in Wilmington. However, the three Eastern Shore Public Service companies (the Delaware Company was merged, while the Maryland and Virginia companies were not) contribute only about 10% of total system revenues.

Electricity contributes about 81% of revenues and gas 19%, while ice and cold storage bring in a small amount. A sizable part of the company's electric and gas output is purhased from Philadelphia Electric, which until recently was a U. G. I. subsidiary. The ratio of depreciation and maintenance to gross revenues (less purchased power and gas) is 18%.

At the current price, around 14¼, the stock is selling at about 11.6 times the earnings before amortization of plant with a yield of about 7% based on the possible $1 dividend rate. Philadelphia Electric, paying $1.20, based on the current quarterly rate, recently sold as high as 22, having advanced substantially since it was first traded over-the-counter on a when issued basis a few months ago. On a similar 5½% yield basis—assuming that the forecast of a $1 dividend rate is correct—Delaware Power & Light would be priced around 19. Both companies have a broad common stock basis in relation to total capital—Delaware 49% and Philadelphia 46% (including the new preference stock as well as the common), which under current market standards is usually the most important factor in investors' appraisal of a utility operating company common stock.

Ass'n Of S. E. Firms Committee Heads

John L. Clark, President of the Association of Stock Exchange Firms has announced the appointment of the 14 standing committees of the Association for the year 1944. In addition to serving as Chairman of the Executive Committee, Mr. Clark of Abbott, Proctor & Paine will also head the Public Relations Committee. M. Livingston Delafield, of Delafield & Delafield, who is Treasurer of the organization was appointed Vice Chairman of the Executive Committee and Chairman of the Finance Committee and the Investment Advisory Committee. Springer H. Brooks, of Piper, Jaffray & Hopwood, St. Paul, who is Second Vice President of the Association, was named head of the Taxation and Legislation Committee.

The Chairmen of the other standing committees are as follows; Salary—Frank R. Hope, of Paine, Webber, Jackson & Curtis; Back Office—Theodore A. Lauer, of E. F. Hutton & Co.; Back Office Technical Sub-Committee—Mathew E. Smith, Jr., of Harris, Upham & Co.; Investment Banking and Special Committee on Government Bond Markets — Eugene P. Barry, Shields & Co.; Banking Relations—Homer A. Vilas, of Cyrus J. Lawrence & Sons; Sub-Committee on Education—Walter W. Stokes, Jr., Stokes, Hoyt & Co.; Customers' Brokers—Thomas W. Phelps, of Francis I. duPont & Co., and Bond— Sydney P. Bradshaw, of Clark, Dodge & Co.

N. A. McKenna Partner In Reynolds & Co.

Following a period in which he was engaged in war service, Norbert A. McKenna will return to the investment banking field on January 1, when he will become a general partner of Reynolds & Co., 120 Broadway, New York City, members New York Stock Exchange.

Mr. McKenna was a general partner of Eastman, Dillon & Co. until October 1940. He was the first director of the Pulp Paper Printing & Publishing Divisions of the War Production Board and instituted the pulp and paper allocation planning which has become so useful today. Shortly after Pearl Harbor he became chief of the Production and Scheduling Branch of the Motor Transport Service of the U. S. Army.

Mr. McKenna will be a general investment banking partner of Reynolds & Co., in charge of brokerage and retail distribution departments.

Mr. MacKenna's admission to partnership in the firm was previously reported in the Financial Chronicle of December 23.

S. Edw. Dawson-Smith With Straus Securities

CHICAGO, ILL.—S. Edward Dawson-Smith has become associated with Straus Securities Company, 135 South La Salle, in their trading department, specializing in real estate securities. Mr. Dawson-Smith was formerly manager of the trading department for Weinress & Co.

Brady & Co. Formed In New York City

Michael J. Brady and Frank M. Cryan have formed Brady & Co. with offices at 49 Wall Street, New York City, to engage in a securities business. Mr. Cryan was formerly an officer of Barrett, Herrick & Co., Inc., with which Mr. Brady was also associated.

Ingalls-Snyder Admit Watts & Hinchman

Ingalls & Snyder, 100 Broadway, New York City, members of the New York Stock and Curb Exchanges, announce that Samuel H. Watts and Ralph P. Hinchman, Jr., have been admitted to partnership in their firm and that Waldo P. Clement, Jr., and H. C. Westendorf are now associated with them. Mr. Watts and Mr. Hinchman were formerly partners of the dissolved firm of Fellowes, Davis & Co., with which Mr. Clement and Mr. Westendorf were also connected.

Ingalls & Snyder also announce that their telephone number has been changed to Cortlandt 7-6800.

Situation Of Interest

The current situation in Public Service Company of Indiana, Inc., offers interesting possibilities, according to a circular being distributed by Edward D. Jones & Co., 300 North Fourth Street, St. Louis, Mo., members of the New York and St. Louis Stock Exchanges and other leading Exchanges. Copies of this circular may be obtained from Edward D. Jones & Co. upon request.

Pixies In The Proxies

Eastern Printing Corporation, 100 Sixth Avenue, New York City, is distributing an interesting and informative leaflet by Andrew F. Gibson entitled "Pixies in the Proxies." This leaflet discusses recent trends, the annual report, proxy material and delayed meetings briefly but comprehensively. Copies may be had upon request from the Eastern Printing Corporation.

Edwin Wolff Is Now With Herzfeld & Stern

Opens New Branch

Herzfeld & Stern, 30 Broad Street, New York City, members of the New York Stock Exchange since 1880, announce that Edwin Wolff has joined its organization to handle inactive and guaranteed railroad securities. Since 1940 Mr. Wolff has been with Steiner, Rouse & Co. as manager of the inactive railroad and miscellaneous securities departments, and for 28 years prior to that, headed his own firm, Edwin Wolff & Co.

The firm also announced the opening of a branch office at 500 Fifth Avenue under the joint management of Isak D. Spiegel, formerly with Hirsch, Lilienthal & Co., and Harry A. Kuffler, in Wall Street since 1908.

N. Y. Analysts To Meet

The New York Society of Security Analysts will hear H. F. Wyeth of Shields & Co. on the Southern Pacific at their luncheon meeting to be held on Jan. 7.

On Jan. 10, Wilson Wright, economist for the Armstrong Cork Company will speak on the "Introduction of New Products."

All meetings are held at 56 Broad Street, at 12:30 p.m.

Interesting Data

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have prepared an interesting abstract from the opinion of Judge Hincks on the New York, New Haven & Hartford Secured 6s. Copies of this abstract may be had from the firm upon request.

The Challenge

(Continued from first page)

tooling for post-war methods, involves an expenditure of about $500,000,000 "to help preserve the free competitive enterprise system as the keystone of the American economy." Mr. Sloan said this plan was based upon an expected post-war national income of $100,000,000,000, as against a pre-war income of about $70,000,000,000.

Declaring that expanding job opportunities are a social, political and economic "must" in the post-war era, Mr. Sloan stated that these must be provided by developing new things to produce and by producing existing things at lower prices, at the same time, warning that unless this is done the people "will demand of Government through political action what they cannot obtain through private enterprise." He added that a direct conflict between Government in business along a wider front and private enterprise "would mark the beginning of the end—the end of the American competitive system as we have known it, the beginning of the socialization of enterprise."

Mr. Sloan predicted an upward spiral of business activity after the process of reconversion is completed but cautioned that in the period of shortages some temporary controls must be maintained "to control the inflationary influences" and be kept in force "until production develops a better balance and the law of supply and demand can operate freely again."

The full text of Mr. Sloan's address follows:

I appreciate the honor of again appearing before you this evening. Some eight years ago we discussed the then developing demand for the acceptance, by our industrial leadership, of a different type of economic responsibility as affecting the security and social progress of our people. It had become clear that American business leadership must superimpose upon its normal functions a broader philosophy of management—one that must take the form of economic statesmanship. Such a concept stands out with dramatic intensity when viewed against the background of the momentous problems that we face today. It is in relation to this broader phase of industrial leadership that I speak to you at this time.

Tonight I offer a definite proposal. It takes the form of a challenge. This challenge is presented least importantly in our own self-interest; but most importantly on behalf of the millions who, in serving our country in far-off fields of combat, are prepared to sacrifice their all, and in the interest of the tens of millions who are supporting such efforts by carrying on so effectively their appointed tasks at home. When the war is finally over, the cry from these many millions of the most aggresive and productive elements of our people will be for an opportunity of accomplishment. A chance to live and to progress and to avoid, above all, becoming an object of charity.

Here is a challenge to each of us individually. It is also a collective challenge to all of us here tonight—representing as we do a broad cross-section of the leadership of American enterprise. The challenge presents what I believe to be an opportunity—an opportunity to capitalize in the long-term interests of the country as a whole a set of circumstances that in all probability will develop out of the war. This set of circumstances cannot repeat itself. We accept the challenge—NOW or NEVER! To do so requires courage. And imagination! It demands a return to the spirit of venture. The challenge cannot be met by a few, however powerful they may be. It requires concerted action along the whole economic front. It calls for an all-out effort—an effort such as has taken place along the production front which will make possible the ultimate winning of the war. If such a challenge is met it will re-establish, in a fundamental way, free and competitive enterprise as the pattern of the American economy for the long-term position ahead. Failure will involve uncertainty and lack of confidence with an end result not difficult to foresee.

Economic statesmanship has become a vital part of business leadership. It assumes increasing importance and at an accelerating rate as the economic system becomes more and more intensified. Through evolution it has reached the point where it now importantly influences the always changing pattern of the economy. It is not an exaggeration to say that under existing circumstances it may well determine the fundamentals of the pattern itself. The greatly involved problems that arise as we pass from a war to a peace economy, the highly volatile forces that will exist during the transition and the great uncertainties involving the longer term position to follow—all bring that fact into bold relief. It is in periods of great adjustment and rapid evolution that the prevailing forces develop the maximum effect. For then all is in a state of flux. The dangers are then the greatest; the opportunity for constructive accomplishment the most far-reaching; the necessity of intelligent cooperation the most essential. Leadership under such circumstances demands courage, imagination and faith. These are the circumstances as they appear today as we look forward into tomorrow.

I believe there are three clearly defined "musts" the attainment of which would go a long way toward insuring our winning the peace and making certain that the sacrifices being made in winning the war will not be in vain. They are:

1. Jobs for those who are willing to exchange their time and talents for a proper wage.

2. Means to prevent further attacks on our civilization. There must be no World War III.

3. International relationships in the economic sphere on the basis of a "two-way" street.

I am concerned tonight primarily with the first—the problem of jobs. There is, I believe, much confusion in the thinking on this subject. It should be clarified. Some think that the number of jobs can be determined in the abstract by some arbitrary method. That is not so! 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. Expanding job opportunities are a social, political and economic "must" in the post-war era. The evidence of that is clear. We must recognize that demand. And in doing so we must bear in mind that the sole instrumentality by which it can be met in a free economy is a virile and expanding system of enterprise.

Our productive plant has increased actually and potentially as a result of wartime expansion. The problem of providing jobs will be greater in the post-war period. And before the war the problem had not been solved. Increasing technical efficiency means we must provide an increasing number of job opportunities, and in two ways: We must develop new things to produce. We must produce existing things at lower prices. If we do not, there are certain to be fewer instead of more jobs available as the years go by. This must NOT happen. If it should, our people, having in mind their war experience of high employment, generous pay rolls and other manifest benefits, will demand of Govern-

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Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

In a recent issue of the "Business Bulletin" of The Cleveland Trust Company, appeared the following statement: "There are records in Washington showing the numbers of man-hours required in different plants to produce the same sorts of ships and weapons, planes and engines. **The differences in efficiency are almost incredible.** (Bold face ours). Many plants produce several times as much per worker as do others making the same products."

In the new industry of aircraft manufacturing wide differences in efficiency and economy are understandable, particularly under the conditions of rapid expansion forced on the industry by the urgency of war needs. Its manufacturing processes and methods have not yet become standardized but, on the contrary, are in a state of continuing change and improvement, first in one plant and then in another. Thus, uniformity of performance is impossible. In the more mature industries, however, such extreme differences do not usually exist, if we ignore the marginal producers, since manufacturing and operating procedure has, relatively speaking, become perfected and standardized. Nevertheless, even here there are differences sufficiently great to deserve the notice of the prudent and discerning investor.

An interesting example of a mature American industry is fire insurance, whose history dates back to the days of Benjamin Franklin. Here is an industry with a rich heritage of experience, soundly financed, successfully operated and, withal, one that has attracted to it some of the best minds in America and has built up a well integrated and thoroughly capable organization. Yet it would be a mistake to assume that all companies, even the top ranking companies, are managed with equal efficiency and economy, and that an investor would therefore fare as well in one company as another. Management is something of an intangible and is not always easy to appraise, but over the long term the comparative results of management in the operation of a business can be measured statistically. Sometimes, however, the relatively poor showing of a company may be due to factors beyond management's control.

It is now of interest to apply a few statistical tests to the managements of representative stock fire insurance companies. As "guinea pigs," we have selected 21 well known companies having an average business age of approximately 100 years; they therefore can be considered as mature and well seasoned representatives of the industry. The period covered is for the five years ending with 1942.

The first test will be made on operating ratios, five year averages, as follows:

	Average of 21	Best	Worst
Combined loss and expense ratio	96.8%	*93.3%	¶100.1%
Expenses incurred to premiums written	44.9	†41.5	§48.5
Losses incurred to premiums earned	51.9	‡48.3	¶54.7

*Continental. †Fidelity Phenix. ‡Phoenix. ¶Hanover. §New Hampshire.

The next test is on Net Underwriting Profits, expressed as a percentage of Earned Premiums, five year averages, as follows: Average of 21 companies: 3.20%; best average, Continental: 6.70%; worst average, Hanover:—0.47%. These two tests show that, so far as underwriting operations are concerned, Continental has the best record over the five years, while Hanover has the poorest record.

We now turn our attention to Net Investment Income, measured against capital and surplus and averaged over the five years 1938 to 1942. The average for the 21 companies shows an annual return of 5.6% on capital and surplus; the best average is 8.3% for Franklin Fire and the lowest average is 3.6% for Phoenix. From this we observe that those companies which produce the best underwriting results do not necessarily produce the highest investment return on capital funds. Continental, for example, with the top figure of 6.7% on Earned Premiums shows an investment income return on capital and surplus of 6.2%; Franklin, with the top figure of 8.3% investment return on capital and surplus, showed only 2.6% of underwriting profits on Earned Premiums.

Total Net Operating profits, comprising net underwriting profits plus net investment income, expressed as a percentage of Capital and Surplus, gives an over-all measure of management's operating results which serves as a useful test. The average annual return on capital and surplus of the 21 companies, over the five years, was 7.0%; the highest average return was 9.4% for Home, and the lowest, 4.6% for Phoenix.

The reason that Home shows such a relatively high return on capital and surplus, and Phoenix such a relatively low return, is due to the marked difference in the "leverage" supplied by the unearned premium reserves. The average for the 21 companies over the five years is 44 cents of unearned premium reserves per dollar of capital and surplus; for Home the average leverage is 86 cents, while for Phoenix it is only 18 cents. This fact also serves to explain why the market prices of some stocks are high in relation to liquidating value and others low. Currently, for example, Home is selling 28% above liquidating value, while Phoenix is selling 8% below liquidating value.

The market, therefore, in an approximate fashion, attempts a continuing appraisal of the many variable factors that go to make up the composite intrinsic worth of the stock of a fire insurance company. In a subsequent article a tabulation will be presented showing the investor's gain over the five year period for each of the 21 stocks, as measured by market appreciation plus dividends.

Firm Name Is Now Riley & Co., Inc.

MILWAUKEE, WIS.—W. Thurman Riley, President and Treasurer, has announced the change in firm name, from Dalton, Riley & Co., Inc., to Riley & Company, effective Dec. 31, 1943. Charles F. Jacobson continues as Secretary of the company, and the additional personnel remains the same. The firm will retain its present quarters in the First Wisconsin National Bank Building, Milwaukee, and will continue to operate its branch office in Wisconsin Rapids with the same manager, Sam W. Howard.

The firm deals in both listed and unlisted investment securities, specializing in Wisconsin issues.

Mr. Riley, who has been active in investment circles in Milwaukee and Wisconsin since 1920, was one of the organizers of this company in 1932, and Mr. Jacobson has been with the firm for the past six years.

Real Estate Securities

Experts Bullish For Post-War Real Estate

According to Glenwood J. Sherrard, President of the American Hotel Association, hotel facilities will continue to be taxed to the utmost for at least a year or two after our victory over the Axis powers is achieved. Hotels not only will be called upon to house and feed members of our armed forces returning to their homes, but also must accommodate the millions of war workers going to their peacetime homes, he said. In addition, the almost immediate scramble for the re-establishment of normal civilian business by large industrial companies will bring into existence "a greater than ever army of traveling salesmen—the group that in peacetime always is the backlong of the American hotel business", Mr. Sherrard stated. The end of wartime travel restrictions also will enable the general public to start again "going places".

If Mr. Sherrard is correct, hotel bonds should appreciate considerably in value. Capacity business of the past couple of years has enabled many hotels to make large interest payments and in addition to operate sinking funds. Retirement of bonds of course gives the bondholder the advantage of a participation in a smaller mortgage with the hope that if the mortgage is reduced considerably, it might some day be refunded with an institution loan. Such a refunding would result in a pay off of bonds, which are currently selling at large discounts. An example of this is the Syracuse Hotel which paid off its bonds at par two years after the same bonds sold at 69.

Last Sunday, Charles F. Noyes, predicted that when the war ends, New York City will be in a unique position to capitalize upon its dominant status as America's greatest seaport, financial and aviation center, as a leader in the production of peacetime goods and as a world's center of art, music, entertainment and fashion. After the war, he stated that there will be an immediate increase in store rentals and that vacancies will be all taken up.

His opinion should be respected, inasmuch as he heads one of the largest real estate firms in New York.

Assuming he is correct, real estate bonds on commercial buildings should benefit considerably, especially those with present vacant stores. For example, 165 Broadway has about $50,000 worth of store vacancies and 61 Broadway has a store vacant that used to rent for $100,000 a year.

A new "yardstick" for measuring the value of real estate bonds is the recent announcement that an unusual amount of sales of real estate took place in New York during the year of 1943 and that the sales averaged 69% of the assessed valuation. For instance, the property at 61 Broadway is assessed at $8,075,000. First mortgage bonds outstanding amount to $7,927,000, but the bonds are only selling at 27% of face value, which places a value of only $2,140,290 on the entire first mortgage against $5,571,750 arrived at by taking 69% of the assessed value. This is only one example of how very cheap indeed real estate bonds are.

OUR REPORTER'S REPORT

The next week promises to be the busiest period for the underwriting world in several months and very likely will clean up new issue business immediately in sight until after the Treasury completes its Fourth War Loan Drive, scheduled to get under way on Jan. 18.

It looks now as though investors will get the opportunity to participate in offerings involving an aggregate of $120,000,000 of new securities, a public utility issue, an industrial preferred stock and a revenue bond issue of the Puerto Rico Water Resources Authority.

Harriman Ripley & Co., Inc., will head a large banking group which is slated to offer publicly on Monday an issue of $45,000,000 of 4½% preferred stock of the Firestone Tire & Rubber Co.

Stockholders last month authorized a new preferred issue in the amount of $60,000,000. But the company will sell at this time only a sufficient amount to provide for the retirement of the outstanding 6% preferred stock.

The balance will be held available for future needs of the company as these arise.

Two Groups Seek Florida's

Two banking groups now loom as bidders for the $55,000,000 new securities of the Florida Power & Light Co., for which the company will open bids on Monday.

This financing, which has been in process of preparation for a considerable time, involves the sale of $45,000,000 of new 1st mortgage bonds to mature Oct. 1, 1971, along with $10,000,000 of sinking fund debentures to mature Oct. 1, 1956, and 140,000 shares of cumula-

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The Challenge

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ment through political action what they cannot obtain through private enterprise. Even though it is perfectly evident that this would never provide a solution, the demand nevertheless would be made. That fact stands out crystal clear. It is equally clear that if we were to depend upon Government expenditures, or continuous deficit spending, to maintain and expand employment and to increase the national income in times of peace, Government would have to operate in a far broader way than ever before. It would have to compete directly with private enterprise in the production of goods and services, if any substantial support were to be effected. Here arises a direct conflict between Government in business along a widened front and private enterprise. It is inherent in such an approach. It cannot be avoided. And, no matter how efficiently private business might be conducted, it could not continue to exist. Such governmental policies would mark the beginning of the end—the end of the American competitive system as we have known it, the beginning of the socialization of enterprise.

The period before us, from an economic point of view, comprises three main areas of time: the duration, the period of shortages and the long-term position beyond. Each carries its individual problems. As to the duration, I should like to re-emphasize here that first things always must come first. We must first win the war. And it is not yet won by any means. The period of shortages begins with the reconversion of industry and continues until the law of supply and demand again becomes operative, with purchasing power in balance with current production. The problems of reconversion, generally speaking, are non-recurring. they are of vital importance of themselves. But they are, I submit, vastly more important as to their implications. It sems to me clear that the direction we take at that time will be the result of a very delicate balance, importantly influenced by the psychology of the immediate post-war period. Let us identify the factors that constitute this balance.

First of all, the essential economic forces for a rapidly expanding peace economy as measured by pre-war levels will be present. But they will be synthetic in origin. Such a state of apparent prosperity will not be based on a self-sustaining economy. Modern history records the fact that after all big wars there follows a period of great business activity. Only in duration and intensity does the pattern vary. All the circumstances point to a repetition of this pattern at the end of the present conflict, but on a greatly intensified scale. No former war has seen such a great concentration of economic forces directed toward a single objective and one not in any way concerned with the normal peacetime needs of the people. Moreover, in the 25 years since the last conflict our productivity has enormously expanded, not only in aggregate volume but in variety. In World War I American industry was just preparing to change over to total war production at the time of the armistice. The present conflict finds it already completely converted. The former war involved only a relatively short period—already exceeded in the present war. Practically no consumer durable goods such as motorcars or electric refrigerators will have been produced for several years. It is clear that an enormous potential demand for all kinds of goods and services is developing.

Assuming the war continues until the end of 1944, it is estimated that wartime savings of individuals and businesses will be in excess of 100 billion dollars. A considerable part of this will be in liquid assets—in banks, savings deposits and war savings bonds. Consumer indebtedness will have been largely liquidated. The reservoir of installment purchasing power will have been refilled. It appears reasonably clear that the impact of this enormous backlog of potential purchasing power, superimposed upon that which will be currently created in producing the goods to relieve consumer shortages, should provide the means for raising the peacetime level of economic activity to a point considerably in excess of any pre-war standard. However, to the extent that the price level is permitted to rise due to the highly inflationary forces existing, this possibility is prejudiced.

The real problem of the period of shortages will be to control the inflationary influences. Unless some temporary controls are maintained until production develops a better balance and the law of supply and demand can operate freely again, the consequences may be truly disastrous. We all hate regimentation. That is one of the things we are fighting to avoid. But it would be far better in my judgment to continue price controls for a limited time until we can establish this equilibrium between goods available and purchasing power. Such controls, however, should be removed at the earliest possible date. Otherwise, the objective of an expanding economy will be importantly prejudiced.

I am confident that we are to enter an upward spiral of business activity after the process of reconversion is completed. But to make this possible we must have a foundation of public confidence. If the problems incident to the transition are not solved effectively and realistically and—most important—promptly, on the part of both industry and Government, and there results a prelonged period of serious unemployment, the spiral might turn downward. The direction in which we start after the armistice is of great consequence.

I submit there lies ahead of us an opportunity for accomplishment unparalleled both in magnitude and scope in the history of American enterprise.

Here is the question:

Do the circumstances presented constitute a valid instrumentality to establish our national income, expressed in general terms, permanently on a substantially higher level than pre-war standards, and on a self-sustaining basis, insuring a sound advancement in our standard of living with expanding job opportunities?

Here is what I believe:

It is possible, in an economic sense, to achieve such an objective. As to the probabilities, the answer depends upon at least two general factors: First, the aggressiveness of business management in taking the initiative and its ability to assume the risk in adopting such policies as to insure not only a maximum overall utilization of existing economic resources — raw materials, manpower and plant capacity — but also an expansion of such resources to a level of production possibilities commensurate with the progressively higher income level desired. Second, a positive or constructive attitude as to the problems of business on the part of Government, expressed in sound national economic policies, as distinguished from the negative or destructive attitude of the last decade.

Here is the challenge:

Are we representing an important section of the management of American enterprise, prepared to exercise our leadership and step up to this opportunity? Do we believe in its importance? Are we willing to take the risk? Do we consider it worth while? Is our franchise worth defending? Or do we prefer to accept, on the other hand, the evident dangers of a different policy—one demanding little imagination, aggressiveness or risk—a policy of "let nature take its course," in other words. Is it not as essential to win the peace, in an economic sense, as it is to win the war, in a military sense? I am sure American busines leadership over the country believes it is and will accept the challenge. We in General Motors believe it is and we accept the challenge.

This acceptance is based upon both conviction and faith. Conviction as to the fundamental validity of the opportunity and as to the reasonableness of the desire that establishes its objectives. Faith that the economic panaceas —the "rabbit-out-of-the-hat" approach to the problems of the national economy—will have died with the war. That our people, as a result of the war, have found an inspiration in an opportunity to do something worth while and to work for the things they want. I believe the "something-for-nothing" philosophy has passed. This change is certain to reflect itself in new and different national economic policies that will broaden the field of business opportunity. Perhaps our faith may not be justified by future events. But let it be said it is only because of this faith that we move forward. Without such a new concept on the part of Government in its relationship to business, any such effort could but end in failure.

I have already emphasized the fact that acceptance of the challenge must take the form of an all-out effort along the whole productive front. Some points are more vital as motivating centers than others. Only about 25% of all jobs needed to insure high employment are within the field of manufacturing. Perhaps one-half of this 25% constitutes major motivating centers that stimulate the other half into action and spread their influence throughout all the other job-creating forces—in agriculture, distribution, transportation and services in general.

In making this presentation, and supplementing these conclusions, I realize that in the general discussion as to what is to happen after the war there is far too much Utopia—too little realism. We cannot devote such a large part of our resources and productive effort over several years to creating instruments of destruction that contribute nothing to our standard of living, we cannot place such an economic burden upon present and future generations, and create automatically a sound and lasting prosperity for all. Such reasoning does not make sense. There is a price that must be paid for such enormous economic wastage. It means hard work, greater efficiency, and requires considerable time to overcome the loses that war has created.

If we accept the challenge—What?

Every business unit, large or small, must study its post-war problems from the standpoint of its own individual circumstances. This is particularly true of small business, which embraces in the aggregate a major part of the whole. Moreover, because of its broad geographical distribution, it acts as a stimulant spreading its influence everyhwere. Each business must make its own contribution in its own self-interest. Each problem is necessarily different. That is the fundamental concept of free enterprise. Here is the General Motors approach:

We start with the conviction that the prewar standards of national income passed with the pre-war period itself. Our increased productive capacity as a nation, our broader distribution of know-how, our improved techniques, the acceleration of our technical knowledge resulting from the stimulation of the war—all justify a reasonable demand on the part of our people for an advanced order of things. Our enormous public debt, the constantly increasing costs of Government, legitimate and otherwise, demand a greater volume of production and a higher national income base. Otherwise, the burden of Government on enterprise, and on the individual, will seriously prejudice the possibility of an expanding economy.

Let us assume, as a pre-war base, a national income of 65 to 70 billion dollars. Under the post-war circumstances, a new base of 100 billion of the same dollars should be a reasonable objective. We then determine the potential volume of each of our products or services, both old and new, on the basis of the expanded production opportunity, recognizing that each item of necessity has a different elasticity of demand. The result is a measure of the new operating base and determines the needed economic resources of production, such as manpower, organization, plant and machinery. In terms of such a projection in General Motors, including the cost of conversion, the advancement of present equipment to the latest standards of technology and retooling for post-war products, there will be involved an aggregate expenditure of approximately $500,000,000. That is the contribution we are prepared to make to help preserve the free competitive enterprise system as the keystone of the American economy.

This might be called a master plan. But the intelligent administration of any plan is fully as important as the soundness of the plan itself. To repeat, our acceptance of THE CHALLENGE is based upon conviction and faith. Conviction as to the soundness of its economic conception and the social justice of its underlying objectives. Faith that those things that must be done will be done in the area of national economic policies. To these I now add confidence. Confidence in industrial leadership to apply the essential economic statemanship and the detailed know-how to achieve the desired result.

Here, in my judgment, are the more important components of faith and confidence. They can only be listed briefly. You are already familiar and are dealing with some of them.

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

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

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

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

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

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

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

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

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

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

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

Orders should be released

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

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

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

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

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

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

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

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

These are some of the factors upon which the achievement of our post-war goals depends. Widening job opportunities, a dynamic and expanding economy, with higher standards of living—these are objectives which may well challenge the imagination of every individual in the country. Through these means lies the opportunity to help cement the victory of war into the lasting victory of peace.

McConnaughey, New SEC Member, Sworn In

Robert K. McConnaughey, of Ohio was sworn in on Dec. 29 as a member of the Securities and Exchange Commission. The brief ceremony was witnessed by the other members of the SEC—Chairman Ganson Purcell, Robert H. O'Brien, Robert E. Healy and Sumner T. Pike.

Mr. McConnaughey, formerly associated with various agricultural agencies of the Government, was nominated by President Roosevelt on Oct. 19 to succeed Edmund Burke, Jr., resigned. The Senate approved the nomination on Nov. 18.

Nomination of Mr. McConnaughey was referred to in our issue of Oct. 21, page 1605.

NAM Sees Full Reconversion Job Taking Six To Eighteen Months "After Last Shot Is Fired"

The postwar report of the National Association of Manufacturers reveals that in the judgment of the Association conversion of war industry back to civilian service, already starting, can not be completed until six to eighteen months after the last shot is fired in all major war zones. This period, after the Japs as well as the Germans are defeated, is identified by the NAM as "the major transition from war to peace." The advices from the Association state that the report contains detailed principles and proposals for dealing with such problems as termination of some $50,000,000,000 of war contracts by quick negotiated settlement instead of long-drawn-out audit which would tie up the funds needed by business for civilian production and employment. It deals with the conditions of safety in disposing of some $17,000,000,000 in government owned war plants and equipment, as well as some $50,000,000,000 of stock piles of supplies. The report says:

"The effect of lessening the possibility of peacetime production and employment far more than offsets any immediate financial gain obtained by the government from dumping any postwar excess of consumer supplies."

The report finds it possible that the wartime controls of prices, wages, jobs, materials, rations, may have to be continued a while after the last shot is fired; and that different controls may be lifted at different times; but that "all war controls should expire by legislation twelve months after hostilities end, and at such earlier date as economic situations specified by statute exist."

Davies, Auerbach Admit Three To Firm

Davies, Auerbach, Cornell & Hardy, 1 Wall Street, New York City, attorneys, have admitted Harris F. Durand, Kenneth W. Greenawalt and John W. Burke, Jr., to the firm as of Jan. 1.

American Policies Of Post-War Readjustment

(Continued from first page)

policies are now being put into effect, with or without benefit of post-war planning.

Although it is perhaps already too late to institute a comprehensive post-war plan there is still considerable opportunity for avoiding the mistakes of the past. True, this is a bigger war than ever. What was valid before, what happened before, may no longer be relevant. But a bigger war means that bigger mistakes can be made. Can we afford to leave any stone unturned in finding out what those mistakes may be and what policies may prevent them? A study of past readjustment policies may suggest the type of problem to be faced and may indicate possible lines of solution.

The post-war policies adopted in this country are generally familiar. The broad pattern of business activity is likewise familiar. The purpose of this study is to try to find the relation between the two, to examine the post-war policies and evaluate them, using as the criterion of evaluation the maintenance of a high level of employment and business activity. Attention is concentrated on the first few years following the war, the critical readjustment period, which will determine whether the longer-run problems will have to be dealt with from a position of prosperity or one of depression.

THE CIVIL WAR

Turning first to the Civil War, we may glance briefly at the background of economic conditions at the close of hostilities and trace the course of business activity during the following few years. The shaded strip at the bottom of Figure 1 may be used as a guide. All aspects of government policy will be considered separately.

The North was left with over-expanded manufacturing and agricultural industries but was not seriously disorganized while the South had suffered extensive physical destruction of productive property of all sorts. So complete was the devastation that it was said of some of the land: "A crow could not fly over it without carrying his rations with him." Many planters on returning home found that their erstwhile slaves had planted cotton land to corn. The cotton crop of the entire United States fell from 4,805,000 bales in 1860 to only 300,000 bales in 1865. The reconstruction of the country provided an investment opportunity without equal.

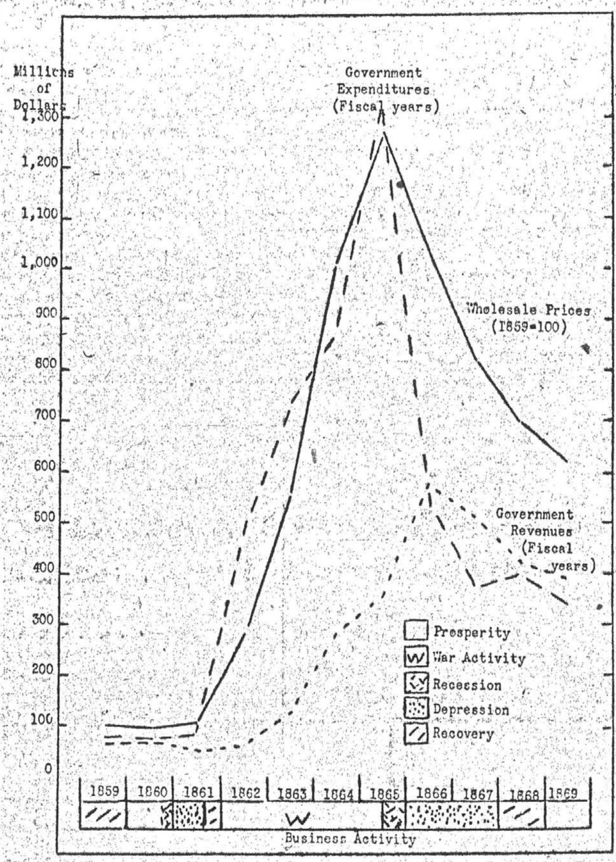
The resulting demand for goods, including goods to satisfy postponed consumer demand, led to a short boom. David A. Wells, that keen contemporary observer, tells us: "Various agencies . . . at once came in to prevent that stagnation and derangement of the business of the country which, at first thought, would seem to have been almost inevitable. The stock on hand of agricultural products had been reduced to a minimum, owing to the enormous consumption of the men and animals of the army, to a partial failure of the crops in the year 1865, and to an unnaturally stimulated export; and with the exception of cotton and woolen goods, there was no accumulation of the so-called manufacturing industries. The Southern, and heretofore rebellious States, comprising a population of about 12,000,000, were, moreover, destitute of nearly everything essential to render possible the continuance of civilization, or even life itself." Industry and trade expanded rapidly at the close of the war and then there was a gradual decline to dullness in the summer. The latter part of 1865 found business activity in a recession phase compared with the high level of wartime prosperity. A mild depression ensued in the next year with trade generally dull although manufacturing and railroad construction were active. The following year was definitely one of depression with industry and trade at a low level and with unemployment considerable. A revival in 1868 and a return of prosperity in 1869 end the immediate post-war period. Railroad building, expanding foreign trade and improvement in the South characterized the higher level of business activity. Directly and indirectly the war had cost the United States, both North and South, over a million men and not far from a billion dollars.

Prices reached their peak after the war, in 1866, but then fell rapidly. The annual average, however, was at its highest level in 1865, as shown in Figure 1. The price structure remained inflated for some years after the war. A few examples may be mentioned. The lowest class of unskilled labor which had earned one gold dollar per day in 1860 received nearly 50% more on a gold basis in 1871. Rents rose from 40 to 120% on a gold basis in the same period. Commodities rose correspondingly. On a currency basis the higher price level of the post-war years was much more marked, of course.

Demobilization: Military and Civilian

At the conclusion of the war the tremendous government demands for war supplies and services of every kind were terminated almost immediately. The demobilization of the million men comprising the army of the North began April 29, 1865, even before Lincoln had been laid to rest. In a little more than three months, by Aug. 7, 60% of them were released. In the South the demobilization, if it can be called such,

FIGURE I



FISCAL POLICY, PRICES AND BUSINESS ACTIVITY: 1859-1869

Sources: Government expenditures and revenues, U.S. Treasury Department; Wholesale prices, U.S. Bureau of Labor Statistics; Business activity, Mitchell in Thorp, Business Annals.

was necessarily even more abrupt and cases of stranded soldiers and penniless officers abounded. The army nevertheless assimilated itself rapidly and in a short time it had almost disappeared from sight.

The land policies helped somewhat in absorbing the surplus labor force, both civilian and military, released by the war. Under the well-known Homestead Act, passed in 1862, settlers could acquire farms of 160 acres free of all charges, except for a small fee paid when the claim was filed. Before title to the land passed to the settler he must live on the homestead for five years. The war ended without any land bounty or any special privileges being provided for the soldier. Not until 1870 was a concession made to him. Under the Homestead Act a homesteader within the limits of railway grants, i. e. on alternate sections which sold at double the regular price, was allowed only 80 acres instead of 160. In 1870 the soldier was allowed the full 160 acres in such circumstances. Since land in these regions usually had a ready resale value the concession was of some significance. In 1872 soldiers' privileges were further extended, time served in the army being credited towards residence required to gain title to a homestead. A minimum of a year was still required, however. A great many soldiers took advantage of these provisions and hastened the settlement of the public lands.

The soldiers were also aided by pension payments. The development of a surplus in the Treasury promoted the granting of pensions to disabled war veterans. The provisions were progressively liberalized. In 1866 the disbursements on this account were nearly $15,500,000 and in 1870, over $29,000,000.

Fiscal Policies

The fiscal policies as a whole were most closely associated with the post-war pattern of business behavior. Annual expenditures reached a peak of $1,300,000,000 in fiscal 1865, falling to $500,000,000 in 1866 and to less than $400,000,000 in 1867 and 1868. Revenues lagged, attaining their annual peak in 1866 and exceeding expenditures in that year by some $36,000,000. From a deficit of nearly a $1,000,000,000 in 1865 there developed a surplus in 1866 and subsequent post-war years. A Federal debt of $2,750,000,000 was gradually reduced in the ensuing period.

Sharp as was the fall in expenditures the level of disbursements was nevertheless much higher than before the war. From the first of April, 1865, to the first of June, 1869, the government spent about $700,000,000. In a comparable pre-war period the level of spending was only about a quarter as great. The expenditures themselves had a stimulative effect on business activity. The disbursements for arrears of pay, bounties, pensions, and the settlement of contracts, constituted, according to a contemporary account, "a very great stimulus to consumption, and were therefore equivalent to the creation of new domestic markets, or to the continuance or extension of those previously existing." The same contemporary account goes on to say that a great part of the amount spent by the government "was immediately invested in the purchase of food, shelter, implements, transportation, or business; and really constituted a fund on which the disbanded soldiers of the army reestablished themselves in the arts of peace."

In monetary terms, however, the expenditures were more than offset by revenues; as pointed out a moment ago the billion dollar deficit of 1865 was wiped out and a surplus developed. This does not necessarily mean that the fiscal policies of the government had no net expansive or restrictive effects on the economy. An examination of the tax structure and the break-down of government expenditures is required for an adequate appraisal of the impact of fiscal policy in the post-war period.[1]

At the beginning of the war all direct or internal taxation had been avoided because Congress

1 The economic basis for this analysis of the impact of fiscal policy was explained by the present writer in the *American Economic Review*, September, 1943, pp. 679-681, and the *Canadian Journal of Economics and Political Science*, August, 1942, pp. 364-385.

was afraid that any attempt to institute such taxation would arouse such opposition as to impede the war effort. The people had never been accustomed to internal taxes on any scale and no machinery existed for assessment and collection. At first, therefore, Congress relied on indirect taxes upon imports, and it was not until four months after the beginning of hostilities that direct and internal taxes were imposed. After some preliminary schedules the rate of income taxation was set at 5% on incomes under $5,000, with an exemption of $600 and of house rent actually paid. Incomes in excess of $5,000 and not in excess of $10,000 were taxed an additional 2½%; and incomes over $10,000 were subjected to an additional tax of 5% without any exemptions. The burden of excise taxes may be judged from the following samples: raw cotton, 2¢ per pound; salt, 6¢ per hundred pounds; sugar, 2-3½¢ per pound; distilled spirits, 20¢ per gallon in 1863, 60¢ in 1864, then $1.50 and later $2 per gallon. There was a tax of 5%—later 6%—on manufactures, a tax which was imposed at each stage of production so that the amount actually paid was sometimes as much as 20% of the value of the finished product. The manufacturer also had to pay a license tax and an income tax of 5-10% on his profits.

In the last year of the war, fiscal 1865, the total revenue of over $300,000,000 was distributed roughly in the following proportions by source: customs, ¼; internal revenue, ¾. (In 1862 there had been no internal revenue receipts at all.) In the internal revenue receipts, excises and similar taxes were more than twice as important as income and profits taxes.

This analysis of the tax structure is designed to provide a basis for gauging the effects of tax policy in the first post-war year, i. e. before any changes were made. There seems to be no room to doubt that the tax structure was highly regressive since a wide variety of commodities provided the major portion of tax revenues and the income tax was very moderate in the upper levels, ranging from 3% on the lowest taxable income to a maximum of 10%, on incomes over $10,000. It is likely, therefore, that a large part of the tax revenue had a restrictive effect on national income and business activity. Much of the money diverted to the Treasury in the form of taxation would probably have been spent. Hence in the first full post-war year, fiscal 1866, when a small surplus developed and the tax structure just described yielded over half a billion dollars it seems likely that the restrictive effects were substantial. The expenditures of that year went, one-quarter to interest on debt and the rest mainly to the War and Navy Departments. Of the interest on the debt certainly a substantial part had no expansive impact on the economy. Taking both revenues and expenditures into account, then, it would seem that fiscal policy in the first post-war year tended to restrict business activity.

By the second full post-war year, fiscal 1867, Congress had made certain reductions in the tax burden. Acting in July, 1866, and March, 1867, Congress lowered taxes on manufactured products, removed the differential rates on incomes in excess of $5,000 and increased the exemptions from $600 to $1,000, allowing them now on all incomes. The proportionate importance of various types of taxes in the total of revenues remained roughly the same after these changes as in the previous year. Non-interest expenditures fell more than total revenues, however, and it is likely that the restrictive effects of fiscal policy increased.

In the third post-war year, fiscal 1868, tax rates on income and commodities were reduced still further and aggregate revenues declined some $85,000,000. Non-interest expenditures increased $23,000,000 in the same period thus reducing and possibly removing the net restrictive effects of fiscal policy.

The pattern of fiscal policy then shows the following: tremendous expansive effect in 1865, some restrictive effect in 1866 and 1867, and perhaps a slight expansive effect in 1868. The pattern of business activity in the corresponding calendar years, shown in Figure 1, was: prosperity in 1865, depression in 1866 and 1867, and some improvement early in 1868. Allowing for a not unreasonable six-month time lag representing the difference between the fiscal years and the corresponding calendar years, it seems clear that to the fiscal policies pursued must go a large part of the blame for the depression following the Civil War. Evidently private spending did not take up the slack.

Monetary Policy

The monetary policy adopted after the Civil War was largely a reflection of the fiscal policies. The sharp drop in expenditures and the development of a budget surplus removed the need for continued issues of paper money. An Act authorizing the contraction of the currency as a prelude to the resumption of specie payments was passed in April, 1866. Bonds were to be issued to finance the retirement of the notes and the maximum rate of retirement was set at $10,000,000 in the first six months and $4,000,000 per month thereafter. The provisions of this Act were suspended in February, 1868, after only $44,000,000 worth of greenbacks had been retired, leaving $356,000,000 still outstanding. Some of the retired notes were subsequently reissued. These policies can be said to have had virtually no economic effects since the retirement was financed by bonds and the voluntary purchase of the bonds implies that current spending was not significantly curtailed. A sudden stoppage in the increase of the amount of paper money outstanding might have been important but it had taken place several years before, while the war was still going on.

On the banking side, the discriminatory tax of 10% on notes of state banks, which had been passed before the end of the war, became effective in August, 1866. It resulted in a transfer from state to national charters. Considering the requirement of the deposit of United States Government bonds, the measure may be regarded as deflationary in its influence even though the volume of national bank notes outstanding increased from $170,000,000 in 1865 to $290,000,000 in 1870. A stabilizing and, under the circumstances, favorable development was the establishment of national banks in the South. By October, 1865, there were already 35 of them in eight Southern States. The net effect of the banking developments, however, was probably restrictive although to only a minor degree.

Tariff Policy

The popular discontent with the internal revenue taxes did not carry over to the tariff. The persistence of heavy taxes on domestically-produced items strengthened the arguments in favor of the tariff as an equalizing device. Lobbyists filled the halls of Congress and we are told of the "hordes of monopolists and manufacturers who have infested the capital." In some cases the tax structure taken as a whole actually discriminated against the domestically - produced article. For instance, imported Manila rope at the close of the war was taxed $56 per ton while taxes on rope manufactured out of Manila fibre in the United States aggregated from $48 to $73 per ton.

There had been many increases in tariff rates during the war and the first post-war increases came in May and July, 1866. The cessation of army demand prompted successful pressure for an increase in rates. Duties were raised on wool, wool manufactures, haircloth, steel rails, cotton thread, cotton fabrics, linseed oil, flax, copper, nickel, telegraph wire, marble and many other items. The next major change was in 1870 when some reductions were made. Finally two laws passed in 1872 entirely repealed the duties on tea, coffee and a number of other products, and reduced rates on a large number of items, including coal, salt, tin, and cotton, wool and leather products.

Nevertheless the rates remained high compared with the pre-war years. Duties had been 16% of total imports in 1860. By 1865 it was 38% and by 1868 it attained a peark of 46% and remained above the pre-war level for some 50 years thereafter. The temporary war tariffs thus became long-term policy.

What effects did these tariffs have on trade? In the first year after the end of the war both exports and net imports (i. e. imports less re-exports) doubled. In the following year, 1967, both declined, with exports falling much more sharply than imports. In 1868 exports rose slightly while imports continued falling. In 1869 imports improved substantially while exports fell. In 1870 imports rose somewhat and exports rose greatly. Imports evidently were related to the domestic state of business activity—what has been called the marginal propensity to import—and was hardly influenced by tariff policy. On the other hand, the decline in the domestic price level — traceable primarily to fiscal, and partly to monetary, policy—probably stimulated exports in 1866.

Consequences of Readjustment Policies Following the Civil War

The readjustment policies adopted after the Civil War had two characteristics. First, the short-term economic effects of the return to peace were ignored. This is shown in the sudden termination of government war spending and the rapid demobilization of the armed forces. Second, temporary war-time changes in struc-

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ture were made permanent. This is demonstrated in the maintenance and increase of the protective tariff and, to a lesser extent, in the retention of the greenback issue as a permanent part of the monetary circulation. The structural policies somewhat mitigated the effects of the short-term policies since the immediate consequences of a withdrawal of the greenback and a removal of tariffs would have been deflationary and would have accentuated the results of sudden termination of spending and rapid demobilization of the armed forces. The consequences of these two sets of policies were, respectively, a post-war depression and a perpetuation of the war-time change in the structure of production.

THE FIRST WORLD WAR

The readjustment policies which were adopted after the First World War seemed to have the same underlying characteristics but business activity behaved in a rather different way. The latter is shown in the strip at the bottom of Figure 2.

There was a slight recession with the confusion resulting from the armistice. The expansion of foreign trade came to a halt and stock prices slumped. The recession was soon halted and in 1919 there was a recovery and then prosperity. Uncertainty was over and unusually active business took place, building revived, foreign trade recovered and stocks boomed. The prosperity phase extended well into 1920 and then stagnation and severe unemployment hit the country late in the year. Business orders were cancelled in heavy volume. The depression lasted through 1921 and then there was a gradual but steady recovery in 1922 centering around booms in the building and automobile industries. Except for a mild depression in 1924 prosperous conditions prevailed during the next few years.

Prices had risen over 100% from July, 1914, to November, 1918. They then rose to a peak in May, 1920, having increased more than 170% over the July, 1914, level. In the following year prices were cut almost in half as a result of a very sharp decline. After going down only slightly further in 1922 there was a rise in 1923 followed by a few years at a fairly stable level.

Demobilization of the Armed Forces

The demobilization of the members of the armed forces took place rapidly and without economic inhibitions. Men on this side were discharged first and the principles followed were mainly those of administrative expediency. The two million men in France were kept busy by participating in organized athletics and by going to school. Within a year the process of demobilization was virtually complete, with 3¾ million men released from all branches of the service. In the latter stages of demobilization some recognition was given to economic considerations. Any soldier who faced unemployment might be held in the service for a reasonable time while trying to locate a job for himself. Similarly an immediate discharge might be obtained by any soldier who could show that a job was waiting for him. In general, however, discharge was by military units rather than by trades or by economic needs of various segments of the economy.

The United States Employment Service was valuable in finding jobs but it was rather difficult to look after four million men on an appropriation of $5,000,000. It was assisted in its work by the semi-governmental Council of National Defense. Representatives of the U. S. E. S. with the necessary application blanks had even been sent to France. By the end of 1919 over 1¼ million discharged servicemen had applied to the U. S. E. S. and more than 900,000 had been placed.

A discharge payment of $60 was made to all ex-servicemen. Total disbursements on this account exceeded $250,000,000. Later, in 1924, a veterans' bonus bill provided for adjusted service certificates which took the form of 20-year endowment policies, against which the veterans could borrow money from the government. Each soldier received $1.25 per day credit for overseas service and $1 per day credit for home service. Some years later, in 1936, the veterans' certificates were paid for in nine-year 3% non-transferable bonds which could be redeemed by the veterans on demand. Other aids to the veteran were the Bureau of War Risk Insurance which sold low-priced insurance policies to ex-servicemen and paid monthly allowances to disabled veterans, the Public Health Service, which took over disabled cases after discharge and the Federal Board for Vocational Guidance, which was concerned with the vocational rehabilitation of disabled veterans. The special residence privileges accorded veterans under the Homestead Law remained.

The demobilization policy clearly did not tend to assist in dovetailing the discharge of soldiers with their reabsorption in industry and, on the financial side, had a negligible effect in keeping up their purchasing power. The 1919 boom nevertheless owes something to the increase in consumer demand resulting from three or four million men now suddenly buying on the civilian market, their demand being partly made effective by personal or family savings. The subsequent depression could have been mitigated by higher discharge payments spread over a number of years.

Termination of War Contracts

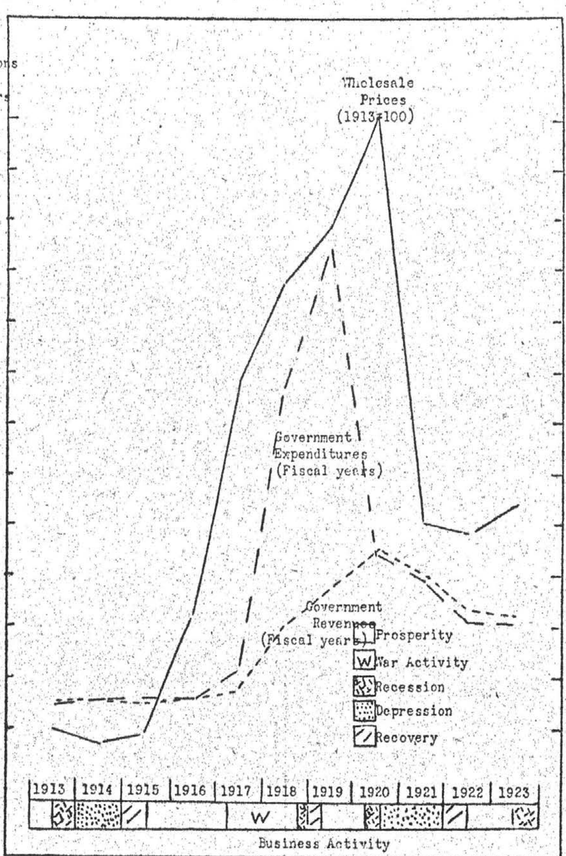
Termination of war contracts took place rapidly but with perhaps greater regard for economic factors. On the morning of Nov. 11, 1918, after receipt of official news of the armistice, the Secretary of War, the Secretary of the Navy and the Director of the United States Shipping Board held a conference and announced that all Sunday and overtime work on government contracts would cease at once and that war production would be tapered off by the various procurement agencies in consultation with the Department of Labor and the War Industries Board. Of some $7½ billion worth of contracts about half remained unfinished at the armistice. Some of the contracts had standard termination clauses but many did not, and in fact many contracts were in an informal and unwritten state. Termination policy varied accordingly but in general production was suspended and the government took over unused materials. Advance payments of 75% were made once the amounts were agreed upon. The alternative of long drawn-out court cases made for speedy agreement. All costs actually incurred in the performance of the contract were allowed plus a profit of 10% on these costs. It is not surprising that the Assistant Secretary of War could write, "These terms received widespread acceptance." The government paid an average of about 13% of the unfinished portions of the contracts in force at the armistice. By July 1, 1920 liquidation of contracts was more than 98% complete. At about that date, too, the depression set in and one cannot help wondering at the statement by the Assistant Secretary of War, writing in the latter half of 1921 when the country was in the midst of depression:

"The promptness and wisdom shown in that settlement had allowed war industry to taper off and stop without shock to the economic structure of the country, had stabilized business, relieved the banks of the country of a vast load of debt which they were carrying for the war producers, and thus had brought the nation safely and easily through what might otherwise have been the sharpest business crisis it had ever known."

Disposal of Materials and Plant

In disposing of materials and plant the government was actually concerned with the effects on business activity. It kept for itself all plant and materials it could use and it followed the policy of releasing all general commodities to the public through the industries which had produced these commodities. The actual methods of disposal were extremely varied and in a few instances materials were fabricated before sale. One or two of the methods may be illustrated. A supply of 600,000 tons of nitrate

FIGURE II



FISCAL POLICY, PRICES AND BUSINESS ACTIVITY : 1913-1923

Sources: Government expenditures and revenues, U.S. Treasury Department; Wholesale prices, U.S. Bureau of Labor Statistics; Business activity, Mitchell in Thorp, Business Annals.

of soda was disposed of as follows: half was retained as a war reserve, part was taken over by the Department of Agriculture for use as a fertilizer and the rest was sold for the War Department by nitrate importers at market prices. The Ordnance Department turned its surplus cartridge cloth into clothing fabric before sale. The average cost had been 72c a yard. At first the War Department was offered 12½c but after fabrication it received more than 85½c. Some railroad equipment was sold to European governments. Much property in the form of cantonments and shipping remained in government hands.

The government kept away from the retail markets for fear of disrupting trade. But seeing that prices remained high and actually rose, Congress, after the middle of 1919, authorized the War Department to sell food, clothing and household supplies at retail. At first the post-offices served as agents and sales were made by mail order. But this was not very successful and in September 1919 army retail stores were set up. Selling prices were fixed at 4/5 of the prevalent retail market prices. Taking the disposition of plant and materials as a whole the percentage of recovery is difficult to estimate but 65-75% seems to be of the right order of magnitude.

The existence of large supplies must have had a retarding influence on prices but the orderly marketing of the items avoided any sharply disruptive effects. From an economic point of view the principles underlying the disposition of plant and materials seem to have been staisfactory. The defects lay not in the policies themselves but in the uncertainties surrounding them. A good government policy surrounded by uncertainty can be as bad in its effects as a bad government policy.

Fiscal Policies

The fiscal policies followed in this period were to a large extent the result of the various other policies in so far as the latter were expressed in monetary terms. The pattern of the aggregates is shown in Figure 2. Government expenditures reached $13 billion in the fiscal year 1918 and then rose in the following year to a peak of nearly $19 billion. In the succeeding two years expenditures fell to about a third of this level, $7 billion and then $6 billion. Thereafter it remained at the $4 billion level for several years. Revenues increased steadily to $5.4 billion in 1919 and a peak of over $7 billion in fiscal 1920, a year after the high point in expenditures, creating a surplus of $200 million. In fiscal 1921 revenues dropped with expenditures but a surplus of nearly $90 million remained. Surpluses ranging from $300 to $500 million prevailed in the following few years.

In order to appreciate fully the nature of the effects which might be expected from these policies it is necessary to examine the break-down of revenues and expenditures. Congress had imposed many new taxes and increased rates on old taxes during the war. For example, the normal tax on individual incomes was raised from 2% in 1916 to 4% in 1917. Under the Revenue Act of 1918, which was passed near the end of February, 1919, the rate became 6%, with 12% on net income exceeding $4,000. Surtax rates were also increased greatly. Income under $20,000 was exempt from the surtax in 1916 while in 1917 and 1918 the exemption was lowered to incomes under $5,000. The $10,000-$20,000 bracket was taxed 1 per cent in 1916, 8 per cent in 1917 and 9-18 per cent in 1918. The same trend was evident in corporation income and excess profits taxes. There were numerous changes in definitions and exemptions but upward trend in taxation of income was unmistakable. Many new excise and miscellaneous taxes were imposed and rates on old taxes were raised. Most of the taxes in this class were on luxury items, for instance, the 10 per cent tax on picture frames over $10, trunks over $50, valises over $25, umbrellas over $4, men's neckties over $2, and many others. Increases in the more stable sources of revenue are exemplified by the increase in the tax of $1.25 per thousand cigarettes in the lowest price range in 1916, to $2.05 in 1917 and $3.00 in 1918.

Tax revenues for the war period reflect the new and increased taxes. Total internal revenue rose from $1½ billion in fiscal 1916 to $3.8 billion in 1919. The total of income and excess profits, capital stock and estate taxes—which may be called "taxes on income and wealth"—rose from $125 million in 1916 to $2.7 billion in 1919. The total of excise taxes, including liquor, tobacco, manufacturers' and retailers' excises, stamp and miscellaneous taxes—which may be called "taxes on commodities and services"—rose from $400 million in 1916 to $1.1 billion in 1919. In 1916 taxes on income and wealth provided 24 per cent of the total while taxes on commodities and services provided 76 per cent. In 1917 they each contributed about 50 per cent. By 1918 the relation between the two had been reversed with proportions of roughly 80 per cent and 20 per cent, respectively. This levelled off somewhat to 70 per cent and 30 cent, respectively, in 1919.

The taxes in force during the first half-year following the armistice, i.e. from November 1918 to the end of the fiscal year 1919, and wealth and 30% from commodities and services. Considering the nature of the individual taxes just described, it seems safe to say that not more than about half of the revenues had restrictive effects on private spending. Turning now to the spending side, of the nearly $19 billion of expenditures in 1919 less than $2⅔ billion were for interest on debt, the rest going for the War Department, $9 billion, Navy Department, $2 billion, civil ex-

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penditures $7 billion. Practically all of the $19 billion of expenditures were therefore expansive and only about half the taxes were restrictive. With a deficit of over $13 billion in 1919 it seems likely that the initial expansive stimulus of government was closer to $15 billion. During the overlapping calendar year, 1919, it will be recalled, business was very active. It seems likely that fiscal policy, so often forgotten in seeking for explanations of the boom, played an important part in stimulating business.

The same tax structure prevailed in the following two years, the next Revenue Act not coming until 1921. The proportions of income and commodity tax revenues remained about the same. Even though the budget was balanced, therefore, it seems likely that fiscal policy had some expansive effects. But the sharp decline in the net expansive impact of government in 1920 and 1921 cannot have had anything but an unfavorable effect. These sharp changes in fiscal policy were associated with business depression. The public debt which reached nearly $25 billion in 1919 was gradually reduced over the following years.

Fiscal policy seems to have played some part in the immediate post-war boom and a major part in the subsequent depression. The maintenance of a high level of expenditures, combined with the rapid relaxation of controls, help explain the continued rise in prices in 1919 and 1920. The subsequent sharp fall and moderate growth in revenues can share the blame for the decline in prices and the depression of 1920-21.

Monetary Policy

Monetary policy immediately following the war can readily be described: easy money. Even after the war ended the government was still heavily involved in the capital market. The "Borrow and Buy" policy was retained in principle and loans and investments of member banks continued to expand. The ease with which money could be borrowed confirms the belief that part of the tax revenues, that part which might have been loaned to private industry, were not restrictive in nature since private industry could borrow from the banks. It was not until a year after the war, in November 1919, that the easy money policy was abandoned and the rediscount rate was raised, reaching 7% in 1920. Subsequently member-bank loans and investments fell, as did also rediscounts but the latter is attributable partly to the large gold inflow.

An evaluation of these monetary policies is a large and controversial subject. Restrictive measures, if adopted sooner, might have reduced the intensity of the boom, but could not have made much headway against the continued government spending, assuming that the latter was independent of the monetary policy. Whether the subsequent depression could have been prevented by a different monetary policy is extremely doubtful, particularly in view of the overwhelming influence of the sharp fall in expenditures and other aspects of fiscal policy.

Tariff Policy

There is little to be said on tariff policy as a factor in readjustment immediately after the war since the moderate rates of the tariff of 1913 prevailed until 1921. Unlike the situation during the Civil War no tariff changes were made while the war was on. A combination of pressure by industries created and protected by the war and farm interests floundering for some remedy for low and falling prices served to increase rates first on wheat, corn, meat, wool and sugar, in the Emergency Tariff of 1921 and then on various materials and manufactured goods in the Fordney-McCumber tariff of 1922. Rates on textiles were set at their pre-1913 level except that laces in general paid 90%. Junk jewelry paid 80%. Among other items which received benefits under the Act were iron and steel products, chinaware, toys, coal-tar products and dyes. As an ostensible concession to the farmer some items that he buys, agricultural implements, binder twine and potash were left free. Duties had been not much over 6% of total imports in 1918, 1919 and 1920. In 1921 the figure became 11% and stood in the vicinity of 15% during the following three years.

These tariff changes were made after the decline of 1920 was underway and can therefore have had no positive part in that decline. From a short-term point of view, they may have helped in the prosperity of 1922 and 1923.

Consequences of Readjustment Policies Following the First World War

Let us array these post-World War policies as to their economic effects: demobilization — depressive; contract termination — depressive; disposition of materials and plant—neutral tending toward depressive; fiscal policy—expansive for a short time and then depressive; monetary policy—expansive for a little longer time and then depressive; tariff policy —largely neutral.

During the last war a report made to the United States government had this to say about the readjustment problem:

"If the problem is to be handled as it was handled in this country at the end of the Civil War, in England after the Boer War, and in almost every country after every nineteenth century war, it will be upon the simple theory that the function of the government is to discharge men from the army and to fail to renew munition contracts and then leave the reorganization of the industrial system for peace to the simple and obvious system of natural liberty. But note what is involved in this: Four or five million men from the most skilled to the least skilled, are to be turned loose without employment or assured means of livelihood. Government contracts calling for materials valued at from $12 to $20 billions annually are to be canceled. This leaves a very large part of the industrial establishments of the country without immediate sale for their products, and forces them to look around for other markets. Potentially, at least, it throws out of employment a host of men and women much larger than the number actually discharged from government service. In view of these two conditions, a number of other things may be expected. The host of free laborers, all seeking employment, means, temporarily, at any rate, a glut of the labor market. The uncertainty about purchase of war wares and markets leads to caution on the part of the managers of industry. Those of the managers whose factories have become idle will be looking around for a chance which will promise the largest volume of profits, but the uncertainty attending so colossal a disturbance will require caution. The laborers who have no immediate employment, or who may expect lower wages, will be rather reluctant to buy goods whose purchase can be deferred. All history attests that a crisis of this kind, if the government does not intervene, will be accompanied by a period of falling prices. This discouraging of industrial venture on the part of employers tends to unemployment and underemployment, and to a delay in getting the industrial system organized to meet the demands of peace. In addition, if the government furnished no plan, there is no assurance that the plants used to produce war supplies will be converted to peace uses without a great deal of waste, or that the laborers will be got into employment without a great deal of the knowledge, skill, and training which they now possess being wasted.

"In most cases, too, the conversion of a plant to new uses will be dependent upon borrowed capital. This cannot be obtained unless there is assurance that the plant will pay. If only a few plants were to be converted, such assurance would be easy. If all war plants are to be converted and the lines of production into which they go are properly apportioned to each other, there is assurance of financial success, for they make a demand for each other's products. But, if the conversion is to be left to the judgment of the several manufacturers, each of whom in this period of transition tries to find the industrial opening which will pay best, there is sure to be serious waste, duplication, and a long period of delay. A concerted plan is necessary to avoid these costs. Such a plan, too, is for the best interest of concerns which require no converson, or which can easily find for themselves industrial opportunities, for the profits of such establishments depend upon their sales and their sales are contigent upon having the rest of the industrial system occupied in making profits and the people busied with earning wages."

With slight, very slight, changes this report made to the United States government during the last war holds true today. The war came to an end, the advice of the authors of this report and of other reports was not taken and, as we all know, after but a brief respite, the forecast of depression came true. The primary cause, looked at from one point of view, was the abruptness of the drop in expenditures, which expressed itself through rapid demobilization of servicemen without adequate provision for sustained purchasing power; and sudden termination of contracts and discharge of workers without adequate provision for sustained creation of purchasing power through private enterprise.

REQUISITES OF A READJUSTMENT POLICY

The first requisite in preventing a depression which threatens either immediately after or soon after the war is to recognize the fact that the post-war economy is creeping up on us even though the war and the war economy will last for some time. Provision must now be made for keeping up the level of purchasing power and spreading it out over time. People are not going to disgorge their savings on durable goods or on anything but bare necessities if they do not have assurance that their income will be maintained at least for a reasonable period. Since social considerations will probably make it necessary to demobilize the armed forces rapidly and terminate the major part of war production immediately the best solution is to provide substantial discharge payments to servicemen and dismissal or lay-off wages to war workers, both spread over, say, a six-month period if necessary; and, in addition to this, speedy and adequate advance payments should be made to war contractors. The dismissal wages and layoff should be allowable as expenses in contract termination proceedings. In these ways the money will be disbursed mainlyv through established private channels — there need be no cries of fear, nor of waste and extravagance.

In the matter of disposing of plant and materials, the policy of orderly marketing through private outlets is desirable and the only added suggestion is that uncertainty be dispelled through an early statement of policy.

The possibility—and the danger—of an excessive boom right after the war does not alter these conclusions. A continuance of some of our wartime controls will be necessary, and the need for such controls may be aggravated by a gradual as opposed to an abrupt fall in government expenditures, but that would be better than running the risk of a sudden drop in purchasing power. **There is no point in bringing on a depression in order to prevent a boom.** It is true that private enterprise may be able to take up the slack—we are not discussing the longer term problem here—but **if government expenditures are allowed to drop abruptly private enterprise will be left, not with the problem of taking up the slack, but with the problem of pulling us out of a depression—and that is quite a different and more difficult matter.** The experience of the Civil War and the World War demonstrates the folly of a government policy which is based on the assumption that the post-war readjustment begins with the peace and that the war economy ends with the armistice.

Quotations

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Benedict Crowell and Robert Forrest Wilson, "DEMOBILIZATION", pp. 153, 143. (New Haven: Yale University Press, 1921).

J. Maurice Clark, Walton H. Hamilton, Harold G. Moulton, "READINGS IN THE ECONOMICS OF WAR", p. 635. (Chicago: The University of Chicago Press, 1918). The quotation is from "a confidential report to the United States government".

FIC Banks Place Debs.

A successful offering of debentures for the Federal Intermediate Credit Banks was concluded during December by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $31,725,000 0.90% Consolidated debentures dated Jan. 3, 1944 and due Oct. 2, 1944. In addition the agent placed privately an issue of $17,000,000 0.75% Consolidated debentures, dated Dec. 30, 1943 and maturing May 1, 1944. Both issues were placed at par. Of the proceeds $39,070,000 was used to retire a like amount of debentures becoming due Jan. 2, 1944, and $9,655,000 was for new money purposes.

As of Jan. 3, 1944, the total amount of debentures outstanding was $317,860,000.

Lehman Bros. Admit Manheim As Partner

Lehman Brothers, 1 William Street, New York City, members of the New York Stock Exchange, announce that Paul E. Manheim has been admitted as a general partner in their firm.

Mr. Manheim's admission to partnership was previously reported in the "Financial Chronicle" of Dec. 23.

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that shortages of manpower will no longer be major problems." Regarding wages, he said this same situation is likely to prevail when "there will almost surely come a sharp decrease in overtime payments, and probably, but not surely, a levelling off in the rates of base payments."

Saying that in a business sense 1943 "has been our greatest boom year," with employment, production and national income far greater than ever before in history, Gen. Ayres stated that the coming year also will be a boom year for business.

Text of Gen. Ayres' Address

By far the most important business prospect for next year is that in 1944 we shall take at least one long step back toward conditions of economic reality. When the war with Germany is won, the demands of the Government for munitions will be sharply curtailed. That is when business will take its long step back toward, and partly into, the realm of economic reality. When Japan is defeated the demands for munitions will almost cease, and then we shall take our second long step.

For more than three years American industry has been living in an artificial atmosphere, and during the past two years that has been largely true of almost all kinds of business. The chief characteristic of the period has been that the demand for almost everything has exceeded the supply. As a result there have developed shortages of labor and of housing, of materials and of fabricating capacity, of transportation and of fuel. Almost everything has become scarce except money.

During these past two war years large sections of American business have had only one important customer, and that was the Government. It has bought goods and services in huge amounts, and it has paid whatever prices were necessary to obtain speed and quantity. Its payments have been so huge that they have affected every kind of business activity. Now we are experiencing a business boom exceeding in intensity any period of that sort that we have ever had in our previous history. Like all war booms it is different in character from peacetime prosperities.

In normal times goods and services are sold in keenly competitive markets in which discriminating buyers seek to obtain the best values at the lowest prices. During war-time booms all that is changed because Government purchasing puts so much money into circulation that individual buyers have to stop being discriminating. They buy what they want, and pay what they must. Almost all business men still believe that they are engaged in competitive activities, but in reality in nearly all cases the nature of their competition has been greatly changed.

Business Survival

In this country the test of business efficiency has always been the ability to survive. When a business has become too inefficient to meet successfully the endless challenges of its competitors it has either been liquidated, or absorbed, or gone into insolvency. The records which best reflect the

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degrees of business competition which have prevailed at different times in our history are those of the numbers and liabilities of commercial failures. We have such records covering nearly 90 years, and they show that three times in that span of years business failures have nearly disappeared.

They declined almost to zero in the third and fourth years of the Civil War. They fell to an even lower level in the period of the first World War. Now they have dropped still lower in 1943. There have been no peace-time years in that period of almost a century in which the numbers of business failures have been even comparably as few as in those war years. The evidence is clear that in times of war, business operates in an artificial atmosphere, and that is why the most important prospect for 1944 is that in the coming year a long step will be taken back into the realm of economic reality.

There are records in Washington showing the numbers of manhours required in different plants to produce the same sorts of ships and weapons, planes, and engines. The differences in efficiency are almost incredible. Many plants produce several times as much per worker as do others making the same products. The Government buys the outputs of the efficient makers and those of the inefficient ones alike because it has to have the munitions. Peace-time competition has no customers like that, and before long we are going to make a partial return to peace-time competition.

Peace Work

Most large businesses and many smaller ones, have already done something about post-war planning. They are represented on community, or state, or national organizations that are making plans for post-war activities. In very many cases there is in addition a plant committee charged with the duty of developing products to be made and marketed when munitions contracts have been completed. Up to the present time nearly all such planning has been general rather than specific. There have been many meetings and conferences, many notes and some memorandums, but very few blueprints, and almost no working models.

This is the time for all planning committees to get down to cases. It is the time for manufacturing companies to make working models of products they hope to market when peace returns, and to find out whether they will really work satisfactorily, and whether they can probably be sold in highly competitive markets. Post-war planning should become post-war preparedness. Our industries have successfully provided munitions to equip our fighting forces. The armed services call that part of our war effort the problem of initial equipment. If it is done in a hurry, as it always has been in our military history, initial equipment requires an all-out industrial effort.

Following initial equipment there comes the second phase which the services term that of maintenance. That requires a flow of munitions adequate to keep the armies, and the naval forces, and the air forces, supplied with everything they need. We are entering that second phase now. It calls for a large output of munitions and supplies, but not nearly as large a one as that demanded by initial equipment. Already some Government plants are being closed down, and there will be progressively more as our problems of military supplies become those of maintenance rather than those of initial equipment. Millions of war workers are a good deal nearer to returning to peace-time activities than are the men in the fighting forces.

Manpower and Wages

Shortages of manpower have been officially classified as being critical in 70 cities, and they are serious in a still larger number. There are also important shortages in whole industries, as for example, in nearly every kind of transportation. These shortages are growing more acute as large numbers of men and women are drawn off into the armed services. Probably this stringency of the labor supply will continue until Germany is defeated. It seems likely that as soon as that happens there will follow so considerable a decrease in the demand for munitions and ships that shortages of manpower will no longer be major problems.

A somewhat similar comment can be made about wage rates. There has been a steady and rapid advance in the wage payments of industrial workers for more than two years. It has resulted in part from increased rates of pay, and partly from greater amounts of overtime. It seems likely that the upward trend will continue until Germany is defeated, and this probability is emphasized by the great increase in pay recently granted to the coal miners. Following the ending of large scale fighting in Europe there will almost surely come a sharp decrease in overtime payments, and probably, but not surely, a levelling off in the rates of base payments.

Prices

Wholesale prices have advanced only moderately durng the past two years. They are mostly controlled by Government restrictions. Probably the controls will continue to be effective next year, although some advances must be expected. Coal prices will probably have to be advanced as a result of the increase in wages recently granted to the miners. More serious increases are to be expected if the farmers are successful in their campaign to secure higher prices for agricultural products. Even if they are successful, it seems unlikely that there will be in 1944 serious advances in the general level of wholesale prices.

Prospects for retail prices that enter into the cost of living are less reassuring. They have risen considerably during the past two years, and most of the increases have been in the prices of food. The farmers are striving to secure even higher prices for their products, and if they are successful the cost of living will surely move upward again. The present prospects are that the trend of retail prices will be a rising one in 1944, but it does not appear likely that the rate of increase will be nearly as rapid as it was in the period of the first World War.

When wholesale and retail prices rise fast and far we call the process inflation, and in times like these we wonder whether that is going to happen, and if not why not. We have in this country the materials of inflation, and they consist of the combination of plentiful money and a scarcity of goods. Many prices have risen, but not enough to constitute what economists call inflation. Economics is a science of human behavior, and the reason why we have not had real inflation is that our people have not behaved as the textbooks said they would under prevailing conditions of increased incomes and decreased amounts of goods.

Americans have not questioned the fundamental goodness of their money. They have not gone on unrestrained sprees of buying and hoarding. Most of them have not patronized black markets. They have not been inflation-minded. They have instead bought large totals of war bonds. They have accumulated astonishing volumes of cash savings, and they have paid down their debts with unprecedented rapidity. No one can guarantee that as a people we shall continue to act in that restrained and prudent fashion, but as long as we do act that way we shall avoid real inflation. The prospects are that we shall not experience real inflation in 1944.

Politics

In 1944 we shall have a national political campaign and elect a President. That fact complicates the problem of attempting to estimate the business probabilities of a year in which we and our allies shall be victorious in one of the two great wars we are waging, and in which we might win the other war also. The business records of years in which we have held presidential elections do not aid us greatly in trying to estimate the immediate effects of such political contests on business developments.

Records of business in election years stretching back for over a century indicate that the nominations are likely to be regarded by business sentiment as being of more importance than the elections themselves. It has generally been true that security values and business activity have had declining trends in the early months of election years, and advancing trends in the last two quarters. There is little support for the old belief that election years are likely to be periods of poor business. In the case of 1944 the election campaign and its outcome will no doubt affect business activity, but they can hardly exercise important immediate influence. The major influence will be exercised by the course of war expenditures.

Transportation

There is clear prospect that 1944 will be our toughest transportation year. Our automobiles are getting older, and their tires are getting thinner, and there is little prospect that new replacements will become available next year. As the numbers of useable automobiles decline, greater burdens must be taken over in the cities by buses and street cars which are already overcrowded. No less serious are the problems of transportation by trucks. The volume of freight carried by inter-city trucks has doubled during this emergency and it appears to have passed its peak and to be declining.

Our trucks are wearing out, and replacements and repair parts are difficult or impossible to obtain. As their carrying capacity declines the freight which they would have carried must be passed along to the railroads which are already burdened to capacity. There is where our most important transportation problem is located, because the railroads are just as indispensable parts of our war facilities as are our munitions factories or our shipyards. The railroads have done a magnificent job in the war so far, and they must somehow manage to do even more in 1944 than they have in 1943.

It seems entirely likely that before many more months have passed the railroads will be called upon to carry great numbers of troops and huge amounts of munitions and supplies from our east coast ports to our Pacific ports. Those long hauls will tie up large amounts of railroad equipment.

Probably they will produce the peak transportation demands of the entire war period. They are likely to come at a time when the other demands on all forms of transportation will be at their highest levels. They may interfere materially with a good many kinds of business activity, but if we are prepared for them we may diminish the interferences.

Boom Year

In a business sense this has been our greatest boom year. Employment, production, and national income have been far greater than ever before in our history. The coming year also will be a boom year for business. Production is now at or near its peak levels, but it is sure to hold up or even increase a little until Germany is defeated. After that happens there is likely to be some decline, but it will probably be gradual, and cushioned by continued production for the war with Japan. Even after the defeat of Germany the outputs of naval vessels and airplanes are likely to be well sustained.

Next year is likely to resemble this one in that it will probably prove to be a boom year for the employees rather than for the proprietors. The records of national income show that during this emergency the payments to employees in the form of wages and salaries have increased by 127%, while payments to capital in the form of interest and dividends have increased by 10%, or by about one-thirteenth as much. No doubt similar relationships will prevail in 1944, nor should they be too much regretted, for they make a clear record that there has been a minimum of corporate profiteering in this war period.

Price controls, wage and salary controls, and controls over the allocation of materials, will probably be continued next year in much the same way as they are now in force. The controls over the allocation of materials are likely to constitute the most difficult problems that the authorities in Washington will have to face. Shipbuilding now consumes more steel than any other industrial activity. When the war with Germany is won we shall not want to build any more Liberty ships, and great tonnages of steel can be released for other uses.

Great shortages of steel for civilian uses have accumulated, and the industry will probably continue to operate at near capacity production for a long time to come. Among the civilian products for which steel will probably be allocated shortly after the fall of Germany are trucks, farm implements, railroad equipment, and household appliances. When the allocations of steel for such products get under way, we shall learn how the government plans to handle its problem of deciding which firms shall first be given permission to start reconversion for peace-time production. Such head starts will prove extremely advantageous for the firms selected.

Transition

Next year will usher in the beginning of the end. Nevertheless it will be only the beginning. The real change-over from the war economy to the peace economy may be expected to take place in 1945 and not in 1944. Next year we shall have the adjustments and the preliminary modifications which must precede the major conversions which will come later on. Probably we shall not like the business developments of 1944 because they will entail confusion and uncertainty. Nevertheless they will afford good preparation for the greater irritations of 1945.

Conversion from peace to war is a far simpler undertaking than that from war to peace, and that is particularly so in the field of industry. When war breaks out the government tells us what to do, and it tells the manufacturers what to make. There is one central purpose and one unified direction. When peace breaks out all that is changed. The government no longer tells us what to do. It tells us instead that we are free to do what we please. The central purpose and unified direction disappear, and we have instead millions of civilians seeking to readjust themselves to changed conditions, and millions of men and women back from the wars trying to reenter civilian life.

Each month of the coming year will find smaller numbers of people engaged in war work, and larger numbers making civilian goods. Even the beginnings of transition from war to peace will result in many injustices as some individuals and business firms are permitted to return to civilian tasks and peace-time production while others must carry on with war work. We must expect them, and be as philosophical as we can about them. They are an inescapable part of war which is itself the most grievous of all injustices.

Definite post-war planning that consists of getting ready to work on peace-time production is the best safeguard against the hazards and injustices of the transition period. For some firms the remaining time is shorter than they think, and for others it is longer than they hope. A policy of preparedness is the best insurance policy.

Our greatest business assets as we enter the transition period will be our accumulated shortages. There will be demand in this country for great numbers of automobiles, dwellings, household furnishings, agricultural appliances, and so on through a long, long list of needed goods. We shall have great accumulated money savings with which such goods can be bought. More than that the whole world has been accumulating shortages during the years of warfare. Our periods of transition and post-war reconstruction will also be periods of opportunity.

Prospects for 1944

Even in times of war business men expect commentators to make forecasts during the closing weeks of each year. In conformity with that tradition the writer of the Business Bulletin ventures to make the following comments based on his personal opinion concerning possible developments next year.

In 1944 we and our allies shall be victorious in the war with Germany.

Labor shortages will probably continue to be serious until Germany is defeated, but will decrease rapidly in importance after that.

Average weekly earnings of factory workers have increased rapidly and steadily for two years. That rising trend may be expected to continue until the war in Europe is ended.

Overtime payments of factory workers and other workers will decrease rapidly after Germany is defeated.

The average price of coal will almost surely be higher next year than it has been this year, but the increases will benefit the miners rather than the operators.

Wholesale prices will generally advance, but it is not probable that their average in 1944 will be more than 10% higher than in 1943.

The cost of living will almost surely be higher next year, and it is not likely that the average in 1944 will be less than 5% or more than 15% above the average of 1943.

It is not likely that we shall have next year an advance in

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"Our Reporter On Governments"

By S. F. PORTER

We're now into the month of reinvestment demand, of repurchasing by institutions which have held back on the market until now because of tax factors, of "dressing" by the fiscal authorities preparatory to the new financing. . . . And of the Fourth War Loan drive for $14,000,000,000 minimum. . . . There's no reason why we should see a runaway market on the upside even if there were no war loan hanging over us. . . . A booming price list doesn't make sense under the circumstances and wouldn't be desirable from either the investor's or the Treasury's point of view. . . . But a creeping advance is to be anticipated as the days pass. . . . During the next few weeks you should see higher prices on such issues as the 2s of 1953/51, the favored tax-exempts, and other key bonds. . . . And, certainly, this is no month to look for any important price reaction. . . . No matter how advisable a quiet market may be to the Treasury, a sluggish market is not a sound atmosphere for a major borrowing. . . .

So the time has arrived for a cautious optimist to lift his voice and look around for good intermediate investments. . . . The action of the market since November has proved beyond the shadow of a doubt the wisdom of buying bonds selling close to par and protected by an official "bottom level" for the interest carry between financing. . . . Those investors who followed the urging of this observer to purchase the 2s or 2½s for the "carry" to mid-January now have an excellent profit behind them. . . . Those who didn't may examine the lists now for special securities they want to hold during the early 1944 months. . . . Of course, institutions which are eligible to enter the Fourth War Loan have one of the best bonds in years coming up. . . . The 2¼s. . . . They've little to worry about until Feb. 1, when all signs point to large-scale buying of the 2¼s by non-banking investors. . . .

QUIET "ON PURPOSE"?

One of the intriguing reports going the rounds in Wall Street these days is that the Federal Reserve and Treasury have combined to "hold back" and "keep quiet" the market in recent weeks. . . . The objective being, to quote one dealer, "to discourage the huge numbers of free riders who came in and undermined the 2s during the Third War Loan." . . . In short, to keep these in-and-out speculators from disturbing the January-February drive by cutting their possible profits to a minimum. . . .

There's no question about the fact that thousands of individuals, small companies, brokers, etc., expected a lot more premium from the 2s than they obtained. . . . Premium on the 2s has ranged around the 3 to 6/32 mark for weeks, represents the average profit of most speculators. . . . And considering the amounts of money they had tied up in the loans and bonds, that profit just wasn't enough. . . .

Had the market boomed during December, according to this story, the free riders would be back again for the Fourth War Loan, trying to catch the top on the 2¼s. . . . But with the quiet, dull market we've had for so long a time, they're disappointed sufficiently to stay away. . . .

Which, the report is, fits in perfectly with the Federal Reserve's plans. . . . And which also suggests there'll be no unusual restrictions on bank loans or in-and-out trading this time, for the simple reason that there won't be the necessity for drastic action. . . .

It's a logical tale and one which explains some of the Federal Reserve's indifference to giving the market "color and life" during all this period of sluggishness. . . . And if it does permit the continuation of liberal controls on speculation, it was an extraordinarily shrewd policy. . . .

INSIDE THE MARKET

Substantial decline in outstanding bank loans against Governments looked for in the first period of this month, reflecting brokers' sales of accounts frozen until now. . . . One broker, for instance, reports that he won't keep his clients frozen in Governments indefinitely for so small a profit as is obtainable on the 2s. . . . Declares his feeling is typical of several of his friends. . . . Reveals he will sell before January 18, to get his clients into shape for reinvestment either in the bond or stock markets. . . .

Dealers almost unanimous on the outlook for a better market this month. . . . General feeling is the 2s of 1953/51 will hit the ⅜ premium mark. . . . Equally strong opinion around that these bonds are worth ½ with the market around this level, but "if they're ½, they'll get to ⅝". . . . Which is the market jargon for saying bonds rarely reach the precise price at which they belong according to technical calculations. . . . The human element always shaves a bit from the top and the bottom. . . .

As for the new 2¼s, when they are opened to trading, the feeling on these is that they'll be worth ¼. . . . Again, the ½ level is being forecast by optimists, but that's on the basis of today's prices plus a rally plus a perfect setup. . . . And this date is too early for predictions worth anything, in the first place. . . . The 2¼s won't be traded until after books close on the Fourth War Loan, which will be after February 15. . . .

An authoritative report is that the 2¼s will be treated in the same way as the first issue of 2½s. . . . The bonds due in 1967/62, which now are selling at 100.12 bid, 100.14 asked, against a year's high of 101.2 and a year's low of 100.3. . . . The 2¼s may turn out to be a "tap" issue, says this source. . . . With the Treasury reopening the books on the bonds for the next war loan drive. . . . And continuing to increase this issue until the total outstanding runs into the many, many billions. . . .

If this happens—and the report is based on judgment of the market rather than on official information, it is said—the 2¼s will be depressed after their initial advance by the rumors of reopening of the books. . . . The same pattern which was drawn by the 2½% tap issue would be redrawn by these bonds. . . . An initial advance, then a reaction to the par level as the books are opened, then a slight advance after the closing for the second time. . . . Then a market movement in accordance with the Treasury's plans for the issue and with the action of the general price list at that time. . . .

This is based, it is repeated, on a report circulating among dealers now. . . . It is not official, but it will help you determine your investment policy on the new securities. . . .

The market receded to rock bottom during the last few days of December. . . . "Rock bottom," that is, in light of the forthcoming loan. . . . For the 2½s of 1969/64 dropped to the 100 to 100.1 level. . . . The 2s sold at 100.3-4/32. . . . The market generally held in line with its past performance. . . . With new 2½s coming out and with the 2s assured of a par-plus price, the general list couldn't sink from that point. . . . This is technical reasoning, but with a market at this stage, technical factors are in control. . . .

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Securities Group Aids Beekman Hospital Fund

A securities group, consisting of members of the New York Stock Exchange, investment bankers and the New York Curb, has been formed by Edwin S. Webster, Jr., a partner of Kidder, Peabody & Co., to assist Beekman Hospital in its campaign to raise $160,000, Ferdinand Eberstadt, Chairman of the hospital's 1944 Maintenance Fund, announced.

The appointment of five other Chairmen to head various business groups in the downtown community was also announced by Mr. Eberstadt. Perry E. Hall, a partner of Morgan, Stanley & Co., will head the committee for the accountants profession; Walter H. Sammis, Vice-President of Commonwealth & Southern Corporation, the Public Utility Committee; Douglas M. Cruikshank, of Cruikshank-Morrison, Inc., the Real Estate Committee; C. J. Wood, Executive Vice-President of Thomas J. Lipton, Inc., the Tea Group, and Emil Pangal, proprietor of Ye Old Dutch Tavern, Committee for Bars and Grills.

It was stated at the Beekman Maintenance Fund headquarters that numerous subscriptions had been received in the past week, although the campaign will not be started officially until Thursday. Among these subscriptions was one from the firm of Handy & Harman, dealers in gold, silver and platinum.

Lazard Freres & Co. Admit Four Partners

Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, announce that Pierre David Weill, Andre Meyer, Wm. Howard Schubart and Albert J. Hettinger, Jr., have been admitted as general partners and that Mr. Frank Altschul has retired from the firm.

These admissions to partnership in Lazard Freres & Co. were previously reported in the "Financial Chronicle" of Dec. 16.

Our Reporter's Report

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tive preferred stock of $100 par value.

Public offering should come within 48 hours of the award, depending, of course, upon the action of the Securities and Exchange Commission in releasing the securities.

Why Only Two Bidders?

Queried on why bidding in undertakings like the foregoing finds only two, or occasionally three syndicates in the running, a banker explained the situation as follows:

It is not, he said, due to any lack of capital, but rather stems from the fact that the underwriting industry, like many others, is suffering from a severe manpower shortage.

"That's the bottleneck," he averred, pointing out that for the present only a veritable handful of firms boast the syndicate and buying departments needed to handle this type of financing.

Because of the vast amount of work involved, he added, most such firms would rather go along as members of a group instead of heading it up, under present circumstances.

Puerto Rico Revenue Issue

With approximately half of the total expected to be placed privately, a group of bankers is slated to bring out, on Wednesday, an issue of $20,000,000 Puerto Rico Water Resources Authority revenue bonds.

The public, it is now indicated, will get an opportunity to take up about $10,000,000 of the total. The bonds are being sold to refinance outstanding debts in the foregoing amount, and to pay for the acquisition of the Puerto Rico Railway, Light & Power Co.

Rail Financing Dormant

Aside from an occasional sale of equipment trust certificates the railroad field has provided lean pickings for the banking fraternity recently and appears destined to remain dormant for some little time.

As near as can be gauged now, no potential railroad issuer is of the disposition to undertake anything in the way of refinancing as things now stand.

The consensus seems to be that the carriers will await disposition of the matter of competitive bidding now before it for consideration in consequence of the insistence of Midwestern banking groups that such procedure be followed.

Hearings have been held and both sides pro and con, have presented their cases. As yet the Commission has given no hint of when its ruling may be expected.

Calvin Bullock Firm Celebrates 50 Years

The firm of Calvin Bullock, 1 Wall Street, New York City, established in 1894, is this year celebrating its fiftieth anniversary. During this period the firm has witnessed tremendous changes in investment values; five separate depressions or panics; intervening periods of prosperity; boom years, and two World Wars.

A pioneer in the development of the investment company in this country, the firm points with pride to the fact that no investment company under its management has ever omitted a quarterly cash dividend. Since 1929, these companies have paid dividends of over $50,000,000.

Split Between Treasury And Internal Revenue Bureaus Urged By Rep. Knutson

Separation of the Bureau of Internal Revenue from the Treasury Department making it an independent agency was proposed on Jan. 4 by Representative Knutson (Rep., Minn.).

Mr. Knutson said that he plans to ask the House Ways and Means Committee, of which he is ranking minority member, to sponsor legislation to bring about the change. In a statement Mr. Knutson said he believed "the time has come to completely eliminate Treasury dictation on matters of tax policy."

His statement added:

"There is no good reason why the Bureau, the activities of which relate strictly to the collection of taxes, should continue to be under the domination of the Treasury, which too often is more concerned with the politics of tax policy than with giving Congress unbiased information upon which it can intelligently formulate revenue legislation."

If the revenue raising committees of Congress were enabled to work directly with an independent bureau, Representative Knutson said, "there is no doubt but that improved procedure in the collection of taxes could be worked out."

Mr. Knutson's statement also said:

"The separation of the two agencies would take politics out of the operation and enforcement of our tax laws, prevent the Administration from using the threat of unwarranted investigation of income tax returns as an instrument of punishment or duress and permit the bureau to be of much greater service to Congress in advising on the mechanism of collecting taxes.

"So far as the Treasury is concerned, a great many members of Congress, regardless of party affiliation, are at the end of their patience in reference to the attempt of Secretary Morgenthau to usurp the constitutional control of the legislative branch over tax policy.

"The Secretary and his staff have revealed time and again that their approach to tax problems is influenced by their desire to bring about changes in our economic system which are contrary to American principles and to which Congress is opposed."

Our Reporter On "Governments"

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THE RECORD

Looking back over the record of 1943, it is apparent that the Treasury and the Federal Reserve handled the bond and money markets in superb fashion. . . .

Despite the largest volume of new financing in the history of the world, the average price level today is substantially above the price level at this time a year ago. . . . On a yield basis, yields are 6 to 20 points below the marks of early 1943. . . . The market is down from the prices established in the summer, but the decline has been surprisingly small considering the various domestic and foreign pressures. . . .

The second outstanding achievement has been the excellent handling of the money markets, in the face of tremendous gains in currency circulation (the total was above $5,000,000,000), declining excess reserves and an intense effort to distribute bonds among non-banking investors. . . . The Federal Reserve authorities absorbed $6,000,000,000 of Governments during the year, but that still was far below what had been expected. . . .

One major point stands out above all, of significance to the present and the future. . . . Last year's record shows beyond doubt that our fiscal authorities have learned the lessons of central bank and money management. . . . And they have shown their ability to place the market where they desire. . . .

Post-War Foreign Exchange Stabilization Further Considered

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study the various points that Dr. Anderson so clearly sets forth.

It must be obvious that no one single plan can adequately meet the requirements of the various nations that will need assistance. This was definitely proven after the last World War, and it was also found, that some success was achieved by tailoring each stabilization effort to fit the requirements of the country to be assisted and, further, that this method cost far less.

It just happens that on Dec. 16, I introduced House Joint Resolution 207, to be complementary to House Joint Resolution 192, now being considered by the Foreign Affairs Committee of the House, which enables the United States to participate in the work of the United Nations Relief and Rehabilitation Organization.

I think that we all are familiar with what relief means; namely, food, medicine, and clothing for the peoples of those countries who have been under Nazi jurisdiction. Just how much we can give of our production for this necessary work can be established; but when it comes to the matter of rehabilitation, despite the fact that the United Nations Relief and Rehabilitation Council endeavors to limit rehabilitation to that which will be required to make the relief effort effective, experience has shown that temporary rehabilitation may be difficult to control and may develop into commitments for comprehensive reconstruction.

Take, for instance, the case of displaced peoples. The UNRRA would naturally take care of their relief, and probably arrange their feeding and repatriation; but once restored to their own country, their rehabilitation through the development of opportunities to work and produce wealth is not a relief measure, but definitely an economic undertaking for which UNRRA will probably not be equipped if it continues in its role as purely a relief institution.

I am and have been opposed to the so-called White and Keynes Plans, and the long term credit plan as recently proposed by the Treasury. Future cooperative developments between the nations of the world may automatically bring into being some form of international banking institution, but in view of the up-set conditions that exist today and political uncertainties that may exist in countries freed from Axis occupation, it appears to me that it would be far wiser to set up some national organization equipped to study each case on its own merits in cooperation with other interested nations, than to be a member of some great international financial organization in which American wishes and interests might be subordinated to the views of the other participants. For this reason, I have offered H. J. Res. 207, as complementary to H. J. Res. 192, the purposes of which are described in my remarks before the House on December 21, 1943.

DR. A. M. SAKOLSKI
City College, New York City

Professor Anderson's analyses of the defects and shortcomings of the proposed plans for post-war exchange stabilization are on the whole sound; he evidently has endeavored to take a highly realistic attitude regarding the proposals. But he is not as realistic as might appear from his remarks. He fails to sufficiently emphasize the fundamental defect of the whole plan. The three different proposals set up will undoubtedly meet with difficulties, if not complete failure, because they fail to set up an adequate machinery for the control of the internal currency and credit operations of the member nations.


A. M. Sakolski

As I pointed out to you in my letter of September 2, 1943 (published in the "Chronicle," Sept. 16, 1943) there must be sufficient control of the issuance of domestic currency if such currency is to bear a fixed ratio of value to the international unit set up by the International Stabilization fund. I proposed that this could only be accomplished by, (1) the adherence to a universal gold (or other metallic standard) accompanied by a free and uninterrupted market for such metal and the entire absence of restrictions on international exchange operations, or (2) an international bank of rediscount having the exclusive right to create and control the bank note issues of the member countries.

Of course, I realize that these restrictions are an invasion of national sovereignty, and will be opposed or evaded by the countries on which they are imposed. But when one looks back at the internal monetary situations in the belligerent nations following the last World War, one can hardly conclude that there will be anything different following the present conflict. Each country's government, excluding our own, will be faced with the necessity of vast expenditures for rehabilitation and their taxable resources will have diminished almost to a vanishing point. Their only recourse, therefore, will be the resort to "printing press" money, since their impaired credit and the dearth of loanable capital, will preclude public loans. Under the circumstances, there is bound to be recurrence of hyper inflation. It may be eased by international loans (or gifts of funds, as Professor Anderson rightly suggests) but it can hardly be avoided **unless a drastic control of domestic currency operations be imposed.** The machinery for this should be an International Bank of Rediscount, similar to our Federal Reserve System. Or it may be accomplisehd by prohibiting a national central bank, (which should have the exclusive right to create and issue currency) from lending to any government agency. Obviously, these measures are extremely difficult to put into operation.

Regarding international capital loans following the war, I am partially agreed with Professor Anderson that these loans (if any should be permitted at all) should be left strictly to private interests and that there should be no inter-governmental loans. I also agree with his suggestion that they be in the form of equity securities, rather than fixed interest obligations. If there are opportunities for profit in any of the war torn countries you may rest assured that there will be private capitalists who will venture into these realms, just as they did in the South after our Civil War. But bankers should not be permitted, as happened after the last war, to shift the risks to small investors or speculators, eager to obtain high returns, and who are not in a position to bear business losses. Our people burned their fingers badly through their participation in foreign loans, and we should not let it happen again. If an international loan bank (such as has been proposed by Secretary Morgenthau) can assist private capitalists in aiding rehabilitation through taking up the secondary impact of these loans, by a system of highly restrictive credits, so much the better. The situation would be greatly aided, as Professor Anderson suggests, by a revival of the American capital market, and a removal of the handicaps imposed by the Security and Exchange Commission and the operations of the Johnson Act.

On the whole Professor Anderson's destructive criticisms of the international exchange stabilization proposals are good, but, like many other of us, he has not yet outlined clearly a practical substitute. He tears down, but in rebuilding he only fills up a gap here and there in the structure. Certainly, if the economic relations of the world are to be restored, and chaos avoided, some positive action, such as are contained in the three proposals, must be undertaken. As time goes on, readjustments can be made and machinery set up that will bring some help to a war-torn world.

Prospects For Business In 1944

(Continued from page 77)

commodity prices so general that it will be commonly considered to constitute inflation.

Next year promises to be our toughest transportation year with respect to automobiles, trucks, buses, street cars, and railroads.

The volume of industrial production is near its ceiling. It will probably continue in a slowly rising trend until the war ends in Europe, and then turn downward.

Steel production will probably be well sustained in 1944, and in several years to come. Production in 1944 is likely to be slightly less than that of this year.

Production of bituminous coal will probably be higher in 1944 than in 1943, but not by more than 7%, or by less than 2%.

Production of electric power will probably be greater than in 1943. The increase is not likely to be less than 10% or more than 20%.

It now seems likely that national income in 1944 will not differ much from that of 1943. Probably the increase or decrease will not be more than 9%.

Municipal News & Notes

A syndicate headed by Halsey, Stuart & Co., Inc., Lehman Brothers and Kidder, Peabody & Co., is making public offering of a new issue of $9,450,000 1.40% State of Minnesota, Rural Credit Deficiency Fund certificates of indebtedness. This group was high bidder on Jan. 4 for the issue, offering 100.112 for 1.40s, as compared to the next best offer of 100.029 for 1.40s, submitted by the Bankers Trust Co. of New York, and associates.

The certificates mature semi-annually from Aug. 1, 1956 to Feb. 1, 1963, incl., and the public offering was made at prices from 101¾ to 101, according to maturity. The securities are redeemable at the option of the State at par on and after Feb. 1, 1947, and the yields to optional date range from 0.81% to 1.06%, and to actual maturity from 1.25% to 1.34%. Counsel reports that these certificates constitute valid general obligations of the State.

Madison, Wis., To Vote On Large Utility Issue

The finance and judiciary committees of the Madison, Wisconsin, Common Council have recommended adoption of a resolution calling for a referendum at the April 4 election on the question of the issuance by the city of $11,500,000 bonds in connection with proposed municipal acquisition of the facilities of the Madison Gas & Electric Co. The total bond issue would provide not more than $137,000 negotiating expense and $363,000 for immediate plant extensions and improvements. The program envisages post-war additions and betterments at a cost of approximately $1,000,000.

Altoona, Pa., Refunding Plan Suggested By Controller

Ward B. Morrison, Altoona, Pa., City Controller, has urged that the incoming municipal administration give early consideration to his proposal that the city refund $551,500 of outstanding 3% special assessment street paving bonds and $300,000 bonds of 1924, which latter become callable in 1944. Mr. Morrison expressed the view that the obligations can be refinanced under present market conditions at an interest cost of 1½%, or perhaps less. He said that he has received inquiries lately from various sources regarding the possibility of refunding the indebtedness in question.

With reference to the street paving bonds, Mr. Morrison said that he would suggest to the City Council that this debt be refinanced on a five-year serial basis and expressed the opinion that most of the money necessary to meet the annual maturities would be collected from the assessed property owners.

Milwaukee, Wis., Nearing Debt-Free Status

The City of Milwaukee, Wisconsin, which in 1932 stopped issuing bonds and since then has financed improvements on a cash basis from its permanent improvement fund, will probably soon be the only large city in the country that is debt free, it was stated in the annual summary of William H. Wendt, City Comptroller. The recently adopted 1943 tax levy, Mr. Wendt said, includes a sum of $300,000 to take care of bond principal maturing in 1944 and, when this payment has been made, the city's public debt amortization fund will be in a position to assume the remaining outstanding bonded debt of the city. The fund will pay $1,859,000 of principal due in the current year, and thereafter both maturing bond principal and interest.

This fund, which was established in 1923 to assume the city's bonded debt eventually, originally totaled $398,000 and will soon equal the outstanding bonded debt, the Comptroller declared. "It was the delinquent and deferred instalment taxpayers who have built up the amortization fund", Mr. Wendt stated, and pointed out that $4,923,000 of the $5,500,000 contributed by the city to the fund since 1923 came from "interest on delinquent and extended taxes and deferred street improvement instalment assessments." The fund itself, he continued, "has earned $4,600,000 interest from the investment of these monies and the city's contributions have averaged $268,000 a year for 20½ years."

Milwaukee also has a permanent improvement fund closely allied with the elimination of its bonded debt.

Milwaukee also has a permanent improvement fund, closely allied with the elimination of bonded debt, the tax levy for which increases as the levy for debt service declines. As the city stopped issuing bonds in 1932, the improvement fund levy has progressively increased and the amount for 1944 is $3,035,000 and thereafter will be $3,800,000. The city's tax rate for 1944 is 2.03 per $1,000 of assessed valuation below that of the previous year and the city's financial program is now in such favorable condition that Comptroller Wendt has suggested the possibility of stabilizing the tax rate at least for four-year periods.

Purposes For Which States Use Liquor Revenues

An analysis of the specific purposes for which liquor revenues are used by the various States has just been made public by Allied Liquor Industries, Inc.

The analysis, contained in a 20-page booklet, entitled "Liquor Revenues In Your State and Where They Went," breaks down the $541,680,265 collected by the forty-eight States and the District of Columbia from the sale of alcoholic beverages in 1942 to show the amount which each individual State received, the amount which each State diverted to county and local government, the amount which went into State general funds, and the purposes for which specific allocations were made—schools, old-age pensions and assistance, charitable institutions, poor relief and similar social services.

In making the booklet available, Allied's research and statistical bureau made these observations on State revenues from alcoholic beverages:

"The severe Government restrictions imposed on civilian use of automobiles some time ago seriously curtailed receipts from gasoline taxes and license fees, which were formerly major revenue sources. Accordingly, State and local governments have been placing increasing dependence on other tax media, such as sales and alcoholic beverage taxes. The distilling industry has made no whiskey since its facilities were completely converted to war production on October 8, 1942, and distillers have had to allocate their remaining whiskey stocks; accordingly, State tax receipts from whiskey and other distilled spirits have declined precipitously.

"If this trend of declining State alcoholic beverage tax revenue continues, States obviously will be compelled to seek other sources of revenue not now readily or apparently available. As a matter of fact, on the basis of collection figures released by various States so far this year, it is estimated that State and local government revenues from alcoholic beverages will drop sharply in 1943, by perhaps, 30% from 1942. This would place such revenues in 1943 at a level of approximately $380,000,000 as compared with the $542,000,000 collected in 1942."

Railroad Securities

(Continued from page 61)

more rapid reduction in charges than could be accomplished through using a similar amount of cash in purchasing the high priced nearer maturities. This more rapid reduction in charges would in turn have a highly salutary effect on the overall system credit, thus further simplifying the problem of refunding mortgage maturities in 1949 and 1955.

All in all, the coming year should witness the progressive further improvement in the long term status of Southern Pacific and a marked lessening in any apprehension as to its post-war financial outlook. All of this augurs well for the potential market action of the road's junior securities. A $2 dividend was paid on the stock last year and at least that much should be paid in 1944, affording a return of around 8.5% at recent price levels.

"All In The Same Boat"

(Continued from first page)

perfectly obvious that the entire securities industry, and this includes the over-the-counter as well as the auction markets, are "all in the same boat," and no single segment can be expected to succeed unless all join together in combating their respective problems.

New York Stock Exchange Weekly Firm Changes

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

Proposed transfer of the Exchange membership of Howard E. St. John to Harry E. Collin will be considered on Jan. 13. Both are partners in Collin, Norton & Co. of New York and Toledo.

Carl I. Carlsen, general partner in Foster & Marshall, Seattle, Wash., became a limited partner in the firm effective Jan. 1.

Interest of the late Walter W. Price, limited partner in Abbott, Proctor & Paine, New York City, ceased as of Dec. 31, 1943.

Interest of the late Albert S. Colburn in Bell & Beckwith, Toledo, Ohio, ceased as of Dec. 31.

Interest of the late Elton Parks in Dominick & Dominick, New York City, ceased as of Dec. 31.

Interest of the late Melvin L. Emerich in Hallgarten & Co. ceased as of Dec. 31.

Interest of the late James B. Mabon in Mabon & Co., New York City, ceased as of Dec. 31, 1943.

Interest of the late S. H. Fessenden in F. S. Moseley & Co., ceased as of Dec. 31, 1943.

Edwin H. Herzog retired from partnership in Shields & Co. on Dec. 31, 1943.

Irving P. Jacobs retired from partnership in Sutro & Co., San Francisco, on Jan. 1, 1944.

New Officer

CINCINNATI, OHIO — John Griffin Cregmile is secretary and director of W. H. Fillmore & Co., First National Bank Bldg.

Equity Capital

The Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville, Ky., is distributing copies of a letter written by Judge Healy of the Securities and Exchange Commission to the New England Council on the subject of "Venture Capital."

Thomas Graham, manager of the investment department of the Bankers Bond Co., declares in a letter accompanying the reprint, "The post-war economy, to function properly, must solve the problem of the development and financing of small and medium sized business.

"The thoughts and ideas expressed in the enclosed letter, in our opinion, will help in the consideration of this vital problem. The states and cities and private capital, of necessity, must find a solution to this problem if free enterprise is to survive and if we do not turn the operation of our American political system into a government by bureaucracy.

"We have studied for years the formation of a Discount Bank to do only equity financing of small and promotional enterprises in this area and the suggestions of Judge Healy, we hope, will prove of real benefit in this particular regard."

With Goldman, Sachs

(Special to The Financial Chronicle)

WATERVILLE, MAINE—Raymond L. White, with offices in the Professional Building, is now associated with Goldman, Sachs & Co. of New York City. Mr. White formerly conducted his own investment business in Waterville under the firm name of White & Co.

NASD 5% Rule Contrary To Will Of Congress And Must Go!

(Continued from page 59)

unreasonable profits just to insure there being no such thing as a 3%, 5% or 10% limit on mark-ups.

And time and again Commissioner Mathews during the hearings made the Committeemen understand that they should work on the presumption that the SEC would interpret the Maloney Act in the light of the reports of these legislative committees which are now public records.

And so we say again that it is obligatory upon the Board of Governors to rescind the 5% rule and mandatory upon the SEC to see that this is done.

While the rule stands, the SEC Commissioners and the Governors of the NASD are doing nothing more nor less than ignoring the will of Congress and challenging both the Senate and House of Representatives to do anything about it.

A few of the high and mighty in the Association are trying to make the rule stick. The most persuasive argument in favor of it they seem able to muster is that "most" (whatever that means) dealers can live on a 5% mark-up basis, though they may not make as much money as before, and that the SEC wants it. And, since the SEC is here to stay, we might as well abide right down the line by their wishes. This, it seems to us, is like condescending to have a leg chopped off on the theory that you can live with but one.

Organized effort to have this rule rescinded is beginning to manifest itself. Dealer associations all over the country should write or telegraph to Ganson Purcell, Chairman of the SEC, and Henry Riter, 3rd, Chairman of the Board of Governors of the NASD, and insist that the rule be abrogated when the Governors meet this month. Where no organization exists, groups of dealers should have their lawyers follow suit. They need not mention the name of their client if a dealer does not wish his identity revealed. (The "Chronicle" would appreciate receiving copies of such protests.) **This rule should not, must not, and will not stand.** Dealers and associations should cooperate in any organized effort to bring about its rescission.

Those interested in this subject will not want to miss reading "SEC and NASD Attempting To Establish Customs and Usage in Securities Business by Fiat" by A. M. Metz and Edward A. Kole 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. 107

The Secretary of the Maine Investment Dealers Association was instructed to send the "Chronicle" a copy of the following letter which is self explanatory:

Chairman & Board of Governors,
National Association of Securities Dealers, Inc.,
1616 Walnut Street,
Philadelphia 3, Pa.

Gentlemen:

At a meeting of the Directors of the Maine Investment Dealers Association held at Portland, Maine, Dec. 17, 1943, those present including Directors, Maurice A. Bowers, Walter T. Burns, A. Clinton Edgecomb, Harold D. Jones, Chas. W. Leonard, Stanley H. Patten; President, Carrell K. Pierce and Secretary and Treasurer, Nathan C. Fay, expressing the will of our membership as ascertained by poll, it was unanimously voted to submit to the National Association of Securities Dealers, Inc. an expression of its disapproval of the so-called "5% profit rule."

We submit this expression of disapproval in the spirit of casting a dissenting vote so that it may become a part of the record.

Our reasons for so doing include the following:

We believe that this limitation rule should have been submitted to the membership for approval or disapproval by secret ballot.

We fear that it may be the forerunner of other arbitrary and pernicious regulation.

We believe that it is not practicable or advisable to formulate a national profit yardstick.

We challenge that such a yardstick should be applied to the State of Maine territory which we serve.

The Secretary was instructed to forward this communication to the Chairman and Board of Governors of the National Association of Securities Dealers, Inc.

Faithfully yours,
Maine Investment Dealers Association
(Signed) NATHAN C. FAY, Secretary

Dec. 23, 1943.

DEALER NO. 108

It is our opinion that membership in the NASD is a detriment to the small retail dealer instead of a help. We feel that the NASD is now controlled by the members of the NYSE and large underwriting houses.

We have sent our resignation to NASD and asume same will be accepted. As we see it the only organization which could be of benefit to the actual retail houses would be one which would exclude members of any exchange.

Looking the facts straight in the face—exchange members and retail houses have never had any thing in common and their interests are of a direct opposite and conflicting nature.

DEALER NO. 109

What happened to the proposed division of Stock Exchange and Over-the-Counter business? What is fair about Stock Exchange firms having no provision for profit for non-member firms who are compelled to turn over the stock exchange business they originate to member firms? Charging a service commission is, in my opinion, risking that the customer will take the advice and order directly from a stock exchange firm and thereafter be considered a customer of the stock exchange firm. It seems more than possible that stock exchange firms have been making excellent progress in the over-the-counter business in addition to having had a good raise in commission rates. It seems possible that they also have a very strong voice in the NASD affairs and that their best interests do not lie in the same direction as the small dealers but rather at the expense of the small dealer.

DEALER NO. 110

This is strictly a home-made letter written on a Saturday afternoon after reading a few of the comments on the 5% profit clause. So if this letter doesn't look as though it was written by a professional stenographer, you are perfectly right—it wasn't.

Personally, I'd be satisfied with 5% and like it, but what right have I to say that is enough for a dealer down the street. Let him charge what he wants. If it's too high he'll lose his customers (to me I hope).

Respectability, what crimes are committed in thy name!

What I am wondering about is what two or three busybodies are getting together in Washington and putting all these ideas into other peoples' heads. It isn't a question of 5% or 10% limitation. That is not the issue at stake. It is the right of representatives not chosen by the people, or evidently by the majority of the industry, to regulate so minutely other peoples' business. Next year some four ply thinker is apt to hear "the call" and hit the trail for 1% limitation. Next will come a roll-back idea wherein every dealer pays every investor 10% of all securities he has sold them. Only in this case there will be no government subsidy.

Why not get hold of these birds both in the SEC and the NASD, pull them out in the open and hear what they have to say. Or maybe it's only one man. Whoever it is they should be personally identified. Let them bear the results personally for their ideas. Every other politician has to do it.

But let them have a good time while it lasts, boys. It won't be long now. In the meantime if I steal any of your customers because you have over charged them—don't get sore about it because in this way I, in effect serve as a ONE MAN SEC and NASD. If it weren't for you "over-chargers" I'd have a tougher time getting business.

And anyway, why don't you resign from the NASD as I did? The SEC has been 100% with me and if enough get out of the NASD ergo, there will be no NASD. But maybe I'm getting childish in my simplicity. (Signed) Number 1,000

DEALER NO. 111

The NASD 5% rule does not affect us directly but we are opposed to it in principle and would have so voted if given the opportunity which we definitely feel should have been provided us. Furthermore, it is our opinion that if the NASD does not begin to show indications of a desire to serve the numerical majority of their members, dealers should form another association that will do so.

New York Stock Exchange Advises On Payments Of Share Of Profits

The New York Stock Exchange issued on Dec. 30 the following notice concerning the payment of share of profits or overriding commissions to branch managers, heads of departments and others:

"With regard to the payment of a share of profits or overriding commissions to branch managers, heads of departments and others, it is evident from discussions had by Exchange authorities with the Office of Economic Stabilization in Washington on Dec. 29, that the only possible approval of such payments other than in conformity with the amended regulations must be on an individual application basis. Member firms, therefore, are advised before closing out their books as of the end of the year to make provision for reserves for this purpose, and, unless they have already done so, to make specific applications immediately for approval of such payments, with respect to which applications member firms will receive the cooperation and assistance of the Association and the Exchange."

Lamborn Named To Head NY Coffee-Sugar Exchange

Ody H. Lamborn, President of Lamborn & Co., Inc., has been nominated to serve as President of the New York Coffee and Sugar Exchange for 1944. Mr. Lamborn has served as Vice-President of the Exchange since August when he succeeded Frank C. Russell, who resigned. The Nominating Committee of the Exchange has also selected Charles Slaughter of Slaughter, Horne & Co. to serve as Vice-President and renominated John C. Gardner, Vice-President of Lowry & Co., to again serve as Treasurer.

The following were nominated to serve two years as members of the Board of Governors: Harold L. Bache, John A. Higgons, Jr., M. E. Rionda, P. R. Nelson, F. H. Silence and F. Shelton Farr. F. R. Horne has been nominated to serve one year.

A new Nominating Committee was named consisting of G. V. Christman, Chairman; Carl H. Stoffregen, William B. Craig, Edward A. Weber and Walter Murphy.

The annual election will be held on Jan. 20.

F. Hawes With Bradford

KNOXVILLE, TENN.—Fisher Hawes has become associated with J. C. Bradford & Co., Hamilton National Bank Building, as manager of the bond department. Mr. Hawes was previously connected with Cumberland Securities Corporation.

New Cgo. Exch. Members

CHICAGO, ILL.—Pierre Stralem, of New York, partner of Hallgarten & Co., and Lewis I. Brunswick, of Chicago, were elected to membership in the Chicago Stock Exchange by the Executive Committee, it is announced.

Interesting Situation

C. E. Unterberg & Company, 61 Broadway, New York City, are distributing an interesting memorandum on The Public National Bank and Trust Company of New York, shares of which the firm believes offer an intrinsically sound investment. Copies of this memorandum may be had from C. E. Unterberg & Company on request.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first ten articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y.

Greatest Possible War Effort And Preparations For Reconversion Stressed By National City Bank

(Continued from page 59)

also available. But questions arise as to whether some companies in a competitive field are to be allowed to resume civilian production while their competitors are kept on war work; whether standardized or 'Victory' models are desirable for a time; what consideration should be given to manufacturers who want to make a new product; how prices should be established, and similar problems. These questions are beginning to be urgent and will become more so as the year goes on.

"All these problems have been under study by Government and private agencies. They are now in the competent hands of Mr. Baruch and his associates, who have the task of establishing policies and laying down lines of authority. Their purpose is to set up a program to avert needless confusion in the industrial organization, and if they can clear the way an optimistic view of conditions during the reconversion period will be justified.

"The part of the problem which falls upon industrial management, namely, to resume making familiar things, is one which the manufacturers of this country are superlatively able to solve. Their record in converting to war work and turning out unfamiliar war products is sufficient proof.

Obligations of Individuals

"Some comment is heard to the effect that the growing emphasis on reconversion tends to detract from the war effort. The argument is that it diverts thought and energy—also that some people begin to take victory for granted, and consciously or unconsciously weaken their support of the war measures. The answer to the first point is that events make preparations for reconversion imperative, and the planning of the war effort has reached a point where it is feasible to take up new problems. If people become heedless or selfish, the cause in most cases is lack of leadership and understanding. Obviously, the obligations of individuals are not altered in the slightest, and there is no real reason why the greatest possible war effort, preparations for reconversion, and such shifts back to civilian production as war needs permit, cannot all be carried on successfully together.

"People have the duty in 1944, as they had in 1943, of doing more to help win the war. There is need for everyone to economize and save, to buy more Government bonds, to work more effectively whether they are in war plants or civilian occupations, to cooperate more wholeheartedly in the ration and price control programs, and in general to subordinate their personal and group interests in greater degree to the common effort and the common welfare. Probably these points cover about what General Eisenhower had in mind when he referred to the 'duty' of people back home, and what Secretary Hull meant when he called for national 'unity.'

The Production Outlook

"The business observers who ventured at this time last year to make predictions for the year 1943 were generally agreed upon three main points. One was that industrial activity — governed by the supreme need to get ahead with the war—would rise again to new highs. The second was that prices would advance, perhaps considerably. The third was that consumer goods trade would fall off.

"The first of these predictions has been realized, and the increase has been even greater than expected. Industrial production in 1943 has exceeded 1942 by 20%, according to the Federal Reserve Board's index. The price advance, as measured by official indexes, has been substantially less than most people looked for. Wholesale prices during the year have risen 2% and the cost of living only about 3%. The decline in consumer goods trade has not materialized at all. Retail dollar sales have totaled some 9% higher, and it seems probable that the volume of merchandise distributed, coming partly out of inventory, has increased as well.

"This record shows that the capacity to produce 'butter' as well as 'guns,' and the effectiveness of rationing, price controls and people's savings in restraining inflationary forces, were both underestimated. There may be a lesson in this for the coming year.

"Looking into 1944, there are two reasons for thinking that the output of the industries is now nearly at its ceiling. One is that further increases in the manpower available, after allowing for the 1944 additions to the armed forces, are hardly to be expected. (To be sure, the productivity of the workers now employed should and may be increased.) The second is that the goals of war production, in the aggregate, have already been approximately reached. Mr. Lawrence Appley of the War Manpower Commission stated Dec. 28 that war production was at the rate of $80,000,000,000 annually, and this is somewhat higher than the total of the schedules for 1944, even without allowance for later cutbacks. Mr. Wilson, Vice-Chairman of the War Production Board, told the National Association of Manufacturers during the month that war production in 1944 must exceed 1943 by 20%, but this was a comparison between the aggregates for the full years, not between the year-end rate and the 1944 schedules.

"On the premise that the course of the war will permit curtailment of war production sometime during the year, the prospect is that total industrial production also will turn downward, for civilian industry will hardly take up all the slack. The time needed to swing smoothly back into peacetime operation and the difficulties — some of which have been touched on above—have to be taken into account. Also, it should be understood that the wartime level of industrial activity is wholly abnormal. It includes operation of many plants which will have no civilian use, and of many others which could be turned to civilian production only by extensive reconversion. The industries are employing many workers who after the war will want to go, and who should go, back into the homes, back to school, or into retirement.

"The indications are that consumers in 1944 will fare in the aggregate about as they have done in 1943, with larger production of consumer goods later in the year but with smaller inventories in distributors' hands to draw upon as the year begins. However, if the rise in national income flattens out as the production increase tapers, retail sales would be expected to flatten out also, and inexperienced observers doubt that the record-breaking totals of 1943 will be duplicated. In general, merchants are looking upon 1944 as a year in which there will be, at some time, a swing back toward more normal conditions. They look forward to getting, sooner or later, more durable goods and more of their accustomed lines and qualities in nondurable goods. They are likely to push sales of 'substitute' goods accordingly.

"Manufacturers have no way of knowing whether some part of their plants will be freed for peacetime work in the middle of the year, at the end of the year, or at all. However, a disposition to keep down inventories of materials, except those which are allocated to specific Government contracts or which can be used in peacetime work, is evident. It seems plain that when the cutback in war production comes, stocks of industrial raw materials will be heavy in almost all lines, and behind the stocks will be an enlarged producing capacity to fill all needs abundantly. This makes hoarding of materials in general unattractive. During the past month the freeing of pig iron from allocation control, cutbacks in aluminum production, end of Sunday work for copper miners, and the announcement that a program for the liquidation of the Government-owned stock of foreign wool is in preparation, have provided additional evidence of the easing in raw material supplies."

Year-End Bond Review And Investment Outlook

Halsey, Stuart & Co., Inc., 201 South La Salle Street, Chicago, and 35 Wall Street, New York, announce that their "Year-End Bond Review" is now ready for distribution. This annual publication presents an authoritative resume of the bond market as a whole and analyses of the industrial bond market, the railroad situation, the public utility industry and the municipal bond market. Also discussed is the investment outlook. Copies may be had upon request from Halsey, Stuart & Co., Inc.—ask for NC-01.

Attractive Situation

Empire Sheet and Tin Plate Company offers attractive possibilities according to a detailed memorandum being distributed by Hill, Thompson & Co., Inc., 120 Broadway, New York City. Copies of this interesting memorandum may be had upon request from Hill, Thompson & Co., Inc.

Denver Bond Club Held Cocktail Party

DENVER, COLO.—The annual cocktail party of the Rocky Mountain Group of Investment Bankers and the Bond Club of Denver was held at the Albany Hotel on Thursday, Dec. 23.

Despite shortages of help and liquid refreshment, the officers of the two groups managed to have a plentiful supply of both, and a good time was had by all (judging from the abundance of headaches which existed in all investment dealers' offices the next morning).

Investment Trusts

"Outlook For 1944"

"We have no crystal ball . . . but our **Investment Research Department** is of the considered opinion that:

1. **We are in a broad, long-term bull market, the first leg of which has been completed.**
2. **Certain groups of securities are drastically undervalued at current market levels, and thus afford substantially greater-than-average profit possibilities . . .**

"As to the groups which we believe are most drastically undervalued at present—they are: STEEL SHARES, RAILROAD EQUIPMENT SHARES and LOW PRICED SHARES among the equity securities; RAILROAD SHARES (discount railroad bonds) and GENERAL BOND SHARES in the discount bond field." — *From a letter by Distributors Group, Incorporated, to affiliated dealers.*

Issues of **Railroad Equipment News** and **Steel News** were published at the year end by Distributors Group, Incorporated, in which the currently favorable outlook for these two industries was stressed. Accompanying each mailing was a small notice entitled "A Suggestion" which read as follows:

"The Treasury's Fourth War Loan Drive is scheduled to commence on Jan. 18. You will no doubt want to 'clear the decks' of pressing private matters before that date.

"We are sending you this reminder with the thought that dealers who get an early start after the first of the year will be able to give their clients the immediate attention they require and still be ready for the Fourth War Loan Drive."

* * *

The old question of whether shareholders prefer semi-annual or quarterly dividends has been raised by **Selected Investments Company**, the sponsor of **Selected American Shares.** This fund pays dividends semi-annually and, in a recent memorandum to shareholders, requested that they express their own preferences as to how frequently dividend payments should be made. To quote the memorandum: "Their response was an extremely strong endorsement of the present policy. More than 3,000 shareholders indicated their preference and their choice was as follows:

Semi-annual payments	73%
Quarterly payments	24%
No preference	3%

"These figures relate to the number of shareholders, and not to the number of shares. However, a test check of the number of shares represented by 1,000 replies indicates there was no significant difference."

From this survey, Selected Investments Company concludes that the majority of shareholders prefer semi-annual payments "because they save money" in the form of labor, paper and other materials saved. This is an interesting analysis of the question and will undoubtedly elicit replies from the funds which prefer to follow the policy of paying dividends quarterly.

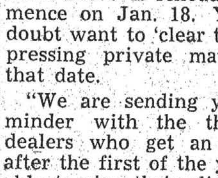
* * *

The latest issue of **Lord, Abbett's Abstracts** reprints an editorial by the financial editor of the New York World-Telegram in which the progress made in the Utility Holding Company field is cited. **Abstracts** sums up the article as follows: "This should be of particular interest to holders of Union Preferred Stock Fund, which has 63% of its assets invested in utility preferreds."

An earlier issue of **Abstracts** discusses American Business Shares as "answering 1944 investment questions." The portfolio of American Business Shares is believed to possess a logical weighting in view of the present outlook. The fund is currently invested 74.5% in common stocks, 8.0% in preferred stocks, 14.6% in bonds, and 2.9% in cash.

A third recent issue of **Abstracts** lists the portfolio of Union Common Stock Fund "B," the invest-

(Continued on page 85)



Subsidize Securities Business For No Sales?

A Cincinnati investment dealer, on reading that Robert K. McConnaughey, former assistant chief of the benefit contract section of the Agricultural Adjustment Administration and associate solicitor in the Department of Agriculture, had been sworn in as a member of the Securities and Exchange Commission, was moved to inquire:

"Do you suppose—by any fond flight of fancy—that there will be introduced a move to subsidize the securities business by offering certain benefits and compensations for not selling bonds?"

Now Philip D. Stokes

CHICAGO, ILL.—Philip D. Stokes, formerly President of Stokes, Woolf & Co., Inc., which was dissolved on Jan. 3, is now engaging in a general securities business from offices at 105 South La Salle Street. Associated with Mr. Stokes are Albert F. Lippmann, Oliver S. Stanley and Frederick W. Schulz, all previously with Stokes, Woolf & Co., Inc.

Text Of Dewey Resolution Providing For Central Reconstruction Fund For Rehabilitation & Currency Stabilization

(Continued from page 60)

other interested nations. Each national project will stand on its own feet with all the facts known, and with the ultimate liability established, the United States will at all times be in control of its own sovereignty. Going joint account with a group of friends in the financing of some project, is typically American; we know in advance just what we are getting into, and can stay out of a particular project if we feel the risk is too great. It is my belief we should approach the post-war international problem in the same manner.

A brief description of the operation of the plan was given in these columns of Dec. 30, page 2663.

Following is the text of the joint resolution:

78th CONGRESS
1st SESSION

H. J. RES. 207

IN THE HOUSE OF REPRESENTATIVES

December 16, 1943

Mr. Dewey introduced the following joint resolution; which was referred to the Committee on Foreign Affairs.

JOINT RESOLUTION

To provide for a central reconstruction fund to be used in joint account with foreign governments for rehabilitation, stabilization of currencies, and reconstruction, and for other purposes.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled:

Necessity For Legislation

Section 1. Because of the need for coordinated and efficient participation by the United States in activities among the United Nations and the nations associated with them in the present war, with respect to rehabilitation, currency stabilization, and the extension of long-term credits for reconstruction purposes, the enactment of this joint resolution is necesary.

Definitions

Sec. 2. As used in this joint resolution—

(1) The term "fund" means the central reconstruction fund provided for in this joint resolution.

(2) The term "Board" means the Board of Governors of the fund.

(3) The term "executive committee" means the executive committee of the fund.

Central Reconstruction Fund

Sec. 3. There is hereby established a central reconstruction fund which shall be administered as provided in this joint resolution. There shall be in the fund three accounts as follows:

(1) A revolving fund account, which initially shall consist of $500,000,000 assigned and transferred to such account from the stabilization fund which is at present under the direction of the President of the United States; and such other amounts as may be hereafter appropriated thereto, or assigned and transferred from the said stabilization fund.

(2) An administration account, which shall consist of amounts hereafter appropriated for administrative expenses incident to carrying out the provisions of this joint resolution.

(3) The United Nations rehabilitation account, which shall consist of all moneys appropriated for participation by the United States in the rehabilitation work of the United Nations Relief and Rehabilitation Administration.

Participation in Joint Account Undertakings

Sec. 4. (a) The Board of Governors of the fund, established by section 6 of this joint resolution, through its Chairman, may use the amounts in the revolving fund account to participate, in joint account, to the extent of not more than 50% of the total cost in the case of any one risk, with any other government or governments (or with any duly authorized agent or agents thereof) for the purpose of promoting the economic welfare of any nation through (1) extensions of short-term and intermediate credit for financing seasonal operations, and/or support of currencies when under speculative or economic pressure, or (2) extensions of long-term construction or wealth-developing credits.

(b) Such action shall be taken by the Board upon such terms and for such period or periods as may be agreed upon, but only if the general purpose of the extension of credit is for sound economic objectives, and only if the government receiving the credit will authorize the supervision of the use of the credit by a representative of a government participating in the joint undertaking, other than its own representative.

(c) The Board is authorized and empowered to assign, sell, or terminate its participation in any such undertaking, in whole or in part, upon such terms as the Board may deem to be to the best interests of the United States and otherwise equitable.

Limitations On Use Of United Nations Rehabilitation Account

Sec. 5. No moneys shall be loaned, granted, or otherwise disbursed from the United Nations rehabilitation account without the approval of the Board; except that in the case of a project the total cost of which will not be in exces of $1,000,000, loans, grants, or disbursements may be made therefrom upon the recommendation of the Chairman with the approval of the executive committee of the fund, established by section 7 of this joint resolution. All loans, grants, or disbursements in the case of a project the total cost of which will be in excess of $1,000,000 shall be approved by the Board, and only approved if the purpose for which they are to be made is consistent with the purposes and objectives of this joint resolution.

Board Of Governors

Sec. 6. (a) There shall be a Board of Governors of the fund, to be composed as follows:

(1) One member, who shall be Chairman of the Board, to be appointed by the President by and with the advice and consent of the Senate.

(2) Two officers or employees of the State Department, to be appointed by the Secretary of State.

(3) Two officers or employees of the Treasury Department, to be appointed by the Secretary of the Treasury.

(4) Two directors of the Reconstruction Finance Corporation (one from each of the two major political parties) to be appointed by the Chairman of the Board of Directors of the Reconstruction Finance Corporation.

(5) Two Members of the United States Senate (one from each of the two major political parties) to be appointed by the President of the Senate.

(6) Two Members of the House of Representatives (one from each of the two major political parties) to be appointed by the Speaker of the House of Representatives.

(7) Two members of the Board of Governors of the Federal Reserve System (one from each of the two major political parties) who shall be appointed by the Chairman of such Board of Governors.

(b) The initial term of office of one member of each group specified in paragraphs (2) to (7), inclusive, of the foregoing subsection shall be four years, and the initial term of office of the other member in each such group shall be two years; and thereafter each such member shall be appointed for a term of four years. The term of office of the Chairman of the Board shall be four years.

(c) There shall also be a First Vice Chairman and a Second Vice Chairman of the Board, to be appointed by the President, by and with the advice and consent of the Senate, for a term of four years.

(d) The Chairman of the Board of Governors shall be paid a salary at a rate equal to that of Cabinet officers, and the two Vice Chairmen shall each receive a salary at a rate equal to that of an Under Secretary of an executive department. The other members of the Board shall not receive any salary for their services as members of the Board of Governors, but shall be reimbursed for travel, and subsistence expenses incurred in the performance of their duties as members of the Board.

(e) The President may remove from office the Chairman of the Board, or either of the Vice Chairmen thereof, for any cause deemed sufficient by him.

(f) The First Vice Chairman of the Board shall serve on the Board as Chairman thereof in the absence of the Chairman and the Second Vice Chairman of the Board shall serve on the Board as Chairman thereof in the absence of both the Chairman and the First Vice Chairman, but neither of such Vice Chairmen shall serve as members of the Board under any other circumstances. Such Vice Chairmen shall, however, perform such other duties in connection with the activities of the fund as may be directed by the Board.

(g) The Chairman of the Board shall also act as the principal executive officer of the fund. In his absence the First Vice Chairman shall act as the principal executive officer of the fund, and in the absence of both the Chairman and the First Vice Chairman the Second Vice Chairman shall act as the principal executive officer of the fund.

(h) A vacancy in the office of any member of the Board or other officer referred to in this section shall be filled in the same manner as the original appointment, and the person appointed to fill the vacancy shall be appointed for the unexpired term of his predecessor.

(i) The Board shall meet on the fourth Tuesday of each month in the offices of the fund, at 9:30 antemeridian, and may hold special meetings at other times on call of the Chairman. A quorum of the Board, for the transaction of business, shall consist of eight members. In the transaction of business action may be taken by a simple majority of the Board, but only if at least two of the members present are Members of Congress. Neither the Chairman of the Board nor the Vice Chairman thereof shall be entitled to vote in the proceedings of the Board except in the case of a tie vote, or be counted for the purpose of determining whether a quorum of the Board is present.

Executive Committee

Sec. 7. (a) There shall be an executive committee of the fund, which shall consist of—

(1) the Chairman of the Board,

who shall be chairman of the executive committee;

(2) one member of each of the groups specified in paragraphs (2) to (7), inclusive, of section 6 (a), such members to serve on the executive committee for terms of six months;

(3) the senior executive officer of each of the main divisions of the organization of the fund.

(b) In the absence of the Chairman, the First Vice Chairman of the Board shall act as chairman of the executive committee, and in the absence of both the Chairman and the First Vice Chairman the Second Vice Chairman shall act as chairman of the executive committee. Such Vice Chairmen shall not serve on the executive committee under any other circumstances.

(c) The executive committee shall meet on the first three Tuesdays of each month in the offices of the Fund at 9:30 antemeridian. A quorum of the executive committee for the transaction of business shall consist of half of its membership, but only if at least one Member of Congress is present. In the transaction of its business, the executive committee may act by a simple majority. The chairman of the executive committee shall have the power to vote on all matters.

(d) The chairman of the executive committee is authorized to appoint subcommittees thereof to study, with representatives of other governments, projects with respect to which joint account undertakings are proposed, and for the preparation of reports with respect to such projects.

Authority To Borrow For Revolving Fund Account

Sec. 8. The Board is authorized to borrow from the Treasury of the United States for emergency purposes for the revolving fund account, in any fiscal year, amounts not in excess of 10% of the amounts appropriated to such account for such year, and amounts so borrowed shall be repaid to the Treasury from the appropriation made to such account for the following fiscal year.

Cooperation Of Other Agencies Of Government

Sec. 9. All departments and agencies of the Federal Government shall cooperate with the fund in making available to the fund, and to the officers and employees thereof, such statistical, economic, and other information possessed by such departments and agencies as may be useful for purposes of carrying on the activities of the fund.

Personnel

Sec. 10. (a) Except as provided in subsection (b), the executive committee shall appoint all employees necessary for the carrying on of the activities of the fund. Technical advisers and other experts may be appointed without regard to the civil-service laws, and their compensation may be fixed by the executive committee without regard to the Classification Act of 1923, as amended. Except as provided in subsection (b), all other employees shall be appointed in accordance with the civil-service laws, and their compensation shall be fixed in accordance with the Classification Act of 1923, as amended.

(b) The Board may appoint persons whose services may be required to investigate, or to supervise the performance of, any undertaking of the fund. Such persons shall be responsible to the Board, and shall make such reports as may be required. Such persons shall be appointed from a list of nominations made to the Board by the chairman of the executive committee. The Board may appoint such persons without regard to the civil-service laws, and fix their compensation without regard to the Classification Act of 1923, as amended.

Accounting Department And Other Departments And Divisions

Sec. 11. (a) The Board shall maintain an Accounting Department of the fund, which shall at all times maintain complete and accurate books of account with respect to all the operations of the fund. All decisions and acts of the Accounting Department, when approved by the Board, shall be final and conclusive and shall not be subject to review by any other department, agency, or officer of the Government.

(b) The Accounting Department shall publish semi-annual reports of all operations of the fund, and such reports shall be sent to the President, the President of the Senate, the Speaker of the House of Representatives, the head of each executive department and each Member of Congress.

(c) The Accounting Department shall have a Historical Division, which shall keep such records as may be necessary for the making, by the Accounting Department, of the reports above referred to, including a complete record of all the undertakings of the fund, both those accepted and those rejected. The Historical Division shall also prepare a record of, and make available to the public, information as to such economic and financial items as may be of assistance to private capital, industry, and agriculture in the United States.

(d) The Board shall establish such other departments and divisions of the fund as it may deem necessary and shall assign duties and functions to each department and division so established.

Appropriations; Budget Estimates

Sec. 12. There are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, to each of the accounts in the fund specified in section 3, such amounts as may be necessary: Provided, however, That Congress may make additional transfers from the stabilization fund at present under the direction of the President of the United States, to the revolving fund account. The Board of Governors shall annually prepare for submission to the Congress a budget estimate of the amounts required for the purposes for which such accounts are to be used.

Growth Leader

In an interesting survey of five of the largest processors in the canning industry, prepared by Blyth & Co., Inc., and Reynolds & Co., Stokely Brothers & Company is shown as achieving since 1935 by far the greatest growth of any company in the industry for which figures are available. According to the study of the situation, the remarkable progress of the company during the past four years, the sound financial position achieved, and better-than-average sales growth over the past eight years combine to warrant a good investment ranking for the 3½% sinking fund debentures of Stokely Brothers & Company, Inc.

Copies of the survey may be had upon request either from Blyth & Co., Inc., 14 Wall Street, New York City, or from Reynolds & Co., 120 Broadway, New York City.

Low Priced Suggestions

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges, have prepared an interesting list of low priced suggestions which offer speculative attractiveness, the firm believes. Copies of this list may be obtained from the Statistical Department of Ira Haupt & Co. upon request.

Also available are two comprehensive circulars on Engineers Public Service Company and New England Public Service Company, copies of which may be had upon request from Ira Haupt & Co.

Investment Trusts

(Continued from page 83)

ments of which are made up of lower priced stocks. The average price of the 41 portfolio securities at present is $12½ as compared with the 1937 average high of $29. In other words, if the portfolio securities were all to return to their 1937 highs, the resultant average appreciation would amount to 132%.

* * *

"How Sound Is a Cash Position?" The current issue of **Keystone Corp.'s Keynotes** raises the question. "Money in the bank," states the bulletin, "has always seemed to be a comfortable position. Yet, an unemployed cash balance since the outbreak of the war in 1939 has **lost** 28% in value because of rising prices." The bulletin goes on to discuss the various types of securities and their suitability for holding in a period of rising prices. The conclusion is reached that "low priced common stocks, the most volatile of all classes of listed securities, provide a maximum of 'inflation insurance' per dollar of investment. Since these stocks, as a class, move approximately twice as fast as the 'blue chips,' a smaller investment is required to gain the same 'inflation insurance.'"

* * *

National Securities & Research Corp. has published a revised folder on its Low-Priced Common Stocks Series. The investment is described as "a group of well diversified and actively traded lower priced common stocks chosen for market velocity." The folder points out that from the 1942 low to the 1943 high, National's Low-Priced Common Stocks Series advanced over 106%.

* * *

Calvin Bullock has issued a new folder on Dividend Shares, listing all dividend payments by that fund from 1933 to 1943, inclusive. The total amount distributed exceeds $22,000,000. Based on the offering price at the beginning of each year the per cent. return on Dividend Shares over the 11-year period averaged 5.55%, including 1.89% from net security profits.

The December issue of Calvin Bullock's **Perspective** contains a scholarly discussion of the "banking position and the bond market." A number of charts are used to illustrate the trends of the various monetary factors. One particularly striking illustration shows money in circulation rapidly approaching the point where it will exceed the total U. S. monetary gold stock. Whereas the gold stock has remained relatively stable during the past three years and is now in a declining trend, the sharply upward curve of money in circulation shows no indication of topping off.

* * *

The Broad Street Letter published by the sponsor of **Broad Street Investment Corp.**, surveys our potential capacity to produce peacetime goods. The conclusion is reached that our post-war productive capacity will not be as great as many observers seem to think at the present time. "Taking the various factors noted into consideration, it is felt that productive capacity in terms of the Federal Reserve Board Index is likely to be in the range of 150 to 160 and possibly somewhat higher within two years after the war is over. This suggests that it is not likely that we will have a productive capacity so high that all deferred demands can be satisfied in a short time and the market glutted with goods.

Dividends

Manhattan Bond Fund, Inc.—Ordinary Distribution No. 22 amounting to 10c per share, payable Jan. 15, 1944, to holders of record Jan. 5.

Canadian Securities

By BRUCE WILLIAMS

Within the scope of human capabilities our relations with the Dominion of Canada are about 95% perfect—but the remaining 5% is the irksome portion which sometimes receives the lion's share of publicity. The 95% is taken for granted and every major form of collaboration has been so simply consummated that, generally speaking, the situation is considered as perfect to all intents and purposes.

In view of this relatively happy state of affairs, the pin-pricks that are administered from time to time are all the more to be deprecated. To cite a few instances —the Shipshaw billion horsepower hydro-electric undertaking in Quebec was the subject of unfavorable comment here, principally because certain high priority material was diverted from this country. However, this colossal power-plant was an essential cog in the United Nations' war machine and helped Canada to supply 40% of the total aluminum requirements.

The Canol Oil project received even more blistering criticism chiefly on account of its high cost, which incidentally represented about half the amount expended each day for war purposes. Moreover, it was a superb piece of engineering on the part of our Army technicians, and is an invaluable and an unexpectedly large source of fuel for our operations in the Northern Pacific.

Also there is current criticism concerning urgently needed imports of feed grain from Canada, on the grounds that the Dominion has employed sharp practice in awaiting a temporary remission of the import tariff before making shipment. Should such an accusation be levelled at a country that voluntarily contributed a gift of a billion dollars worth of goods to Britain, that is now making available a further billion dollars of mutual aid to any of the United Nations, and among other smaller acts of generosity, is in process of sending 100,000 tons of wheat to alleviate famine in India and 15,000 tons of wheat monthly to Greece as a gift of the Canadian people?

Such unworthy criticisms obviously are the work of a short-sighted minority, and the majority of us would call a truce to this small-minded bickering. Canada needs and welcomes our wholehearted collaboration, and our past assistance, financial and technical, has been invaluable in the economic development of the Dominion. Moreover, from the materialistic angle, it is becoming increasingly apparent that it will ultimately prove our best international investment. Spiritually, our close relationship is a stepping stone towards a state of real understanding among the English speaking peoples of the world.

Turning to everyday affairs, it is interesting to record yet another resounding defeat of the C.C.F. party. In the Toronto civic elections held New Year's Day, every C.C.F. candidate was defeated by a wide margin, and it was significant that compared with the previous election, the number of voters was doubled.

With regard to the market for the past week, the year ended and the New Year began with the recent improvement in tone well maintained. Direct Dominions were virtually unchanged. Nationals were better with the 5's of October, 1969, in demand at 116 and the 4½'s of 1956 bid at 115⅝. There was a resumed enquiry for medium term Ontarios on a 3% basis, but business was restricted by lack of supply.

British Columbias, Nova Scotias and New Brunswicks were quiet and unchanged, but Manitobas were in better demand with the medium term issues quoted on a 4% basis. Saskatchewans were weaker with the 4½'s of 1960 offered at 87½, but Albertas were steadier with the 4½s, 75½ bid. Internal issues continued firm and the Canadian dollar in the "free" market was steady at 10¼% discount.

Now that we are past the year end period, there are definitive indications of a renewed demand for Canadian securities, and the market should soon regain its previous buoyancy, especially as any doubts concerning the Canadian political outlook now seem to have been effectively removed.

RR Credit Reappraised

Pflugfelder, Bampton & Rust, 61 Broadway, New York City, Members of the New York Stock Exchange, have issued an interesting discussion of the present and future position of railroad securities, particularly reorganization securities, by Patrick B. McGinnis. Copies of this discussion, entitled "A Reappraisal of Railroad Credit," may be obtained from Pflugfelder, Bampton & Rust upon request.

Governor Bricker Says 1944 Will Decide Individual's Place In Society

(Continued from page 58)

Today we enter a new year that in all probability will be the most important year in the lives of people now living. The events of 1944 may well determine the kind of life people will live for centuries to come. As we enter 1944, the forces of evil and destruction have been driven to the wall and the forces of righteousness and freedom are on the conquering march. The war approaches a climax. In the judgment of most people, the major issues of this war will be won in 1944. But, when this war is won, there still will be momentous decisions to make and difficult problems to solve.

With ten million men and women in the armed services and many more millions in war industries returning to civilian pursuits, problems of production and employment will be acute. With billions of dollars spent on war plants and industrial expansion, reconversion and utilization as well as the protection of private business must have more attention in 1944. But government and the industrial plant alone cannot maintain employment of all those who seek to make a living in our country. Everyone engaged in the production, transportation or selling of goods must utilize his money and ability to the fullest extent to employ others.

If high employment is to be maintained and prosperity preserved, this great industrial plant must be utilized to the fullest extent and production kept even at a higher level than that achieved in the pre-war period. This great industrial plant has built the mightiest navy of all time. It has equipped not only our own millions of men with arms and clothed and fed them, but it has helped to clothe and feed and equip the armies of our allies. The year 1944 should mark the way in which this tremendous force will be utilized in the years ahead.

None of these great problems before America will solve themselves. There must be work, sacrifice, integrity and foresight. And back of all our endeavors there must be a mighty faith. Tonight I wish to give you a declaration of America's faith.

1. We must have faith in our armed forces. An invasion of the continent of Europe, in which our army and navy will take an important part, is imminent. Likewise a great offensive on land, on the sea and in the air is nearing in the Pacific. We know our army, navy and marines will meet every challenge. Never let it again be said by friend or foe that America is a decadent nation. Our men have fought from Arctic snows to tropic jungles. They have marched in the heat of India and Africa. They have fought the world around on land, in the skies and on and under the seas. They have taken a toll of the enemy wherever they have met him many times our own losses. Our army and navy are brilliantly led and our men are heroically fighting. This nation is truly a young and virile nation, and these men and women of the armed forces strengthen our faith and fill our hearts with pride. They bring home to us a new meaning of sacrifice and a new realization of our faith. There is not a home in America from which a prayer does not go up daily for lives of loved ones.

2. We must have faith in our fellow-man. No nation whose citizens lose faith in each other can hope to long endure. Great courage brought the American to our shores. A super-human faith in himself drove him ever farther into the west, across the plains and over the mountains in the face of natural hardships, to build the sturdiest race that the world has known. The American's sturdiness lies not only in his physical vigor, but in his mental and spiritual power as well. That strength and vigor comes from hardships overcome, from problems solved. These are the imperishable qualities of the soul of a man who takes care of himself and builds his way in the world.

The American has never been a defeatist. He has been willing to tackle anything that comes along. That heritage still abides. Let us have faith that it will drive us on to nobler achievement. The people of many races have brought to our shore their contributions of civilization and culture. They have strengthened America and America has strengthened them. From the amalgamation of all that is best in our society shall come the future counterpart of the American pioneer of yesterday.

3. We have faith in our American form of government. The real genius of our system of government is founded upon faith in the dignity and worth of the individual human being. It is founded upon the conviction that man can govern himself, that self-government will respond in war and crisis as well as in peace and prosperity. This year will determine whether the place of the individual in society shall be strengthened or whether he shall become more and more dependent upon organized government. This government of ours was organized as a protection against the power of the masses as well as the classes, — as a protection against the ever encroaching power of government itself.

So, faith in our system of self-government means that we must keep it as near the home as possible. We must keep it close to the heart and the hand of the people of America and responsive to their guiding will. A great contribution can be made by this nation through precept and example, through guidance and encouragement of the other nations of the world to keep their governments responsive to the will of their people.

4. We believe in equality of opportunity for every man and woman in this free government, —that man should have the opportunity to labor without restraint, and to enter other fields without hindrance. He should have the right to conduct his own business and build it to a bigger and better business. He should have the opportunity to move from the position of the laborer to the position of the employer. He should have the opportunity to start in humble circumstances and rise to great heights in this land. That has been the glory of America. It has been the beacon light that welcomed the humble to our shores. We demand that society in America be not stratified, that it be not broken up into groups competing with each other for special benefits. We insist that equality of opportunity be preserved and that every one in his labors and in his successes assures an equal right to every other.

5. We believe in the Bill of Rights. Therein is preserved to the individual the sacred privileges for which generations have fought. Into it is written the spirit of the Magna Carta and the Bill of Rights of old England, the written laws and the great decisions of the courts of the common law. During all these centuries the individual's voice in society has been more and more emphasized. When government has not recognized it, he has risen up and demanded freedom of speech, freedom of the press and freedom of assembly, all of which are part of our daily life here in America. There are threats on every side to freedom of speech and of the press, but we believe in it. We shall see to it that the Bill of Rights will come out of this war unscathed and remain the corner stone of American liberty and the hope of tomorrow.

6. We believe in the economic system that we have developed in this country. Wealth comes from human labor and from the utilization of natural resources. Our resources have been exploited at times. The power of money has not always been intelligently used in this country. It is the duty of government to regulate the accumulation of great power, be it in money, politics, groups or organizations. Government should never forget that the paramount interest is the public interest. Regulation is necesary in our system that public interests might be protected against selfish interests. But there is a vast difference between regulation and regimentation — between regulation and government ownership. In other words, political ownership and management of business, of agriculture, of commerce, of industry has no place in our free economy and the public interest does not require it.

7. We believe that out of this war shall come a yearning everywhere for a more free and peaceful world. The nations of the world will be tired of war. They will be physically and materially exhausted. Let us have faith that in that period America may help to bring a better life and greater freedom to the peoples of the world, that the wounds of war and bitter hatreds which follow war may be healed.

8. We have faith in Divine Providence. We believe in God. The spiritual forces of life are more powerful than the material forces. The yearning of the soul to live now and hereafter is the most powerful thing in the individual life. Any nation which denies God and the spiritual qualities of life, and which attempts to destroy this yearning of the soul of man to reach out toward the Divine, is doomed to destruction.

Let us have the faith to know that those nations which believe in God will ultimately lead the peoples of the world to the dawn of the new day of peace and good will. I do not care what a man's religion may be, if it is founded upon moral law, if it has behind it a spiritual power and belief in God, that man is a better man and his nation is a better nation for his belief and his practice of that faith.

9. And finally we have faith in the America of tomorrow and believe the best is yet to be. For that the war is being fought. For that men and women work tirelessly in the factories and the offices of our land. In that faith the farmers till the soil and harvest the crops. In that faith we live and move and have our being. May 1944, as we enter it this day, bring to us a great new faith in ourselves, in our fellow-man, in God and in our country.

Sir Owen Seaman has expressed that faith in these lines:

Ye that have faith to look with
  fearless eyes
 Beyond the tragedy of a world
  at strife,
And trust that out of night and
  death shall rise
 The dawn of ampler life;
Rejoice, whatever anguish rend
  your heart,
 That God has given you for a
  priceless dower,
To live in these great times and
  have your part
 In Freedom's crowning hour;
That you may tell your sons who
  see the light
 High in the heavens—their her-
  itage to take—
"I saw the powers of Darkness
  put to flight,
 I saw the Morning break."

Tomorrow's Markets Walter Whyte Says—

(Continued from page 63)

prove too much for the market and that a setback of approximately five points would occur. In Tuesday's action the market gave signs that it had thrown off the fear of the offerings.

* * *

Stocks which had pointed down for some time began firming up even if the favorites of recent weeks didn't show any renewed signs of life. Such action in the face of previous signals means a complete reversal of market opinion. The down action has now changed to up action. Specifically this means that the prices you were asked to pay for certain stocks in the event the reaction occurred should either be lifted or be cancelled and new stocks recommended. Here they are:

Buy Curtiss Wright "A" 15¾ to 16¾ stop at 14. Buy Lockheed 15-16 stop at 13.

* * *

Douglas will probably also go up but this stock moves too rapidly to permit of weekly recommendation.

In other portions of the market the following stocks are recommended: American Steel Foundry. 24-25 stop 22½; American Car & Foundry 33-34 stop at 31.

* * *

We have been chasing U.S. Steel for a few weeks but so far it has stayed out of range. Last recommendation was 49¾ to 50¼; recent low was 50½. I advise you now to forget Big Steel and try for Bethlehem Steel instead.

* * *

Buy BS at 56½-57 stop at 55. Two other stocks which act well are Ex-Cell-O and American Smelters.

Buy Ex-Cell-O at 21-22 with a stop at 19 and American Smelting 35½-36½ stop at 34. In addition to the above you are still long of Western Union "A" bought at about 43½. Hold it.

* * *

It is possible that before you read this the market may have already advanced to a level where none of the above stocks are available. But that is a chance you have to take.

* * *

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.]

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.

Sidney H. Kahn Dead

Sidney H. Kahn, Chairman of the Board of Straus Securities Co., Chicago, died of a heart ailment after six weeks' illness.

Mr. Kahn was for twenty-five years Vice-President of the investment firm of S. W. Straus & Co., becoming Chairman of the Straus Securities Co. when the firm was formed in 1933. He had also been Vice-President and director of the old Straus, now the American National Bank & Trust Co.

To Manage Depts. For Ernst & Co., New York

Ernst & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Charles L. Benesch will be in charge of the firm's Institutional and Syndicate Department, and Nathan Abell will manage the Arbitrage Department after January 3rd, 1944.

Now Schwamm & Co.

Following the dissolution of H. L. Schwamm & Co., Saul and Elizabeth Schwamm announce the formation of Schwamm & Co., to act as dealers in state and municipal bonds, with offices at 60 Broad Street, New York City.

Haseltine Withdraws

CHICAGO, ILL.—Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Chicago Stock Exchanges, announce that Donald M. Haseltine has withdrawn from partnership in their firm.

Attractive Situation

The current situation in the common stock of Long Bell Lumber Company offers attractive possibilities according to a memorandum prepared by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this interesting memorandum may be obtained from the firm upon request.

Over-Counter Review

Bristol & Willett, 115 Broadway, New York City, have prepared the current issue of their "Over-the-Counter Review." Copies of this interesting "Review" may be had from the firm upon request.

Calendar Of New Security Flotations

OFFERINGS

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).

Stock Awarded—Allen & Co., New York, won the award of 91,577 shares Jan. 3, 1944, from the Ogden Corp. Bid price was not immediately disclosed.

Registration statement effective 3 p.m., EWT, on Dec. 18, 1943.

Offered Jan. 6, 1944, by Allen & Co., New York, at $18 per share.

ROCHESTER TELEPHONE COMPANY

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

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

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

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

Offering—Offering price will be supplied by amendment.

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

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

Offered Jan. 4, 1944, at $15⅜ per share by The First Boston Corp. and associates.

UNITED AIR LINES, INC.

United Air Lines, Inc., filed a registration statement for 105,032 shares of 4½% cumulative preferred stock, $100 par value —convertible prior to 1954. [Name changed from United Air Lines Transport Corp. by stockholders Dec. 19, 1943.]

Address—5959 South Cicero Avenue, Chicago.

Business—Air transport system.

Underwriting—Harriman Ripley & Co., Inc. is named principal underwriter. Others will be named by amendment.

Offering—The 105,032 shares of 4½% preferred are being offered by the corporation to the holders of its common stock, for subscription at $100 a share, pro rata, at the rate of seven shares of preferred for each 100 shares of common held of record at the close of business Dec. 29, 1943. The subscription warrants will expire at 3 p.m. on Jan. 10, 1944. Underwriters will purchase unsubscribed shares and offer them to public at price to be named by amendment. Stockholders on Dec. 22, 1943, are to vote on amendments to authorize 200,000 shares of cumulative preferred stock, $100 par, issuable in series, and 100,000 shares of management stock, $10 par value. Also to authorize shares of capital stock of the corporation to be changed into shares of common stock, $10 par value, and that authorized number thereof be increased to 2,500,000 shares—against present authorized issue of 2,000,000 shares of capital stock, $5 par—and 2,817 shares of authorized but unissued common continue to be reserved for sale to officers and employes.

Proceeds—To be used for general corporate purposes.

Registration Statement No. 2-5269. Form S-1. (12-9-43).

Stockholders on Dec. 19, 1943, approved the changes in the capital stock.

Registration statement effective 5:30 p.m., EWT, on Jan. 29, 1943.

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.

SATURDAY, JAN. 8

CENTRAL ILLINOIS ELECTRIC & GAS CO.

Central Illinois Electric & Gas Co. has filed a registration statement for 400,000 shares of common stock, par value $15 per share. The stock is already issued and outstanding and does not represent new financing.

Address—303 North Main Street, Rockford, Ill.

Business—Operating public utility.

Underwriting—To be applied by amendment.

Offering—Consolidated Electric & Gas Co. is the beneficial owner of all of the outstanding common stock of Central Illinois. Consolidated is, in turn, controlled by Central Public Utility Corp., a registered holding company. The stock registered is being disposed of by Consolidated in compliance with the provisions of Section 11 (b) (1) of the Public Utility Holding Company Act. No portion of the proceeds of the sale of the common stock registered will be received by Central Illinois. Consolidated Electric has petitioned the Commission for an exemption from the competitive bidding requirements of the Commission's Rule U-50 in order that it can sell the stock at negotiated sale to Central Republic Co., an investment firm of Chicago, which firm subsequently would make a public offering.

Proceeds—Consolidated plans to use the proceeds to retire Federated Utilities, Inc., 5½% bonds, and to apply the balance to the purchase in the open market of Consolidated's own bonds.

Registration Statement No. 2-5272. Form S-2. (12-20-43.)

BEN-HUR PRODUCTS, INC.

Ben-Hur Products, Inc., has filed a registration statement for $300,000 5% convertible debentures, series of 1943, due Feb. 1, 1951, and 11,400 prior preferred shares, for the purposes of such conversion.

Address—800-812 Traction Avenue, Los Angeles, Cal.

Business—Engaged in business of processing and marketing at wholesale of coffee, tea, extracts, prepared mustard and spices.

Underwriting—Pacific Company of California, and Wyeth & Co., both of Los Angeles, are named underwriters, each having agreed to purchase $150,000 of the debentures at 92½%, or a total amount of $277,500.

Offering—Price to public, 100.

Proceeds—For additional working capital and other purposes.

Registration Statement No. 2-5273. Form S-1. (12-20-43.) Statement originally filed in San Francisco.

SUNDAY, JAN. 9

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.)

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.)

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.)

MONDAY, JAN. 10

ELASTIC STOP NUT CORPORATION OF AMERICA

Elastic Stop Nut Corporation of America has registered $3,500,000 15-year sinking fund debentures due Jan. 15, 1959, with annexed stock purchase warrants. The interest rate will be supplied by amendment.

Address—Union, N. J.

Business—Engaged in the manufacture and sale of self-locking nuts of a wide variety of types.

Underwriting — Principal underwriters are H. M. Byllesby & Co., Inc., and Ladenburg, Thalmann & Co., both of New York. Others will be supplied by amendment.

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

Proceeds—Proceeds from sale will be used as additional working capital. There will be annexed to each debenture in the principal amount of $1,000 a non-detachable stock purchase warrant giving the holder the right to purchase on or before Jan. 15, 1959, 35 shares of common stock at prices ranging from $14.50 per share to $18 per share. 122,500 shares of common stock, $1 par, are reserved for issuance upon conversion of the warrants.

Registration Statement No. 2-5277. Form S-1. (12-22-43.)

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—G. H. Walker & Co. heads the group of underwriters.

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.)

(This list is incomplete this week)

The Securities Salesman's Corner

A Campaign For New Accounts

Did you ever stop to wonder why anyone should buy securities from you rather than from the other fellow? What inducements do you hold out to your potential customers that lift you and your organization out of the average run of securities firms, all more or less the same in the facilities they offer, and the services they render? When you stop to consider these things isn't it true that most salesmen of securities and investment firms alike, go about soliciting business in the same cut and dried way, day in, and day out?

"Well," you might say, "what if we do—we are obtaining our share of the business, paying the rent, and getting along alright (and) without a bag full of fancy tricks that may or may not work, but will surely cost us money". If such is the case it's all to the good but there is one thing no firm can afford to do if it intends to go ahead and that is GET IN A RUT. The best thing about a new and progressive sales program is not only that it can pay you dividends in dollars and cents but (also) in increased enthusiasm and interest in your work. If you are trying to expand your clientele by extending your facilities and widening the scope of your activities you are growing—you are not stagnating nor standing still.

Here is a plan: Select a hundred, or as many names of investors as your sales organization can intensively cultivate and still do a thorough job. After you have carefully picked your prospective clients and have made sure that they are substantial investors, **begin a mail campaign.**

In this mail campaign lift your firm out of the crowd by sending these people the sort of interesting articles that appear weekly in the Commercial & Financial Chronicle. Send them reprints of such articles as those written by Dr. Benjamin M. Anderson entitled POST-WAR FOREIGN EXCHANGE STABILIZATION FURTHER CONSIDERED, which recently covered this vital subject in a manner not readily obtainable from other sources—if at all. Every week (other) exceptional articles by world-famed authorities are appearing in the Chronicle. The reprint of the address by Dr. Wriston of Brown University, entitled FREE ENTERPRISE, in our opinion, is another outstanding expression of current opinion that your prospective investor clients should gratefully receive. Other articles in the same vein are full of information and since they are written by authorities in their fields they will make ideal mailing pieces BECAUSE THEY CARRY PRESTIGE AND WILL REFLECT VERY FAVORABLY UPON THE SENDER. Articles such as the one by Dr. Anderson are available in reprint form—others can be photo-offset at a minimum of expense—just request permission and we feel certain the "Chronicle" will be pleased to cooperate.

When you send these reprints to your mailing list include a SHORT COVERING LETTER. Make certain your stationery is of good quality and your letters are individually typed and signed.

Send out a series of these letters and reprints. Keep it up for a while. Ask for comments upon the enclosed material. Try and get some of the recipients to open up a little correspondence with you. You will be surprised how many will do so if you make your letters friendly and don't try to push any securities upon anyone to whom you are sending these letters. Let them see you are a real investment firm, with your eyes wide open as to what's going on in the world of politics, economics, and finance. Let these people get acquainted with you **first** BEFORE YOU TRY AND DO BUSINESS WITH THEM.

After you have kept this up for a few months DIVIDE THESE NAMES AMONG THE MEMBERS OF YOUR SALES ORGANIZATION AND THEN LET THEM MAKE THEIR CALLS AND GO TO WORK. IF YOU LIKE, YOU CAN THEN CONDUCT A CONTEST AMONG YOUR MEN BASED UPON THE BEST PRODUCTION OVER A CERTAIN PERIOD, OR THE GREATEST NUMBER OF NEW ACCOUNTS SECURED.

This sort of a campaign is guaranteed to keep any sales organization on its toes and if you plan it well, select good names and circularize, write short, impressive covering letters, success should be assured.

SEC And NASD Attempting To Establish Custom And Usage In Securities Business By Fiat

(Continued from first page)

legislative authority passes a statute establishing a principle, that is the law which overrides any contravening custom. In the absence of such a statute, the custom or unwritten law would have prevailed.

It is our theme that the recent hand and glove activities of the Securities and Exchange Commission and the National Association of Securities Dealers is resulting in a designed attempt to give rise to "recognized customs and practices of brokers and dealers in securities," which in effect are non-existent.

In the now notorious Hughes case, the SEC cited Article 3, paragraph 4 of the NASD rules as follows:

"In 'over-the-counter' transactions, whether in 'listed' or 'unlisted' securities, if a member buys for his own account from his customer, or sells for his own account to his customer, he shall buy or sell at a price which is fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that he is entitled to a profit. . . ."

The Commission then added the following footnote observations:

"It should be noted that the confirmation forms used by petitioner contain a specific statement on their face that 'all transactions shall be subject to the regulations and usages of the New York Stock Exchange or other Exchange or market where executed and/or subject to the recognized customs and practices of brokers and dealers in securities.' The quoted rule of the NASD clearly sets forth one of the recognized practices of dealers in securities.

"A recent study of the mark-ups over the current market actually taken by members of the National Association of Securities Dealers shows that 47% of the transactions were effected at a gross mark-up over the current market of not over 3%, and 71% at not over 5%. See 'New York Times,' Oct. 26, page 31."

By these arguments, the Commission in effect, urged upon the United States Circuit Court of Appeals that in over-the-counter transactions, it was the well recognized custom and practice among brokers and dealers in securities not to take a mark-up in excess of 5%.

We doubt whether any broker or dealer would dare to say under oath that such is the general custom.

The fallacy of the SEC contention is inherent in its very argument. If such a custom prevailed, there would have been no need for a survey by the NASD to establish it, the taking of the survey, as well as the "5% spread philosophy" since developed by the NASD, in and of themselves negative the existence of any custom among dealers and brokers on the subject of ceiling profits or spreads.

The above quoted rule of the NASD certainly does not warrant a 5% spread, for, if we are to "take into consideration all relevant circumstances," the cost of doing business may not be disregarded. Yet the Securities and Exchange Commission and the National Association of Securities Dealers have wilfully disregarded this vital element. Their "philosophy" deals not with "profits" but with "spreads."

The process of encroachment upon the rights, powers and duties of business and enterprise by the alphabetical agencies of the Federal government has advanced to such an extent as to give rise to immediate and grave concern. The sooner that tide is stemmed, the better for our country.

The "5% spread rule" should be and must be abolished at once.

Both the Securities and Exchange Commission and the National Association of Securities Dealers would do well to review the subject of "custom and usage," and to stop using improper labels.

The CHRONICLE invites comments on the views expressed in this article, or on any related phases of the subject under discussion. The names of those submitting comments will be omitted where requested. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce Street, New York 8, New York.

H. F. Schroeder Is Now With Blair Co.

Blair & Co., Inc., 44 Wall Street, New York City, announce that Herbert F. Schroeder, formerly of Clark, Dodge & Co., is now associated with them in their corporate institutional trading department.

Eastman, Dillon Admit Barton And Power

Eastman, Dillon & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announce that D. Frederick Barton and John F. Power have been admitted to general partnership in their firm.

Admission of Mr. Barton and Mr. Power to the firm was previously reported in the "Financial Chronicle" of December 30th.

Chas. E. Weigold Co. Formed In New York

Roosevelt & Weigold, Inc., announces the resignation of Lt.-Col. Archibald B. Roosevelt as President, and the change in name to Chas. E. Weigold & Co., Inc. The company will continue to deal in State and Municipal Bonds, specializing in Bonds of municipalities in New York State. Chas. E. Weigold is the new President, and Edwin J. Cross is Vice-President and Secretary. The address remains unchanged, 40 Wall Street, New York.

Mackubin Legg Admit Morgan And Pohlhaus

BALTIMORE, MD.,—Mackubin, Legg & Company, 22 Light Street, members of the New York and Baltimore Stock Exchanges, announce that C. Gerard Morgan, Jr. and Walter C. Pohlhaus, who have been associated with the firm for many years, have been admitted to general partnership as of January 1, 1944.

Admission of Mr. Morgan and Mr. Pohlhaus was previously reported in the Financial Chronicle of December 23.

Allen & Co. Offer Derby Gas Issue

Offering of 91,577 shares of common stock of Derby Gas & Electric Corporation is being made today by Allen & Co., New York. The stock is priced to the public at $18 per share.

Interesting Situation

Allen & Co., 30 Broad Street, New York City, have prepared an analysis of Magazine Repeating Razor Company. Copies of this interesting analysis may be had from Allen & Co. upon request.

Bell Opens Boston Branch Under Cannell

The Philadelphia investment firm of W. H. Bell & Co., Inc., announces the opening of an office in Boston, Mass. at 49 Federal Street, under the management of John Cannell. The firm, whose main office is at 1500 Walnut Street Philadelphia, also maintains principal offices in Washington, D. C., Easton, Pa. and Allentown, Pa.

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