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Winthrop W. Aldrich Discusses Our Financial and Economic Problems

Chairman Of The Chase Bank Sees National Debt Burden Eased If High Volume Of Production And Employment Is Maintained And Tax Policies Advocated Are Adopted —These Include Abolition Of Double Taxation On Dividend Income And Repeal Of Excess Profits Tax Early In Post-War Period

Condemns U. S. And British Exchange Stabilization Plans Maintaining That American Credit Should Be Provided Through Channels Already Tested And Familiar To Us

Apropos of the financial and economic problems with which we will be confronted, Winthrop W. Aldrich, Chairman of the Board of the Chase National Bank, expressed the following views in the annual report to the Bank's shareholders:

W. W. Aldrich

In the field of finance, the record of the Treasury's fiscal operations gives a picture of the contribution in goods and services which this country has made toward the prosecution of the war. Between the time of the attack on Pearl Harbor and the end of 1943, a period of about 25 months, total Federal expenditures came to $146,000,000,000. Of this amount, $133,000,000,000, or 91%, were for war purposes. Net revenues amounted to $52,000,000,000, and the budgetary deficit of $94,000,-

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What's Behind Present Railroad Performance?

By ROBERT E. WOODRUFF*

President Of Erie Railroad Stresses Fact That Because Of Manpower And Material Shortages Railroads Have Considerable Deferred Maintenance And Expresses Hope That Congress Will Act To End Taxation On Reserves Set Aside For Expenditures In This Connection

When your President asked me to talk to you about railroads some weeks ago, we didn't see the clouds on the horizon that have since appeared. As you know, the railroads are now operating under the jurisdiction of the War Department, having been taken over by order of the President of the United States, to avoid interruption of transportation by threatened strikes. The President has stated that governmental operation of the railroads is to terminate as soon as there is assurance that there will be no interruption of service.

Robert E. Woodruff

The seizure of the railroads last week is entirely different in character than the method of operation used by the government in the First World War, in that each railroad is being handled by its own organization and they are functioning to date exactly as they were before being "taken over". In fact, the Army has been in-

*An address delivered by Mr. Woodruff before the Chamber of Commerce of the State of New York earlier this month.

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Will The Department Of Justice Bring Order Out Of Chaos In The NASD Underwriting Agreements Case?

By RAYMOND MURRAY

It appears that in 1938, a usual organization of security dealers underwrote and sold $38,000,000 worth of bonds for the Public Service Company of Indiana. The syndicate was organized in the usual way according to trade practice of long standing. The usual agreements between the company, the syndicate of underwriters and dealers were made.

The available evidence indicates that the Underwriters of the bonds of the Public Service Company of Indiana were acting in good faith as experience had taught them to act and as the trade expected of them, and that the syndicate had complied with the procedure of qualifying with the Securities and Exchange Commission in all matters including that of pegging the price of the bonds. The NASD, a legally con-

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The Year Ahead

Cutbacks Seen Reducing Treasury Deficit And Inflationary Pressure

By DAVID E. WILLIAMS

President, Corn Exchange National Bank & Trust Co., Philadelphia

It doesn't take a crystal ball to figure out that the year 1944 will not be an easy one for business men. Come what may it is bound to be a year of drastic changes and reconversions.

David E. Williams

Three encouraging changes in recent weeks disclose that supplies of many basic materials are now outrunning war needs, a growing number of cutbacks in the war production program in some lines, and a reduction in the Treasury deficit and hence

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In This Issue

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

What Does 1944 Hold for Business?

William L. Batt Visualizes Volume Of War Output This Year 15% Higher Than In 1943, With Construction Sharply Reduced—Sees Shift From War To Peace Economy Involving Difficult Problems Due To Competitive Aspects Of Reconversion And Cites One Example To Illustrate Point

Warns Of Dangers Inherent In "Obstructive" Foreign Trade Policy And Says Repayment Of Foreign Loans And Debts Must Be Made In Goods, Principally Raw Materials—Nation's Metal Resources Held Nearly Depleted

By WILLIAM L. BATT *

Your Chairman suggested that you would be interested in discussing today what the year now beginning is likely to hold for business; I accepted that challenge but with a good deal of trepidation.

I can think of no year—no single year in an already fairly full life—when the uncertainties which lie ahead, the gravity of the problems which are sure to arise, have loomed so large as do those in this year to come.

W. L. Batt

It seems so short a time since that shocking day in December of 1941, when the decent traditions of civilized peoples everywhere were violated and this country unexpectedly plunged into the chaos of war.

And yet I venture the conclusion that a speaker could have stood before you in the days that followed and looked into the 12 months to come with greater certainty than I can today. For then, the pattern of some part of the future was clearly fixed. The United States was in a war, and the shape of the demands of that war could be forecast with some definiteness.

Facing two great enemies, with inadequate preparation and with too little time, there could be no doubt of the job before us then. The utmost of our resources—all the skill of our industry and the labors of our people—would be

*Text of an address delivered before the Chicago Association of Commerce in Hotel Sherman, Chicago, earlier this month. Mr. Batt is Vice-Chairman of the War Production Board and United States Member and Representative on the Combined Raw Materials Board and Combined Production and Resources Board.

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Manpower Problem Nearing Peak: Senator Truman

"The manpower problem, although paramount today, is nearing its peak," said the Honorable Harry S. Truman, Senator from Missouri, Chairman of Special Senate Committee to Investigate the National Defense program, speaking before the Victory and Post-War Conference of the National Retail Dry Goods Association. Continuing, he added: "Without attempting to prophesy the time when the war will end, I can tell you that the production of war materiel in some items has been so great that about $6,000,000,000 of Army contracts and about $2,000,000,000 of Navy contracts have had to be cancelled.

"This is only the beginning of such cancellations, and almost daily during the coming year, you will see newspaper notices of contract cancellations, of plant shutdowns, of elimination of graveyard shifts, and of reduction in employees. Although the manpower problem will continue as a serious one for the nation as a whole, many communities will find that in their area they have a manpower surplus. In some communities, there will even be a serious unemployment problem.

Higher Civilian Output

"This makes it very important that sound action be taken now to provide for increased production of civilian articles. The

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Col. Rockwell Named Director Of First Nat'l At Pittsburgh

At the annual shareholders' meeting of the First National Bank at Pittsburgh, Colonel W. F. Rockwell was elected a director of the bank. He is President of

Col. W. F. Rockwell

the Pittsburgh Equitable Meter Co. and Chairman of the Board of the Standard Steel Spring Co. of Pittsburgh, Pa.; Chairman of the Board of the Timken-Detroit Axle Co. of Detroit, Mich., and Director of Production of the United States Maritime Commission, Washington, D. C.

Annual Review Of New Orleans Bank Stocks

Woolfolk, Huggins & Shober, 839 Gravier Street, New Orleans, La., members of the New Orleans Stock Exchange, have issued a detailed review of New Orleans Bank Stocks for 1943, discussing the current situation and the outlook for these issues, which the firm believes are attractive for long-term investment and growth in value. Copies of this interesting review may be obtained from Woolfolk, Huggins & Shober.

Interesting RR. Situation

The new common stock of Minneapolis & St. Louis RR. offers interesting possibilities, according to a circular being distributed by Adams & Peck, 63 Wall Street, New York City. Copies of this circular may be obtained from Adams & Peck upon request.

W. P. Hoffman Co. Admits

Frederick M. Jost became a partner in Wm. P. Hoffman & Co., 120 Greenwich Street, New York City, members of the New York Curb Exchange, on Jan. 1.

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

R. S. Palmer Joins Staff Of Reynolds Co.

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Roger S. Palmer is now associated with them. Mr. Palmer in the past conducted his own investment business in New York and was with Granbery, Safford & Co. and Estabrook & Co.

NSTA Nat'l Committee To Meet In Chicago

A meeting of the National Committee of the National Security Traders Association will be held at the Palmer House on Tuesday, February 8th, at 2:30 p. m.

Willkie Says Individuals Must Solve Present And Post-War Problems

Assails Idea Of Government As Doctor And People As Patients

Asserting that "the full functioning of the democratic process depends upon individual responsibility," Wendell Willkie urged on Jan. 8 that "clearer thinking" be applied to the present problems of our home front and that "more imagination and understanding" be given to the transference of the nation's economy from war to peacetime conditions.

Wendell Willkie

Speaking on the Opera Victory Rally radio broadcast from New York City, Mr. Willkie warned that these problems will only be solved by our own initiative, energy and the sense of individual responsibility. He criticized President Roosevelt's recent reference to the Government as a doctor and the American people as patients as an "insidious doctrine," which should be repudiated completely, since "no doctor even with the palliatives and drugs of an all-wise, all-powerful Government can save us from the responsibility that is rightfully ours as individual citizens."

The text of Mr. Willkie's speech follows, according to the New York "Herald Tribune" of Jan. 9:

"It is a satisfaction to be present on a program such as this, in these days of destruction and strife. This program reminds us that, within the evil nature of our times, there exist certain absolute standards — standards of what John Keats called 'Truth and Beauty,' which are indestructible, and by which in the long run, we can steer our course.

"Moreover, these standards are

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NASD Governors Urged To Rescind Illegal 5% Rule At Jan. 17 Meeting

Word came to us that both the Bond Club of Philadelphia and the Investment Traders Association of Philadelphia polled their members on the NASD's 5% mark-up rule and found little sentiment against it.

We could hardly believe our ears when we heard this because our own field men had covered more than 100 cities in all parts of the country and found so few dealers, large or small, who were not opposed to it that you could count them on your fingers.

Besides this, probably because of the proximity of Philadelphia to New York City, the Editor of the "Chronicle" has had more telephone and personal calls from dealers in Philadelphia expressing their opposition to the rule than from any other city.

Consequently, we decided to make our own survey in that city and to check only with the larger dealer firms. Forty were approached and all but three made it clear in no uncertain terms that they opposed the rule. Two large firms that we knew favored the rule were just not asked for their opinion on the subject. We concluded from this that if our survey had included the smaller firms, too, the maximum number of dealers in the whole City of Philadelphia that

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A Preview Of Radio

Official of Radio Corporation of America Sees Pocket Size Receiving and Sending Stations a Possibility. Also Looks for Radio Apparatus That Will Prevent Collisions of Airplanes, Ships and Trains.

Warns Not to Expect When War Ends That Air Will Be Transformed Overnight to Television but Believes $200 and $300 Receiving Sets Coming.

By DAVID SARNOFF

President Radio Corporation of America

Scientifically, the outstanding developments of 1943, as those of 1941-42, are classified as military secrets. It violates no secret, however, to report that outstanding advances have been made in the use of radio sound and sight. Nothing in radio is ever new for long, even in peacetime. War, however, changes the old order of things even more rapidly.

New instruments and new services are in the offing for peace. The wartime pace that science is called upon to maintain is breathtaking. Nevertheless, American radio keeps up with it. Our laboratories are creative beehives of activity; our manufacturing plants are arsenals; our communication waves are life-lines. To reconvert them all to peacetime pursuits will present a great challenge to the radio industry. It will be a most promising field for post-war employment and opportunity.

When the war ends American industry must not be without a chart for the future. The post-war era will bring many challenges and problems to test American leadership and enterprise. Few industries compared to radio hold greater opportunity for the solution of problems relating to industrial progress and employment or the maintenance of the American standard of living. Industry must be prepared to reconvert as quickly as possible from war to peace, yet without the slightest neglect or relax-

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More Dealer Comments On NASD Rule

A Step In The Right Direction

Other NASD Business Conduct Committees Should Follow Suit

DEALER NO. 112

Following is text of a resolution dated Dec. 17, 1943, passed by the Albany, N. Y., Area Business Conduct Committee of the NASD:

The Albany, N. Y., area Business Conduct Committee of the National Association of Securities Dealers, Inc., has given careful consideration both to the letter addressed to "Officers, Partners and Proprietors" dated October 25th, 1943, and the letter of explanation dated November 9th, which apparently is for the use of Business Conduct Committees in reviewing cases based on charges of exceeding a proper spread or profit on transactions.

The committee wishes to go on record that in all cases brought to its attention it will maintain a strictly judicial attitude, examining each case which may come before it on its own merits, with special attention to the services rendered by the dealer to his clients, and the circumstances collateral to the particular transaction under examination.

Attention will also be given to the degree of skill required in consummating the sale, involving the knowledge of markets, and research work which may have been done in preparation for the transaction.

In the disposition of cases based on the spread or profit, we see no reason why our judicial determination should be limited

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Post-War Prospects In Retailing*

To Keep 55 Million People Employed We Must Abandon Philosophy of Scarcity So Prevalent In Thinking of '30s, Concentrate Our Efforts On Low Prices, Abandon Monopolistic Practices In Industry, Labor and Agriculture, Overhaul Our Tax System and Stimulate Foreign Trade.

By JAMES L. PALMER
First Vice-President, Marshall Field & Company

We are prone to discuss the post-war period as though it were separated in some precipitous fashion from the war years themselves. We expect to awaken some morning, find that the war is over, and discover that we are in a new economic world. Many of us assume that a great shock of some kind will be felt at this time, that the artificial devices of our war economy will vanish overnight, that a new era suddenly will unfold before us, and that we must now prepare ourselves for this eventful day. This concept seems to me to be somewhat fallacious.

I believe the war and post-war periods are parts of a continuous whole, and that the process of moving through these periods may be likened roughly to that of climbing a long hill, finally reaching the crest, and slowly moving down the other side. In ascent and descent alike the road is of varied character, sometimes steep and precipitous, sometimes smooth and of gentle grade. Many of us have had a rough, bruising time of it during certain stages of the climb; we also will experience heavy going at times as we move down towards a peace-time economy. We probably are now somewhere near the crest of the hill; indeed, we may be slightly beyond it. It will be longer than most of us think before we reach the bottom of the grade—and when we get there we will find we're not at the same place we were when we started the climb.

It is almost impossible to grasp the extent to which this war has modified our economy. Its shock has surpassed anything which anyone conceived prior to Pearl Harbor. We are producing goods at two and three times the level reached in the last war. Our national income has far surpassed any previous war-time or peace-time figure. Employment requirements have tapped every remote corner of the labor market until we have begun to worry about jobs after the war for 10 or 15 more million people than ever worked prior to it. War industries have sprung into being whose output exceeds that of our whole peace-time economy in certain recent years. While the production of certain important consumers' goods has been stopped completely, the production of civilian goods on the whole has approximated normal levels. We face a national debt of two or three hundred billions without undue excitement; four years ago we were greatly concerned about a debt of 50 billions. We spend as much in a year or two as the country spent in its whole history before the war, and are hardly aware of the fact. And if we look abroad we see nations whose affairs are even more disrupted by the war than ours. Lacking our resources, they are able neither to match our war production nor to maintain a reasonable output of civilian goods. Much of their capital is being destroyed systematically while living conditions gradually deteriorate, in

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*An address made before the Bond Club of Chicago on Jan. 6.

NSTA Group To Study Post-War Problems

With a view toward beginning a study of various post-war problems affecting the securities field, the National Security Traders Association has organized a special post-war problems committee headed by Willis M. Summers, Foster, Currie & Summers, New York, as Chairman. Members comprise past Presidents of the organization and present officers include Wm. Perry Brown, Newman, Brown & Co., New Orleans, Association President; Arthur E. Farrell, H. M. Byllesby & Co.; Walter W. Cruttenden, Cruttenden & Co., and Edward H. Welch, Sincere & Co., Chicago; Henry J. Arnold, Clair S. Hall & Co., Cincinnati; Edward D. Jones, Edward D. Jones & Co., St. Louis; Thomas A. Akin, Akin-Lambert Co., Los Angeles; Joseph W. Sener, Mackubin, Legg & Co., Baltimore; B. W. Pizzini, B. W. Pizzini & Co., New York, and Thomas Graham, Bankers Bond Co., Louisville.

Willis M. Summers

Abolition Of Special Rates For Transportation Of Army And Navy Property By Railroads Sought

The Interstate Commerce Commission asked Congress on Jan. 10 to abolish special rates for transportation of army and navy property by railroads.

Under the old land-grant acts, the United Press explained, all government traffic was transported by rail at rates lower than those charged to others. In 1940, however, the special concessions were eliminated for all except military traffic.

In United Press Washington advices, the following was also reported:

An ICC spokesman explained that there is a strong possibility of litigation between the government and the railroads over these rates extending far into the post-war period.

While the 1940 modifications appeared satisfactory at the time, he said, in view of the tremendous current movement of war materials, the ICC is asking complete abolition of special government rates.

Presenting a specific legislative program in connection with its report to Congress, the ICC asked for legislation to:

1. Amend the Standard Time act so that state and local governments arbitrarily cannot name their own time zones.

2. Completely rewrite the Federal Transportation of Explosives act "in the light of important developments" which have occurred since its last revision 22 years ago.

3. Broaden the requirement that all carriers file reports with the ICC, to include associations maintained in the interest of carriers. The ICC presently does not have access to the records of the Assn. of American Railroads, the American Trucking Assn. or similar organizations.

4. Leave to the discretion of the ICC whether public hearings should be held on railroad applications for changes in stock ownership, merger or operation of properties.

5. Exclude from ICC jurisdiction street, suburban and interurban electric railways unless they operate as part of a general steam railroad system.

6. Extend the Elkins act—which prohibits rebates and special rates—to make it apply to motor and water carriers. The ICC cited that the act, now applying only to railroads and freight forwarders, has provided effective means for dealing with devices to defeat published rates and gain concessions of discriminations.

7. Give to the ICC permanent emergency powers over motor and water transportation, as well as railroads. The ICC now has these powers temporarily under the Second War Powers act, but they expire Dec. 31, 1944.

N. Y. Security Dealers To Hold Annual Dinner

The New York Security Dealers Association announces that it will hold its annual dinner on Thursday, Feb. 17, in the Grand Ballroom of the Waldorf-Astoria.

Situations Attractive

The first mortgage 6s of 1948 of Empire Sheet & Tin Plate Co., and Quaker City Cold Storage 5s offer attractive possibilities according to a memorandum prepared by Hill, Thompson & Co., Inc., 120 Broadway, New York City. Copies of this interesting memorandum may be had upon request.

Morgenthau Hopeful Of Monetary Conference

Secretary of the Treasury Morgenthau said on Jan. 6 that he was hopeful that an international monetary stabilization conference could be held this year but denied that formal invitations to the meeting had been sent out already.

Mr. Morgenthau also disclosed on Jan. 6 that, as a result of continuing talks between American and British monetary experts, the differences between the respective plans for post-war international currency stabilization have been lessened to a great extent and the two countries are closer to agreement than ever before.

In Associated Press Washington advices, the following was reported:

Mr. Morgenthau declined to discuss specific points at issue between the British and American plans. Heretofore, gold's part in currency stabilization has been the principal point of divergence, with the American proposal calling for an $8,000,000,000 fund definitely pegged to gold and the British suggesting a clearing union without a definite gold commitment.

The conference, in addition to discussing monetary stabilization as a means to unhindered post-war trade, also would consider a tentative Treasury proposal for a $10,000,000,000 world bank for reconstruction and development.

Pittsburgh Rys. Look Good

The current situation in Pittsburgh Railways System, particularly certain of the underlying bonds, offers attractive possibilities for appreciation, according to a study prepared by T. J. Feibleman & Co., 41 Broad St., New York City. Copies of this interesting study, which is available to dealers only, may be had upon request from T. J. Feibleman & Co.

Dwyer Elected Pres. Of S. F. Stock Exchange

SAN FRANCISCO, CALIF. — Frank M. Dwyer, member of the firm of Dwyer & Parrish, was installed as President of the San Francisco Stock Exchange at the annual election held January 12. President Dwyer has been a member of the Exchange for 21 years and last year served as vice-president of the Exchange.

Frank M. Dwyer

In his acceptance speech the incoming President stressed the fact that the San Francisco Stock Exchange was ready to and is serving the rapidly developing industrial west.

Other officers and governing Board members elected were: Vice-President John Raggio of the firm of Greenwood, Raggio & Co.; Arthur R. Mejia, Davies & Co.; G. W. Miller, Dean Witter & Co.; and V. C. Walston, Walston, Hoffman & Goodwin. These three new members of the Board will serve with two continuing members: Paul A. Pflueger, Max I. Koshland & Co., and Rudolph C. Jacobsen of Robert C. Bolton & Co.

Woodford Matlock V.-P. Of Broad St. Sales

Broad Street Sales Corporation, 65 Broadway, New York City, announce that Woodford Matlock has been elected a Vice-President and director of their corporation.

Broad Street Sales Corporation is general distributor of Broad Street Investing Corporation and National Investors Corporation.

Post-War Appraisal

An interesting post-war appraisal of the St. Louis-San Francisco railroad bonds has been prepared by Raymond & Co., 148 State St., Boston, Mass. Copies of this discussion may be obtained upon request from Raymond & Co.

Railroad Securities

Although attorneys for Chicago & North Western were apparently not yet ready to admit defeat, the futile long drawn out litigation surrounding the reorganization plan has finally come to an end. The debtor has dismissed the attorneys who were preparing to bring further action in the District Court of the District of Columbia in an attempt to compel the ICC to reconsider the plan. At the same time Judge Barnes, who has had jurisdiction over the proceedings, issued an order enjoining any further legal action that might interfere with the reorganization.

It is expected that trading in the when-issued securities will be started on the New York Stock Exchange almost immediately with a possibility that the new securities may actually be issued during the first quarter of 1944. Over-the-counter trading in the when-issued securities was inaugurated more than three years ago, which, it is believed, sets an all-time record for longevity in when-issued contracts. Cash realization on profits established years ago will come as a welcome windfall to early traders in the new securities, but unfortunately will be subject to considerably higher income tax rates than contemplated when the profits were originally established.

In view of the developments subsequent to formulation of the reorganization plan, particular interest attaches to the status and prospects of the company immediately after actual consummation. Failure of the Commission to reconsider the plan, and the inflexible effective date of the plan, have made it impossible for the road to utilize any substantial amount of the war cash. While other roads have been able to reopen proceedings in order to distribute cash in settlement of senior claims, to bondholders as an integral part of the reorganization, or as interest on the old bonds, in the Chicago & North Western case the cash will be passed along to the new company. There has been considerable speculation as to how the new company will use the cash, with some quarters predicting important debt retirement progress and others looking for liberal dividend policies.

Many rail men are warning against too optimistic expectations as to the use of cash, warning that the new management will almost certainly want to keep on hand a far larger cash balance than would ordinarily be deemed necessary for a road of this size and with comparable annual requirements. This trend towards financial conservatism will be heightened by the necessity for providing funds for post-war property rehabilitation. While the properties had been put in excellent physical shape prior to the war boom, there has unquestionably been excessive wear and tear from the capacity operations of the last few years, coupled with a shortage of materials for maintenance work.

Even with a most conservative policy, however, the new management will find itself taking over a reorganized property with a large excess of cash. If this cash is to be used it seems most likely that a large share of it will be used for debt retirement. The probability favored by most rail men is payment of at least part of the RFC loan immediately on consummation of the plan, thus obviating the necessity of issuing the large amount of new securities allocated to that agency.

The claim of the RFC was slightly in excess of $49,000,000, of which $25,000,000 is to be met in a new note maturing in 1954 and with interest now fixed at 4%. The RFC also was allocated small amounts of Union Pacific and New York Central securities pledged under its loan. The balance of the claim of less than $23,000,000 is to be settled in new North Western securities with a total face or stated value of close to $59,000,000. At present when-issued prices this block of securities has a market value of more than $26,000,000. As has been suggested by the court in the case of the New Haven Secured 6s it might prove advisable to pay this portion of the RFC claim in cash rather than distribute to the agency a block of new securities of greater value.

Such a step would reduce the new first mortgage bonds to be outstanding below $48,000,000 and the income 4½s to below $93,000,000. The bank loan and underlying liens left undisturbed (aggregate amount less than $9,500,000) could also readily be retired, leaving as fixed debt only the regular serial equipments, the $48,000,000 of first mortgage 4s, 1989, and the $25,000,000 of 4s, 1954, issued to the RFC. Such a capitalization would carry fixed charges of only about $3,400,000, or about $1,000,000 lower than originally contemplated by the ICC. Also, contingent charges

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Halsey, Stuart & Co. Offers Pa. Equipments

A group headed by Halsey, Stuart & Co., Inc., was awarded $4,155,000 Pennsylvania Railroad equipment trust, series O 2¼% equipment trust certificates maturing annually from Feb. 1, 1945, through Feb. 1, 1959, on a bid of 100.739. These certificates are being reoffered at prices to yield .85% for the 1945 maturity to 2.20% for the 1955 maturity and at prices from par for the 1956 maturity to 99¼ for the 1959 maturity.

Associated with Halsey, Stuart & Co., Inc., in the offering are: Otis & Co., Inc.; Hallgarten & Co.; Cruttenden & Co.; The First Cleveland Corp.; Dempsey-Detmer & Co.; Newburger & Hano; Walter Stokes & Co. and F. S. Yantis & Co.

The issuance and sale of the certificates, to be issued under the Philadelphia plan, is subject to Interstate Commerce Commission approval. The $4,155,000 certificates are to be issued pursuant to an agreement and lease dated Feb. 1, 1944, and will be issued to provide for not more than 80% of the $5,193,750 estimated cost of new standard-gauge railroad equipment.

Elmer Miller Named To U. S. Savings & Loan League Nat'l Council

Elmer E. Miller, president and secretary of the Des Moines Building-Loan and Savings Association, Des Moines, Iowa, has taken office as national executive councilman in the United States Savings and Loan League representing the state of Iowa. Mr. Miller succeeds Mr. E. M. Klapka, Fort Dodge, Iowa, who has served in the post for the past eight years.

Attractive Situation

Common stock (when delivered) of Delaware Power & Light Co. offers interesting possibilities according to a circular discussing the situation issued by Bear, Stearns & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Copies of this circular may be obtained upon request from Bear, Stearns & Co.

Struble In Toledo

(Special to The Financial Chronicle)

TOLEDO, OHIO — C. Guy Struble is engaging in a general securities business under the firm name of C. Guy Struble & Co. from offices in the Edison Bldg.

Recent Gold Developments In Several Countries Reviewed By National City Bank

The January "Monthly Bank Letter" of the National City Bank of New York contains the following article, entitled "Gold in the News":

Several items pertaining to gold have appeared in recent weeks in the daily press. The reports of official sales of gold to hoarders in India and Egypt at premium prices have aroused particular public interest. A dispatch from Moscow quoted a Russian publication as advocating use of gold currencies in settling international payment balances after the war. The third item, the U. S. Treasury report that our gold stock declined in December to approximately the $22,000,000,000 level, serves as a reminder that gold shifts are continually taking place, and that gold is still performing its traditional function as a medium for settling international transactions.

General uncertainty brought about by the war has enhanced the attraction of investment in gold as a means of protection against loss of the purchasing power of paper money. Despite scorn heaped by the Axis Powers upon the use of gold, demand for the metal picked up after the fall of France, and prices in free markets began to rise beyond the $35 per ounce level set by the U. S. Treasury. Prices have differed widely from market to market. The bulk of transactions was probably small, and everywhere gold coins commanded additional premiums because of easier transportation, handling, and disposal.

The official sales of gold to the public are a more recent development. Their primary object is to check inflation. In many parts of Latin America and Asia, where the masses of the people are not accustomed to use of banking facilites, or where the system of taxation is inadequate, sales of gold offer a means of absorbing excess purchasing power.

A few months ago the Mexican Government began to coin gold and silver pieces to attract the redundant funds in the country and to curb speculation. In India, where previously a committee headed by Professor T. E. G. Gregory, economic adviser to the Indian Government, recommended the sale of both gold and silver as a way of inducing the farmer to sell his produce, the Government started to release gold to the Bombay bullion market early in October and a few weeks later the Egyptian Government followed suit in Cairo.

One of the factors that has contributed to the disastrous shortage of food in various parts of India has been the tendency on the part of cultivators to hold their products off the market. Always distrustful of paper currency, the peasant has wanted goods rather than rupees, the purchasing power of which has declined by almost two-thirds since the outbreak of the war. The great expansion of rupee circulation, from about 2 to almost 8 billions, has naturally aggravated his distrust of paper currency.

The peak of $77.25 per ounce was reached last May just before the Indian Government launched a series of anti-inflationary measures. Among others, loans on gold bullion were prohibited and restrictions were placed on forward dealings. The object was to reach the ultimate saver or hoarder who would pay cash. For the same reason, gold is being supplied in small bars — in Egypt weighing about 2 ounces and in India as low as three-eighths of an ounce.

Following the official tender of gold on the market, Indian bullion prices declined somewhat and late in November were at about the equivalent of $63 per ounce. In Egypt the Government was getting the equivalent of about $56 per ounce, but at that price the demand is reported to be smaller than generally expected. The weekly sales in Bombay were put at about $1,200,000 early in November. According to the "London Economist," the gold offered in India is apparently newly-mined metal from South Africa, since the gold stock in the Indian Reserve Bank remained unaffected.

Gold is bringing lower prices outside of the Near and Middle East. In Buenos Aires, gold bars apparently have fluctuated this year between $37 and $44 per ounce. However, gold sovereigns have brought considerably more—from $44 to $52 per ounce. In Mexico the 50 peso gold coins command a premium of about 10%, equivalent to about $38-39 per ounce. The premium is less for smaller denomination coins.

Russian Intentions About Gold

The dispatch carried by the Associated Press Dec. 6 from Soviet sources concerning gold quotes from a Russian magazine as follows:

"As a country which participates in foreign trade the Soviet Union, like England and the United States, is interested in the stability of currencies in those countries with which it carries on trade relations.

"If Soviet trade with other countries could be conducted in gold currency, undoubtedly this circumstance would facilitate trade operations."

This statement, which could hardly have been made without the approval of the Soviet Government, is significant as to the Russian attitude on the general problem of post-war currency stability. Just how much should be read into the statement that gold be used in settling international transactions must at best await future developments. While Russia has given evidence of willingness to cooperate with other United Nations, her State control of currency and foreign trade seems quite clearly to rule out adoption of anything like the conventional gold standard. What may be nearer to the reality is that the Soviet Union is ready to back up the use of gold in international transactions and that she is interested in maintaining the value of gold, if only for the reason that she is likely to resume the position of second largest producer of the metal after the war. The statement is also a recognition of the value of currency stability in promoting trade.

Russia undoubtedly intends to make use of her gold in the rehabilitation of the country, but whether she will receive gold in return or build up large monetary stocks remains to be seen. In the past Russia regarded—as perhaps no other country did—her imports of commodities as the real gain in foreign trade, and her exports, whether gold or commodities, merely as the means of payment for the imports.

U. S. Gold Stock and Production

Our steadily declining gold stock, now about $800,000,000 below the peak of $22,800,000,000 reached a few weeks prior to Pearl Harbor, reflects principally the excess import balance in our cash foreign trade. Cash payments for excess imports are now running at the rate of about $600,000,000 a year, and the bulk apparently is going to individual Latin American countries. This in turn is being reflected in the phenomenal growth of Latin American gold and foreign exchange balances which increased during the first nine months of this year by some $700,000,000, to over $2,000,000,000.

If our new production and our imports of gold are considered, the overall loss during the past two years has been probably nearer to $1,300,000,000 than to $800,000,000. Most of the metal itself remains in this country, in the earmarked stock held by the Federal Reserve Banks for the account of foreign central banks.

$45,000,000 Firestone Tire Preferred On Mkt.

A new issue of 450,000 shares of 4½% series cumulative preferred stock of the Firestone Tire and Rubber Co., with a par value of $45,000,000 was offered at par Jan. 11 by a nation-wide group of 141 investment firms headed by Harriman Ripley & Co., Inc., and Otis & Co., Inc. It is the largest preferred stock issue offered publicly since 1937.

Among underwriters associated with Harriman Ripley & Co., Inc., and Otis & Co., Inc., are Blyth & Co., Inc.; Lazard Freres & Co., Lehman Brothers, The First Boston Corp., Glore, Forgan & Co.; Smith, Barney & Co.; Goldman, Sachs & Co.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp., Hayden, Miller & Co.; Hayden, Stone & Co.; Kidder, Peabody & Co.; Lee Higginson Corp. and Stone & Webster and Blodget, Inc.

Proceeds of this financing, together with other corporate funds, are to be used for the redemption of 454,129 shares of the company's 6% Series A cumulative preferred stock at $105 and accrued dividends, or an aggregate amount of $48,364,738. On Jan. 29 the company will call the 6% stock for redemption on March 1.

Arrangements will be made by the company whereby holders of the 6% shares may surrender them for retirement and cancellation at any time after the issuance of the call and receive the full redemption price of $105 plus $1.50 a share in lieu of the current quarterly dividend.

The 4½% series stock will be redeemable as a whole or in part by lot at any time on 30 days' notice at $105 a share and accrued dividends. It will have the benefit of a cumulative annual retirement fund, based on consolidated net income, for the retirement through purchase or redemption of 12,000 shares each year, commencing in 1944, at a price of $102 a share and accrued dividends.

Giving effect to the issuance of the 4½% preferred stock and retirement of the 6% shares, capitalization will consist of $46,000,000 of 20-year 3% debentures due in 1961, with 450,000 shares of 4½% preferred stock and 1,945,896 shares of $25 par common stock.

F. O. Loveland With Field, Richards & Co.

CINCINNATI, OHIO—Franklin O. Loveland Jr. has become associated with Field, Richards & Co., Union Central Building. For the past 10 years Mr. Loveland was corporate bond buyer for the Union Central Life Insurance Co. Prior thereto he was associated with the Central Trust Co. in the trust investment department.

Frank H. Kemp Joins R. C. O'Donnell & Co.

DETROIT, MICH.—R. C. O'Donnell & Co., Penobscot Building, members of the Detroit Stock Exchange, announce that Frank H. Kemp has become associated with them in the trading department.

H. Hentz To Admit

H. Hentz & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange and other leading Exchanges, will admit Norma R. Lewine to limited partnership in the firm as of January 6th.

Tomorrow's Markets Walter Whyte Says—

Market action does not seem to share general apprehension. Expect present dullness to culminate in advance. Profits suggested at certain levels.

By WALTER WHYTE

By the time this reaches your hands the President's speech will be water over the dam. So there's no point in discussing, or speculating on how the market will take it.

* * *

But if the majority of traders are nervous it's brought about by something they ate. The market doesn't seem to share their nervousness. On the contrary, its action is normal and, if indicative of anything, points to higher prices, not in any dim future either.

* * *

Last week saw Wednesday as the strongest in a long time. This action brought out a lot of new bulls who began whooping it up. Unfortunately their enthusiasm didn't carry them or the market very far. For the rest of the week was given over to backing and filling, a process during which most its adherents lost heart. As the situation stands now the bears outnumber the bulls.

* * *

The market, meanwhile, goes on in its own way paying little attention to either the cheerful or the disgruntled.

* * *

As last week's article was written the Dow average was about 136. The next day it was about 138 and a high fraction. This gain, though comparatively small, was important for two reasons. First, it showed an ability of stocks to move up against heavy offerings; second, the steels led the advance.

* * *

Having gone up into the offering area it was in reason to expect the market to shy away. This the market did. But while the industrial averages were making bashful noises the rails stepped in and took over. True, they didn't rip the roof off the top, but in view of the doleful forecasts that rails were placed behind the eight-ball when the Army took over, and that increased wages would cut into them heavily, their action was nothing to be sneered at.

* * *

Congress is back, on what is laughingly called the job, and the winds of Washington may be expected to sweep around the market structure. That old question of price subsidies will bring inflation talk back, not to mention taxes and renegotiations. Whether the Congressional winds will turn out to be warm zephyrs or cold northers remains to be seen.

* * *

Last week this column turned around and said down action had been nullified and that prices pointed up. Following this up, bids on certain stocks were raised and new issues recommended. Not all the stocks advised for purchase got down to specific buying levels. Enough of them, however, did to give you a stake.

* * *

You now hold Curtiss Wright "A" at 16¾, Lockheed at 16, American Steel Founders at 25 and Western Union "A" at 43½. None of the other stocks sold low enough to be bought. But should Bethlehem get down to 56½ to 57 in the next few days I suggest buying it, with a stop at 55. The same advice applies to Ex-Cell-O, if obtainable, at 21-22, with a stop at 19.

* * *

The Dow average is now just under 139. I don't think a great big move will get under way from here. But I do think it will go to about 142 or so before turning reactionary again. Referring to the previous paragraph again; should the 142 figure be made before Bethlehem or Ex-Cel-lo-O get into a buying zone then advice to buy is cancelled. The advice to buy holds good only if they are obtainable before an advance; not on any retrace.

* * *

To get back to the stocks you hold, my advice is: Take profits in Curtiss Wright "A" at 18 or better; raise stop to 15. Take profits Lockheed at 19 or better; raise stop to 14. Take profits American Steel Founders across 28; raise stop to 23½. Take partial profits only in Western Union "A" at 48; stop at 42.

* * *

I suggest acceptance of profits because after market reaches about 142 I believe it will go into a dull decline to about 136. True, that isn't much of a decline, but I don't see any profit in holding stock for a secondary move when a small profit may be garnered on the first advance and stock re-entered on decline.

* * *

Don't look for these things to happen overnight; they may not even happen. But from current tape action it is indicated.

* * *

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.]

NASD 5% Rule A la H. I. Phillips

By an Anonymous Dealer

Moron—Hi! Yield, what's your income?

Droop—It's lower than it used to be.

Moron—How come?

Droop—I'm being SECeed and NASDeed.

Moron—That must be wonderful.

Droop—Yeah! They claim 5% should be tops.

Moron—That ought to be okeh on Government bonds.

Droop—Don't mention those things, brother.

Moron—Why not?

Droop—You know darn well I sell 'em less no commission.

Moron—Why can't you handle everything that way?

Droop—Are you being sarcastic or applying for a job?

Attractive Situation

Chicago Traction securities, and issues of Chicago North Shore & Milwaukee Railroad in particular, offer interesting possibilities according to comprehensive circulars issued by Brailsford & Co., 208 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange. Copies of these circulars may be obtained from the firm upon request.

Real Estate Securities

Industrial Office Building Reduces First Mortgage Issue 27½% Since 1938

The Industrial Office Building, located at Broad and Pennington Streets, Newark, N. J., adjusted its capital structure through reorganization in 1933 at which time new First Mortgage Fee 6% Cumulative Income Bonds in the amount of $2,947,000 were given in exchange for a like amount of 6% fixed interest First Mortgage Fee Bonds. The new bonds also carry interest warrants in the amount of 9% of the face value of each bond, representing interest accrued and unpaid on the old bonds, and payable from surplus net earnings or at maturity of the issue, if not sooner paid.

The plot of ground, about 62,000 square feet and the eight-story office building containing about 320,000 square feet of rentable area, constitute the secuity for the first mortgage fee bonds and were taken upon the books of the new corporation at an appraised value as of Aug 1, 1933, as determined by the board of directors at $2,000,000 for the land and $2,500,000 for the building, creating a sizable capital surplus over and above the total liabilities of the corporation.

The first income interest payment made on the new bonds was made June 1, 1936, in the amount of $15 per $1,000 bond, the income from the property from the date of reorganization to late in 1935 being used to pay an accumulation of real estate tax arrears and to provide the required working capital. Semi-annual interest payments in the same amount have since been made each June and December 1 from net earnings available after charges for depreciation on the building and equipment. The difference between actual interest payments made and the cumulative 6% income rate of the bonds amounts to 40%. Cumulations are payable from available net earnings, or in any event at maturity or prior redemption.

Bonds Retired

The corporation has adopted the policy of using the accrual of depreciation fund, which could not be used to pay interest on the bonds, for retirement of bonds through open market purchases or through requests for tender, and since February, 1938, through Oct. 31, 1943, has purchased and retired $814,500 principal bonds. The amount of bonds retired is approximately 27½% of the total amount issued in reorganization and the discount at which they have been purchased has, of course, increased the capital surplus account accordingly, to where at Oct. 31, 1943, it is shown in the balance sheet as $980,164.19. Earned surplus at the same date is shown at $104,790.55.

The procedure adopted by the company seems to be the most advantageous, for in addition to retiring a funded debt at a large discount, the liability for the 9% interest warrants and the 40% unpaid cumulated interest is at the same time liquidated. Should such a policy be continued to Dec. 1, 1947, the maturity of the bond, the issue would, of course, be reduced to a rather low figure in comparison to the value of the land and building securing the remaining bonds.

It would seem, in view of the circumstances, that even at the present level around 40, at which the yield based on 3% annual interest would be 7½%, the bonds are well secured and offer considerable appreciation possibilities in future years.

Fred C. Rugen Now With Cohu And Torrey

Cohu & Torrey, 1 Wall Street, New York City, members of New York Stock Exchange, announce that Fred C. Rugen is now associated with them. Mr. Rugen was formerly manager of the trading department of Schluter & Co., Inc.

"Solvent" Surprise?

In an interesting study of the situation, Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, declare that 1944 may see the changing for better in the status of Baltimore & Ohio, with the possible restoration of the credit of B&O. Copies of the study, containing opinions on the individual B&O issues, may be had upon request from Vilas & Hickey.

Miller Is V.-P. Of Ranson-Davidson Co.

The Ranson-Davidson Co., Inc., announces that Henderson H. Miller of the firm's New York office, 90 Broad Street, has been elected a resident Vice-President. William J. Murty has become associated with the New York office of the firm.

Possibilities Interesting

The new capitalization reductions possibilities in Chicago & North Western make this situation of particular interest at this time according to a circular being distributed by Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange. Copies of this interesting circular may be had from the firm upon written request.

Public Utility Securities

Possible Effects Of The Supreme Court Utility Decision

The Supreme Court by a five-to-three decision (there were several dissenting and concurring opinions) recently sustained the Federal Power Commission's rate order in the Hope Natural Gas case and reversed the Circuit Court of Appeals. It had been hoped that this decision would give a more clear-cut answer to the valuation problem than the Court's last previous decision, which also involved a natural gas distributing company. This did not prove to be the case however, and the court was apparently unable to clarify fully its own views, though in general these followed anticipated "New Deal" lines.

The famous landmark decision of Smyth vs. Ames in 1898, which named four or five factors to be used in fixing "fair value", has been considered the law of the land until recent years, when doubts arose as to the attitude of the Supreme Court. However, it must be admitted that commissions and courts for many years (particularly in the 1920s) gave principal weight to a single item in the 1898 list—cost of reproduction (less depreciation). In determining what is generally known as the "rate base" — the amount on which a "fair return" of 6% or some other percentage is to be earned through operation of the rates allowed by the regulatory authorities—it was formerly the fashion to employ engineers to estimate the cost of rebuilding the property, and to spend a considerable amount of judicial time debating over the allowance of certain intangibles, etc. The system apparently worked satisfactorily—at any rate utility rates continued to decline year after year and a conscientious effort was made to protect the rights of investors in utilities.

With the coming of the New Deal, all this changed. One of Justice Brandeis' decisions suggested a new basis, "prudent investment", and this idea has been gradually developed and applied. Prudent investment is regarded as "actual legitimate cost", legitimate implying well-justified. The Federal Trade Commission was given the task of investigating utility write-ups, and the FPC and the SEC later took over the work of eliminating these write-ups. However, they were not content with correcting the bad accounting of the holding company subsidiaries, as disclosed by the Federal Trade Commission investigation. It was decided that original cost means "cost when first devoted to public service", and the two commissions held that this should be the basis for present valuation, regardless of all interviewing changes in land values, material and labor costs, inter-company purchases and sales, etc. It would seem almost as consistent to reduce New York City's vast realty values to the $24 paid by the Dutch when they took it over from the Indians and began devoting it to the public use".

But the FPC does not even adhere **consistently** to this theory, for in the Hope case it eliminated $17,000,000 drilling costs which (due to Standard Oil's ultra-conservative accounting policies) has been charged many years ago to operating expenses rather than plant account. The majority of the Supreme Court supported the Commission on this point, but one Justice dissented. Since the Commission reduced the rate base nearly one-half (as compared with the company's claim based on cost of reproduction) and reduced the rate of return from 8% to 6½%, allowable earnings were thus reduced about 62%. Actually, little damage will result from the decision, since Hope's loss will mean a gain to the affiliated companies which buy gas from it. This perhaps accounts for the Court's feeling that the "end result" was not harmful.

While the Supreme Court has thus abandoned reproduction cost (or the combination of factors mentioned in Smyth vs. Ames) in favor of original cost, it refused to admit that it had done so, but held that it was not really interested in the valuation methods used by the FPC but only in the "end result". The Court held that "rates which enable the company to operate successfully, to maintain its financial integrity, to attract capital, and to compensate its investors for the risks assumed cannot be condemned as invalid, even though they might produce only a meager return on the so-called 'fair value' rate base."

While the Federal Power Commission is concerned only with the regulation of wholesale natural gas rates (wholesale electric interstate business is to small to be a factor) Chairman Olds issued a statement several days after the Court's decision stating that the latter "marks the beginning of a new era" in regulation, and paves

(Continued on page 181)

Department Of Justice Permitted To Intervene In SEC Proceedings Involving NASD

Action To Determine Status Of Underwriting Agreements Under Anti-Trust Law

Permission granted on Jan. 5 to the Department of Justice to intervene in the proceedings before the Securities and Exchange Commission involving the National Association of Securities Dealers, Inc., and certain of the underwriters of the $38,000,000 bond issue of the Public Service Company of Indiana that was sold in 1938 is looked upon as making certain what is termed as an unprecedented court test of underwriting agreements—the latter, it is pointed out, one of the keystones of the securities business—to determine whether their price-fixing features are in violation of the Sherman Anti-Trust law.

Advices to this effect were contained in a Philadelphia account Jan. 5 to the New York "Times," which went on to say:

"The Department, which was known to have been looking into the case unofficially for more than a year with an eye to possible illegal fixing of prices, came into the proceedings affecting Public Service of Indiana at the eleventh hour, but still in time to be heard at the oral argument now pending before the Commission and to take an appeal should it disagree with the opinion of the SEC.

"The case, which has been hanging fire more than two years, thus took on the possibility of establishing, in its outcome, three precedents, each of such importance to the financial world at large and to the over-the-counter market in particular as to be impossible of overstatement.

"The case involves the right of the NASD to punish members who violate the agreed offering price of a security, thus bringing in by the heels an issue of more general importance than the first. In this instance, the NASD fined about 70 of the underwriters of the issue of Public Service of Indiana for alleged failure to hold to the agreed offering price of 102.

"Officials of the NASD have admitted candidly that unless their action were upheld by the SEC—if the Association were ruled powerless to punish members for infractions of the rules—it would follow naturally that there was no reason for the continued existence of the Association, which embraces more than 2,000 over-the-counter dealers. The answer of the SEC to this will establish one precedent.

"Another precedent, incidental but more important to a greater number of persons than the first, will be the stand of the SEC on the question of the legality of the price-maintenance provisions of syndicate agreements. This is apart from whatever action the Department of Justice may take in the matter.

"The third precedent will arise from the first two. No matter which way the SEC decides, it is certain now that its decision will be carried to the courts on appeal. Then, for the first time, a court will have the duty of deciding whether or not the price agreements among underwriters constitutes a violation of the Anti-Trust law.

"It is not denied that the fundamental structure of the securities industry in the United States would be rocked if the underwriting agreement were to be declared a violation of the Sherman Act.

"If the SEC were to find that the NASD did not possess the power to discipline its members because price-maintenance agreements are in restraint of trade, the Association would have the right to appeal to a Circuit Court of Appeals. In that case the Department of Justice would join with the SEC, in all likelihood, in fighting the appeal.

"Should the SEC rule that the Association did have the right so to punish its members and that the price-maintenance agreements were not in violation of the law, then the Department of Justice could be expected to appeal, with the SEC and the NASD arrayed against it.

"Wendell Berge, Assistant Attorney General, won the right of intervention for the Department of Justice."

United Air Lines Pfd. Off. By Harriman Ripley

Harriman Ripley & Co., Inc., heads a group that is offering today (Jan. 13) the unsubscribed portion of an issue of 105,032 shares ($10,503,200 par value) of United Air Lines, Inc., 4½% cumulative preferred stock, $100 par value, convertible prior to 1954. The public offering consists of 27,272 shares at $100 per share, the balance having been taken by common stockholders under a subscription offer that expired at 3 p. m., Jan. 10, 1944.

United Air Lines considers it advisable, according to the prospectus, to provide itself with funds with which to meet its post-war responsibilities and opportunities. Net proceeds from the sale of the entire issue will be available for general corporate purposes, and it is anticipated that these funds will temporarily be invested in U. S. Government securities. Proceeds from the preferred, together with an equipment replacement fund of approximately $2,900,000, and other funds, are expected to be used eventually for acquiring additional flying, communications and other equipment, the construction of hangars, and the purchase of machinery and other facilities in connection with present routes and possible new routes.

The new preferred has voting rights, and is convertible, before Jan. 1, 1954, into common stock at the rate of $30 per share of common. The stock will be redeemable as a whole or in part at the following redemption prices: $107.50 a share on or before Jan. 1, 1946; $105 thereafter and on or before Jan. 1, 1954; and $102.50 after Jan. 1, 1954, including in each instance cumulative dividends.

Other members of the underwriting group are: Blyth & Co., Inc.; Hornblower & Weeks; Smith, Barney & Co.; Lehman Bothers; Merrill Lynch, Pierce, Fenner & Beane; Drexel & Co.; Paine, Webber, Jackson & Curtis; Dean Witter & Co.; A. G. Becker & Co., Inc.; Dominick & Dominick; Glore, Forgan & Co.; Lee Higginson Corp.; Kebbon, McCormick & Co.; Bacon, Whipple & Co.; Boettcher & Co.; Bosworth, Chanute, Loughridge & Co.; Ferris & Hardgrove; Hayden, Miller & Co.; McDonald-Coolidge & Co.; Pacific Co. of California; Whiting, Weeks & Stubbs, Inc.; Schwabacher & Co.; E. W. Clark & Co.; Farwell, Chapman & Co.; Folger, Nolan & Co., Inc.; Graham, Parsons & Co.; The Illinois Co. of Chicago; Mitchum, Tully & Co.; Hemphill, Fonton & Campbell, Inc.; J. A. Hogle & Co.; Kirkpatrick-Pettis Co. and Kuhn, Loeb & Co.

Cgo. Transit Interesting

Chicago Rapid Transit Co. issues have interesting possibilities according to a brochure prepared by Leason & Co., Inc., 39 South La Salle Street, Chicago, Ill. Copies of this brochure may be obtained upon request from Leason & Co., Inc.

Brooklyn Trust Co. Operating Net

Net operating earnings of the Brooklyn Trust Co., Brooklyn, N. Y., for the year 1943, after all expenses, interest, and taxes, were $820,524, which compare with $720,639 in the year 1942, according to the statement presented to the stockholders at their annual meeting on Jan. 10 by George V. McLaughlin, President.

This amount, Mr. McLaughlin said, is after deducting, as expense items, depreciation on bank buildings, depreciation and loss on sale of other real estate, amortization of bond premiums, deposit insurance assessment, and unemployment and social security taxes. These items totaled $554,576 in 1943.

Mr. McLaughlin reported that the earnings were distributed as follows: $394,728 to reserves; $328,000 to the payment of dividends; $75,000 to surplus, and $22,796 to undivided profits.

The company's holdings of United States Government securities were $120,377,755 at the end of 1943, against $85,154,795 at the beginning of the year, an increase of $35,222,960. Approximately 46% of the trust company's holdings mature within 5 years, 39% either mature or become callable in from 5 to 10 years, 10% mature or become callable in 10 to 20 years, and 5% are not callable within 20 years.

As to the financing of war production, Mr. McLaughlin's statement said:

"During the year the company was able to make 903 loans to 86 companies working on government contracts in connection with the war effort. The total amount of these loans was $32,573,870.

"Since the war program began, the company has loaned a total of $57,631,815 to finance national defense and war contracts.

"Of our war production loans, $10,846,199 were outstanding on Dec. 31, 1943, the remainder having been repaid in the usual course of business. We have outstanding commitments to make additional war production loans in the total amount of $9,000,199."

He also said that the company sold to the public a total of $68,882,300 in U. S. Government securities of all types during 1943.

Regarding real estate and mortgages, Mr. McLaughlin said:

"The book value of our bank buildings and other real estate was reduced by a total of $461,061 during the year. Bank buildings were carried at $4,230,411 at the year-end, a reduction of $284,966 since the end of 1942, while other real estate was carried at $87,169, a reduction of $176,095, or about 67% from the figure of $263,264 at the end of 1942.

"Mortgages owned at the end of the year were carried at $1,371,956, equivalent to about 70% of their face value. The reduction in book value during the year was $116,885."

In his general comments, Mr. McLaughlin declared:

"The prospects of victory in the war now appear brighter than at any time since the United States entered it. Until the final armistice banking institutions must and will play an important part in the war effort. When peace comes, banks must be prepared to finance post-war requirements of business and industry to the maximum extent consistent with sound banking principles and practice."

Attractive Situation

D. A. Schulte, Inc., offers interesting possibilities in view of recent developments, according to a circular being distributed by Stanley Heller & Co., 30 Pine Street, New York City, members of the New York Curb Exchange. Copies of this circular may be obtained from Stanley Heller & Co. upon request.

Borden President Describes Outlook Of Dairy Industry

By THEODORE G. MONTAGUE, President, The Borden Company

The demand for dairy products can be counted upon to continue unabated, whether or not the milk production goals are attained. The Government will remain the industry's largest single customer as long as the army and navy are retained at wartime strength, and will have first call on supplies. Even if peace comes during 1944, it seems likely that Government demands will continue high until dairying in the countries to be liberated is resumed at near pre-war production levels, and the personnel of the military forces is drastically reduced.

Theo. G. Montague

The course of the dairy industry during 1944 will be determined almost entirely by the war and the exigencies of our wartime economy. Economic laws will probably remain largely in a state of suspension and Government policy will continue as the controlling factor. The industry will serve as an important agency of supply.

In these abnormal conditions, bred, for the most part, by wartime necessity, predictions of the future must be tempered by uncertainty. However, it is possible to make one forecast: the industry's sales volume will be limited only by the ability of the nation's dairy farms to produce milk. There will be a market for every pound produced.

There is considerable uncertainty about the future of milk production, although, according to Government estimates, farm income during 1943 reached an all-time high.

A goal for 1944 milk production has been established by the War Food Administration and the state war boards at 121 billion pounds. This goal is about three billion pounds more than the estimated 1943 milk yield, and, according to Government economists, can be achieved only under certain conditions—all of them beyond the control of the industry.

The full effect of Government requirements on total supplies of dairy products is appreciated by few people outside the dairy industry. In the case of butter, for example, the U. S. Bureau of Agricultural Economics reported the highest Dec. 1 cold storage holdings in history—176,000,000 pounds. Of this amount, however, two Government agencies held 108,000,000 pounds, while a large part of the balance had been obligated to the Government or was owned by the military services.

Currently, the Government is depending upon these stocks and is not buying the winter butter make. It reduced its cheese requirements during the last two months of the year from 50% to 25% of production. However, when the flush milk production season opens in the Spring, and dairy products are manufactured at an increasing rate, the Government has indicated heavy purchases will be resumed.

Domestic demand during 1944 probably will be higher than in any of the so-called normal years, but the supply available for civilian needs will be sharply limited by Government requirements and the output of the country's dairy herds. The anticipated increase in civilian demand is based partly on changes in consuming habits, which are believed to have occurred during the last few years, and partly on the continuation of high consumer incomes.

Even current civilian demand cannot, of course, be accurately measured, since shortages and rationing have made it impossible for the industry to fill all civilian orders. However, demand has undoubtedly been stimulated by a better appreciation of dairy products, as a result of wartime education in nutrition, and the wider use of milk products as substitutes for even scarcer foods.

There seems to be little doubt that there will be a long-term upturn in the demand for dairy products, and this trend may be accelerated by the return to civilian life of millions of men whose eating habits have been radically changed during their service in the Army and Navy. Dairy products seem favored by all current and imminent changes in consumption habits, and the maintenance and improvement of these new trends is a logical post-war job for the industry.

In considering the post-war position of the industry, it seems unlikely that any great expansion will be necessary. The industry is organized to process and market the output of the nation's dairy farms, and economic and natural limitations make any sudden and sizeable increase in the present high rate of milk production unlikely.

A limited number of new plants may be needed to provide products which will be in greater demand after the war, or to handle the output of newly developed dairy areas. New or improved equipment to replace machinery subjected to unusual wear during the war will be needed.

In regard to manpower, aside from absorbing workers who are now in the armed forces, it seems unlikely that the dairy industry will be able to offer expanded employment on the same large scale which figures in the planning of many manufacturing industries.

American Statistical Ass'n Group To Meet

The Capital and Securities Markets Division of the New York Chapter of the American Statistical Association will hold a dinner meeting at Hotel Sheraton, Lexington Ave. at 37th Street, New York, on January 19th at 6 p.m.

The subject is "The Outlook for 1944," and the speakers will be Professor B. Haggott Beckhart on Banking; Herbert Harris of Fortune Magazine on Labor; Patrick B. McGinnis of Pflugfelder, Bampton & Rust, on Railroads; and James H. Hughes of Smith Barney & Co., on the stock market. Shelby Cullom Davis will preside.

Tickets are $2.50 for reservations paid by January 15th; $3.00 thereafter. Reservations must be made in advance and checks should be sent to Miss Helen Slade, District Representative, 400 East 57th Street, New York City.

The Committee in charge of the dinner consists of Warren Clark, Brundage, Story & Rose; Marshall Dunn, Homer & Co., Inc; H. M. Hartley; Benjamin Graham, Graham Newman Corp.; L. O. Hooper, W. E. Hutton & Co.; Glenn Munn, Paine, Webber, Jackson & Curtis; J. H. Lewis, John H. Lewis & Co.; L. Gilaryi, Securities & Exchange Commission; J. McMullen; John McInerney; Ragnar D. Naess, Naess & Cummings; L. F. Rothschild, L. F. Rothschild & Co.; B. F. Story, Brundage, Story & Rose; and Helen Slade.

Over 500 Banks Join ABA In Four Months

More than 500 banks joined the American Bankers Association during the four-month period Sept. 1 - Dec. 31, 1943, it is announced by Robert L. Dominick, Chairman of the Association's Organization Committee, who is Vice President of the Traders Gate City National Bank, Kansas City, Mo.

With the addition of 169 new members to the A. B. A.'s membership rolls in the month of December, the total of new members that joined the Association in the first four months of its current fiscal year reached 512, more than double the total of 243 banks that joined in the like four - month period of the previous year, the Organization Committee's report says.

Moreover, the 512 new members joining the Association in the first four months of the current fiscal year, exceeds by 17 banks the total of 495 new members that joined during the entire fiscal year 1942-43, the report shows.

Outstanding membership gains were made by the Association in the following states: Indiana, under the leadership of A. B. A. State Vice President Oscar F. Frenzel; Nebraska, under Regional Vice President J. O. Peck and State Vice President Richard W. Trefz; Virginia, under State Vice President John C. Davis; Minnesota and Wisconsin, under Regional Vice President Herman C. Matzke and State Vice Presidents N. A. Welle and Max Stieg; North Carolina, under State Vice President Ben R. Roberts, and Illinois and Missouri, under Regional Vice President J. W. Minton and State Vice Presidents John H. Crocker and Walter Pettit.

Outstanding among the records of the various Organization Committee members and state vice presidents was that achieved in Nebraska, where, following Organization Committee meetings in Omaha and Grand Island, a total of 42 banks became members of the A. B. A. in one day, of which eight were membership renewals.

The following States now have 100% membership in the Association: Louisiana, Idaho, Nevada, Utah, Oregon, Arizona, New Mexico, and the District of Columbia.

1943 Steel Output Reduced By Strikes

Total production of steel in 1943, held down by steel mill strikes in December and coal strikes earlier in the year, was less than anticipated, amounting to 88,872,598 tons for the year, according to a statement by the American Iron and Steel Institute, which further adds:

"Despite the loss of several hundred thousand tons of steel production through strikes, the 1943 total set a new record for the fourth consecutive year, exceeding by nearly three million tons the previous peak output of 86,029,921 tons in 1942.

"During December, production of steel was reduced to 7,265,777 tons, an average of 1,643,841 tons per week. In November, a shorter month, 7,374,447 tons of steel were produced, equivalent to 1,718,985 tons per week. In December 1942, steel production totaled 7,304,540 tons for the month, or 1,652,611 tons per week.

"During December the steel industry operated at an average of 94.3% of capacity, compared with 98.6% in November and 96.6% in December a year ago. The December 1943 rate of operations was the lowest rate at which the steel industry operated since July 1941."

Canadian Securities

By BRUCE WILLIAMS

On analysis, the divergence of opinion between the two schools of thought on currency stabilization, is not as great as it appears at first sight. The main difference is in timing. The advocates of the global schemes would have all currencies stabilized at the same time, and all countries would be permitted to raise their many voices in support of their particular points of view. On the other hand, the practical school, which adheres to the "key currencies" approach, would first stabilize the pound and the dollar on a gold basis, and then include other countries who would be willing to join a world currency union.

All will agree that now is the time to settle this problem, before we enter the post-war period. It appears impossible at this late hour to convene and obtain universal agreement on a world scheme. As a matter of fact, it will not be easy immediately to arrive at a mutually satisfactory arrangement that would fix the comparative values of the pound and the dollar.

There are, however, two currencies that could be stabilized tomorrow, if necessary. They are the U. S. and Canadian dollars, the values of which could be immediately fixed at parity with one another.

Turning to the investment markets for the past week, there were indications that the larger institutions are now inclined to look for higher returns. So large a proportion of their portfolios is automatically filled by Government issues with a maximum coupon of 2½%, that it is increasingly imperative to seek diversification and higher yields. The corporate bond market is thus commencing to receive better support, but it is amazing that more attention is not paid to Canadian securities, which provide a more adequate form of diversification and higher yields.

This observation does not cover, however, at least one of such investors; the recent statement of the Empire Trust Co. of New York shows that, of its holdings of securities other than Governments, 30.4% are in Canadian issues.

With regard to the market for the past week, although there was no exceptional activity, there was an increased turnover mostly at higher prices. Direct Dominions were a shade better in quiet trading. Nationals were quite strong with the 5s of October, 1969, in demand at 116¼ and the 4½s of 1951 bid at 111⅝. Ontarios and Quebecs were firm but dealings were on a small scale. British Columbias were neglected, but there was a resumption of activity in Nova Scotias and New Brunswicks, which were quoted at yields of 3.35% and 3.70%, respectively, for the longer term issues. Manitobas were steady with the 4½s of 1956 on a 4% basis, and Saskatchewans and Albertas recovered slightly from their recent low levels.

The internal issues continued in demand and the Canadian dollar in the "free" market was firm at 10¼% discount. There was a surge of activity and a rise of about 2 points in internal utilities, which brought about an improvement in the "arbitrage" rate to 15% discount.

Future developments in the market will doubtlessly be considerably influenced by the probable redemption of the $60,000,000 issue of Canadian National Railway 5s of 1969, callable July 1, 1944. **Investors would be well advised to do their own refinancing as early as possible, to avoid a repetition of the state of affairs which prevailed following the surprise call for redemption of the Dominions 2¼s and 2½s in the middle of last year.**

NYU Offers Course In Business Paper Adv.

The School of Commerce, Accounts and Finance of New York University has added a course in business paper advertising to its offerings in the field of marketing, it was announced on Jan. 9 by Dean John T. Madden. Scheduled to begin Feb. 4, the new course will meet Friday evenings. It will be given under the direction of Prof. G. B. Hotchkiss, Chairman of the Department of Marketing. The content of the course, which is designed mainly for present and prospective employees of business papers and of advertising agencies that plan and prepare advertising for such papers, has been arranged in cooperation with Associated Business Papers.

Chicago Brevities

There was considerable talk along LaSalle Street last week concerning the sudden and sharp rise in the prices of State of Arkansas bonds. The upward movement ranged from 5 basis points on medium serial obligations to as much as 30 basis points on medium and long term options of term bonds.

Either as a result of sales or to reconsider prices, some dealers immediately withdrew their lists of Arkansas offerings. As an example of the market movement, one 1952 optional maturity was offered the preceding week on a basis to yield 2.40%, but last week was priced to yield 2.10%.

The action culminated a steadily more active municipal market during the early part of the new year.

* * *

Another factor of interest was the recently revised bond ratings published by Moody's. Hundreds of issues were raised in rating, affecting the volume and prices of municipals.

The market was considerably broadened by the changes, since many funds and banks are forbidden, by their rules, to buy bonds under a certain rating. Reclassification from "Baa" to "A" particularly affected these issues. Included in this change were City of Chicago, Chicago Board of Education, Chicago Park District, and Chicago Sanitary District.

Some Detroit bonds, in particular, went up 10 basis points on the new ratings.

Apropos of the Chicago School Board's reported intention to refinance the $22,300,000 of 4½% revolving fund bonds of 1934 which become callable on Aug. 1, 1944, mention of which was made previously in these columns, the Chicago Civic Federation points out that, in addition to the regular tax levy, the rental of school fund property was pledged as security for the payment of the bonds. This money, the Federation says, has been accumulating since 1934 in a special "bond service" fund (administered by a Trustee) and amounted to $5,763,707 as of Nov. 30, 1943. As of the same date the "tax fund", representing proceeds of bond levies, amounted to $5,330,878.

In a communication to the Board of Education, the Federation said that it presumed that the entire cash balance available in both funds would be used to redeem the maximum possible of the revolving fund bonds, thereby reducing to that extent the amount to be refunded.

* * *

Two Chicago bond houses—Barcus, Kindred & Co., and Kneeland & Co., together with B. J. Van Ingen & Co., New York, are underwriting the current offering of $10,000,000 Puerto Rico Water Resources Authority 2½% electric revenue bonds. Last August, the underwriters contracted with Antonio Luchetti, executive director of the authority, to serve as fiscal agents in connection with the financing program, and definite purchase of the $20,000,000 bonds involved in the undertaking was later consummated in San Juan, Porto Rico, by representatives of the bond houses.

The three underwriters placed $8,000,000 of the revenue issue locally in Puerto Rico and $2,000,000 privately in the United States. The $10,000,000 now being publicly offered was turned over to a selling group headed by the First Boston Corp. and B. J. Van Ingen & Co., and each of the underwriters retained a major participation in this selling group.

As a result of the financing, the Puerto Rico Water Resources Authority, which was created by the Puerto Rico legislature two and a half years ago, will own and operate virtually all the electric utility properties of the island. Approximately $10,000,000 of the proceeds of the $20,000,000 issue will be used by the authority for the acquisition of the privately-owned electric properties serving the San Juan area, the island's capital and largest city. Purchase of the system serving the Mayaguez area, the third largest city, will require a sum of $1,700,000 and the remaining funds will be devoted as follows: $5,600,000 to retire outstanding indebtedness, $1,000,000 to establish a special reserve fund, $1,000,000 for new construction, and $700,000 for working capital.

The addition of the newly acquired facilities to its exist-

(Continued on page 171)

Chicago Recommendations

Brailsford & Co., 208 South La Salle St., now have November figures available on earnings of **Chicago, North Shore & Milwaukee Railroad**, copies of which may be had from the firm upon request.

Caswell & Co., 120 So. La Salle St., have available late figures on **Jacobs Aircraft Engine** common and **Reliance Steel** common. Copies may be had upon request from Caswell & Co.

Cruttenden & Co., 209 South La Salle St., have prepared a current memorandum on **Republic of Peru** which will be sent upon request.

Doyle, O'Connor & Co., 135 So. La Salle St., have compiled late data on **Midland Utilities** 6s of 1938 reorganization and copies will be sent upon request.

Enyart, Van Camp & Co., Inc., 100 West Monroe St., have prepared recent analyses of **Domestic Industries, Inc.** and **Ampco Metal, Inc.**, stocks and these are available upon request.

David A. Noyes & Co., 208 South La Salle St., will send upon request their **Monthly Stock Summary.**

E. H. Rollins & Sons, Inc., 135 South La Salle St., have a late memorandum on **Federal Electric Co., Inc.** convertible participating Class A no par stock. Copies available from the firm upon request.

Ryan-Nichols & Co., 105 South La Salle St., have prepared a recent analysis on **Ampco Metal, Inc.** which is available on request.

Sincere & Co., 231 So. La Salle St., have recent data on **Flour Mills of America** 4s of 1960 and common stock and **Iowa Electric Light & Power** preferred stock, which may be had on request.

Straus Securities Co., 135 South La Salle St., have prepared up-to-date analyses, showing latest figures, of **California Consumers Corporation** 3-5s of 1955; **United Stock Yards Corporation** preferred stock, and **Mid-States Shoe Co.** common. Copies may be had upon request.

Strauss Bros., Board of Trade Bldg., announce that their new bulletin entitled **"Year of Decision"** is just off the press. This

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O'Brien Again Head Of CGO Trade Board

CHICAGO, ILL.—P. R. O'Brien was re-elected President of the Chicago Board of Trade for the fourth successive term, breaking a precedent of nearly a century of the Association's existence. Mr. O'Brien was the nominee on the regular ticket and was unopposed.

Harry C Schaack and Richard F. Uhlmann, unopposed candidates, were re-elected First and Second Vice-Presidents, respectively.

The following were elected directors to serve three years: Earle M. Combs, Jr., Sylvester J. Meyers, Frank A. Miller, G. Willard Hales, and Thomas E. Hosty. Lacy J. Lee was elected to serve as director for one year.

Others elected were:

Nominating Committee: Alex Moore and Brackett B. Denniston.

Committee on Appeals: Ernest C. Brunke, Clarence W. Elmer, Arthur E. Ladish, James P. Ryan, and Charles P. Squire.

Arbitration Committee: Robert W. Darcy, L. A. Laybourn, Edward Nieft, Clarence Rowland, Jr., and Eugene J. Ryan.

Lawlor In Navy

William J. Lawlor, Jr., vice-president of Hickey & Co., Inc., 135 South La Salle Street, Chicago, is on leave of absence, serving in the U. S. Navy. At present he is stationed at Great Lakes Naval Training Station.

Cgo. Exch. Memberships

Two memberships in the Chicago Stock Exchange were posted for transfer on January 7; one to John G. La Forge of Chicago, partner of John G. La Forge & Co., and the other to William H. Sills of Chicago, President of Sills, Minton & Co., Inc.

Utah Radio Products Gets Army-Navy "E"

CHICAGO, ILL.—Utah Radio Products Co. was awarded the Army-Navy "E" for production excellence at ceremonies held on January 7th.

About 3,500 employees and guests witnessed the presentation of the pennant by Lt. Col. Nathan Boruszak of the Dayton Signal Corps procurement division.

Fred R. Tuerk, president of the company, declared that "this honor . . . is an added incentive to spur us on to greater efforts," and pointed out that the company has tripled its war output in the last year with only a 30% increase in employees. In normal times Utah is a leading manufacturer of loud speakers and other component parts for the radio industry.

Mr. Tuerk is also a partner in Cruttenden & Co., Chicago investment firm, members of the New York and Chicago Stock Exchanges.

H. Guy Griffeth Dead

CHICAGO, ILL.—H. Guy Griffeth, vice president of Adams & Co., 231 South La Salle Street, died of pneumonia in Copley Hospital, Aurora. Mr. Griffeth was widely known in the investment business, not only in Chicago but all over the country, and had been on La Salle Street for 25 years.

Dixon Bretscher Noonan

SPRINGFIELD, ILL. — Dixon-Bretscher Co., Inc., First National Bank Building, have changed their firm name to Dixon Bretscher Noonan. Inc., effective January 1st. Members of the firm are Noah M. Dixon, Kurt T. Bretscher and Paul R. Noonan.

Chicago Brevities

(Continued from page 170)

ing hydro-electric developments and distributing systems will give the Puerto Rico Water Resources Authority a physical plant valued at $33,000,000. The $20,000,000 electric revenue issue, the only debt against these properties, is in serial form, with maturities running from one to 25 years.

* * *

Loans and discounts of national and state banks of Chicago combined increased only slightly in the period between the last two calls for statements of condition. The Dec. 31, 1943 figure aggregated $1,132,624,000, against the total of $1,130,263,000 for national banks as of Oct. 18 and for state banks as of Sept. 18.

Total deposits, on the same comparative basis, fell off to $6,419,297,000 from $6,748,535,000, and holdings of government securities declined to $3,724,577,000 from $4,093,802,000.

* * *

The long awaited Cook County funding bond issue is expected to be delivered next week to Seipp, Princell & Co., to whom it was awarded last Nov. 2. The bonds have been printed, but the attorneys have not yet released approving opinions on the issue, and are still checking some of the claims involved. The assessor of Cook County has announced his intention of eliminating the so-called 37% adjustment factor and of assessing all property at 100% fair cash value.

Bond liquidations in the past week have resulted in extremely high prices, traders in Chicago report. They point out, however, that the volume of large liquidations by funds and institutions is expected to fall sharply. Most funds now have almost entirely replaced their holdings of municipals and other securities with governments, for each war loan drive has developed pressure toward this end.

The large funds are now in a position where they have little left to liquidate, it is believed.

NASD Appeal For Reverse Of SEC Order In Curb "Unlisted" Case Before US Circuit Court

For the first time an order by the Securities and Exchange Commission granting trading privileges to unlisted securities and its definition of what constitutes the "vicinity" of an exchange has been brought before a Federal court for review. The issue is now awaiting decision by the U. S. Circuit Court of Appeals.

This is learned from advices to the "Wall Street Journal" of Jan. 7 from its Philadelphia bureau, which in reporting the action, also said:

"The appeal of the National Association of Securities Dealers, Inc., for reversal of the order entered July 3, 1943, by the SEC granting the applications of the New York Curb Exchange to extend unlisted trading privileges to the Series A, 3¾% first mortgage bonds of the Central Power & Light Co., due 1967, and the first mortgage bonds, 4% series, of the Kentucky Utilities Co., due 1970, was taken under consideration by a United States Circuit Court of Appeals.

"The NASD attacked the legality of the order on the ground that the Commission did not have sufficient evidence of the distribution and the trading of the securities in the 'vicinity' of the Curb. It challenged also the legality of the Commission's definition that the vicinity of the Curb comprises the seven States of Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania and Ohio.

"NASD contends that the vicinity should be restricted to one of three much narrower areas: New York City alone, or one hour's commuting distance to New York City, or the boundaries of an area that are generally equi-distant between New York City and the nearest surrounding cities in which there are national security exchanges.

"Paul W. Frum, of Cleveland, for the security dealers, argued Congress intended that the vicinity of the Curb should constitute a narrow area from New York City. Owrin C. Knusden, for the SEC, contended that Congress left to the Commission the determination of an Exchange's vicinity. He disclosed that Central Power bonds had been called for payment with interest to January 3, last, and had been stricken from the trading list. The Court asked him if he considered the case as to the Central Power bonds moot and he replied the striking of the bonds from trading dropped them out of the case. He said the question as to the Kentucky bonds remained.

"Col. William A. Lockwood, counsel for the New York Curb, made an argument supporting the judgment of the Commission.

"Judges John Biggs, Jr., Charles A. Jones and Herbert F. Goodrich who heard the case did not indicate when they would hand down a decision."

Williams With Paul & Co.

PHILADELPHIA, PA.—The investment firm of Paul & Co., Inc., 1420 Walnut Street, announces that Harry F. Williams has become associated with them in the sales department of their Philadelphia office.

In the past Mr. Williams was in charge of the local office of J. Arthur Warner & Co.

Baker, Weeks & Harden Add Priory In Phila.

PHILADELPHIA, PA.—Baker, Weeks & Harden, members of the New York and Philadelphia Stock Exchanges, announce that J. Albert Priory has been appointed Assistant Manager of their office, 1421 Chestnut Street.

Chicago Recommendations

(Continued from page 170)

should be of interest to the post-war minded. Included are several brief summaries covering situations most likely to benefit from the general aspect of coming events. Copies may be had upon request.

As is customary at this time of the year, **Thomson & McKinnon's** current **Stock Review of the Week** and **Weekly Bond Review** take a quick look marketwise back over the past year and forward to the coming year. In addition thereto they now have in course of preparation an Annual Review entitled **"1944—A Year of Transition,"** which includes a forecast for 1944, specific investment policy and lists of individual securities.

Thomson & McKinnon will be glad to send a copy of any of these Reviews free on request. Address your requests to **Thomson & McKinnon's Statistical Library,** 231 **So. La Salle St., Chicago 4.**

Zippin & Co., 208 So. La Salle St., have prepared a summary of the new payment plan on **Brazil Dollar** and **Sterling Bonds.** Copies will be sent by the firm upon request.

Chicago Bond Traders Get Slate For 1944

CHICAGO, ILL. — The nominating committee of the Bond Traders Club of Chicago, Inc. has selected the following slate of officers for the 1944-1945 year for presentation to the members:

President: Harry L. Nelson, Blyth & Co., Inc.

Vice-President: Star C. Koerner, Mitchell, Hutchins & Co.

Secretary: Peter J. Conlan, Hornblower & Weeks.

Treasurer: Samuel Sachnoff, The First National Bank of Chicago.

The annual dinner and installation of officers will take place on February 8th at the La Salle Hotel. Out-of-town guests who plan to attend may obtain further details from Peter J. Conlan, Hornblower & Weeks, 39 South La Salle Street, Chicago, Chairman of the Entertainment committee.

Daniel F. Rice Co. Open In Miami Beach

CHICAGO, ILL.—Daniel F. Rice and Company has opened an office in the Roney Plaza in Miami Beach, Joseph J. Rice, partner of the firm in Chicago, announced. Daniel F. Rice and Company already maintain an office in the Ingraham Building in Miami as well as offices in Chicago and five other Illinois cities and in New York.

Vernon C. Badham and Robert A. Martyn have become associated with Daniel F. Rice and Company and will have their headquarters in the new Miami Beach office which will be under the personal supervision of Joseph J. Rice.

Interstate Aircraft And Engineering Corp.

Highlights

Interstate's profit for 7-month period to Nov. 31, 1943, $407,893.21.

Earnings per share after taxes for same period, $3.18.

Earnings per share after taxes for the month of November, 74¢.

Net current assets as of Nov. 30, 1943, $715,434, or approximately $5.60 per share.

Book value, approximately, $8.91. Small capitalization, only 128,000 shares common stock—no bonds—no preferreds.

Dividends 1943 to date: $5 in stock March; 25¢ cash December.

Aggressive management—small capitalization — specialized engineering facilities—all bespeak for intelligent post-war planning.

Fernandez And Bauder

CHICAGO, ILL. — Don Juan Fernandez and Donald C. Bauder have become associated with Merrill Lynch, Pierce, Fenner & Beane in their Chicago office as account executives, Homer P. Hargrave, resident partner announced. Mr. Fernandez was formerly industrial editor with the Accurate Spring Manufacturing Company of Chicago and Mr. Bauder was recently vice president of the Great Lakes Insurance Company of Elgin.

Clifford C. Fisher With McMaster Hutchinson

(Special to The Financial Chronicle)

Clifford C. Fisher of Union City, Ind., has been added to the staff of McMaster Hutchinson & Co., 105 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange.

Wisconsin Brevities

Statements issued by **Milwaukee Banks** in connection with the recent call showed that the **First Wisconsin National Bank** of Milwaukee has increased its total assets to approximately $500,000,000. Deposits totaled $450,930,750 at the end of the year. **Marshall & Ilsley Bank** and **Marine National Exchange Bank** footings showed material increases—the Marshall & Ilsley totaled $117,525,000 and the Marine National Exchange Bank $95,184,000. The First Wisconsin National Bank is controlled by Wisconsin Bankshares Corporation which is widely traded in Milwaukee.

Chain Belt Company reports earnings of $1.77 per share for the fiscal year ended October 31, in contrast to $1.87 per share in the preceding fiscal year. The management stated that renegotiation affecting 1942 operations has been completed.

Fuller Manufacturing Company Common stock, which has recently been delisted from the Chicago Stock Exchange, is now actively traded over-the-counter. The most recent market is 5½-6¾. Dividends paid in 1943 totaled 50¢ a share.

Marathon Paper Mills, Rothschild, Wisconsin, reports profits for the year ended October 31 equal to $6.08 a share, compared with $5.62 a share a year ago.

Nunn-Bush Shoe Co., Milwaukee, reported net profits of $1.19 a share on the Common stock after Preferred dividends, against $1.07 in 1942. Total dividends paid in 1943 were $1.00 a share, in contrast to 80¢ in the preceding year. A regular quarterly dividend of 20¢ a share has just been declared, payable January 29 to stockholders of record January 15.

Phoenix Hosiery Company, Milwaukee, has called its entire outstanding preferred stock at $115 a share plus accumulated dividends of $32.37 a share, as of March 1, 1944.

Recent dividends declared by Wisconsin corporations included:

Badger Paint & Hardware Stores, Inc. declared an extra dividend of 25¢ a share in addition to the regular 37½¢ quarterly, which was paid on January 3 to stock of record December 27.

Nekoosa-Edwards Paper Company declared an extra dividend of 50¢ a share in addition to the regular 50¢ quarterly. Both were paid on December 30. The company reported net profits equal to $7.21 a share for the first nine months of 1943—an increase of 4¢ a share over the corresponding period of 1942.

James Manufacturing Company declared $1.00 extra in addition to the usual 25¢ quarterly. Both were paid at the end of the year.

Deferred Demand For Electrical Appliances In The Billions

The deferred demand for radio sets, brought about by the lack of any new production since June, 1942, and the continued rise in the national income and national savings, now amounts to a total retail value of nearly 1½ billion dollars, equivalent to about three years' production at the rate of 1941 output, according to a study of the investment position of the electrical appliance industry just completed by the research department of E. W. Axe & Co., Inc. The estimate deferred demand for other leading appliances is as follows in terms of number of years' output at the peak rate of 1941: radio tubes, 2; electric refrigerators, 2½; washing machines, 2½; ironing machines and vacuum cleaners, 3. These are theoretical estimates based on the pre-war correlation between fluctuations in the spendable national income and sales of the various appliances. The backlogs that will actually exist at the end of the war may be greater or less than these amounts depending upon the trend of post-war developments.

If, for example, there should be unemployment and a serious decline in purchasing power after the war, these backlogs might not be fully effective for a while. The longer the war lasts, on the other hand, the larger these backlogs will become because of the depreciation and obsolescence of existing models.

The obsolescence factor is given special discussion because of the progress which leading manufacturers have made in planning for greatly improved models after the war. The wartime advance in the science of electronics alone, the study concludes, will bring about rapid obsolescence of some types of equipment used in industrial processes. This factor, it is believed, will tend to offset any overestimate of deferred demand that may have arisen from a too optimistic view of post-war purchasing power.

Copies of the study, entitled "Electrical Appliances," may be obtained from the Tarrytown Press, Box 157, Tarrytown, N. Y., at a cost of $1 per copy; price to public libraries and non-profit institutions fifty cents a copy.

What's Behind Present Railroad Performance?

(Continued from first page)

structed to interfere as little as possible in the actual operation of the railroads, and we all hope for speedy termination.

General Gross has asked Mr. Eastman, Director of the Office of Defense Transportation, and the Interstate Commerce Commission to carry on their normal functions, and they will continue to handle the same part of the transportation effort that they have in the past, which means no change in rate making proposals or service orders.

It has been generally conceded that the railroads have done an outstanding job during this emergency, but an industrialist recently told me he didn't understand how the railroads had done so well in this war as compared with the First World War. He had looked upon railroads as sleepy, backward, antiquated, outmoded and utterly unable to cope with an emergency such as the present. He was amazed at what had been done.

So when your President asked me to talk to you about railroads, it occurred to me that it might be of interest to recite some of the reasons for their remarkable performance in this war, and to speak briefly of their prospects after the war, insofar as this can now be foretold.

In order to understand fully the job the roads are now doing, it is necessary to recall what they did 25 years ago and what has happened to them since.

In 1918, the peak year of the First World War, class one railroads handled 405,000,000,000 revenue ton miles of freight, and 42,000,000,000 passenger train miles. In 1942, with 34% fewer locomotives, 25% fewer freight cars and 26% fewer passenger cars, including Pullmans, they handled 638,000,000,000 ton miles of freight, or an increase of 57%, and 53,000,000,000 passenger train miles, an increase of 25% over 1918. To go a step further, for the first nine months of 1943, freight business has increased a further 16.7% compared with the same period in 1942, and passenger business has further increased 77%. In other words, freight business is now nearly 75% above 1918, and passenger business more than 100% above 1918, in spite of a substantial decline in equipment.

The figure I think interesting to keep in mind is that in the First World War, each car, on an average, handled 518 ton-miles per car per day; in 1942 the figure was 975 ton-miles, and in the first nine months of 1943 it was 1,088. That means each car is doing more than twice the work per day than it did in 1918.

These figures sound almost fantastic, but they do not tell the whole story. There are intangibles in the picture that are important. In the First World War we were in the hands of the government with considerable political consequences. Railroad men were depressed by having the properties taken over. Inadequate planning, poor organization, and indiscriminate use of shipping priorities resulted in excessive accumulation of cars at terminals, particularly at the seaboard. Nothing is so depressing to a group of men as to feel that their efforts are futile, that influences beyond their control are handicapping their best endeavors.

The railroads came out of government control in 1920 with a personnel of low morale, poor physical condition, a high wage structure and insufficient revenues—all of this in the face of an inflation that ran its course in the next year and a half. It can be said that we met our Pearl Harbor in the First World War.

A little later, after a car shortage in 1923, the railroads got together and organized for an improvement in facilities, equipment and performance. This was followed by a better organization among railroads through the formation of the Association of American Railroads to act as a coordinating agency, and the establishment of Shipper Advisory Boards for closer cooperation between shippers and railroads. Good results came from these moves.

During the remainder of the 20's, vast improvements in facilities and equipment were made, and no great trouble was experienced in those years. The depression in the 30's brought new problems. With diminishing traffic and revenues, the railroads had to become more efficient. Ways and means had to be found to improve the operation. In many cases it was not a question of dividends, but one of survival. Approximately 30% of all railroad mileage was in bankruptcy.

During these strenuous times the railroads had learned a good many lessons. Competition had become keener. Railroads woke up to the fact that they no longer had a monopoly on transportation that they had to earn what they got. They learned lessons from other industries—methods, shortcuts and improvements—and they learned more about merchandising their product; more about meeting competition.

So when the Second World War came, we were much better prepared than 25 years previously. Long before Pearl Harbor, the railroads had entered upon a program of putting their houses in order, repairing cars that were out of condition, repairing locomotives, some of which hadn't been operated for years, getting them ready for the transportation job that was sure to come. Considerable new equipment was purchased following the outbreak of the war in Europe. Purchases were light during the long depression because none were needed.

Many of the transportation demands made in this war were unthought of before. The roads were confronted with new problems, new emergencies. Among them were the handling of oil and petroleum products to the east coast when the tankers were taken out of service; the huge volume of troop movements; the increased passenger travel brought about by the rationing of gasoline; the elimination of intercoastal boats made it necessary for the railroads to carry all transcontinental traffic. All of these emergency jobs have been solved by the railroads.

What are some of the railroad improvements that have increased the efficiency of operations? The weight of rail is heavier, more use has been made of stone for ballast, drainage has been improved, automatic signals are almost universally employed, locomotives are more powerful and faster and have larger tenders thus eliminating stops for water and fuel. The treatment of water was in its infancy 25 years ago. It has now developed to the extent that locomotive boilers last four or five times as long without renewal and without constant repair work.

In World War One, it was customary for locomotives to run over one operating division, then turn back to the home terminal, necessitating a change of engines, both passenger and freight, every 100 or 150 miles. Now freight engines cover three or four operating divisions before turning around. Passenger engines run 700 to 1,000 miles without being taken off.

In the previous war, except for a few manifest perishable trains, freight traffic was handled from one division terminal to another, with each yard cutting out the cars destined for that terminal or to the operating division ahead, and adding more cars for the next terminal. This meant that the train was in each yard from six to eight hours or more. However, in recent years, solid trains have been made up and run on definite schedules over the length of the railroad, stopping only at division points to change crews and for inspection of trains and servicing of the locomotives. The engines and cabooses run through—only the crews change. In place of taking five or more days to go from Chicago to New York, practically all traffic makes the distance by the third morning.

Each department has made great progress in putting modern methods into effect. In the maintenance of way department, trackmen ride to and from work on gasoline cars instead of the old "Armstrong" hand cars. The greater part of heavy track work is done with modern equipment. Ditching is almost entirely done by machine; rail is laid with derricks and cranes instead of the old hand method; ballast is cleaned by a gas driven traveling screen device called a "mole"; ties are tamped with pneumatic tools; bolts are tightened by power wrenches.

In the car repair yards, heavy parts are taken from the storehouse with traveling gasoline driven cranes, eliminating all heavy lifting. In the heavy repair shops, cars are handled on a production line, the cars moving periodically and having work done on them in exactly the way automobiles are assembled in an automobile plant.

In the locomotive shops similar cranes are used. Specialized machinery has been installed for every operation where there is enough work to warrant it. A typical example is a flue shop where the old boiler tubes are thoroughly cleaned inside and out, the ends cut off and a new end welded on and then cut to length. Throughout the entire operation the flue is never lifted by hand.

The use of alloy steels has increased greatly in the past 25 years, resulting in better design and better materials, thereby making it possible for locomotives to run longer between shoppings. Roller bearings on locomotives are having their effect in improved mileage as well.

Improved signal systems greatly expedite the operation of trains so that no train orders are needed. This applies to single track as well as multiple tracks. Trains are dispatched by telephone rather than by telegraph. Messages between important terminals are sent by teletype. A record of all car movements is sent by teletype to a central office, then printed on sheets in such a way that any office to which these sheets are air-mailed can accurately tell where a loaded car was on the preceding day. This greatly expedites the tracing of cars and gives current information regarding car locations.

In the accounting and car record offices, cards are punched and much of the accounting is done on electric accounting machines instead of by the older hand method.

Railroads are definitely designed for mass transportation, and in this war they are being used in such a way as to make them fully efficient. For the first time in their history, cars are being loaded to their capacity, this being made possible by a directive from Mr. Eastman of the Office of Defense Transportation. The savings in car-days are tremendous. As a matter of fact, the war load could not have been handled if each car had not been fully loaded.

You will note that these improvements have been largely of a material nature, but along with this there has been a tremendous improvement in methods and training. Frankly, 25 years ago supervisory forces were left to their own devices; some men progressed and others were satisfied with what they knew. It was unusual for any particular attention to be given to the training and education of foremen or supervisors. Each officer had his own methods.

In recent years this has been superseded by systematized "sure-fire" conference training. For many years, railroads were behind the times and behind other industries in the training of foremen and supervisors, and a large part of the criticism of railroads and their managements was predicated on evidence of this lack of training. It is not universal now, but the development of men and methods has had an added impetus during this war, by the application of the principles put out by the Training Within Industry branch of the War Manpower Commission. These courses are known as J I T, Job Instructor Training, or the "sure-fire" method of teaching. Supervisors are trained to teach J M T, Job Methods Training, which shows them how to plan their work. These courses have been invaluable and are being received with intense enthusiasm wherever they are properly taught. Incidentally, they will be useful to any business, even though not engaged in war production.

To sum up: While the railroads did rather poorly during the First World War, partly due to antiquated methods and partly due to being operated by the government, the railroads have progressed since then through their own initiative, and the realization that a rejuvenation was needed. Results obtained during this war emergency have been due in large measure to the use of modern appliances and methods, unhindered by government management, but helped by the Director of the Office of Defense Transportation, Mr. Eastman, the Association of American Railroads, the Interstate Commerce Commission, and by the enthusiasm of the railroad workers. Unlimited cooperation has been received from shippers, and railroads have helped each other more than ever before.

What are the postwar prospects for railroads? Just as there was apprehension at the start of the war that the railroads would break down under the heavy war load, so there is fear now that when peace comes the railroads will be at the mercy of competing forms of transportation. Note that railroad security prices drop whenever the market gets one of its "peace scares."

In preparation for the postwar period, the railroads have wisely followed a definite policy of debt reduction, thereby reducing fixed charges and increasing working capital. This strengthening of rail credit will enable railroads to increase expenditures for additions and betterments, without which progress would cease.

Because of shortages of men and materials, and the increased wear and tear due to heavy usage, the railroads have considerable deferred maintenance which the ICC permits us to charge in our income account, but which the Bureau of Internal Revenue does not at present recognize for tax purposes. We are hopeful that the pending tax bill in Congress will rectify this and put an end to the taxes we are now paying on reserves set aside to pay for this deferred maintenance. Instead of being treated as an expense, this deferred maintenance is unfairly regarded as a profit by the government, upon which income taxes and excess profits taxes must be paid. In order to save a dollar, the railroads that are subject to excess profits taxes must earn $5.26 upon which they must pay a tax of $4.26 in order to have the dollar left to do the work after the war which they would do now if they could get the labor and material.

The entire postwar situation is being studied by a special research department of the Association of American Railroads, and individually by most railroads.

Obviously, with intensified competition from highway transportation, air lines, waterways and pipelines, and with the loss of the present strictly war traffic and the reinauguration of coastal and intercoastal boat lines, railroad revenues will be substantially lower. For a time at least, railroad expenses will have the burden of increased rates of pay brought about by wartime inflation in costs of living and by increased material costs, of which the cost of coal is the largest.

What about revenues? When railroads were first built the trains were strictly passenger trains and the entire revenue came from the transportation of passengers. Gradually the hauling of freight became more and more prominent. In 1920, which was the peak year of passenger travel, railroad passenger revenue was about 21% of railroad gross income in the United States. This dropped to 10.4% in 1939 but now in wartime it is up to about 13%. About the turn of the century electric lines took part of the short haul traffic. Some roads invested heavily in them. They are about all gone now.

In the 20's came the extension of good roads and the phenomenal growth of the automobile traffic. Local passenger trains became unnecessary and such service has largely been discontinued. Busses perform a real function because they go into the center of towns and give more convenient service for many short distances than a railroad possibly can.

What about air travel? There will be more and more of it—long distance and rush travel particularly. But some people will always prefer railroads. After the wartime load of armed forces and their families have left us, and gasoline and tires and automobiles are again available, railroad passenger traffic will become normal again, somewhere near prewar levels. Remember that many people have had their first train ride these past two years and are pleased with the comfort and absence of dirt and noise in the air-conditioned cars. Furthermore, cars and trains will continue to improve in the postwar period.

Regarding traffic other than passenger, it is likely that cargo planes will carry an increased amount of mail and express. There are always factory breakdowns and other emergencies that demand expedited service. In wartime, emergencies are more numerous than in peacetime. In the long run, industrial management always figures out ways of saving transportation charges on the goods it ships. New factories or branch plants are located primarily to minimize freight charges. Over the years, freight moves by the channel that produces the greatest economy, with due regard for dependability of the service.

During the war some traffic formerly handled by trucks has gone to the railroads on account of shortages in the trucking industry. It is reasonable to expect that the trend will be the other way after the war, and it is proper that certain traffic should be handled by truck. Trucks can do a better job over short distances, particularly overnight destinations, than the railroads can. It is just as foolish for railroads to compete in rates for some of this traffic as it would be to use a 20-ton truck to deliver small packages from Macy's store or to use a Fifth Avenue double-decker bus as a taxicab.

It is my opinion that the future of the railroads is bound up in the mass transportation field, handling heavy commodities, in fully loaded cars, in heavy trains, long distances. It is mass transportation at its best. There is room for all forms of transportation. The airlines will get their share, and trucks and busses will get theirs, but none of them can compete with the railroads in mass transportation at low cost.

The amount of revenue the railroads will receive in the future will rise and fall with the amount of production in the nation. In times of depression, railroad revenues will be down; if business is good, rail revenues will be adequate. The railroads themselves do not produce—their job is to carry the goods produced by farms and industries.

Some people think the railroads have oversold the public on their troubles. We are forever talking about taxes, competition and political interference with managerial judgment. Many years ago the Interstate Commerce Commission was created to investigate and adjust rate charges, and from time to time their powers have been enlarged to include jurisdiction over various other railroad matters. They have done a good job in spite of considerable political interference from pressure groups. Wage levels are determined almost exclusively by the administration in Washington, and the prices we pay for coal and other supplies are determined by governmental agencies. During this war, other industries have had a taste of the same medicine —the only difference is that we are more used to it. In fact, a good deal of the regulation of industry by governmental agencies has resulted from the fact that the Constitution of the United States gives Congress the right to regulate interstate commerce. This has been construed to give Congress the right to regulate almost anything.

Railroads do not ask for special consideration, but there are some things about the railroad industry in which you are greatly concerned. The railroads have done an outstanding job in keeping costs down. Freight rates are lower today than were were 25 years ago, in spite of the fact that wages have doubled, and the price of materials has increased greatly. The average revenue per ton mile in 1942 was 0.932 cents—less than one cent for hauling a ton of freight one mile. It is probably about the same for 1943 although the exact figures are not yet available. These freight rates are lower than in any other country in the world except Japan, a nation of cheap labor whose standard of living does not even remotely approach our own. In Great Britain, the average prewar freight rate was 2.4 cents, in Germany 2.2 cents, in France 1.9 cents.

The maintenance of this approximate scale of freight rates is of major interest to shippers and consumers everywhere. One of the ways in which this cost can be kept low is to continue to load cars to their full capacity. We hope to find some way to do this, even after wartime requirements are lifted. Perhaps those of you who are industrialists are enough interested in this to make it a point to talk it over with your traffic people, with the hope that they will be cooperative and sympathetic when suitable proposals are made to them by the railroads. Frankly, it is to your interest fully as much as it is to that of the railroads.

Railroads pay their own way, they own and maintain their own roadbeds, pay enormous taxes, and are not subsidized in any way. There are certain bills pending in Congress now calling for subsidies for air transportation, and for the development of airfields at government expense. Good roads are being continually built at public expense for the benefit of truckers. Super-highways are worn out more by heavy commercial trucks than they are by passenger vehicles. The railroads are somewhat in the position of an old established business in a small town—they are expected to keep going and are taken for granted. The local Chamber of Commerce is not much interested in doing anything for the old firm, but will raise great funds of money and secure concessions for a new enterprise. Railroads ask only for fair treatment in the matter of taxes, regulation and subsidies. After all, the public which must pay for the railroad services should be just as much interested in this fair play as the railroads themselves.

Railroads were a pioneer enterprise in this country. They were built by rugged individualists who believed in the future of America. As the country grew, the railroads were developed apace by private risk capital. The railroads, in their ability to serve the nation today, stand as a mighty monument to the vitality and resourcefulness of our American enterprise system. Most communities today would not be enjoying the benefits of the American way of life had it not been for the railroad service that makes it possible.

The railroads are temporarily under government control, and there are undoubtedly forces at work that would like to socialize all industry, and would prefer to have the government keep control of the railroads. It is estimated that the federal government now owns one-fifth of the area of the United States, and has over 2,600 plants in which are invested over 15,000,000,000 of dollars. These huge wartime excursions of the government into the field of private industry represent a vast potential threat to free enterprise. Proper disposition of these government possessions is one of the great postwar problems.

Most important of all the problems, however, is that of employment. Everyone is agreed that there must be no mass unemployment as an aftermath of the war. But employment is not enough. There must be productive employment, not boondoggling. If those employed do not produce goods, or services that other people want, and are willing and able to buy, their employment contributes nothing to economic stability.

When the war ends, we are go-

(Continued on page 181)

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

Annual stockholders' meetings of leading New York City banks and trust companies are scheduled for Jan. 11, 12, 13, and 19, when reports to stockholders will be presented. Meanwhile, year-end balance sheets have been released, which enable a comparison to be made of important items with a year ago, and also permit the computation of "indicated earnings" for the year.

In general, deposits are higher than on Dec. 31, 1942, investments in Government securities have increased, capital funds have been strengthened, and earnings for 1943 show substantial improvement over those of 1942. Comparative data on these points for 18 of New York City's leading institutions are shown in the two accompanying tabulations. Table I shows total deposits and total earning assets.

It will be observed that although total deposits for the 18 banks are higher by more than one billion dollars, or 4.8%, nevertheless four banks show a moderate decline, viz: Bank of Manhattan, Bank of New York, Central Hanover and Chemical. Total earning assets have increased by $1,841,320,000, or 10.7%, all banks reporting higher figures, except Bank of New York. It is significant that the banks in 1943 were more fully invested than in 1942, for their total earning assets as of Dec. 31, 1943, represented 85.7% of deposits, compared with a ratio of 80.7% on Dec. 31, 1942. Of total earning assets, Government securities showed the greatest gain, having expanded by $1,832,191,000, or 15.5%; loans and discounts increased by $281,552,000, or 7.2%, but State and municipal bonds and other securities declined.

Table II shows for the same 18 banks their "indicated earnings" for 1943 vs. 1942, also their book values as of Dec. 31, 1943, compared with Dec. 31, 1942.

It is not possible at this time to show net operating earnings and net security profits, except in a few instances where reports have been released prior to stockholders' meetings. Bank of Manhattan's report, for instance, released since its meeting on Dec. 7, 1943, shows net operating profits of $2.01 per share and net security profits of $1.88 per share, compared with $1.81 and a net security loss of $0.65 in 1942. Operating figures released by Chase prior to its annual meeting show net operating profits of $2.33 and net security profits of $1, compared with $1.81 and $0.22, respectively, in 1942. National City Bank, including City Bank Farmers Trust, reports net operating profits of $2.44 and security profits of $0.39, compared with $2.18 and $0.43 in 1942. New York Trust reports net operating earnings of $6.51 and net security profits of $0.81 per share on 600,000 shares, compared with $3.06 and $1.26 in 1942 on 500,000 shares.

The strengthening of capital funds, through releases from reserves to surplus in some instances, and through the crediting of undistributed earnings to the surplus and/or undivided profits accounts in all instances, is reflected in the book values per share of each bank for Dec. 31, 1943, compared with Dec. 31, 1942, as listed in Table II. New York Trust, it will be recollected, increased its capital early in 1943, through the sale of 100,000 new shares. After the stockholders' meetings have been held later in the month it will be possible to report somewhat more fully on the earnings and operations of these banks.

TABLE I

	Total Deposits 12-31-42	Total Deposits 12-31-43	Total Earning Assets 12-31-42	Total Earning Assets 12-31-43
Bank of Manhattan	$939,413,000	$915,263,000	$711,127,000	$762,010,000
Bank of New York	362,733,000	339,806,000	278,565,000	271,430,000
Bankers Trust	1,504,658,000	1,594,694,000	1,135,383,000	1,391,012,000
Central Hanover	1,537,492,000	1,477,219,000	1,230,077,000	1,269,085,000
Chase National	4,291,467,000	4,375,582,000	3,422,368,000	3,614,427,000
Chemical Bank & Trust	1,199,430,000	1,153,998,000	935,660,000	1,003,969,000
Commercial National	187,641,000	211,736,000	156,823,000	188,417,000
Continental Bank & Trust	96,760,000	119,438,000	78,390,000	101,806,000
Corn Exchange	532,799,000	608,118,000	414,384,000	484,091,000
Empire Trust	95,455,000	101,955,000	72,019,000	89,612,000
First National	887,300,000	942,359,000	818,984,000	928,567,000
Guaranty Trust	2,698,262,000	2,903,794,000	2,345,912,000	2,669,677,000
Irving Trust	928,494,000	964,148,000	793,498,000	853,230,000
Manufacturers Trust	1,322,421,000	1,580,909,000	1,042,879,000	1,273,114,000
*National City	3,671,306,000	3,833,412,000	2,958,809,000	3,183,692,000
New York Trust	628,777,000	689,208,000	499,230,000	566,235,000
Public National	243,399,000	325,344,000	205,377,000	279,219,000
United States Trust	108,662,000	114,707,000	109,626,000	120,838,000
Totals	$21,236,469,000	$22,251,690,000	$17,209,111,000	$19,050,431,000

*Includes City Bank Farmers Trust.

TABLE II

	Book Value Per Share 12-31-42	Book Value Per Share 12-31-43	Indicated Earnings per Share 1942	Indicated Earnings per Share 1943
Bank of Manhattan	$24.28	$25.03	$1.45	$1.65
Bank of New York	348.55	358.97	20.70	24.42
Bankers Trust	46.07	05.15	2.99	‡5.47
Central Hanover	95.87	99.15	6.03	7.28
Chase National	33.19	36.88	2.04	§5.09
Chemical	40.23	41.23	2.44	2.80
Commercial National	235.42	245.47	13.51	18.04
Continental Bank and Trust	21.92	23.27	1.28	2.15
Corn Exchange	48.18	49.35	3.34	3.57
Empire Trust	90.20	94.27	5.18	7.07
First National	1,220.44	1,246.60	97.66	106.16
Guaranty Trust	313.94	323.77	15.42	21.83
Irving Trust	20.98	21.28	0.73	0.90
Manufacturers Trust	39.39	41.75	3.88	4.36
*National City	33.14	36.38	1.95	¶4.58
†New York Trust	84.06	85.34	5.79	6.14
Public National	46.50	48.30	2.84	3.30
United States Trust	1,504.78	1,517.50	**78.83	**87.07

*Includes City Bank Farmers Trust. †1942: 500,000 shares; 1943: 600,000 shares. ‡Includes $2 net transfer from reserves. §Includes transfer from reserves. ¶Includes transfer from reserves. **Net operating earnings.

Repeal Excess Profits Tax To Cut Restrictive Effects Of Taxation On Business After War

Changes in the tax structure "designed to reduce to a minimum the restrictive effects of taxation on business and investment expansion" are proposed in a study published by the Brookings Institution, of Washington, made available Jan. 9. The study, issued under the title of "Post-War Tax Policy and Business Expansion" was prepared by Lewis H. Kimmel, and it is pointed out by President Harold G. Moulton, President of the Institution, "is one of a group of investigations of post-war problems now being conducted by the Brookings Institution." Mr. Moulton, in his prefatory note regarding the present study, says:

"It represents one phase of the Institution's collaboration with the special Senate Committee on Post-War Economic Policy and Planning, under the chairmanship of Senator Walter F. George. It should be understood that the conclusions and recommendations here submitted do not necessarily reflect the views of the committee or any of its members.

"It should be emphasized here that this is not a comprehensive study of the American tax system as a whole. It is focused on the relation of tax policy to industrial expansion and employment opportunities. The author considers the single question: What modifications of the tax system would contribute to the release of economic power and the expansion of private enterprise?

"In the preparation of this study the author has had the benefit of suggestions and criticisms from many students of taxation in relation to business activity. To all of these he expresses his sincere appreciation. The cooperating committee of the Institution consisted of Meyer Jacobstein, James D. Magee, Willard E. Atkins, and myself."

The conclusions of the study are presented in the booklet as follows:

"The present tax system has been developed for a variety of purposes—to raise revenues, to influence corporate policies, and to bring about a changed distribution of income. During the 1930's the potential effects of taxation on investment and employment opportunities were generally overlooked. The changes in the tax structure suggested in this study are designed to reduce to a minimum the restrictive effects of taxation on business and investment expansion. The importance of adequate revenues is recognized throughout this study. While a few of the modifications proposed might entail some immediate loss of revenues, the combined changes—because of their stimulative effect on the economy—should result in an expansion of tax revenues.

"1. The excess profits tax should be repealed after the war. The effective date of repeal is not the decisive factor. If there is a clear and unequivocal policy with respect to the abandonment of this tax, its temporary continuance during the transition years should not materially affect business and investment expansion.

"2. The corporate income tax should be considered in relation to its position in the income tax structure as a whole. We favor a single normal tax, which would be collected on all taxable income, individual and corporate. On corporate earnings this tax should be collected at the source. Because of the heavy revenue requirements, this normal or standard rate would have to be substantially higher than pre-war normal rates on personal incomes. The corporate income tax levied over and above this normal tax should be held to a low or moderate rate—perhaps in the range of 5% to 10%.

"New manufacturing industries should be exempt from the special corporate income tax for the first three years and be taxed at one-half the regular rate for the next two years.

"The two additional percentage points added to the rate for a consolidated group of corporations should be eliminated. The credit for inter-corporate dividends should be increased from 85% to a full 100%.

"The two-year carry-back and two-year carry-over of operating losses should be continued during the transition period. New business should be granted a four-year carry-over, in addition to the two-year carry-back. A two-year carry-back would not be practicable for the normal tax collected at the source; a four-year carry-over is recommended.

"More liberal depreciation allowances should be permitted on new plant and equipment. In the interest of stimulating investment, the minimum period over which new assets can be amortized might be reduced by one-half.

"3. The Federal capital stock tax and the so-called declared value excess profits tax should be repealed.

"4. The rates for State business income taxes should be held to a maximum of about 5%. The State rates should not be increased as Federal business taxes are de-emphasized. Overlapping State business taxes should be eliminated.

"5. The tax system has long discriminated against earnings on equity capital. Because of the fundamental position of venture capital in the economic structure, equity earnings should be favored—not discriminated against—by the tax laws. Preferential rates on dividend income and other income from equities would have a stimulative effect on venturesome investments; a reduction of one-third to one-half—based on the average effective rate—is recommended for new equity investments made after the war.

"The maximum contribution to investment and business expansion will be obtained only if the underlying tax structure is placed on a sound basis. The discrimination against all equity earnings which was accentuated by the changes made in 1936 should be reduced to the fullest possible extent."

Railroad Securities

(Continued from page 165)

exclusive of the Additions and Betterment Fund which is now covered by depreciation, would be reduced about $855,000 to $4,650,000.

In addition to the above there would be $2,325,000 of sinking fund moneys to apply to the income 4½s, covering the years 1939-1943, inclusive, on the reduced amount of income bonds. Finally, it is possible that these financial activities would still leave the company with additional funds to be used in further debt retirement. On the basis of the above it is expected that the new junior securities will continue to attract a speculative following as the date for consummation of the plan approaches.

Winthrop W. Aldrich Discusses Our Financial and Economic Problems

(Continued from first page)

000,000. The total debt, direct and guaranteed, rose during these two years from $62,000,000,000 to $170,-000,000,000, an increase of $108,-000,000,000, or 174%. The increase in the debt resulted not only from the deficit but also from a rise in the working balance of the Treasury and from the financial requirements of Government agencies.

The fiscal problems of war center, in the main, on the amount and type of obligations to be sold and the taxes to be levied in order to meet the huge volume of Federal expenditures. The manner in which these problems are dealt with not only influence economic and financial developments during the war itself but at the same time sets the stage for the post-war fiscal problem. This problem is composed of two elements: the one associated with the increase in the debt, and the other with the rise in Federal expenditures as contrasted with the pre-war period.

When at last the budget is balanced—an essential goal of post-war fiscal policy—the Federal debt may exceed $250,000,000,000. Annual expenditures, of which interest costs on the debt will constitute an important part, may stand at $20,000,000,000, or at a level more than twice as high as that for the fiscal year ended June 30, 1939, the last preceding the outbreak of war in Europe.

Treasury Policy After The War

Federal debt and expenditures of the size indicated give rise to numerous problems. The close of the war may witness significant shifts in debt ownership. Individuals may reduce their holdings of redeemable and coupon obligations in order to replace or supplement durable and semi-durable goods, and corporations may likewise reduce their holdings of the public debt in order to replenish inventories and to rehabilitate and expand their plants. Developments of this character would imply a shift in debt ownership to the commercial banking system, which in turn would raise difficult questions of credit control.

Early in the post-war period, the Treasury doubtless will wish to fund the floating debt, a complicated process to carry through as long as the post-war shifts in debt ownership are still going on. The floating debt, even though narrowly defined to include only Treasury bills and certificates of indebtedness, already comes to a sizable amount ($36,000,000,000), and may attain higher levels before the debt as a whole reaches its peak. No treasury with a large floating debt can consider itself in a satisfactory position, and no doubt our own Treasury will seek, as soon as practicable, to reduce its short-term debt through the issue of as many long-term securities as investors are ready to absorb.

A second group of problems of even more immediate concern to the public has to do with the type of taxes to be levied in order to meet the enormous needs of a balanced budget, including interest costs on the debt. Total Federal expenditures will depend on many contingencies, including the level of interest rates and of prices, the requirements of the Army and Navy, and the attitude of the public towards the need of thrift in government. Obviously, strict economy in Federal expenditures is essential if the fiscal problems of the post-war period are not to become unmanageable.

Tax Policy And The National Income

Now, there is one point here that must be clearly made. The budget is bound to be very large, much larger than the country has ever known in peacetime. Unless its size is to prove unsupportable, the real national income must also be maintained on a level hitherto unknown in peacetime. There are many influences which government can exert to bring that end about, and of them all a wise tax policy is perhaps the most important. It is to this point that I wish briefly to invite your attention.

First: If we are to gain our ends without inflation the new level of national income must be real, not false. That is to say, it must be attained not through a high and rising level of prices, but through a high and steadily maintained volume of production and employment.

Second: If we are to raise the money necessary to carry the new peacetime budgets, tax levies must be so designed as to maintain and stimulate the national income, not restrain it or harass it.

Third: This means that the tax system should be fair and equitable, should be freed of intricate technicalities, should provide an adequate yield, and should maintain and not decrease the productive power of the community. These are the accepted canons of taxation. Under stress of war and the urgent need to raise revenue wherever it might be found, the taxing authorities have often overlooked them at a cost which could be borne only under the extraordinary and frequently inflationary conditions of war finance.

The result is that we have a tax system of appalling complexity. Federal individual income taxes have become an inscrutable mystery to a very large part of the population, which is not only distressing to the people, but has put an immense, an almost impossible, burden on the administrative authorities.

Urgent Need For Tax Revision

All this adds up to the need of re-examining the whole tax structure of the country. It is too much to expect that this immense task can be initiated and carried through while we are still at war. But it is reasonable to consider, even now, the basic principles and even some of the details which must, for the good of the country, govern future Federal tax policy.

It is generally agreed that if the tax system is to be fair and equitable, its burdens must be gauged to the capacity to pay of individual taxpayers, for in the final analysis the individual citizen bears all tax burdens. If the tax system is to stimulate business activity and the formation and investment of venture capital, it must take account of the fact that income taxes paid in the first instance by corporations are ultimately borne by individual shareholders in the form of decreased dividends. To tax again dividend income received by individuals, as is done now, is inequitable double taxation; and it further effectively discourages investment in stock. The corporate tax structure should be changed as soon as possible to eliminate this bad feature, preferably by giving the individual stockholder a credit for the income tax the corporation has paid on income distributed to him.

The whole structure of corporate taxation requires careful and detailed study in order to evolve that solution which will redound to the maximum functioning of the economy. Present provisions in Federal corporate tax laws allowing operating losses to be carried forward or backward two years are highly desirable and might be liberalized further. They remove an important deterrent to investment in new enterprises that are likely to suffer losses during the early years of their existence and in established industries whose earnings are known to be highly variable.

Early in the post-war period, the excess profits tax should be repealed. It is a heavy brake upon corporate enterprise, particularly new enterprise. The ordinary income tax is a much fairer means of raising needed revenue.

Impediments To Creation Of Capital

In the case of the personal income tax, the highly progressive surtax rates and the existing provisions for treating capital gains and capital losses have economic consequences which can hardly fail to affect the general national income and the broad sources of employment. Ever since the adoption of the individual income tax law, legislative requirements concerning the taxation of capital gains and deductions for capital losses have undergone continual experimentation and change. Practically every method has ben used except that employed under British practice, where capital gains and losses are disregarded in computing taxable net income, unless they arise from the ordinary business or trade of the taxpayer.

In their influence upon the available supply of venture capital, Federal estate and gift taxes have an economic importance far greater than that indicated by the revenue derived. Under existing law, estates have to accumulate large cash and liquid resources in anticipation of tax levies, the effect of which is to take large funds out of the normal economic flow of the country. Moreover, it is practically impossible today to accumulate in an estate sufficient funds to pay at death the tax on the transfer of a good-sized business owned by the decedent. Normally some interest in the business must be sold to pay the tax.

American Currency The World Standard

The formulation and adoption of a tax program which shall stimulate and not depress the national income and sitll be adequate to the continuing needs of government stand at the very cornerstone of American economic stability. Without it all other measures to maintain in time of peace the high level of employment and business activity reached during the war will produce only the make-believe of a false and fleeting prosperity. Even our currency itself will be in danger, and national or international devices, however cleverly designed to accomplish the stabilization of currencies and foreign exchanges, will prove illusory to us and ineffective for other nations as well.

The stability of the American currency remains as the one firm foundation on which the economic life of the post-war world can be rebuilt. This is a point, I believe, which has been least considered in the long and often puzzling discussions of the two plans for exchange stabilization that have been put forward from Britain and from our own Treasury. These two plans are ingenious and at first glance persuasive. But they are both open to the basic objection that they provide new and elaborate mechanisms, which, to be effective, will require further mechanisms and controls, each designed to patch up the other. And what is still more serious from the American point of view, each sets up an international authority nominally charged with the duty of advising on national economic policies, and of assessing penalties if the advice so given is not followed.

Neither plan is final. In the course of discussion both are understood to have been modified, though to what extent and in what manner have not been announced. Yet the opinion remains, which I have expressed at greater length elsewhere, that the remedy for post-war economic distress does not consist in cumbersome machinery and the use of methods hitherto untried, which, if they fail, will leave us in worse condition than before.

If American credit is necessary, let us provide it of our own volition through the national and international channels already tested and familiar to us. If American funds are required to relieve suffering abroad, let us provide them freely, as we always have. If a sound currency is essential as a guide for all the currencies in the world, it is in our power to provide it through the sound administration of American national finance. If we adopt these three aims we shall at least know where we are, and our destiny will remain in our own hands.

[Net current operating earnings of the Chase National Bank, Mr. Aldrich said, were $2.33 a share, against $1.81 in 1942. Additional earnings of $1 a share (largely nonrecurring) from securities sales, against 22 cents in 1942.]

Bond & Goodwin, Inc., Celebrates 50 Years

The Investment banking firm of Bond & Goodwin incorporated, 30 Federal Street, Boston, Mass., and 63 Wall Street, New York City is now celebrating its fiftieth anniversary. Organized in Boston in 1894, the firm established an office in New York just prior to the first World War. In addition to New York and Boston, it maintains an office in Portland, Maine, and has representation in many other cities.

Bond & Goodwin has the distinction of being one of the few investment firms ever to be identified with Henry Ford in the matter of public financing. This was shortly after the first World War when Ford acquired the minority interest in the Ford Motor Company through the expedient of a $75,000,000 revolving credit.

Another Bond & Goodwin disfinction is that all senior officers have been identified with the firm for at least ten years. The president and the treasurer joined the organization thirty-four years ago, and six of the senior officers have been with the firm an average of 26 years.

NY Reserve Bank Promotes

The board of directors of the Federal Reserve Bank of New York announced on Jan. 7 the promotion of J. Wilson Jones, Arthur Phelan and Valentine Willis from Assistant Vice-Presidents to Vice-Presidents.

At the same time the directors announced the appointment of Franklin E. Peterson as Manager of the Bank Relations Department.

Mr. Jones joined the bank in 1917; Mr. Phelan in 1920; Mr. Willis in 1917, and Mr. Peterson in 1919.

I. B. Smith, formerly Manager of the Bank Relations and Government Check Departments, will continue as Manager of the latter department.

Investment Trusts

1943 Growth and Performance

The year just ended was marked by exceptional growth and excellent performance in the investment company field. Here are just a few examples of what investment company managements accomplished in the handling of their stockholders' funds during 1943.

General Investors Trust, sponsored by A. W. Smith & Co., Inc., registered a net gain in liquidating value per share equal to 26.98%, as compared with a net gain of 13.8% for the Dow-Jones Industrial Average. Dividends paid by General Investors Trust out of net investment income during the year totaled 30¢ and represented a current return of 7% based on the year-end offering price of the shares.

In the Lord, Abbett group of investment companies, the following management results were achieved: **Affiliated Fund** (a leverage investment company) recorded a net gain in asset value per share of 54.2%. Total dividends of 12¢ from net investment income for the year afforded a yield of 5.1% on the basis of the year-end offering price. **American Business Shares** appreciated 32.1% in per share net asset value and afforded a yield of 4.3% on the same basis as above. **Union Trusteed Funds** performed as follows:

	1943 Net Gain in Assets Values Per Share	1943 Yield on 12-31-42 Price
Union Bond Fund "A"	15.6%	4.4%
Union Bond Fund "B"	23.0	5.3
Union Bond Fund "C"	38.4	6.7
Union Preferred Stock Fund	45.1	6.8

Note—Union Common Stock Fund "A" and Union Common Stock Fund "B" did not assume definitive form as to portfolio make-up until about June 30, 1943 and are therefore not included in the above tabulation.

New York Stocks achieved a performance during the year in which 12 of the 16 industry series beat the 13.8% advance of the Dow-Jones Industrial Average. Merchandising Series topped the list with a net gain in asset value per share of 49.3%, followed by Railroad Equipment Series with 48.5%. Aviation Series, stood at the other end of the list with a net decline of 7.5%. The Railroad Series outgained the Dow-Jones Rail Average 25.4% to 21.4% and the Public Utility Series beat the Dow-Jones Public Utility Average 53.9% to 50.1%.

Group Securities had 19 classes of shares outstanding at the beginning of 1943. Fourteen of these classes substantially out-performed their respective averages. In the common stock groups, 12 out of 16 did better than the Dow-Jones Industrial Average. The leader among the common stock groups was Investment Company Shares with a net gain in asset value per share of 64.3%. Merchandising Shares was second with a net gain of 50.7% and Aviation Shares stood at the other end of the list with a net decline of 0.8%. Railroad Shares and General Bond Shares, the two classes invested in discount bonds, showed net gains of 26.4% and 26.8%, respectively, and Utilities Shares advanced 73.9%, compared with a gain of 50.1% for the Dow-Jones Utility Average.

Growth in total asset value of most funds was considerably greater than their respective percentage increases in asset value per share during the year. The 10 **Keystone Custodian Funds** showed an increase in combined asset value from $42,754,000 at the beginning of the year to $67,168,000 at the end of 1943.

Manhattan Bond Fund increased its net asset value from $13,631,453 to $15,924,051 during the last six months of 1943. (This fund's fiscal year ends on Oct. 31 and the record of growth for the first half of the 1943 calendar year is not available. However, on July 1, 1942, net assets totaled $9,000,728.)

Group Securities increased its total net asset value to $18,107,409 as of Dec. 31, 1943, compared with $9,390,105 at the beginning of the year.

Anniversary

The year 1944 marks the 50th Anniversary of the founding of the firm of **Calvin Bullock**, a pioneer in the development of the investment company in America. Among the high-lights of the investment companies sponsored by Calvin Bullock may be cited the following: (1) No investment company under Calvin Bullock management has ever omitted a quarterly cash dividend; (2) since 1929 these companies have paid dividends of over $50,000,000; (3) **Dividend Shares,** the largest investment company in the Calvin Bullock group, is now 11 years old, has net assets of over $43,000,000 and is owned by some 40,000 shareholders.

The "Chronicle" takes this occasion to join the entire investment company field in extending congratulations to the firm of Calvin Bullock on its 50 years of accomplishment.

* * *

MIT's **Brevits**, in a recent issue, quotes a most interesting article by Ralph Robey in the magazine "Newsweek." According to Mr. Robey, the dividing line between the optimists and the pessimists of this country is a line which can be drawn between the management of industry and the Washington bureaucrats. Industry and business are optimistic, hopeful about the future. The bureaucrats are deeply pessimistic. According to them the Government must be "prepared to spend billions upon billions of dollars annually to keep our economic system afloat." Mr. Robey has made an accurate analysis, we think, and a significant one for the future.

Investment Company Literature

Lord, Abbett has issued a handsome new folder on Affiliated Fund entitled "A Low Priced Participation in High Quality Investments." Also from this sponsor are revised folders on Union Bond Fund "B" and Union Common Stock Fund "A."

National Securities & Research Corp. has published a revised "Current Information" folder on the six National Securities Series and First Mutual Trust Fund.

Dividends

Quarterly Income Shares — A dividend of 12¢ per share payable Feb. 1, 1944, to stockholders of record Jan. 15.

Are Investment Trusts Asleep?

By HERBERT FILER*

One of the successful industries in this country is the business of writing general insurance. There are perhaps many reasons for such success but one reason, I believe, is the ability of the insurance companies to have a continuous flow of premiums coming to them. If these companies are called on to settle a claim the money must come from their assets, which assets are continually replenished by the flow of premiums. Nevertheless a claim is an actual loss and there is no way of making up such a loss except by more and more premiums.

The Investments Trusts of this country have the wherewithal to do a business similar to the general insurance business, on a much better basis, with less actual risk. They seem satisfied, instead, to rise and fall with the market averages and depend on interest and dividends on their holdings, and their ability to buy low and sell high. Trusts who own 1,000 shares of U. S. Steel, for instance, collect an annual dividend which is the limit of the income on that holding. They do not, however, avail themselves of the opportunity to collect a continuous flow of premiums which could be theirs through the sale of Option contracts.

By making a study of this "similar to the insurance" business they will find that there is a consistent demand for Options, for which they receive cash premiums on the various securities which they hold. These Options, known as Puts and Calls, are sought by those who are interested in the market and are used, as insurance, to protect commitments. It might be of interest to the potential seller of Options why and by whom these contracts are bought, and therefore the following illustrations are in order: John Smith owns 100 shares of Steel which he bought at 40. It is now selling at 57 and he has use for cash in his business but hesitates to sell his stock as he expects it to rise further. He buys a Call contract at 57 for 90 days for which he pays a cash premium and then sells his long stock, knowing that he can now utilize his cash proceeds from the sale of his stock, and also knowing that if Steel continues to advance, he can "recapture" his stock at 57 any time in 90 days by the terms of his Call contract. The man had insured himself against a rise in the market.

Here is another illustration: a man wants to buy 100 shares of Steel but feels that he would not like to risk too much of his capital. He buys a Put contract at 57 for 90 days, for which he pays a cash premium, and then buys 100 shares of the stock. His Put contract insures him against unlimited loss in the stock—he can deliver Steel at 57 to the maker of the contract, who receives a cash premium, any time in 90 days. Through the business of supplying these Option contracts lies an enormous income for Investment Trusts. Here the Investment Trust acts as the insurance company and supplies to the investing public the protecting contract which it demands and which is and can be best supplied by Investment Trusts by reason of their huge portfolios.

As an example of how Trusts can use their portfolios to sell Options and collect these premiums, let us say that U. S. Steel is selling at 57, someone wants to buy an insurance contract on Steel, they want to buy a Straddle (a Put and a Call) on 100 shares, good for 90 days at 57, for which they will pay $400. The Trust which sells such a contract takes the $400 premium and agrees that they will either buy Steel at 57, and/or, sell Steel at 57 in 90 days. At the expiration of the Option contract one of two things will happen. The Trust will buy Steel at 57 or will be called on to sell Steel at 57, but by reason of the premium of $400 received it will have bought Steel equivalent to 53 or will have sold at a price equivalent to 61. If such contracts are sold at fairly regular intervals the prices and expiration dates are staggered and the cash inflow is steady. Let us assume that an Investment Trust owns 2,000 shares of U. S. Steel and would buy more at a price or sell some at a price. Let us also assume that every week for 90 days they sold a Straddle on 100 shares at the prevailing market price. (Straddles are sold at the market price.) At the end of 90 days they would have contracted to buy, and/or sell 1,300 shares—at different contract prices and to expire on different dates—and they would have **received** in premiums $5,200. If this operation on little more than 50% of the holdings of only one of the Trust's stocks can earn $5,200 in premiums in 90 days, imagine the premiums that could be produced by operating in a similar way on many of the other stocks held by the Trust. Although all stocks do not command the same premiums for a Straddle, the percentage is about the same.

It does not necessarily follow in making such contracts that 1,300 shares will be called or 1,300 shares will be Put. It may be that due to market fluctuations only 600 or 700 shares would be called. It could be possible that on the additional Straddles sold, the Puts might be exercised, that is, the Trust may have 600 shares Put to them, which will leave them with approximately the original amount of stock plus the $5,200 premiums received. A unit of stock is an investment and in my estimation should be made to work as often as it can to increase safe return. The sale of Options against a Trust portfolio accomplishes this end.

At this point I would like to qualify a previous statement and compare the business of the general insurance company with the business of selling Option contracts by an Investment Trust. A fire insurance company will insure a house against fire for $5,000 for 3 years for a premium of $25.00. If the house burns down it is a complete loss to the insurance company, they have no house to deliver. The Investment Trust issues a policy on the hundred shares of Steel, with a value of about the same as the insurance policy, $5,700; the duration of the Option is 90 days as against the insurance policy of three years and the premium received by the Investment Trust $400 as against the $25 premium received by the Fire Insurance Company. If the Trust has a "claim" against it, that is, the Option is exercised, they have the stock to deliver in the case of Call and not alone is it not a total loss but it may be a profit if the cost of the stock was less than the Call contract price. If, on the other hand, the stock is Put it does not necessarily have to be a loss because the Trust has the money to buy the stock and they can carry it until such time as the market rises or they can sell another Option contract that will take them out of the Put stock at a profit. So one can readily see that the comparison between the general insurance business and the selling of Options, shows that the insurance companies get lower premiums and in case of claims their losses are actual losses and the sellers of Options get larger premiums and the claims on them do not necessarily have to be losses.

In the Option business there is also a demand for Options of 30-day duration. These contracts are sold differently than the Straddle, in as much as they are sold a distance away from the prevailing market price and the premium is fixed at $112.50 per 100-share contract. As in the case of U. S. Steel, for instance, selling at 57, 30-day Call contracts are sold currently 1½ points above 57, or at 58½. A Trust owning Steel could well sell Calls, let us say, at 58½, 59, 59½, 60 and so on as and if the market advanced and at the expiration of the Call contracts, if they were not exercised, the operation of selling calls could be repeated. If, however, some or all of the Calls were exercised, the Trust could sell Put contracts, also for a cash premium, giving someone the right to deliver stock to the Trust, in its endeavor to reacquire the Steel shares previously called. It is true, however, that whether the Trust has shares of a company or the funds with which to buy the shares it can sell Options and make either the stock or the cash earn premiums which in most instances will usually amount to more than the dividends received on the stock in question. The business of selling Options may seem intricate and complicated; to the contrary, it is quite simple and quite automatic and if the officers and directors of the Trusts would take the time to acquire the knowledge of how this method, which is considered to be an important by-product of any smart investment program, can properly be applied to their portfolio they would really be amazed at the resulting improvement in the increased return on their securities.

*Herbert Filer of Filer, Schmidt & Co. has been in the Option business for 25 years. He was one of a committee of the Put and Call Brokers & Dealers Association, Inc., who successfully defended the business before the Committee of the House of Representatives and the Senate during promulgation of the 1934 Security Act and also satisfied the SEC when it was formed of the economic value of Put and Call Option Contracts. He has traveled to the security markets of London, Amsterdam and Paris to study their Option business and is well qualified to discuss the subject.—Editor.

OUR REPORTER'S REPORT

The year got away to an auspicious start in the new issue market with both the large corporate offerings which ushered in the period meeting a demand that must have surprised the sponsoring syndicates themselves.

An aggregate of $100,000,000 of new securities, offered for the account of two corporations, one a utility and the other an industrial company, were snapped up with a vigor that belied the indicated lethargy of the market in the closing days of 1943.

Florida Power & Light Co.'s $55,000,000 of 1st mortgage bonds and debentures, offered yesterday, proved an unusually fast deal with every indication that the underwriters had been swamped with inquiries from potential buyers between the time of the award of the securities in competitive bidding, on Monday, and the opening of the subscription books.

Insurance companies were reported large scale buyers of both the bonds and the debentures, the latter to put it in the parlance of the dealers, "going out the window."

Much the same held true in connection with Tuesday's public offering of $45,000,000 of 4½% preferred stock of the Firestone Tire & Rubber Co. Bankers handling that big piece of business, the largest industrial preferred offering since 1937, were able to announce oversubscription and closing of the books within barely an hour of the time of opening. The stock commands a premium of a point over the offering price.

To say that the reception accorded these issues was cheering to the underwriting world would be putting it mildly.

To Tax Or Not To Tax

Washington dispatches indicate that the Tax Court of the United States will shortly hand down a ruling which will have much bearing on the Treasury's fight to tax the income from State and municipal obligations.

The court will rule in a test case involving the right of the Bureau of Internal Revenue to tax the income received on bonds issued by the Port of New York Authority.

The controversy which dates back to 1941 was aired before the Tax Court last summer and its opinion should be down most any time now. But the matter is not expected to end with the forthcoming ruling. Rather it is viewed as destined for final appeal to the Supreme Court of the United States.

Rail Bonds Still Popular

Notwithstanding the dire experience of some score carriers through the lean period of the late '20s and early '30s, the liens of the railroads continue to command no end of popularity.

With their books again open, insurance company portfolio men are reported once more active in that section of the seasoned bond market. And their search, judging from comments in deal circles, is not for the tripel A's or gilt-edge variety.

Rather they are inclined to lean toward good quality bonds which are a shade off the foregoing quality. Evidently their aim is a satisfactory degree of safety with an eye, at the same time, on the return offered.

ICC Sets The Stage

The Interstate Commerce Commission is doing its bit to improve the credit standing of the railroads which incidentally must reflect in the market values of their securities.

Rendering its annual report, this week, the Commission told Congress it intends to continue efforts to promote gradual reduction in funded debt and fixed charges of the carriers.

Estimates place the amount of rail debt retired last year around $350,000,000, which would compare with an actual total of $324,375,299 paid off in 1942 on the basis of the ICC's figures.

The Commission revealed too that it was considering urging legislation to permit railroads to incorporate an "escape clause" in rail mortgages as a means of preventing bankruptcies in future periods of stress.

New Utility Issues

Banking groups are reported in process of formation to bid on two new utility issues which will probably be along right after the Treasury's Fourth War Loan Drive is completed.

Oklahoma Natural Gas Co. is expected to refinance its outstanding $25,000,000 debt and $10,000,000 preferred stock.

And meantime the merger of Virginia Electric & Power Co. and Virginia Public Service Co. opens the way for refinancing of the former's funded debt through the issue of $24,500,000 of new 3½% bonds and $5,000,000 of short-term obligations.

Radio Programs On Work Of Greater New York Fund

A series of weekly radio programs to acquaint the people of New York City with the specific services offered them by the 406 voluntary hospitals, welfare and health agencies affiliated with the Greater New York Fund was started on Jan. 12 over Station WMCA at 9:45 p. m. The broadcast series were arranged by Arthur A. Ballantine, President of the Fund, in cooperation with Nathan Straus, President of WMCA, who has donated the air time and the facilities of the station as a public service. Each program of the series concerns dramatized real life stories, based on the records of persons helped by the social agencies. At the conclusion of the drama a guest speaker gives a two-minute talk on the field of work covered by his or her agency and others offering the same type of service.

Will The Department Of Justice Bring Order Out Of Chaos In The NASD Underwriting Agreements Case?

(Continued from first page)

stituted organization of dealers in securities, complying with the authority assumed to be granted such an organization under the law, fined about 70 members of the underwriting group for failure to maintain the agreed offering price on the bonds. The SEC is still investigating this matter and the immediate point of the controversy seems to turn on whether the SEC will uphold the authority of the NASD to fine or punish its members for violating the customary price pegging agreement. If the NASD has no authority in this matter it presumably has no authority that it is sure of in any other matters regulating the conduct of its members, and therefore the NASD with its 2,000 members has no excuse for existing. The exact agreements in this case are not available to the writer. But a typical agreement in the ordinary practice of a bond selling syndicate would read as follows:

"During the life of the bond selling syndicate you shall not offer the bonds at a price below the initial public offering price. In the event that during the life of the bond selling syndicate any member of the underwriting group through the managers of the bond selling syndicate contracts for or purchases in the open market at or below the initial public price offering any of the bonds theretofore delivered to you, the managers receive the right to withhold the above-mentioned concession in respect of such bonds and in addition to charge you with the broker's commission paid thereon."

Pegging the price of a new bond issue for a period of time agreed upon by the syndicate is the trade practice expected by the general run of bond buyers as a matter of necessity and maintaining fairness in the merchandising of new issues.

In the important function of underwriting and distributing new securities, the originating house is expected to maintain the offering price until the issue is fully distributed and thereafter to maintain a market. This has been the custom for so long that its origin is unknown. This practice has been abused by fly-by-night firms but no well established firm has abused this practice knowingly but on the contrary has sought to protect its reputation with dependable issues at prices that fit the market at the time. Mistakes were made in the bull market of the 20's. But equally bad mistakes have been made in policy and restrictions of the 30's when it was sought to correct the mistakes of the 20's. For example, witness our foreign policy on loans and investments during the 30's and how we have reversed it since the war began. Mistakes made by underwriters in the credit inflation period of the 20's and the default of foreign governments resulting from the mismanagement of foreign governments and the result of war can not be blamed upon underwriters if the securities were as represented when offered. If the capital markets are to play their part in reconstruction, both domestic and foreign, these markets must be free, independent and honestly managed. Mistakes will be made. But risks must be taken or the capital markets can not be of great service in rebuilding the postwar world. This practice of pegging, fixing and stabilizing the prices, absolutely essential for fairness and cooperation, in the offerings of new securities, is at present, almost in a state of chaos. While pegging the prices of new securities is permitted under the Securities Exchange Act, the law states specifically that it must not be "in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of the investor." The legal responsibility for rules and regulations governing the prices of new securities issues is upon the Commission.

Up to the present, however, the Securities and Exchange Commission has not seen fit to issue any general rule on pegging, fixing and stabilizing. In spite of the fact that this is one of their legal functions specifically set forth in the law it is understandable to any one acquainted with the security underwriting business why no such rule has been forthcoming for general use. Stated frankly the variation in each underwriting case is such that any general rule can not be specific enough to cover the great variety and at the same time be practical. Efforts have been made to write a rule. But that rule has soon outgrown the size and complications of the Securities Exchange Act itself. In so far as this writer has been able to learn from underwriters it has become the burdensome, costly and delaying practice for each group of syndicate managers to journey to the head office of the SEC and present each underwriting agreement and then wait to receive the go-a-head signal of the Commission. In the case of small issues these costly practices are too much and small businesses find it almost impossible to get the services of the best underwriters. In the case of large issues the costs are endured and of course must be paid by some one—the dealers, the bond buyers or the corporate borrower. The restraints that slow down or prevent the flow of capital into production are charges against society in the form of less business, less production, unemployment, more costly production and a lower standard of living for every one. Are these costs offset by any benefits received? This question is one the SEC or some competent research body should answer.

Significant Points In This Case

There are other fine points in this case of great importance to the financial world. If the SEC approves the action of the NASD then that seems tantamount to approving the price pegging agreement and the policy. This is especially important because of the need for some rule or policy on pegging, fixing, and stabilizing prices of new issues which the SEC is obligated to prescribe but has failed to do up to the present time as previously stated above. On the other hand, if the SEC does not uphold the NASD, not only would the organization seem to have no reason for existence but the SEC would be in the position of rejecting its own price stabilizing policy or rendering any further price stabilizing go-ahead signals as worthless and unenforceable. If price stabilizing agreements on new issues can not be enforced then syndicate managers can not take the risks of underwriting new capital issues and the capital markets for new issues would be in a state of chaos. Underwriters would have to become agents and shove the risks back on the corporations in need of capital, or only the few exceptional issues of outstanding merit could find a ready market.

The Anti-Trust Laws and Price Agreements Among Underwriters

Regardless of which way the SEC decides on the price agreements the case will be carried to the courts on appeal. If the SEC finds that the NASD had no authority to discipline its members because the price agreements were in restraint of trade the NASD would have the right to appeal to the Circuit Court of Appeals. In this event the Department of Justice and the SEC would in all probability fight the appeal. But if the SEC finds the NASD had the power to discipline its members and that the price agreements were legal then the Department of Justice could be expected to appeal with both the NASD and the SEC opposing it. But regardless of which decision the SEC reaches there is more trouble. The Maloney Act of 1938 which amends the Securities Exchange Act of 1934 legalized the status of the national securities association and set up the legal procedure under which the NASD operates. This Maloney Act further says: "IF ANY PROVISION OF THIS SECTION IS IN CONFLICT WITH ANY PROVISION OF ANY LAW OF THE UNITED STATES IN FORCE ON THE DATE THIS SECTION TAKES EFFECT, THE PROVISION OF THIS SECTION SHALL PREVAIL." This would clearly indicate that the Congress never intended that the provisions of the Anti-Trust laws would apply to the price-agreements in the underwriting of securities because the Securities Exchange Act specifically recognizes the pegging of prices by underwriters according to "such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of the investor." If the underwriters of the Indiana bonds complied with the trade practice or with the wishes of the SEC or had the go-ahead signal of the SEC, then it would seem that the SEC must back the NASD or render its own pricing policies meaningless and the NASD a powerless **puppet** which has only the excuse for its existence of serving the SEC as a shock absorber. Moreover if the Department of Justice is finally lined up against both the SEC and the NASD and wins the case against them for violating the Anti-Trust Laws this would nullify the price-pegging clause of the Securities Exchange Act and the clause in the Maloney Act in which Congress specifically waives all other laws of the United States which are in conflict. It seems clear that the responsibility for devising a policy of pegging, fixing and stabilizing the prices of new securities issues in the process of distribution is upon the SEC. The intention of Congress was not to make one law that conflicted with another or it would not have inserted in the Maloney Act the clause waiving all other laws of the United States which might be in conflict with this Act which was an Act to amend the securities Act which specifically empowered the SEC to provide rules and regulations for pegging security prices by underwriters during the period of initial distribution.

Incidentally, as a further protection to underwriters, the members of the Board of Governors of the NASD, when they meet on the 17th and 18th of this month at Hot Springs, should make plans to take the necessary steps to make the selling agreements in question permissible and enforceable lest it be argued that while it is true that members of the NASD are exempt from the provisions of the anti-trust laws this is so only in so far as operations are concerned that are specifically authorized by the by-laws or rules of the Association.

The Capital Markets, Congress and the SEC

It is of the utmost importance at this time that this price-pegging policy be cleared up to the full satisfaction of all interested parties. We are now face to face with the reconstruction post-war period. The capital markets have a most important role in this period, and upon the capital markets a heavy burden rests. The present uncertainty of policy and legal fear which exist in these markets and among the NASD members would be enough in normal times to bring on a depression. The entry of the Department of Justice into this case may prove a constructive force. Maybe Congress will take note of this important problem, and the conflict of policy or lack of policy, and the probable conflict of laws, or authorities, and take up and legalize, regardless of the Maloney Act, the established trade practice which has served the country well in the matter of underwriting and distributing new capital issues. Shall we have a law based upon experience that has worked or shall we have man made rules by the Commission for each case or shall we have no policy at all upon which any underwriter can depend?

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

Deferments Set Aside For 18-21 Year-Olds

Occupational deferments for draft registrants from 18 through 21 years old have been banned by the Selective Service, effective Feb. 1. The action, announced by Major-General Lewis B. Hershey, national Selective Service Director, is designed to make at least 115,000 more non-fathers eligible for military duty, according to the Associated Press. General Hershey warned, however, that the move will not long postpone the drafting of pre-war fathers.

What Does 1944 Hold for Business?

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thrown into our effort for self-preservation.

Our Army and our Navy, long denied the support for which they had so persistently pleaded, would now have all and more than they could have asked: This was the greatest production country in the world, and we would show the world what an outraged democracy could do to defend itself.

And we have. From a billion dollars in October of '41 for aid to Britain and something for ourselves, to almost 5 billion in October of '42 and over 7 billion in October of '43—this spectacular conversion from peace to war was the resounding answer of producing America.

The effect on industry was obvious. Old plants have run at higher rates than they had thought possible. An unbelievable number of new ones have been constructed, some with private capital, the greater part, necessarily so, with government assistance. The demand for labor has grown month by month, until today it is more generally true than not, that the available labor determines the rate of production. But, generally speaking, the character of industry's problems ever since that shocking Pearl Harbor day has been the same; the point I want to make is that on that day they could be seen with reasonably clarity. Full, all-out production for a single customer who knew what he wanted, who wanted all he could get, and was abuntantly able to pay for it—that clearly-defined job stood before the people of this country on those fateful days, two years ago. But today what do we face?

Well, the defeat of Germany would seem fairly probable for sometime in 1944, and Japan in '45 or '46, although a long and hard road lies ahead of us before that can come about. The perplexing questions of a return to peace already begin to thrust themselves aggressively forward. Cutting back production—sometimes actually closing a plant down—cancelling some contracts here and there—failing to place new ones—these are happening on a small scale today but they are likely to be more widespread in 1944—just how much more, is impossible to say. One thing is certain, and that is that our Army and Navy must have first call on the production capacity of the country and no considerations of increased production of consumer goods must be allowed to interfere with that. I have faith in the integrity of American industry that it will not allow the temptation to return to its normal business, understandable as that temptation is, to detract one iota from giving the military services what they want when they want it. As we look at it now, the volume of war production for 1944 ought to be some 10 to 15% larger than for 1943, although this does not involve much of an increase above the present rate. Aircraft will account for a considerable part of the increase, followed by radio, naval vessels, and certain specialized items. Construction, on the other hand, should be sharply down. It will be seen, therefore, that there is still a big war job ahead of the country and that the amount of civilian goods which can be produced is in no event very large.

But there will be many new and difficult problems, just the same. It is generally understood that many materials which were critical before, are now in fairly easy supply. There are places where there is available labor, and this is likely to provide a basis for some criticism of the policy of government. I don't think this need be serious in the immediate months, but as I look farther ahead and pass the period of Germany's defeat, I am gravely concerned. The pulling and hauling which has characterized too much of our national habit in the years that are past, the pressure of individual groups for their own betterment without regard to the country's welfare, the narrow little views that so many of us hold, seem wholly inadequate to meet the grave issues which inevitably we must face.

It may well be that democracy faces its most crucial test in the months and years ahead of us. These problems of reconversion from war to peace are in many respects more difficult than those which we had to meet in moving from peace to war. Then the country was knit together by great emotional forces—the forces of fear on the one hand, and patriotism on the other. Every impulse tended to keep us together in an effort to bring about the greatest production in the least possible time, and this was made easy because, broadly speaking, there was only one customer—Uncle Sam — with plenty of money, a need for almost anything which the country could make, ample labor and materials with which to make it. Many mistakes were undoubtedly made in the process of moving from a peace-time economy to the business of war, but on the whole the job was amazingly well done.

As I must repeatedly emphasize, the necesity of large production for war is still with us, but the shadow of some of the problems of a peace now sure to come, already begins to make itself apparent.

Now that the Army is reasonably well equipped and is beginning to see more or less adequate reserves of material at the places where it needs them, some of its programs can be reduced, and since the period of acceleration of the war production program is pretty well over and we are able to run along on a more level rate, many of our raw materials are in sufficient supply that the atmosphere of urgency can be taken off their procurement. Remembering the days when one heard nothing but constant complaints of the shortage of aluminum, it is gratifying to see that the supply of aluminum actually exceeds the current rate of war consumption. This is similarly true of copper and some of the other less publicized non-ferrous metals. We still cannot get steel in the form of plate and sheets at as large a rate as the military forces would like, but other forms of steel are available in larger quantities than military needs can absorb. While manpower is very critical in many areas of the country, there are spots here and there where the pressure has eased off substantially, and more and more one finds plants not fully occupied with war work. That promises to be an acutely seriously problem when Germany goes down.

This raises the question as to what should be done with these surpluses. Of all of the questions to which I have tried to find answers since I have been engaged in work with the war program, this is, I think, the most difficult. It seems easy to dispose of the matter by suggesting that when materials are available, restrictions should be lifted and industry should go back to the manufacture of its normal peace-time goods. But it must be remembered that all materials are not in easy supply; over the greater part of the country there is still no surplus of labor, and many components required for peace-time goods are still critically short. Which plants are going to make these peace-time goods, is a question easy to ask but difficult to answer.

Let me take a simple case and try to follow it through to the point of difficult conclusion. Let us assume that the Army finds that it can cut back part of its fuse program and is attempting to decide where that cut-back ought to take place. Fuses are made by every kind of manufacturer; some by washing machine manufacturers, some by automobile manufacturers; and so on. Some are in tight labor markets, and some may not be. A part of the production may come from plants financed wholly by government. Now it isn't too difficult in such a situation to conclude that the part of fuse production which is in a tight labor market ought to be reduced. Some of the manufacturers of fuses may want to have their orders terminated, but it may be clear that some of them must continue at full speed on their war work. In dealing with that question, the advice of industry can be had because the Services have organized committees from industry to deal with their groups of components and there will be a group of fuse manufacturers whose advice can be had.

But an important part of the consideration will be what these companies are to do that are freed from their fuse contracts. Some of them will, as I said, have made all sorts of civilian items. One of them might be a washing machine manufacturer in normal times—another sewing machines and so on. He would like to go back to making these things again, but obviously if he were stopped from making fuses, because labor was tight, he shouldn't use scarce labor for civilian goods. His former washing machine competitor may be in an easier labor market and the war effort not affected if he went back to making his old and much-needed peace-time article. Since materials may be available, he doesn't see why he shouldn't. The question is therefore immediately raised of how many sewing machines should be permitted and who should make them. Granted that materials are free enough, shall Government go over the list of washing machine manufacturers, arbitrarily picking out this man who hasn't been doing a good war job, perhaps, or who may have completed his fuse contract, and let him make washing machines, while turning to the manufacturer who is engaged in the critical aircraft program and saying to him that he can't be spared? I don't have to point out the critical consequences of such a decision.

Labor has a vital interest in these decisions because it is substantially affected by them. If a man has a chance to work in one of two plants, the first being engaged in war work but obviously at a job which will stop when the war program changes or ends, and the second in a plant making peace-time goods, it seems to me logical that he is likely to prefer the latter. That is a job that he can expect to keep. But the country's immediate interest is that he

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shall stay at his war-time bench, and any temptation put in front of him would be regrettable. The pressures on industry to get into peace-time goods are obvious; the desire to get old customers back as quickly as possible, the preference to make something where profits won't be artificially renegotiated by Government—all of these are strong pressures on industry not to take war contracts if they can avoid it and to get out of them as quickly as they can. Certainly this is not the country's interest, where the needs of war must have first place down to the very day when the war is over.

And so 1944 promises a series of profoundly difficult problems affecting the very heart of our economy. I have touched briefly on the competitive aspects of reconversion; the way in which cancelled contracts are handled; the treatment of what will be huge surpluses of raw materials and industrial equipment; what is to be done to cushion the shock of demobilized labor; these and many others will challenge the statesmanship of American management as never before.

What I have been saying up to this point has to do with our problems at home. I am equally concerned about our international economic relationships. Throughout our country's history to the beginning of the last war, we hadn't needed to concern ourselves too seriously about the rest of the world. Certainly, foreign trade wasn't a matter of very special concern, and those issues took care of themselves as they arose. Through the period of 20's and 30's however, the relationship of the economy of the United States to that of other countries took on new significance.

Before 1914, we had been in debt to the rest of the world. After 1918, the world was in debt to us. As a people we never did understand the vital significance of that changed relationship, and I don't think we understand it today. One of the ways by which we hope to take up the shock of unemployment after this war is to make more goods to send abroad. We take it for granted that a substantial part of Europe's factories, her machine tools, her power plants, her transportation equipment, and so on at much length, will have to be replaced because they have been destroyed.

All of those things we shall be able to manufacture and, indeed, of many of them, we shall doubtless have a considerable surplus. An abundance of shipping is sure to be available. During the period of our participation in this war, it is likely that we shall have built roughly as many ships as the world had altogether at the outbreak of the war, and a large number of those give every promise of being safe when hostilities are over. No, neither the goods nor the means of delivering them, promises to be a problem.

But there is a problem and a very real one! It lies at the heart of our international trade relationships; it is one of the factors that had much to do with bringing this war about; unless the people of the United States take a more realistic view toward this problem in the future than they have in the past, it is likely to contribute mightily to another war. What I am referring to at such length is the means by which the customer abroad is to pay for these goods which he wants to buy and we want to sell.

Let me talk a minute about debt. I was raised in a family atmosphere that hated the idea of debt. Most of you fellow Americans were, too. A mortgage on the place wasn't so bad as long as we knew we could pay it off. Buying a piano on the installment plan didn't worry us too much either, because that never seemed to hold much risk. But generally the sooner we had that load off our minds, the better. The means of paying it off we instinctively understood. Money in the bank from the proceeds of our labor or from the sale of property we owned, or from the labor or property of those who had preceded us—it was all very simple when we had the money. And so money and debt repayment have traditionally been synonymous to the American people. When the last war was over, most of us across the country thought the debts of Europe could and should be as simply paid, if the debtor wanted to pay them; and as we were accustomed to paying off the debt on the old home place or the butcher or the baker, we assumed these debts from abroad could be as readily paid off. And here is fundamentally that serious misunderstanding which I am apprehensive may arise to haunt us again.

What are the conditions which we shall face, once the urgency of war demand is over and civilian goods are available for purchase and sale to those countries abroad who shall so seriously need them?

Well, the first assumption I want to make is that the foreign purchaser will want to pay. He may not like to be in debt any more than we do, but his is not a debt in his own country; to him, it is a foreign debt, and immediately a new question arises—in which kind of money will he pay? He may have enough rubles, or pounds, or francs, or guilders, but what we—most of us I suppose—will want are American dollars. Of course, if a foreign customer has been able to pay his debt in gold, we have been entirely satisfied, and we have allowed that method of payment to be carried to a point where most of the gold of the world is owned by the United States and a sizeable block of that is buried at Fort Knox, Kentucky. It is likely that some of the desirable foreign purchasers, just like some of us whose credit is good but whose cash is low, will have or will be ready to produce goods and will want to offer those goods in payment for ours. Even if he has cash in hand, he may prefer to pay in goods because this will provide labor for his people.

To be sure there are other means of payment such as services, shipping, insurance, and the like, but they are less important and I don't want to complicate the question by discussing them. I want to keep before your minds always the fundamental consideration of trading goods for goods and, broadly speaking, the necessity of paying international debts with goods.

But then, of course, we begin to ask ourselves what will happen to us when we receive goods from abroad. Some of us quite understandably are alarmed over the things that might happen from this competition; we become apprehensive about low wages, reduced standards of living, the possibility of honest American workmen being thrown out of their jobs, etc. These are very real considerations, and it is no satisfactory answer to brush these worries aside with the statement that they are not likely to happen anyway.

Now back in the early twenties and thirties when some of the countries abroad were really trying to pay their debts to us in goods, our answer was decisive—higher tariffs. Stop foreign goods from coming in, we said, and none of these calamities will confront us.

I shall not attempt here to discuss the detailed questions of high tariff versus low tariff—because you may think I am making a free trade speech or shooting a preparatory gun in a political campaign. Nothing is further from my thought. I shall merely hazard a personal conclusion, to which much of this talk is directed, that a narrowly restrictive and a needlessly obstructive policy toward foreign trade has gotten us into trouble before, and would most certainly get us into trouble again.

But let me go on with some of this retrospective rambling and comment on another method of settling international debt with which we had a painful experience in the twenties. That was by letting that money due us in repayment of outstanding debts, stay abroad in the form of loans and investments; in too many instances this was an expensive lesson. Many of our loans were unwisely made and had no chance of being paid off. Many of them had no provision for self-liquidation; on some of them the interest was so high that it couldn't be met, and so our experience over that period with international loans generally left a bad taste in our mouths.

Now what does this all add up to? Well, principally to the conclusion that despite America's great success at home in the field of domestic production, she still has a good deal to learn about trade abroad.

A good many Americans—too many I am afraid—will ask what trade abroad has to do with world peace. They will point to the fact that our Congress has pledged the American people to participation in the maintenance of the peace of the world and will ask why this isn't all we need to do. The point I want to make is that in my judgment world peace cannot be maintained solely by a police force—merely by paying for our share of an Army or a Navy. But rather that the only sure peace will come when the United States assumes its obligation to the rest of the world, and I can't visualize a responsible relationship that doesn't include as liberal and friendly as possible an attitude toward the purchase of his goods as well as the sale of ours. It would be unrealistic, however, not to recognize the difficulties which lie ahead for us and not to try and provide against them, as our pioneer ancestors tried to provide against the dangers in a trip which they still resolved to make.

A first essential in developing a feasible foreign trade policy will lie in a wider understanding among the American people, of the basic principles of international trade as contrasted with trade at home. If that is correct, it calls for a job of education.

Our colleges should be encouraged to provide courses in the problems of distribution and particularly in foreign distribution. It may well be that the trend of our education of the next generation ought to be as sharply marked in this direction as, after the Civil War, it was in the direction of production. I need hardly remind one of the great Western states of the consequences of the establishment of the so-called Land Grant Colleges after the Civil War. I am sure you will remember the Merill Land Grant Act of about 1870 which set aside the income from large areas of public lands for the creation of schools of higher education which should, in the language of the Act, "Teach Agriculture and the Mechanic Arts." Most of the central and western states took advantage of this Act. In the three-quarters of a century which followed, tens of thousands of students have had an intensive training in the field of production of industrial goods and food stuffs, and it was their good training as much as anything else which has been responsible for the phenomenal advance of the United States as a producing nation. Indeed, it my conviction that while we have paid so much attention to the problems of production, we have failed to keep pace in training people to understand and meet the problems of distribution. And so I suggest now that one of the urgent calls, in order to enable us safely to carry our responsibilities as a world nation, is for a special attention to the problems of distribution.

Coupled with that is the need for intelligent and forceful assistance from government in handling our foreign trade. Whatever may be one's conviction as to the part which government should play in business at home, it seems to me inevitable that the course of development of foreign trade must lean substantially on assistance from agencies of government. For the conduct of our business at home, we can make our own rules when and as we want, but we can't make the rules for other countries. Businessmen abroad, when they are trading with us, are likely to have the fullest possible assistance of their governments. It seems to me quite clear that unless American businessmen cooperate with and have the same support from their government, we shall be at a great disadvantage. That calls for the strongest possible organization in those agencies of the United States Government which have to do with foreign trade, and a desire on the part of business to work with them.

With such a joint approach, it would seem advisable at the earliest possible time to undertake a broad program of studies of what European countries could buy from us but more particularly what we could buy from them. The organization of the mechanics for implementing the recommendations which would follow, will take time and should be thought about now. In England, for example, British manufacturers are reported to be forming associations to cooperate in doing business with Russia. Sweden, we are informed, proposes to establish a Russian Institute at the University of Stockholm with the support of the Swedish export to study the USSR and estimate its probable needs for Swedish goods.

In the area of post-war education, I would hope that our colleges would pay especial attention to training more and more of their better students for service in the foreign trade agencies of government. If such specially trained men are to be attracted to public service in any considerable numbers, they must be encouraged to expect that their jobs will be reasonably fixed and independent of shifts of political party. I have no hesitation in asserting that it is the very high quality of the Civil Service personnel in Great Britain which has contributed so much to her efficiency in government. We must seek a similar standard on a much larger scale.

But let me go back again to the practical problem of foreign trade.

As I have tried to make clear, the basic and underlying difficulty in connection with our foreign trade is that, to put it mildly, we have no enthusiasm about receiving goods from abroad. Obviously, the only other method of balancing our exports, if they are to be balanced, is to have our foreign customers, and that includes Canada, pay us, as we express it, "in cash." I have emphasized the inability of most of our foreign customers to pay in cash, and even if they could, its uselessness to us merely as cash. If you accept the principle of a balanced trade budget as essential, then you can't get away from the need to bring in goods to balance the goods we ship out. We're not likely to be able or willing to bring in enough goods to offset the goods the rest of the world will want, and what is more important, that we will want to ship. But there is a new and novel means of approaching a balance in our foreign trade picture that seems to me to hold great promise. Before I tell you what that is, I want to shatter a few illusions that the American people have.

Traditionally, we have thought of ourselves as a people of great natural resources. We have thought of ourselves as possessing unlimited quantities of everything which our economy needed—iron and steel, zinc, copper and tin, and so on, and generally speaking, that has been true. The American economy has been built on these large natural resources of more or less low-cost materials. It has not occured to most of us that there could be an end to these resources, and the shocking point which I want to try to bring to you is that many of these resources are approaching an end. Indeed, some of them are now at that point. I shan't try to be too precise as to how much of these materials we have because that will always be an arguable question if the limits are too closely set. I don't want you to feel that I am dealing inadequately with the question if for that reason I am somewhat approximate.

Our high grade iron ore deposits in the Mesaba range have not many years left; at the present rate of usage I am informed that we shall be reduced to low-grade deposits within another ten years. Our high grade zinc is practically gone. Our good copper deposits will be a thing of history in another 25 years. There is much argument about petroleum because of the unknown nature of possible reserves, but many authorities will tell you that our petroleum reserves are being severely strained and may well approach the scarcity range within this lifetime. We never had much high-grade bauxite — the familiar base for aluminium—and we have used up a good part of those limited reserves in this emergency. The United States has no nickel, and for practical purposes, no tin. Our wood resources have been wastefully used, and many of our large stands of timber are gone with little or no reforestation plans to provide replacements for another generation. I could give you many more examples, but this will be enough to emphasize the point I want to make, and that is that the United States is passing from a country of plenty to a country of scarcity in the field of metals and minerals and other critical supplies. It will be said, of course, that we have reserves of low-grade materials which we could fall back on, and to some extent we could, but at much higher cost and with great difficulties. Confronted by an emergency which taxed our resources of manpower and transportation we would not find ourselves in that happy position with which we have met this emergency, and there are several of these materials in which we would be defenseless. It may not be stressing the point too far to suggest that we are moving in the direction in which England has found herself, that of having to depend on imports of material from abroad in order to maintain her very lifeblood of existence.

It is this line of reasoning which has made me so keenly interested in the proposal advanced by a few of our soundest thinkers in this field; that is, that we make every effort to import all of the critical materials which we can from abroad and use as little of our own precious remaining supplies. Accepting this national policy, we should say to foreign countries, still rich in natural resources, "We will ship you all of the manufactured articles which we have in surplus and which you want, provided you pay us in the raw materials of which you have an exportable supply. But we want those materials to be materials which we can use in our own economy." That would, of course, sharply reduce our emphasis on gold as a means of payment. We would then bring in as much gold as we needed to maintain our financial programs and only as much more as is needed to meet our limited industrial demands, and I can assure you that those demands are very limited. Incidentally, this would be a distinct help toward occupying those surplus ships which we shall have built during this war and for which adequate cargoes will be hard to find when the war is over.

It will, of course, be immediately said that this country couldn't absorb unduly large quantities of such raw materials—that the resulting surplus would so depress American prices as to vitally affect our own economy. This is a valid objection and must be met. It can be, by the decision to sterilize or freeze the surpluses over and above our normal import needs, retaining these materials in a stockpile not to be touched except in a case of national emergency. It might be desirable to term these excesses "rational emergency stockpiles" and to treat them in the same sacrosanct fashion as we would other weapons of national security. Whether they should be put in the keeping of the Army and the Navy or subject to release only on the declaration of a national emergency by the President, or some other method, is not for the moment pertinent. I merely state the principle that they must not be allowed to overhang the economy of the country in any threatening fashion.

Now what would be the effect of this policy? Well, we would certainly continue a limited production of our own natural resources, but that limit would be judged in the interest of national defense, and not in the interest of a community or a block. The important thing is that we would be replacing those resources which we had been exhausting and would be tending to bring the United States back to an economy of abundance as distinct from an economy of scarcity. We would be making provision for a rainy day; we would be bringing ourselves back by degrees to that position where we have been in the past, a position where we would know that we had the materials and the manpower and the production techniques to defend ourselves to the fullest against any possible future attack. It does not disturb me that there will be some who, hating and fearing war, will say that this is preparing for another war. Is it not a part of common prudence that, while hating and fearing war, we make ourselves as strong as possible? Can a policy which exhausts these resources and leaves the country bare of those things vital to its strength be a patriotic national policy? I am quite sure that it cannot. Once the American people are shocked into a realization that their vast natural resources are fast being dissipated, it should be easy for them to accept a positive program of exploitation of imports of these same critical materials under restrictions by which these imports can be made useful and not harmful.

With this large buying power abroad — something we haven't had for a long time—we shall be able to go forward aggressively on a program for the largest possible manufacture and sale abroad, a program that will rest fundamentally on those of our resources which are inexhaustible—the industrial skills and ingenuity of the American people.

I know of no other practicable means by which we can do two very desirable things at the same time, the one to lay a good foundation for sound international relationships, and the other to contribute to larger employment of American workmen.

The acceptance of the principle of the largest possible volume of two-way trade as desirable, will not be easy, for it is at variance with the views which so many of us have held for so long. But will you not agree that new and more statesmanlike thinking on the part of all of us, will be a vital part of our responsibility when this war is won? Our sons are paying a great price for that victory—as industrial leaders, we shall be heavily in their debt to do our utmost to make this a better country to live in and work in, than it has ever been before.

I surmise that this great group of fighting men are all too frequently annoyed—and that puts it mildly—as they read of our dilly-dallying here at home; of our lying down on the job when their very lives depend on what we produce for them; of the pulling and hauling between one special interest group and another. We may have been able to afford that in the past; we can't in the future.

The challenge of 1944, gentlemen, is in many respects greater than any which has faced us before. Groups of thinking men everywhere, representative groups as this one is, must grasp firmly the hard and difficult aspects of those problems, and, praying for Divine Guidance, deal with them as business statesmen and wise citizens.

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ing to have a national debt of stupendous proportion. That means heavy taxes for years to come. Some way must be found to expand our national income far beyond prewar levels, if we are to pay these taxes and continue to enjoy the American standard of living.

I know of no way to increase our national income other than through productive enterprise, created, developed and expanded by the venture capital of the people. Certainly government expenditures will not do it. After the war, industry should be encouraged to expand and attract venture capital. Tax laws should be reformed with that objective in view. Wartime government regulation and restrictions should be relaxed as quickly as possible with safety. If these things are done, I foresee an extended period of great industrial activity and large employment.

Every industry, and all Americans who believe in freedom of opportunity and enterprise, have a stake in the solution of the post-war problems in such a way as to preserve American principles, and to promote widespread productive employment.

The railroads have a special interest in these problems, because in every dictator state, the transportation companies have always been the first to be absorbed. I do not believe we are headed for a dictatorship in America. I believe the country is going to emerge from this war with a firmer determination to hold to its fundamental institutions than ever before.

Railroads were vital in the development of this country, and they have proven to be absolutely essential for the proper conduct of the war. They are just as necessary in peace. In good or bad weather, fogs or snowstorms, they carry the people and the freight. Being common carriers, they handle any shipment offered to them. There never was a time when railroads had such a keen sense of responsibility for furnishing good transportation as they have now.

In contrast to the conditions existing during the First World War, the whole organization is now doing a good job, and is enthusiastic about the part it is playing. You can be sure that the entire industry is keyed up to continue to do its utmost to carry any load that may be necessary. And I feel certain that an enlightened public opinion will see to it that railroads are not subjected to unfair competition, regulation or excessive taxation, but will be given a chance to attract new capital, all of which will permit them to continue to improve their services and continue to serve the country in peace as it has in war.

Public Utility Securities

(Continued from page 168)

the way for "very large possible reductions" in electric rates. He said the "fair value" theory has now been "quietly laid to rest" and that state utility commissions are freed to go ahead under the new principle.

But the state commissions and courts which have regulatory power over perhaps nine-tenths of the rates charged by utilities are not necessarily bound by the views of the Federal commissions, especially as the Supreme Court has indicated that it is taking no definite position on methods of valuation. While many of the commissions have shown a disposition to co-operate with Washington in enforcing the accounting regulations which would eventually convert plant accounts to the basis of original cost, it appears unlikely that there will be any wholesale, sweeping reduction of electric rates over the near-term future. The downward trend which has prevailed with only slight interruption for several decades will doubtless continue, but both commissions and courts must, as the Supreme Court itself emphasizes, give due weight to maintaining a healthy corporate existence—including the ability "to attract capital". If the Supreme Court had common stock in mind as "capital" there is very little ability even under existing conditions to obtain new capital through issuance of common stock, or even convertible bonds. This method of financing has been almost unused for some years.

The utility industry during the past year or so has partially surrendered to the "original cost" idea. A number of security offerings (both refundings and sale of stock holdings) have been arranged after substantial write-offs and (in some cases) special amortization charges over a period of years to cover the older items of "excess cost." It is possible that these annual amortization charges may become recognized as a legitimate charge against earnings, which may help to offset the lowered rate-base. Moreover, for the present most companies are protected by Federal taxes against the worst effects of any severe rate cuts which may result from reduction of the rate base. And it always remains possible that Congress or the State Legislatures may enact new laws to clarify the whole regulatory picture.

Robert B. Ewin With Dempsey-Tegeler

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Robert B. Ewin has become associated with Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and St. Louis Stock Exchanges. Mr. Ewin was formerly Southwestern representative for the Mercantile-Commerce Bank & Trust Co., and prior thereto was with Francis, Bro. & Co.

America Faces Great Decision—Peace Without Victory Or Victory Without Peace: Hartmann

Says Negotiation Is Only Basis For Determining Foundations Of Peace

Dr. George W. Hartmann, Chairman of the Peace Now Movement, asserted on Dec. 30 that "the foundations of peace can be laid if the war is ended by negotiation, leading to a treaty not imposed by one side or the other, but, imperfect as it certainly will be, accepted by all.

In a speech delivered at Carnegie Hall in New York City, Dr. Hartmann said that the organization he heads "assumes the responsibility of showing our fellow citizens that the decent peace can be won only by negotiation" and that one of the main jobs of the Peace Now Movement "is to show Americans that they can have either victory or peace—they cannot have both." He expressed opposition to the "absurd policy" of "unconditional surrender" and contended that "social reconstruction" is the only basis for establishing permanent peace. He further stated that a mutual give-and-take is what a negotiated peace requires, mentioning these four points: Lower trade barriers, end the colonial system of modern imperialism, end military conscription everywhere, and leave individual countries to decide whether they wish to be independent or amalgamate with others.

George W. Hartmann

Dr. Hartmann is Professor of Educational Psychology (on leave), Teachers College, Columbia University and Visiting Teacher of Psychology, Harvard University.

The text of his address, substantially in full, follows:

The National City Bank estimates that the war has already cost the world over five hundred *billions* of dollars in expenditures for material and equipment alone. This figure does not include property damaged or destroyed during military operations. If the war lasts another year or so the total direct money cost will approach the incredible sum of one *trillion* dollars — an amount more than sufficient to have bought or replaced every bit of physical property (including commercial land values) on the entire globe.

The total public and private wealth of the U. S. before the war was about 300 billions—an immense sum now expected to be the size of our national debt when the conflict ends.

But men are more valuable than the goods they can create. Russia and Germany together have already lost as many men as all countries combined lost in World War I. The food blockade of Europe and the man-made famine in Bengal have probably caused the death by starvation of a population equal to that of New York City.

Wild jungle beasts never caused a fraction of such woe to each other as man causes to himself and his fellows. Yet the nations still fight on.

We have met tonight to ask one simple question: Must the killing go on?

Most supporters of this war say they believe in peace—but they seem strangely reluctant to bring it to pass. The N. Y. "Times" declares unhumorously that this is a crusade to perpetuate the Christmas Spirit. Before long I expect to see Dale Carnegie advertising that the real way to make friends with a man is to murder his wife and maim his children.

The Peace Now Movement is so named because we agree with Mr. Roosevelt that "today is tomorrow." But he was merely referring to that peculiarity of our time system by which a fast airplane may leave one part of the world tomorrow morning and arrive in another tonight. We mean more than that. Just as the Present was determined by what we did in the Past, so the Future will be shaped by what we do now. Those folks who want Peace in 1950 but who favor war in 1944 forget that we reap what we sow. Just now we are planting the seeds for another bumper crop of hate and blood and tears.

* * *

If there were no alternative to what is called a "fight to the finish," the outlook for the world would indeed be black. But there is an alternative. The foundations of peace can be laid if the war is ended by negotiation, leading to a treaty not imposed by one side or the other, but, imperfect as it certainly will be, accepted by all. The Peace Now Movement assumes the responsibility of showing our fellow citizens that the decent peace they so ardently desire can be won only by negotiation. A determined effort to end this war involves creating a public opinion which will press our Government to arrange for an Armistice. Considerations of Reason, Humanity, and Self-Interest all favor this step. In support of this assertion, allow me to quote from the Pope's radio message to the world last September 1st:

"More tormenting than ever, there comes to soften the minds and hearts of men the doubt whether the continuation of hostilities can be said to be still in conformity with national interests, or reasonable and justifiable in the light of the Christian and human conscience.

". . . Real strength need not fear being generous. It always has the means to secure itself against any misinterpretations of its readiness and will to make peace, as well as against other possible repercussions. Do not shatter or smother the people's yearning for peace by acts which, instead of promoting confidence, rather give new life to the fire of hate and stiffen the will to resist. Give all nations the well-founded hope of a worthy peace, which shall not offend either their right to live or their sense of honor. Make clear beyond all possible doubt that your conclusions agree honestly with your principles, that your acts respond wholly to your declarations for a just peace.

"Only thus will it be possible to create a serene atmosphere in which the peoples less favored at a given moment by the fortunes of war can believe in the rebirth and growth of a new sense of justice among the nations, and can draw from this trust the natural consequence of a greater confidence in the future, without having to fear lest they compromise the survival, the integrity or the honor of their country.

"Blessed are they who with disinterested resolution, help to prepare the soil in which may sprout and flower, grow and ripen the sense of international veracity and justice; blessed are they — to whichever belligerent group they belong—who, with no less impartiality and with their gaze fixed on reality, collaborate to overcome the deadlock in which today the fatal balance of war and peace is halted.

"May this year (1943) not pass stamped and blackened by slaughter and destruction, but may it mark the opening and dawn of a new era of brotherly reconciliation, and peaceful, industrious reconstruction. In this trust, We impart our paternal Apostolic Benediction . . . to all those who feel themselves united to Us in love and work for peace."

That means that we in the Peace Now Movement have the definite approval of the Pope, even if we don't as yet have the endorsement of the present occupants of the White House, the Kremlin, and 10 Downing Street. I wonder if some newspapers will now start a rumor that we are Jesuits in disguise, or at least paid agents of the Vatican.

One of our main jobs is to show Americans that they can have either Victory *or* Peace — they cannot have both. *To win the war is the surest way to lose the peace.* That's why we oppose the absurd policy of "Unconditional Surrender" which the Germans and Japanese interpret as meaning absolute slavery for themselves. Would you not think the same if you were forced to accept me as the dictator of your family's future career? Small wonder that they prefer to fight to the bitter end, with all the added misery that entails for all mankind.

Of course, Mr. Roosevelt has just said it does not mean slavery. But what positively does it imply? Our democratic rulers, who so dearly love to share their plans with the public, refuse to specify any details. The secret treaties and agreements for the division of the spoils, if generally known, might make us less eager to continue the meaningless slaughter. Secretary Knox tells us *officially* that the British and American navies will "police" the waters of the globe, the British Navy ruling the East Atlantic, the Mediterranean, and the Indian Ocean, while the American fleet handles the West Atlantic and the entire vast Pacific. The privilege of being water cops will not be shared by any one else. Indications are that Russia will control all the Balkans (notice how the Stalinist Tito in Jugoslavia is being played up and Mikhailovitch forgotten), dominate Scandinavia, and become master of Central Europe. All Africa is to be in effect a British colony and the nations of Western Europe fall within the British sphere of influence. Nice going, Winnie, Joe, and Frankie! Of course, this is not an imperialist war. It almost seems that when F. D. R. took his oath of office he swore, "I did not become President of the U. S. in order to preside over the liquidation of the British Empire."

Such is Power Politics today. The new triumvirate carves up the map of the world without consulting the home folks or those affected by their deals. No one pretends to ask the Finns or Poles if they want to join the Soviet Union. They just happen to live in Finland or Poland. It's about time some of us realized that Adolf is not the only Hitler who pushes people around.

The brutal slogan of Unconditional Surrender is a substitute for thinking about definite proposals. The term does not specify *what* is surrendered, but suggests that *everything* is to be given up and that the defeated population will have to accept whatever crumbs and rags our statesmen care to leave them. We should be ashamed of ourselves for thus playing the part of a "master race," threatening to tyrannize over the conquered. Neither does the slogan indicate *who* is to do the surrendering. The German Army generals? The Nazi party leaders? The workers? The farmers? To insist that the entire population of a nation surrender entire control over their economic and political destiny is pure despotism, even if so-called democratic leaders of other countries make that incredible demand.

Because the Peace Now Movement proclaims that military interventionism in Europe is merely an endless opportunity to pour the lives of American youth and the wealth of this nation down war's abyss until we awake to the futility of this course, we have been stigmatized as isolationists. I confess that if I had to choose between the honest and model isolationism of Professor Charles Beard and the elder LaFollette and the New Deal variety of neo-imperialism, I should be proud to be ranked with the isolationists, even at the price of being dubbed a "cheerful idiot." But our real position is far more accurately described as Social Reconstructionism, which can be used to stop the war anytime; which if it had been adopted in advance, would have prevented the war altogether; and which is still the only means whereby at any time (that means *now*) the basis of permanent peace can be established.

What does economic reconstructionism require? Primarily it demands a recognition of the forgotten fact that between the Great Depression of the early Thirties and the Great War of the Forties there is a close casual connection. Our capitalist world order did not know how to abolish unemployment except by giving the people guns and sending them off to shoot each other. Prosperity returned as soon as the killing began; and as soon as the killing ceases, the depression cycle starts again. That's why so many persons of high and low estate tremble at the very thought of an Early Peace. In 1933, the world was hungry even though food was so plentiful that we destroyed it on a grand scale, rather than give it away to the needy. Now in 1943 we destroy human beings with plenty of ammunition in order to avoid making overdue changes in our social institutions. The logic of the two situations is identical. It is no accident that the New Deal, which began by killing pigs, ended by killing the children of Europe and Asia. Similar policies led to the same results in other countries.

Just as domestic unrest is traceable to gross inequalities in income, so international turmoil grew out of the division of countries into Haves and Have-Nots. Simple statistics demonstrate this. We have 16 acres per inhabitant; Germany proper has 1.8 acres per inhabitant; Japan 1.3 acres per inhabitant. Yet 2½ acres of *productive* land per person are required for self-maintenance even under the best agricultural technique. If we Americans had to live as closely packed as the Germans, we would all be confined to the area of the two adjoining States of Texas and New Mexico. Only if the U. S. contained the entire population of the earth would it be as densely inhabited as Japan is today.

Now it is true that a nation does not need "living space" if it has "trading space." But a nation must have one or the other. The great curse of our age is that the Have-Nots have had neither. The Haves refused to cooperate in remedying a difficult situation, but made matters worse by tariff barriers and restrictive immigration.

When the warmongers threw the switch labeled "appeasement," they effected one of the slickest derailments of public thinking in the history of intellectual sabotage. This is a bogus concept of the issue. It is not a question of appeasement, but one of *restitution*—of restoring to the Have-Nots the inalienable right of every people to fair, free and equal access to the food and raw material resources of the world, such as existed during most of the nineteenth century. By artificially creating scarcity, we created war, for "when goods can't cross frontiers, armies will." Because yesterday we would not allow our surplus cotton to be spun into clothes, we are today using our guncotton for explosives.

Lloyd George once said that a man had a clear legal title to a piece of property if he could trace it back without a break to the man who originally stole it from someone else. The Have Empires are simply those who did their stealing by brute force yesterday; the Have-Nots those who are trying to imitate them today. To augment the right of prior seizure, we have invented the fiction that "from now on it's wicked" to seize territory, without looking into the moral basis, if any, of our own claims.

Failure to create even an approximation to world-wide equality of economic opportunity—an essential ingredient of true democracy—is the underlying cause of Hiterlism and its Japanese equivalent. Leave that problem unsolved and the phenomenon will soon re-appear as Schmidtism, Muellerism, or Hassenpfefferism. If we were the victims, it would come forth as Jonesism, Goldbergism, or O'Sullivanism. I don't see how any liberal, radical, or conservative can deny the truth of this analysis.

Because all the warring nations have been selfish and stupid in roughly equal measure, we must now spend one-half of our incomes murdering one another. But —we can wage peace as well as war. Its weapons are action, not fireside talks, toward the satisfying of human needs, and the ending of misery and privation wherever men are found.

A World Peace Conference should have this as its primary item of business. The United Nations and the Axis Powers all have something to lay on the table for the sake of a new and better order of things:

1. Lower trade barriers, so that every country has full, free, and equal access to the food and raw material resources of the world. Here *America* makes the greatest contribution.

2. End the colonial system of modern imperialism. Here the *British Empire* must make the greatest contribution.

3. Countries recently occupied must be allowed to decide for themselves whether they wish to be independent or to be amalgamated with others. Here the *Axis Powers* will make the greatest contribution.

4. End Military Conscription everywhere. On this *all* peoples can gladly unite.

Such mutual give-and-take is what a Negotiated Peace requires. Think what this might mean. The peoples of this tiny planet can come to view themselves as one family. They can all put their shoulders to the wheel in the conquest of poverty, vice, crime, ignorance, and disease, after they have overcome War, the greatest Evil of them all. We have plenty of natural enemies to conquer without including our potential friends. Yet we stand frozen on the threshold of a world of beauty and abundance, and refuse to enter it.

What are we waiting for?

Are we afraid of *Peace Now*?

Is there greater satisfaction in a military march — or a funeral crawl—to Berlin and Tokyo?

Is this the Way to the Good Life for ourselves and others?

Must more babies be blown to bits? More historic shrines like Heidelberg and Florence turned to ashes? More dead washed up along a distant shore?

If you love Power and Revenge you will say yes. But if you respect your fellow-man, you will try to reach an understanding with him from which both may gain.

This is indeed a solemn choice. We cannot have both Victory *and* Peace. Which shall it be: an inglorious and empty military Victory over a less numerous foe with poorer resources—or a hard but noble Peace which might mean Victory for all Mankind?

"Our Reporter On Governments"

By S. F. PORTER

This is being written in Washington, where I have been interviewing financial authorities and Government officials to discover the probable pattern of war financing over the coming months and the general expectations for the Fourth War Loan. . . . The main impression which I received after several conferences was one of optimism. . . . More optimism than is discernible in usual New York circles. . . . More confidence in the huge success of the pending war loan. . . . More certainty that interest rates will be maintained at present low levels and bond prices will be held at current high marks. . . . To put it succinctly, unless the many experts in this nerve center of Government finance are blinded by their own hopes, the market is in excellent shape and the chances for a much-greater-than-anticipated subscription on the fourth loan are substantial. . . .

Specifically, every interview confirmed the statements made in this column since November that the 2¼% bond issue would be the most popular sold by the Treasury in many, many months. . . . Belief here is that both insurancce companies and corporations will favor this bond, despite its lower coupon rate and its shorter maturity. . . . Insurance companies not restricted to the higher 2½% rate because of their special position and need for the return will move out of the 2½% range this time and into the 2¼s. . . . And also as remarked here, it is generally admitted that the 2½% coupon and range has been overplayed by the Treasury in recent financings. . . .

An explanation for this, incidently, is that some insurance companies and corporations really need the higher 2½% coupon. . . . They can't afford to shift into 2¼s, despite their own desire for a different maturity and for diversification of their portfolios. . . . Thus, it was said by one individual with unquestioned authority, that "why not offer the bonds and let those who need them, purchase? The others may take the 2¼s, if that's their choice and the only result will be that there will be a larger total of 2¼s and a smaller total of 2½s this time". . . . The comment makes sense but it indicates too that the fourth war loan will contain the last 2½% bond. . . . At least, for some time. . . .

Getting away from the official comments and into market conversations, the feeling is the 2¼s will sell at a nice premium within a short time after offering. . . . Perhaps the market will start out slow, for that is the pattern established recently by a combination of factors—ranging from official wish for a slow premium start to the liquidation of speculative positions. . . . But assuming a fairly stable market—which is a fair enough assumption at this stage of the war and financing program — the 2¼s should be at the ⅜ to ½ premium level within a comparatively short period. . . .

TOTALS TO BE RAISED?

In New York during the last few weeks, the guesses about possible subscriptions to the fourth war loan have been relatively conservative. . . . But in Washington there appears to be a widespread opinion that this will be the most successful war loan to date. . . . It is anticipated that $17,000,000,000 to $18,000,000,000 will be raised from sales within the fourth war loan itself—the 2¼s and 2½s mostly, of course. . . . And around $500,000,000 will be obtained from commercial banks, subscribing to the various issues and to the Series E, F and G war bonds to the limits set by the Treasury order. . . . Many smaller banks, naturally, won't be able to buy more than 25 or 50 bonds under the restrictions, for they haven't sufficient time deposits to permit larger orders. . . . Others, which have major time deposits, will be held down by the $200,000 over-all maximum set. . . . Which means that commercial banks will be out of this drive to all intents and purposes. . . . And that, as has been mentioned frequently in the past, was the objective in the first place. . . .

The commercial bank totals won't be included in the quotas, but the $17,000,000,000 to $18,000,000,000 forecast is terrific on its own. . . . The various War Finance Heads here in Washington and elsewhere around the country are reporting perfect teamwork plans and predicting that house-to-house canvassing this time will cover anywhere from 80 to 90% of the potential buying public. . . . A drive of that kind assures success. . . . And also indicates that when this drive is over, we'll have 55,000,000 to 58,000,000 holders of war bonds and $30,000,000,-plus of Series E, F and G bonds outstanding. . . .

Again, applying this to you and to the market, the lesson is clear. . . . The price level will be aided by open market buying of outstanding 2% issues by commercial banks, barred from the campaign and from the chance of picking up securities at par. . . . And the new issues will be aided by an enthusiastic subscription atmosphere and official support. . . .

There's some feeling around that the shorter-term 2s, the issues due in 1951 and within the 1949-51 maturity range, will be more popular over the coming weeks than the newer 2s of 1953/51. . . . That may be the case, if the buyer confines his purchases to strictly money market "curve" theories. . . . But the 2s of 1953/51, with their price low to par and with their relationship way out of line to the market, seem to this observer the more attractive obligation. . . .

And whatever the particular issue chosen, it does seem obvious that the new 2s at last are coming into their own. . . .

PATTERN OF FINANCING?

This war loan, beginning the 18th and ending in mid-February, will be the first step in the new pattern of war financing. . . . According to opinion in Washington, there will be another, fifth, war loan before the end of the fiscal year. . . . Tentatively set for April or May, so that it follows the tax payment date and gets under the deadline of the summer lull. . . .

That fifth war loan probably would be for approximately the same amount as this fourth drive. . . . But, chances are the campaign will be divided, so that individual subscriptions are counted in one batch and insurance company and corporation subscriptions are counted in another batch. . . . Again, commercial banks probably will not be permitted to enter the public war loan drive. . . .

But in mid-summer, when the lull is on and a public drive is out of the question, it is likely that commercial banks will be offered some securities. . . . Probably a note, to place the note market in its proper position and satisfy bank demand for some five-year stuff. . . . This loan would raise a few billions, would be managed in the regular two to three-day interval and would permit the Treasury to stay out of the market until next fall. . . .

And in the fall, a sixth war loan is likely. . . . Whatever its name, it would be a war loan as far as technical features are concerned and it would be in the multi-billion dollar class. . . And that would finish the year, it is forecast now. . . .

Of course, this is tentative. . . . And so much depends on the course of the war, on the level of the market, on the rate of war spending. . . . But a logical expectation at this time, to recapitulate, would be:

Fourth war loan this winter. . . .
Fifth war loan this spring. . . .
Bank borrowing in summer. . . .
Sixth loan this fall. . . .

If you examine that prospect, the chances seem better and better for broader bank buying in the open market and for support of the price level by institutions unable to invest sufficient of their funds during loan campaigns. . . .

And if you carry on from there, it seems fairly certain that the interest rate level—which means the price level—will be maintained around today's marks for some time. . . . Regardless of changes in Administration. . . . As for competition in the money markets after the war is over, that is when the ability of the Federal Reserve and Treasury to maintain the market through official manipulation of the Reserve's portfolio and excess reserves will be put to the supreme test. . . And that ability is what you must depend on when you get into postwar considerations. . . .

Post-War Risk Capital Corporation Proposed By Bankers Along Lines Discussed By Kaiser

A plan for the creation of a $500,000,000 National Industrial Credit Corporation to provide risk capital for existing and new business ventures in the post-war period was outlined on Jan. 4 by Herbert F. Boettler and John W. Snyder, Vice-Presidents of the First National Bank of St. Louis. The plan, it is indicated, is an outgrowth of a speech made by Henry J. Kaiser, West Coast shipbuilder, in St. Louis on Nov. 19. The Credit Corporation would function along the lines of the Reconstruction Finance Corporation.

Regarding the further working out of the plan, advices from St. Louis Jan. 4 to the Chicago "Journal of Commerce" said:

"The day after he made the speech the industrialist confessed in an informal discussion with a group of bankers that he had not worked out details of the proposed credit pool. He expressed the opinion that banking, life insurance, organized labor, Government, and industry should participate in the corporation.

"Mr. Boettler suggested certain features of the proposed pool and, at the shipbuilder's invitation, both he and Mr. Snyder drew the outline for the corporation.

"In one marked departure from Mr. Kaiser's plan, the two bankers proposed organization of the pool by industry, banks, insurance companies, labor and the public, without Government financial assistance.

"If private initiative and American business are to survive," they said at the outset of their draft, "measures must be taken now to provide risk or venture capital for private enterprise. . . .

"Restrictions on private industry, together with the effects of high taxes, have practically eliminated the normal sources of risk capital. . . . Accordingly, it is highly imperative that private initiative take steps to overcome these handicaps so as to make available to industry sufficient venture capital to provide the fullest possible employment of labor in constructive business projects."

"The stock of the proposed corporation would be open to public subscription under the plan, but participation would be limited in all cases to sums which the subscribers could afford to assume without impairing or endangering their own solvency.

"The life of the corporation would be limited to 15 years, with 10 additional years for orderly liquidation.

"Several bankers in discussing the proposal declared that special State and Federal legislation would be required to permit banks and corporations to participate in common stock ownership of the corporation. For this reason they suggested that an offering of debentures instead of stock might facilitate formation of the corporation and permit sale of its securities to insurance companies and banks without special legislation.

"The idea for the corporation, the New York bankers said, would have to be 'sold' to the banking industry. The plan for the corporation was regarded as a 'big bank' proposition and one which might not be of much interest to country banks.

"In carrying on its work, the corporation would have power to invest in common and preferred stocks, make loans on notes, debentures or bonds, and guarantee business and industrial obligations.

"Through the medium of such a corporation, a substantial volume of risk capital could be made available under sound management, and the benefit of a wide dispersion of hazard could be obtained," the bankers suggested.

"There is no reason why such a corporation could not function profitably, particularly if it were given the right to set up adequate reserves, before taxes, during good years to meet such losses as might accrue in years of adverse business conditions.

"The life of the corporation would be limted to 15 years, with 10 additional years for orderly liquidation."

Mr. Kaiser's talk was referred to in these columns Nov. 25, page 2108.

Feminine Right To "Pretty Up" Upheld

The feminine right to "pretty-up" before leaving a job was upheld on Jan. 6 by the Regional War Labor Board at Detroit, Mich., which ruled that 7,000 women war workers at the Packard Motor plant could take five minutes off before lunch and at the end of the shift to "powder their noses" without suffering loss of pay. Reporting this, United Press advices from Detroit, appearing in the New York "Herald Tribune," added:

"The company had sought to discontinue the practice on the grounds that the women were paid for 55 minutes of work each week they did not do. The men, the company said, were not granted the privilege."

The Securities Salesman's Corner

My "Old Man" Would Have Told 'Em Where To Go!

My "old man" came to this country when he was nineteen and he landed in Castle Garden back in the eighties with three possessions; a ticket to Nashville, Tenn., a cheese sandwich, and a great craving for that freedom to live his own life, which he hoped to find in America.

He never, during all the thirty odd years when I knew him, made one single statement of regret for having come to this land. His love of America and its institutions was something so deep and basic within his nature that you didn't have to hear him express himself to know how he felt about it. The fifty-nine years of his life which he spent in this country were a living expression of his Americanism.

I remember back in Ohio in the little town where I was raised, how one Decoration Day I stood by his side and I can still feel the tightening of his hand around mine as the flag went by. After we had marched to the cemetery he took me aside and he told me the story of Lincoln, and the Civil War. How he spoke with pride of Dewey and Manila Bay. He had adopted this land and he wanted his children to appreciate its traditions and to know its history.

The reason I am going all around the bush in order to bring out the fundamental fallacy of this latest dictum of the Board of Governors of the NASD is THAT I CAN JUST IMAGINE WHAT MY FATHER WOULD HAVE TOLD ANY NASDER OR ANY ONE ELSE, BACK IN THOSE DAYS WHEN HE WAS RUNNING HIS LITTLE RETAIL STORE OUT IN OHIO, IF SOME BUREAUCRAT WOULD HAVE HAD THE GALL TO COME INTO HIS PLACE OF BUSINESS AND TRY TO MAKE HIM LIMIT HIS SELLING PRICE, OR DISCLOSE HIS WHOLESALE COSTS TO HIS CUSTOMERS.

They were a different breed in those days than we seem to be today. They had a different form of government then too. THEY DIDN'T HAVE SWARMS OF BUREAUCRATIC YOUNG LAWYERS SITTING AROUND ON THE PUBLIC PAYROLL WASTING MILLIONS OF DOLLARS OF THE TAXPAYER'S MONEY EVERY YEAR JUST TO THINK UP NEW RULES AND REGULATIONS EVERY OTHER DAY IN THE WEEK TO BEDEVIL AND HARASS THE BUSINESS MEN OF THIS COUNTRY, BOTH LARGE AND SMALL.

Once when I was about ten years old I was sitting in the back of my father's store and an important looking gentleman carrying a brief case came through the front door. In those days there was a law in Ohio that compelled every citizen to assess his own personal property for state taxes. This my father had done in the month of January according to the law. It was now June. The important looking gent never said a word—he just went over to the shelves and started pulling out the shoe boxes. He opened a few boxes then put them back. Next he went over to the clothing department and started to look at some suits.

My father never moved, nor did he speak. He must have known who the fellow was but he never let on. Finally, he said, "If you'll tell me what you are looking for I'll be glad to show it to you." The important looking visitor turned around and said, "I am from the state tax department. You turned in an assessment for $20,000 and I understand you have an inventory of about $30,000. It looks like you've under-assessed yourself."

With that my father got up from his chair, he walked over to Mr. Tax-Collector, and if I ever saw a real American citizen WHO KNEW HIS RIGHTS, AS WELL AS HIS DUTIES, GO INTO ACTION, IT WAS MY OLD MAN. He asked this bureaucrat if he had ever been in the retail clothing business. He asked him if so, where and when. The questions were popping so fast Mr. Tax-man couldn't get himself organized. He asked him if he knew that in the month of January, when he assessed himself, his stock was at its lowest point between seasons and reminded him that it was then June, the height of the season. He told him he had taken an honest inventory according to law and THAT THIS WAS ALL THAT WAS NECESSARY. He told him he had a hell of a nerve walking into his place of business and taking the prerogative of going through his shelves and his merchandise without asking his permission. And HE TOLD HIM TO TAKE HIS BRIEFCASE AND HIS PAPERS AND GET OUT OF HIS STORE BEFORE HE THREW HIM OUT—AND THE WAY THAT BUREAUCRAT WENT HE KNEW THE OLD MAN WOULD HAVE DONE IT—BUT GOOD!

My father knew his rights. He knew his figures were correct. He knew too that all he had to do was to report that smart aleck to his representative in the State legislaure and one more flunky would have had a good lesson in manners and the respect that government officials in this country were required in those days to show to law abiding, decent citizens.

In fact if there were a few more like my old man around today in the securities business, it wouldn't be twenty-four hours after the next meeting of the Board of Governors of the NASD on the 17th and 18th of January, that if news didn't come forth that the 5% rule was rescinded, THERE WOULD BE A NEW ASSOCIATION OF SECURITIES DEALERS IN THE PROCESS OF FORMATION UNDER THE MALONEY ACT, IN THIS GRAND OLD LAND OF OURS.

SIGNED

The fellow who writes this column.

NY Chamber Urges End Of Food Subsidies

Warning that further socialization of the national economy, extension of bureaucratic control over private industry and regimentation of the farmers would follow extension of consumer food subsidies, a report approved on Jan. 6 by the Chamber of Commerce of the State of New York, urged the Senate to follow the action of the House in adopting the Commodity Credit Corporation bill which would end most food subsidies.

"Subsidies, under rationing, would have only a temporary influence on the inflation trend or in the establishing of lower prices to the consumer and hence would fail to check further demands from labor for wage increases," the report which was drawn by the Executive Committee, of which Robert F. Loree is Chairman said.

At its meeting on Jan. 6, the Chamber recorded its opposition to the Wagner-Murray-Dingall bill enlarging the scope of the Social Security Act and scored the Kilgore bill to establish an Office of Scientific and Technical Mobilization. Reports on these measures by Chamber Committees were referred to in our Jan. 6 issue, pages 93 and 98, respectively.

The Motivating Force Of Progress

First National Bank of Boston Warns Paternalism Is Not In Keeping With Tradition And Is Threat To Freedom

"As we pause at the threshold of the New York and lift our sights above the smoke of battle to visualize a better towrrow, it is well to give serious thought to the motivating force of progress and the conditions under which it thrives," says The First National Bank of Boston in its current "New England Letter."

Continuing the bank says, "The source of progress is the spirit of inquiry, which is generally preceded by discontent or skepticism. Every step in the upward climb of civilization has been the result of experiment, of trial and error by investigation. For thousands of years, the world was in darkness and ignorance as mankind was dominated by superstition, dogma, and tradition. The quest for truth was ruthlessly crushed by despotic groups in order to retain power and rule over the minds of men. Knowledge was decreed final and it was heresy to question or to challenge prevailing beliefs.

"This spell of ignorance was broken by a handful of brilliant men who, with dauntless courage, intense imagination, and ceaseless energy, challenged crusty tradition and superstition and opened up new vistas. As an outgrowth of these contributions, there developed liberal education, democratic government, creative literature, religious tolerance, as well as freedom in other fields. Whenever the atmosphere has been favorable for the spirit of inquiry, civilization has advanced. On the other hand, when this spirit has been suppressed by authorities or enervated by the insidious pampering of the people by government, then stagnation has followed.

"The battle for individual freedom found its first formal expression in the Magna Carta, which was wrung from King John in 1215, and nearly six centuries later the same principles were incorporated in our own Constitution and Bill of Rights. It is significant that the chief provision in these charters of human liberty was protection of individual rights against the tyranny of government. The great advance and vitality of the Anglo-Saxon civilization is attributed largely to the fact that the people have exercised their privileges as free men and have been distrustful of the extension of the protective spirit of government. Our forefathers, who came here to escape the regimentation of the old world, sensed instinctively that to lean on the government for aid or special favors would eventually mean the loss of freedom. So they established safeguards. When paternalism holds sway, the national will, which is based upon public opinion, is weakened and the spirit of resistance becomes enfeebled. Time and again mankind's progress has been retarded by restrictive laws, oppressive regulations, or by a system of coddling the people, with the lure of security placed above risk-taking ventures. It has been well said that 'when people no longer are willing to take chances under the government of law, they must take their chances under a government of men.'

"When a government succeeds in using its authority to stifle inquiry, or when it loses confidence in the capacity of the people to rule and proceeds to pamper them and shield them against the storms of life, the wealth-creating qualities of the people are undermined, the nation is impoverished, and self-government disappears. This is the verdict of history.

"This same principle applies to international affairs. In the rehabilitation task after the war the United States will be called upon to play a leading role. We should help the stricken nations to their feet, furnish them with food and clothing, and arrange for them to receive tools so that they can go to work. In other words, we should provide the means of self-help and encourage them to work out their own salvation. Democracy cannot be imposed from without, but must spring from within the people themselves, and they must develop their own civilization in keeping with their resources, capacity, and tradition. Lavish handouts on our part to other countries would not only disrupt their economies, but would engender their contempt and ill-will. Paternalism at home, or its extension abroad, is not in keeping with our tradition and is a threat to freedom.

"In plotting our course for the future we should be mindful that the advance of civilization is the record of man's struggle in overcoming the forces of nature by hard work and by constantly searching for better ways of doing things, and not by leaning on crutches.

"A study of the history of mankind reveals that innovation is the chief source of security. This is best exemplified by the record of our country. The unprecedented growth of American industries has been due in large measure to American inventive genius and the willingness to take risks. Prior to the war the United States, with about 7% of the world's population, accounted for nearly as much income and wealth as all the other countries combined. This system made it possible for the average worker, with the aid of machines, to produce ten times as much as was produced by a worker during the early days of the Republic. About 100 years ago the average person had approximately 52 wants, of which 16 were regarded as necessities. Prior to the war the wants numbered 484 on the average, of which 94 were considered necessities. When the war came, American business was able in a comparatively short period of time to surpass the combined war output of the Axis powers, which had a running start of several years. In the race against time, American ingenuity met the test. The unprecedented achievement was made possible largely by the research facilities that have been built up over the years. In the course of a little more than two decades the number of American research laboratories has increased nearly 12-fold, while annual expenditures for research in industrial laboratories in this country are placed at $300,000,000, or as much as was spent for this purpose by the rest of the world before the war.

"The irresistible forces set in motion by modern developments, and accelerated by the war, make continued research mandatory. In its broadest sense, research represents the perpetual search for better ways of doing things based upon investigation and experimentation. Regular research work should be given the green light as soon as military conditions permit, for research can be used as the most effective bridge to span the gap between wartime and peacetime operations. The first step in this direction should be to release the relatively small amount of materials necessary for experimental work. Provisions should also be made as soon as possible for resuming the study of pure science, which has been virtually abandoned since our entrance into the war because the majority of scientists are engaged in military projects. Without pure science there would not be laid the fundamental knowledge which provides the basis for many of the far-reaching technical developments.

"The problem of retrenchment and adjustment after the war is over will be one of the greatest challenges that American business has ever been forced to face. The fate of private enterprise and the preservation of our democratic form of government will depend upon how effectively this situation is met. It is highly essential, therefore, that we keep within the framework of our economy the spirit of initiative and ingenuity, as well as provide the incentives for the assumption of risks, for these are the pillars upon which the American system has been built and without which it cannot survive."

The Year Ahead

(Continued from first page)

in the rate of increase in inflationary pressures compared with earlier estimates.

All this is in contrast to the situation a year ago when every day brought its quota of expanding appropriation for war and its new orders limiting the use of materials for civilian goods. It would be misleading to suggest that conditions have traversed the full circle or any substantial part of it, for manifestly war production in the aggregate must continue to call on the country's resources to an extent which will restrict civilian production drastically until the end of the war. We must also realize that the first effect of cutting back war procurement in some directions is to permit a greater concentration of effort in others.

Defeating Germany and Japan is still an undertaking of great magnitude. Though the "blueprint of Victory" is drawn we cannot afford to ease up, sit back and relax in the confident assumption that the time for extraordinary effort has passed.

Victory, moreover, will bring its own stupendous problems. So far as we can see the Allied conferences have not yet outlined positive guarantees against future wars. Slashing way Japan's war-won empire is not going to end the menace of Japan's industrial war machine. Battering Germany into surrender will not, of itself, eliminate the German craving to rule the world.

America and her Allies still have a tremendous job to do to win the war and establish a durable peace. It's a job that demands now and will continue to demand all the faith, courage, alertness and plain hard work we can put into it.

Wilshire Savs. Loan Increases Assets

Total assets of Wilshire Federal Savings and Loan Association were $1,831,564 as of Dec. 31, 1943, which represents an increase of 64% in the year of 1943, according to an announcement made by Walter D. Smyth, Executive Vice-President of the organization. Dividends totaling $21,166.59 were paid to holders of savings and investment accounts at the association on January 1, it was further announced by Mr. Smyth. Each person's savings account up to $5,000 is insured by an instrumentality of the United States Government. In line with the substantial increase in assets during 1943, loans at the end of the past year totaled $1,663,291, an increase of 63% during 1943. The semi-annual dividend was at the rate of 3% per year, the current rate savings accounts are now earning at this association.

Ruml Again Chairman Of N. Y. Reserve Bank

The Board of Governors of the Federal Reserve System announced on Jan. 2 that it had redesignated Beardsley Ruml as Chairman of the Board and Federal Reserve Agent of the Federal Reserve Bank of New York for the year 1944. Mr. Ruml has been a director of the Federal Reserve Bank of New York since Jan. 16, 1937, and served as Deputy Chairman of the Board from Jan. 19, 1938, to Dec. 31, 1940. He has been Chairman of the Board and Federal Reserve Agent since Jan. 1, 1941. Mr. Ruml is Treasurer of R. H. Macy & Co., Inc., New York.

The Board of Governors also announced on Jan. 2 the reappointment of William I. Myers, Dean of the New York State College of Agriculture, Cornell University, Ithaca, N. Y., as Deputy Chairman of the New York bank. He has been a director of the bank since Jan. 1, 1943, and its Deputy Chairman since Sept. 11, 1943.

Robert D. Calkins, Dean of the School of Business, Columbia University, New York, was re-elected a Class C director for a three-year term.

At the Buffalo branch of the Federal Reserve Bank of New York, the Board of Governors announced the appointment of Thomas Robins, Jr., President of Hewitt Rubber Corp., as a director for a three-year term.

Marion B. Folsom, Treasurer of the Eastman Kodak Co., has been appointed Chairman of the Board of the Buffalo branch, succeeding Howard Kellogg, and Elmer B. Milliman, President of the Central Trust Co., Rochester, N. Y., succeeds Raymond N. Ball, President of the Lincoln-Alliance Bank & Trust Co., as a director of the Buffalo branch.

Real Estate Opportunity

Arthur Weisenberger & Co., 61 Broadway, New York City, members of the New York Stock Exchange, have issued an interesting analysis of City Investing Co., a company whose shares are listed on the New York Stock Exchange and whose business, since 1904, has consisted of buying, managing and selling New York City real estate. Copies of this analysis, discussing the favorable aspects and outlook of this situation, may be obtained upon request from Arthur Wiesenberger & Co.

Uniform Article For Termination Of Govt. Fixed-Price War Supply Contracts Adopted

A uniform termination article for fixed-price war supply contracts was announced on Jan. 8 by James F. Byrnes, War Mobilization Director, who ordered all war procurement agencies of the Government to make it effective immediately in all new supply contracts. Mr. Byrnes also forwarded to the agencies a statement of principles to be followed in determining costs at the time of termination.

The termination article was drafted by Bernard M. Baruch, head of the OWM War and Post-War Readjustment Unit, and by his associate, John M. Hancock, Chairman of the Joint Contract Termination Board.

The termination article provides for two types of settlement —negotiation and through application of a specified formula. What the contractor must do on receiving his termination notice from the Government is set forth and provision is also made for full payment at contract prices for all completed articles. With respect to the margin of profit allowed on work begun but not completed, the uniform termination clause has devised a formula limiting the aggregate profit in all cases to a maximum of 6% and to a maximum of 2% on unprocessed inventory.

The text of the uniform termination article for fixed-price supply contracts follows:

ARTICLE—Termination at the Option of the Government. (A) The performance of work under the contract may be terminated by the Government in accordance with this article in whole, or from time to time in part, whenever the contracting officer shall determine any such termination is for the best interests of the Government. Termination of work hereunder shall be effected by delivery to the contractor of a notice of termination specfiying the extent to which performance of work under the contract shall be terminated, and the date upon which such termination shall become effective. If termination of work under this contract is simultaneous with, a part of, or in connection with, a general termination (1) of all or substantially half of a group or class of contracts made by the —— department for the same product or for closely related products, or (2) of war contracts at, about the time of, or following, the cessation of the present hostilities, or any major part thereof, such termination shall only be made in accordance with the provisions of this article, unless the contracting officer finds that the contractor is then in gross or willful default under this contract.

(b) After receipt of a notice of termination and except as otherwise directed by the contracting officer, the contractor shall (1) terminate work under the contract on the date and to the extent specified in the notice of termination; (2) place no further orders or sub-contracts for materials, services or facilities, except as may be necessary for completion of such portions of the work under the contract as may not be terminated; (3) terminate all orders and subcontracts to the extent that they relate to the performance of any work terminated by the notice of termination; (4) assign to the Government, in the manner and to the extent directed by the contracting officer, all of the right, title and interest of the contractor under the orders of subcontracts so terminated; (5) settle all claims arising out of such termination of orders and subcontracts with the approval or ratification of the contracting officer to the extent that he may require, which approval or ratification shall be final for all the purposes of this article; (6) transfer title and deliver to the Government in the manner to the extent and at the times directed by the contracting officer (i) the fabricated or unfabricated parts, work in process, completed work, supplies and other material produced is a part of, or acquired in respect of the performance of the work terminated in the notice of termination, and (ii) the plans, drawings, information and other property which, if the contract had been completed, would be required to be furnished to the Government: (7) use his best efforts to sell in the manner, to the extent, at the time, and at the price or prices directed or used by the contracting officer, any property of the types referred to in sub-division (6) of this paragraph, provided, however, that the contractors (i) shall not be required to extend credit to any purchasers and (ii) may retain any such property at a price or prices approved by the contracting officer; (8) complete performance of such part of the work as shall not have been terminated by the notice of termination; and (9) take such action as may be necessary or as the contracting officer may direct for protection and preservation of the property, which is in the possession of the contractor and in which the Government has or may acquire an interest.

(c) The contractor and the contracting officer may agree upon the whole or any part of the amount or amounts to be paid to the contractor by reason of the total or partial termination of work pursuant to this article, which amount or amounts may include a reasonable allowance for profit, and the Government shall pay the agreed amount or amounts. Nothing in paragraph (d) of this article prescribing the amount to be paid to the contractor in the event of failure of the contractor and the contracting officer to agree upon the whole amount to be paid to the contractor by reason of the termination of work pursuant to this article shall be deemed to limt, restrict or otherwise determine or affect the amount or amounts which may be agreed upon to be paid to the contractor pursuant to this paragraph (c).

(d) In the event of the failure of the contractor and contracting officer to agree as provided in paragraph (c) upon the whole amount to be paid to the contractor by reason of the termination of work pursuant to this article, the Government, but without duplication of any amounts agreed upon in accordance with paragraph (c), shall pay to the contractor the following amounts:

(1) For completed articles delivered to and accepted by the Government (or sold or retained as provided by paragraph (b) (7) above, and not theretofore paid for, forthwith a sum equivalent to aggregate price for such articles computed in accordance with the price or prices specified in the contract;

(2) In respect of the contract work terminated as permitted by this article, the total (without duplication of any items) of (i) the cost of such work exclusive of any cost attributable to articles paid or to be paid for under paragraph (d) (1) hereof; (ii) the cost of settling and paying claims arising out of the termination of work under subcontracts or orders as provided in paragraph (b) (5) above, exclusive of the amounts paid or payable on account of supplies or materials delivered or services furnished by the subcontractor prior to the effective date of the notice of termination of work under this contract, which amounts shall be included in the cost on account of which payment is made under subdivision (i) above; and (iii) a sum equal to . . . per cent (*) of the part of the amount determined under subdivision (i) which represents the cost of articles or materials not processed by the contractor, plus a sum equal to . . . per cent (**) of the remainder of such amount, but the aggregate of such sums shall not exceed 6% of the whole of the amount determined under subdivision (i), which for the purpose of this subdivision (iii) shall exclude any charges for interest on borrowings;

(3) The reasonable cost of the preservation and protection of property incurred pursuant to paragraph (b) (9) hereof; and any other reasonable cost incidental to termination of work under this contract, including expense incidental to the determination of the amount due to the termination of work under this contract.

The total sum to be paid to the contractor under subdivisions (1) and (2) of this paragraph (d) shall not exceed the total contract price reduced by the amount of payments otherwise made and by the contract price of work not terminated. Except for normal spoilage and to the extent that the Government shall have otherwise expressly assumed the risk of loss, there shall be excluded from the amounts payable to the contractor as provided in paragraph (d) (1) and paragraph (d) (2) (i), all amounts allocable to or payable in respect of property, which is destroyed, lost, stolen or damaged so as to become undeliverable prior to the transfer of title to the Government or to a buyer pursuant to paragraph (b) (7) or prior to the 60th day after delivery to the Government of an inventory covering such property, whichever shall first occur.

(e) The obligation of the Government to make any payments under this article: (1) shall be subject to deductions in respect of (i) all unliquidated partial or progress payments, payments on account theretofore made to the contractor and unliquidated advance payments, (ii) any claim which the Government may have against the contractor in connection with this contract, and (iii) the price agreed upon or the proceeds of sale of any materials, supplies or other things retained by the contractor or sold, and not otherwise recovered by or credited to the Government, and (2) in the discretion of the contracting officer shall be subject to deduction in respect of the amount of any claim of any subcontractor or supplier whose subcontract or order shall have been terminated as provided in paragraph (b) (3) except to the extent that such claim covers (i) property or materials delivered to the contractor or (ii) services furnished to the contractor in connection with the production of completed articles under this contract.

(f) In the event that, prior to the determination of the final amount to be paid to the contractor as in this article provided, the contractor shall file with the contracting officer a request in writing that an equitable adjustment should be made in the price or prices specified in the contract for the work not terminated by the notice of termination, the appropriate fair and reasonable adjustment shall be made in such price or prices.

(g) The Government shall make partial payments and payments on account, from time to time, of the amounts to which the contractor shall be entitled under this article, whether determined by agreement or otherwise, whenever in the opinion of the contracting officer the aggregate of such payments shall be within the amount to which the contractor will be entitled hereunder.

(h) For the purpose of paragraphs (d) (2) and (d) (3) hereof, the amounts of the payments to be made by the government to the contractor shall be determined in accordance with the statement of principles for determination of cost upon termination of government fixed price supply contracts approved by the Joint Contract Termination Board, Dec. 31, 1943.

The contractor for a period of three years after final settlement under the contract shall make available to the government at all reasonable times at the office of the contractor all of its books, records, documents and other evidence bearing on the costs and expenses of the contractor under the contract and in respect of the termination of work thereunder.

*Not to exceed 2%.

**To be established at a figure which is fair and reasonable under the circumstances.

Rochester Telephone Com. Stock Marketed

A public offering was made Jan. 4 of 380,000 shares of common stock of the Rochester Telephone Corp., one of the country's leading independent telephone concerns, at $15.375 a share by an underwriting syndicate headed by The First Boston Corp. No new financing is involved, the stock having been bought from a group of Rochester business men, who acquired it in exchange for Rochester Telephone second preferred stock purchased by them from the New York Telephone Co.

The new financial set-up of the Rochester Telephone Corp. consists of 500,000 shares of common stock ($10 par), preceded by 22,826 shares of 4½% cumulative preferred stock ($100 par) and funded and other debt of $9,276,344. Plant and equipment of the company was carried on its books on July 31 last at $24,922,417. The remaining 120,000 shares of common stock will continue to be owned by Rochester residents most of whom are officers and directors of the company.

Rochester Telephone Corp. serves 2,300 square miles with a population of 530,400, including all of Monroe and Livingston Counties and parts of Genesee, Ontario, Steuben and Wyoming Counties in New York. About 70% of the company's revenues originate in Rochester.

Associated with The First Boston Corp. in the underwriting are the Union Securities Corp., Smith, Barney & Co., White Weld & Co., George D. B. Bonbright & Co., Goldman, Sachs & Co., Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster and Blodget, Inc.; F. S. Moseley & Co., Tucker, Anthony & Co., Sage, Rutty & Co., Inc.; Lee Higginson Corp. and Little & Hopkins, Inc.

Sabotaging Sugar Industry

Lamborn & Co., Inc., 99 Wall Street, New York City, sugar brokers for over fifty years, have prepared an analysis of the sugar situation entitled "Formula for Sabotage of the Sugar Industry," expressing the growing alarm felt by the firm concerning a trend in American life which they believe is threatening to rob the American people of certain freedoms long assumed to be inherent in American citizenship. Copies of the study may be obtained from Lamborn & Co., Inc., upon request.

Interstate Looks Good

Interstate Aircraft & Engineering Corp. offers an attractive situation, according to a descriptive brochure issued by Fred W. Fairman & Co., 208 South La Salle Street, Chicago, members of Chicago Stock Exchange. Copies of this interesting brochure may be had from the firm upon request.

NASD Governors Urged To Rescind Illegal 5% Rule At Next Week's Meeting

(Continued from page 163)

would have favored or been indifferent to the rule would not exceed ten.

So you may ask how come our survey and the polls of these Associations reflect different results? The whole story lies in the fact that the polls by the Associations were not secret but were conducted by telephone. Firm after firm told us they could not afford to make their feelings known. In other words FEAR was dominant in the minds of these dealers when the polls were taken just as is the case with those writing to the "Chronicle" condemning the mark-up rule who asked that we not reveal their identity.

On page 163 we give a resolution passed by the members of the Business Conduct Committee of the NASD in the Albany, N. Y., area which is self-explanatory. Members of Committees in other areas are understood to be planning to follow suit which is in keeping with the avowed intentions of others serving in a similar capacity to ignore the illegally adopted 5% mark-up rule.

It is to be hoped that more and more dealers in all parts of the country will band together and take measures to compel the Association to rescind this obnoxious rule. Such groups and dealer associations 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 at Hot Springs, W. Va., next Monday and Tuesday (Jan. 17 and 18). The "Chronicle" would appreciate receiving copies of such communications. This rule **should not, must not, and will not stand.**

Such additional letters from dealers on the 5% profit spread as could be accommodated in today's paper are given, starting on page 163. 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.

A Step In The Right Direction

(Continued from page 163)

by any arbitrary percentage figure in the absence of any statute in law to that effect.

GEORGE W. WRISTON,
DAVID W. BENJAMIN,
NORMAN W. EISEMAN,
A. JAMES ECKERT,
GEORGE R. COOLEY.

DEALER NO. 113

Regarding the recent letters in your paper having to do with the 5% limitation rule by the NASD, although I am not a member, I will be very glad to contribute $50.00 as a starter toward a fund to be used in fighting this directive. Apparently if nothing is done about it, it will affect every small security dealer.

It appears to me that most of the small dealers are afraid to speak up individually but perhaps by binding together we might be able to save our businesses. Five per cent. is ridiculous and yet I don't believe there is a small dealer in America who operates on a smaller margin than I do.

DEALER NO. 114

I again wish to voice my appreciation of the articles appearing in the Chronicle in behalf of the small dealer.

I have written letters and enclosed these reprints to two Representatives and one Senator from the Northern Indiana District. Please send me five additional reprints of the two articles appearing in the Dec. 23rd edition, as I think these are particularly to the point.

I have read all of the letters from dealers appearing in your paper, and am greatly impressed with the idea of forming another association of dealers as a protection against the SEC and the NASD, and re-establish the American way of doing business.

No doubt you are in touch with many smaller dealers there in New York who would be glad to head such an association, and I would gladly pay my pro-rata share in getting it functioning as quickly as possible.

DEALER NO. 115

After thirty five years in the investment security business of high standing, had to let salesmen go. Sold off office furniture, business records in storage. Had to close up business because overhead more than the 5% now allowed. Had very fine clientelle all over the State, large industrialists, banks, bankers, investors. Handled small issues not syndicated. Small lucrative business.

Willkie Calls For Individual Responsibility To Solve Present And Post-War Problems

(Continued from page 163)

common to all of us. They are not the sole and exclusive property of the so-called great men. They are of the people. The basic tenet of democracy, which we in America so deeply believe, is that if the people are given full responsibility for their personal lives, and for the government of their public affairs, these standards—moral as well as artistic—will prevail.

"Just a little over a year ago I had the privilege of speaking on these Opera Victory Rallies. At that time the United Nations were far from being a cohesive body of peoples fighting together; no American of Cabinet rank had even visited Russia or China.

"It seemed to millions of us that immediate steps had to be taken to bring together the four great Allied powers — Britain, Russia, China and the United States—and my time on this hour was consequently devoted to urging that those great powers should come together in common council. At last as we all know, the enormous weight of public opinion has brought about three successive conferences—at Moscow, at Cairo and at Teheran.

"These conferences, we have reason to believe, have established effective military coordination and cooperation of the four great Allies. But we also have reason to believe that they have not yet produced sufficient political and economic and moral understandings. The force of the peoples' opinion was responsible for the very fact that the conference took place and for such progress as has been made thus far. The people must now assert their opinion clearly to bring about those political, economic and moral understandings which alone can make real the great principles for which we fight.

"Unfortunately, the weight of American public opinion and the power of our official representatives will be greatly lessened if America presents to the world the spectacle of a democratic nation discordant within and unable to solve its domestic problems. The world is not apt to be guided by our principles in the solution of its problems when those principles seem so inadequate as a solution for our own.

"Other nations will not understand that the very reason we seem so inept at times is not because democracy is inherently ineffective but because we have not as individual citizens assumed our responsibilities; and the full functioning of the democratic process depends upon individual responsibility.

"Only recently it was suggested that our Government is a doctor and that we, the people of the United States, are patients. Now this idea—even though facetiously suggested — that the American people are always sick and that they are not robust individuals actually is an insidious doctrine—a doctrine that would make moral hypochondriacs of us all, if we accepted it. It is a doctrine which at this particular moment we must repudiate and repudiate completely. For the tests that we face in the coming year will require not only healthy bodies but vigorous minds and stalwart spirits. This year will be a tough year.

"Unless internal collapse comes soon in Germany our casualty lists will be long, heart-breakingly long. Unless our leaders exercise more forthright and courageous leadership in world affairs than they have heretofore done we may see ourselves mocked by the bright slogans for which we have fought.

"Unless clearer thinking is applied to the problems of our home front we will continue to be rent with internal discord, which will inevitably lengthen the fighting. Unless more imagination and understanding are given to the transference of our economy from war-time to peace-time operation we may find our economic and social system in complete confusion when the fighting is over.

"It will be a tough year.

"And no doctor, even with the palliatives and drugs of an all-wise, all-powerful Government can save us from the responsibility that is rightfully ours as individual citizens.

"If illustrations of this principle were needed, we have had them of late in abundance. The recurrent seizures of factories and mines and the recent seizure of the railroads are disturbingly present in all our minds. Those were the drugs prescribed by the doctors when the case became too painful. But the disease remains, and it will not be cured by giving drugs to the people. For it is a disease of the doctors, not of the people. And it will be cured only by attacking its fundamental cause — maladministration. The essence of our present unhealthy administration is the failure to establish administrative bodies with power and authority whose decisions are just and fair and are not subject to capricious overruling that destroys public respect—administrative bodies under whose rules each citizen knows his rights and his responsibilities.

"For all the confusion in our domestic economy is a perfect illustration of the fallacy of one-man government in a democracy, no matter how brilliant and no matter how well meaning it may be.

"And now, at the beginning of a year that we all know will be tough, we might as well realize that no government—one man or otherwise—can solve our problems for us, either our present problems or the very difficult problems that will arise with the readjustment of our economy from war to peace-time conditions. Only by our own initiative, our own energy, and our sense of individual responsibility will our problems be solved.

"Only by measuring up to the highest standards of our traditions and our purposes can we as citizens perform fully our obligations. For there are great moral principles involved in the struggle that is going on in the world today; the principle of honesty, the principles of sacrifice, the principles of devotion, the principles of self-government, all the precious principles of human freedom. It is with these, and these alone, that we can mobilize the home front. It is with these, and these alone, that we can win a real and final victory, and build a lasting peace."

Aspects Of Industry—N. Y. Institute Course

The New York Institute of Finance announces a series of authoritative and instructive lectures covering developments in the industrial field, entitled "Aspects of Modern Industry." These lectures, will be given from 3:30 to 5:00 p. m. at the Board of Governors Room, New York Stock Exchange, 11 Wall Street, New York City. Cost of the series of lectures is five dollars.

The schedule of lectures follows:

Jan. 17—"Glass" by J. T. Littleton, Vice President and Assistant Director, Reesarch and Development Department, Corning Glass Works.

Jan. 24—"Magnesium" by Otis E. Grant, Magnesium Division, Dow Chemical Company.

Jan. 31—"Aluminum" by Walter L. Rice, Vice President, Reynolds Metals Company, President, Reynolds Mining Corporation.

Feb. 7—"Synthetic Rubber" by John P. Coe, General Manager, Synthetic Rubber Division, United States Rubber Company.

Interesting Possibilities

Jacobs Aircraft Engine offers attractive possibilities according to a descriptive circular being distributed by Caswell & Co., 120 South La Salle Street, Chicago, Ill. Copies if this interesting circular may be had from Caswell & Co. upon request.

Cramp Workers End Shipyard Strike

Three thousand union employees of the Cramp Shipbuilding Co. on Jan. 9 voted to end a strike which had halted production of invasion ships at the Cramp yards for four days, according to an Associated Press dispatch from Philadelphia, Pa., which further says in part:

The men agreed to return on the morning of Jan. 10, although earlier in the meeting they booed when heads of the union local reported that national officers of the industrial union of Marine and Shipbuilding Workers Congress of Industrial Organizations had ordered the strike terminated "at once."

As the vote was taken, the 4th Naval District announced it had been instructed by Fank Knox, Secretary of Navy, to give civilian authorities "any assistance which may be needed" in assuring "ready and unmolested access to the plant" to any workers wanting to return to their jobs.

"In issuing these instructions, the Secretary stated that this act is not to be construed as constituting the taking over of the Cramp Shipbuilding Co. by the Navy," the announcement said.

Secretary Knox and the National War Labor Board previously had appealed for termination of the strike, which left 17,000 men idle on Jan. 6 after the Cramp company discharged 42 painters who insisted on working with brushes rather than spray guns as ordered by the company.

Congress Convenes To Face Vital Issues

The second session of the 78th Congress convened on Jan. 10 following a three-weeks' Christmas recess. Since the President's message on the "State of the Union" was not to be delivered until Jan. 11, both branches of Congress only held brief formal meetings and no legislative business was transacted, although several measures were introduced in the House.

Since there were several important issues in the unfinished legislative stages when the first session of the 78th Congress adjourned on Dec. 21, it is believed likely that these will be taken up first on the calendar, although new proposals may be given precedence. The major subjects to be disposed of are the new tax bill, the food-subsidy question, soldier vote bill and mustering-out pay for servicemen. The President's proposal for a national service law is expected to be the most controversial question when it comes up for debate.

NYSE Official Decorated In Italy

Col. Charles E. Saltzman, whose decoration with the Order of the British Empire for meritorious action in the Mediterranean was announced on Jan. 11 from Allied headquarters in Algiers, is a Vice-President of the New York Stock Exchange on leave of absence. He is with General Mark Clark's staff in Italy. In making this known the Exchange stated:

"Col. Saltzman was graduated in 1925 from the United States Military Academy, where he received a Rhoades Scholarship to Oxford University. Returning to this country he served as a White House aide in 1929 and 1930.

"In May, 1930, Col. Saltzman became associated with the New York Telephone Co. which he left five years later to join the staff of the New York Stock Exchange. He was appointed a Vice-President of the Exchange in March, 1939."

Post-War Prospects In Retailing

(Continued from page 164)

some quarters to the starvation point.

I repeat that we can hardly grasp the impact of this war on the world economy, largely because in the midst of the greatest conflagration in history most of us continue to lead reasonably normal lives. We have plenty of food, our homes are comfortable, we can drive about a bit, we have jobs, and business is good. No wonder we fail to appreciate fully that our social and economic structure is exposed to the most tremendous forces in all history, and that the impact of these forces will be felt permanently. No wonder some of us feel that once the war is over everything will return to something approaching normalcy. Its many impacts have been so far removed from us, or have been so intangible and so widely diffused over the globe that we are unable to grasp their full implications. Rather do we assume, perhaps unthinkingly, that we shall one day suddenly return to the good old days of freedom of enterprise, that our only problem will be to provide full employment, and that everything will be solved prettily if we but do a bit of intelligent planning of our own individual business affairs. We are in for genuine disillusionment.

You may wonder why, in a discussion of retailing, I am talking in such general terms. I am doing so because retail trade depends directly upon the state of our whole economy. Retailing prospers as industry and agriculture flourish; reduce production or lower the national income and retail sales diminish. Rarely can a merchant rise far above the conditions which surround him. The effective solution of the complex economic and social problems of the day means more to the success of his business than his own business efforts. Occasionally a business can grow and prosper in the face of adverse surrounding circumstances; generally speaking, however, success and prosperity are attainable only when the economy as a whole thrives. Any attempt to appraise the prospects of retailing therefore must look beyond its confines, as well as within them.

As we start moving down the long grade which will bring us eventually, we hope, to normalcy, we will encounter a number of highly significant phenomena. If we assume that the European War will end in 1944 and the Pacific War in 1945 or 1946 (an assumption which seems to enjoy popular favor at the moment), our first stretch of road (1944) will be characterized by an acceleration in contract terminations, the pace quickening as the defeat of Germany approaches. With this will come reconversion unemployment, the problem of contract settlement, and the problem of disposal of Government surpluses. For many a business this, to a certain degree, will be the end of the war. How effectively the Government deals with these problems will have a great deal of bearing upon the fortunes of a great many enterprises. The intelligence with which materials are released for the production of civilian goods obviously will have great importance during this period. We are already in the early period of reconversion. Contracts are being terminated, labor is being released, the supply situation is easing in certain instances. There is little evidence that either the Government or most employers are fully prepared. An order issued last week authorizing the production of a certain item caught a well-known manufacturer in such a position that he couldn't get into production on the item for nearly six months. If the war goes as planned by the "experts," it is reasonable to assume that individual dislocations of production will become more numerous and collectively more serious as we move through 1944.

An armistice in Europe, should it come, say, in August, would bring with it the need for a major realignment of our industrial forces. How well prepared are we for that event, possibly only a matter of months away? Does the Government know what it will do on the homefront besides cancel a lot of contracts at that point? Does it have a plan? How will an armistice affect your business, and what in detail do you expect to do about it? How many manufacturers now have completed or soon will complete actual production and sales programs to put in effect when the war is over for them—which may be long before it is over in the Pacific? Post-war committees, post-war reports and surveys are legion, and the very term "post-war planning" already is a hackneyed phrase. The stark fact remains that unless each business evolves its own plans in detail, pressing governmental agencies for clearance when necessary and the facts warrant, it is courting serious trouble for itself, and possibly sooner than it thinks.

If peace comes in Europe in the last half of 1944, the chances are that the year will go down in history as a war prosperity year, with a national income not very far from that of 1943. The year will have seen the beginning of the liquidation of our war economy and will have been characterized by numerous minor shocks to our economy, many of them coming together at the time of the armistice, hence constituting a fairly major shock. How seriously these 1944 shocks dislocate the economy will depend upon how well Government and business prepare to meet them. The year-end probably will find us with most of the present Government controls still in effect, but civilian production will be increasing, war production will have declined, sharply in some lines, reconversion will be well under way, unemployment will be extensive in some localities, the problem of the returning service men will be serious—in short, for many practical purposes we will be in the post-war period.

If the war with Japan lasts until 1946, our economic system will be sustained in considerable measure by continued war production during 1945 and 1946. Our level of employment and national income will be dependent in large measure, however, upon the ability of Government and business together to effect maximum reconversion to the production of civilian goods, without impairing the Pacific War effort. As I have stated, this problem of reconversion is already at hand—it simply will become increasingly serious as we move towards the end of the Pacific War. With the end of the Japanese war we may be within sight of the valley at the end of our trip down the hill. But a period of substantial reconversion of our economy will remain, shortages of goods will still be numerous, price, rationing, material and wage controls probably still will be necessary for a time until the economy returns, if it does, to a normal equilibrium.

In brief, it is highly unlikely that the war will end for the business community as a whole in less than four or five years. It already has begun to end, however, and many business concerns will sustain severe shocks long before peace is declared. While the probability is that we shall have another two or three years of greater or less war prosperity, there will be much maladjustment during these years, many severe disturbances will be felt, and the ability of Government and business jointly to keep the economic system humming will be sorely strained. Careful preparation and planning by both parties can make a difference of many billions of dollars in our national income in any one of these years.

With the war out of the way in the military sense, we will be put to our real test. It has been estimated that we must find ways of keeping 55 million people employed, far more than in any peace-time year in our history. What are the prospects of succeeding? Obviously this calls for a tremendous physical output of goods—there is no other answer. How can we achieve it? In my judgment, only by the pursuit of sound economic policies by Government, industry, labor and agriculture. Some of these seem to me to be as follows:

1. The philosophy of scarcity, so prevalent in the thinking of the '30's, must be abandoned. It has pervaded the Government, and has been by no means rarely found in industry, labor and agriculture.

2. The efforts of all must be concentrated upon the achievement of low prices. In no other way can tremendous physical output be absorbed in the market. People will buy a million automobiles if they are priced low enough; they won't buy a million homes if their prices are inflated by artificial labor costs and building material prices.

3. Illegal and anti-social monopolistic practices must be destroyed, whether in industry, labor or agriculture. Their very purpose is high prices, and high prices bring scarcity, reduce demand and reduce output. In my judgment, 55,000,000 jobs are impossible in peace-time unless we can maintain true competition in industry, labor and agriculture, thus keeping prices and wages on a competitive level, and preventing the exploitation of the public through artificial prices and wage rates. If we deny this we must acknowledge the inability of our population to support itself by work. Our only recourse will be to a system of subsidies and doles.

4. Industry and all those who work must be supplied with reasonable incentives, financial and otherwise. The whole system of business taxation must be overhauled if capital is to be induced to take new risks. Business which behaves itself must be given an incentive and an opportunity to grow, for without growth in industry the employment problem cannot be solved. So, too, must individuals be encouraged to produce efficiently, to grow and to progress. Restrictions all too often imposed upon individual workers by their employers or by their fellow-workers must be removed.

5. Industry and Government must exploit every available market to the utmost. A large part of the world will need rebuilding and modernization. Many areas whose economic progress has been retarded have now been laid open by modern transportation and modern science. Russia, China, Africa and the Pacific islands are cases in point. Their commercial and industrial development will provide tremendous opportunities for American industry if the foreign trade policies of this and other countries are liberalized. We cannot sell abroad, however, and at the same time refuse to buy.

Our domestic market theoretically presents an opportunity for tremendous expansion. It has been estimated that a $22,000,000,000 market awaits industries whose production of certain civilian goods has been stopped by the war. New products made possible by the phenomenal technological achievements of industry during the war offer untold possibilities, and will stimulate replacement and obsolescence for years to come. But the fact that many people will desire many things after the war will not assure their production. The demand must be there, and this requires purchasing power as well as the desire to buy. The fact that savings are tremendous and private debt reduced will mean little if unemployment assumes large proportions. This brings us back to the necessity of producing in quantity in a free market and at the lowest possible cost. If industry is to do this it must plan courageously and imaginatively, and it must assume the risks that inevitably attach to the pioneer in a truly free, competitive system. Industry cannot be expected to do this in the absence of a favorable national economic policy. As far as I know, little effort has been made to formulate such a policy. It should embrace not only such matters as contract termination, the liquidation of war surpluses, the disposal of war plants, etc., but should also call for the elimination of illegal monopoly wherever found, the modification of the whole Federal tax structure, the solution of the labor-management relationship, and the liberalization of trade policy. Most important of all, it would require a specific commitment to a philosophy of free enterprise. This would be something new in the recent history of this country, for it would rule out a thousand devices of monopoly, unfair competition, bureaucracy, exploitation and obstructionism which have been too common in the ranks of Government, industry, labor and agriculture for decades.

Some of us feel that the system of free enterprise has distinguished itself during the war and are quite optimistic about its public acceptance after the war. This point of view contains a dangerous fallacy. The productive and technical genius of American industry, under war pressure and with the aid and direction of the Government, has done an incredible job in engineering and producing the instruments of modern warfare. But industry by no means has proved its ability to do a similarly incredible job of producing in peace-time under genuinely free and competitive conditions. Its real test is yet to come—and a colossal test it will be. We will have to face a series of tremendous disturbances as we liquidate the war. And after the war we will find ourselves in a greatly altered world, with a brand new balance of political power among nations, some of the more dominant of which do not believe in the same kind of political, social and economic organiaztion which we profess to cherish.

Every one of us should be doing a great deal of hard, solid thinking about the future. Not only must this thinking be applied to our own enterprises, but it must be applied to matters of public policy. Neither industry, nor labor, nor agriculture, nor Government can solve the post-war problem alone. They must agree on fundamentals and must evolve a set of policies and objectives with which their individual courses of action may be squared. A labor leader recently was quoted to the effect that his sole interest was in wages, hours and working conditions. For the short run this may be a defensible state of mind. For the long pull it is not. I might as sanely take the position that nothing interests me except the profits of the business of which I am a part. This kind of thinking is all too frequently found among all groups in our society. It assumes that the welfare of one group is something apart from the public welfare. Never in history has this been less true than it is today.

We must educate ourselves, and however futile the effort may appear, must educate others whose views have influence in matters relating to the public welfare. Special pleading alone will not effect a sound solution of important problems. We are seeing that clearly enough in the conduct of some of our domestic affairs during the war itself. Only through the impact of the best thinking of the best minds throughout the country upon business problems and upon problems of public policy can we hope to surmount the enormous issues which lie ahead of us. I keenly hope this thinking will materialize, for I believe in and cherish a free society, as do you. I further believe that the magnificent opportunities of the post-war world cannot be realized fully by us unless we can find some way to preserve freedom of individual enterprise. Ignorance or superficiality on matters of public affairs, unwillingness to assume personal responsibilities in public matters, the pursuit of purely selfish interests, conduct guided by expediency or opportunism, the desire to eat one's cake and have it, too—all these things will lead only to trouble, and serious trouble. By their use some of us may gain ground for the moment. But eventually we shall all suffer together.

Returning to the specific field of retailing, I think we all can agree that the industry will fare pretty much as the country fares in the years ahead. It probably will do well in 1944. If the war continues I would expect another fairly good year or two, the level of profits depending greatly upon how factors outside the direct control of individual merchants are handled. I refer to such matters as contract termination, disposal of surplus stocks, resumption of civilian production and unemployment. The big question will come as we approach and reach the end of the Japanese war. Terrific shocks will then be released around the world and I would not hazard a guess as to their effect. It will depend largely upon the adequacy of the plans and policies of this and other governments, as well as upon the ability of industry to adjust itself to whatever climate it finds at the time.

Regardless of public policy, retailing presumably will have some control over its own destiny. It is certain to be operating in a highly fluid economy. Flexibility, adaptability and maneuverability will be highly important. While great caution will be required in the years ahead, it will be necessary to assume large risks and assume them quickly. The alert, aggressive, imaginative merchant will seize opportunities that others will miss. The merchant who is skilled in research and planning will succeed when others fail. In a world of kaleidoscopic change such as the post-war world is likely to be, a high premium will be paid for exceptional intelligence coupled with foresight and courage.

In conclusion let me repeat that retailing prospects in the period directly ahead of us appear to be moderately good. As time goes forward, shocks of increasing intensity will be felt, not only by retailing but by our whole economy. These will necessitate readjustment and realignment of plans. The smart merchant who constantly plans ahead probably will not suffer too severely from these shocks.

Eventually many major issues will present themselves to all of us. They will reach beyond retailing and into our whole economy. Retailers must define these issues and in time make their contributions towards meeting them. This places a responsibility upon every one of us which in time will be more far reaching in scope and implications than any other responsibility we are likely to have to assume. It will be interesting to see how well we carry it.

Municipal News & Notes

The City of Buffalo, N. Y., will ask for bids sometime in February on an issue of $3,000,000 refunding bonds, it is stated by Comptroller Frank M. Davis, who on Jan. 1 last was re-elected to office for a four-year period. The last previous occasion that Buffalo appeared in the long-term market was in September, 1942, when a $3,000,000 refunding issue, maturing in equal annual amounts from 1948 to 1952 incl., was awarded to an account composed of the National City Bank of New York and the Manufacturers & Traders Trust Co., Buffalo.

The purchase price was 100.20 for 1.80s and the successful bidders re-offered the bonds to yield from 1.45% to 1.80%, according to maturity. A large demand developed for the bonds and the issue was all sold and the books closed within a few hours after the award was announced. As is usually true of Buffalo bond sales, a considerable number of competing bids were received, the second high offer of 100.155 for 1.80s being made by a syndicate headed by George B. Gibbons & Co., Inc., New York City.

Buffalo, by the way has followed a policy of eschewing new funded debt borrowings except for emergency purpose during the past several years, having issued only $497,748 in new bond issues since Jan. 1, 1942. In noting this fact in the latter part of last year, the United Taxpayers' League of Buffalo, Inc., said that it constituted a "record that has never even been approached in any two-year period since 1918." The league pointed out that Mayor Joseph J. Kelly and a majority of the members of the Common Council elected in November, 1940, had pledged themselves to vote "no" on all proposed bond issues unless some crisis arose "which made the issuance of bonds the only way to meet it."

In observing that the pledges have been kept, the taxpayer association stated that "no finer example of good faith on the part of elected officials has ever been witnessed anywhere." Comptroller Frank M. Davis was cited for "his full co-operation" in the achievement.

With reference to the $22,470,000 Buffalo bonds which were to mature in the two fiscal years beginning July 1, 1942 and ending June 30, 1944, the statement said that "these bonds have been or will be paid at maturity out of $15,470,000 raised by taxation, and $7,000,000 raised by selling refunding bonds." Continuing the statement said:

"City bonds amounting to $22,595,000 will mature. The money to pay them off, aside from that which is obtained from the sale of refunding bonds, will have to be secured by continuing to levy not less than the back-breaking taxes for debt services which have prevailed during the past two years."

Pennsylvania Debt Funding Act Attacked In McKeesport Case

Constitutionality of the Act of the Pennsylvania General Assembly of June 3, 1933, P. L. 1466, empowering local taxing units to fund into general obligation indebtedness their outstanding street and sewer improvement certificates issued prior to 1933, is under attack in a suit recently brought by several taxpayers of the City of McKeesport, questioning the legality of a proposed city issue of $400,000 bonds to provide for the funding of an equal amount of 6% certificates.

The litigation is in the nature of a test suit of the aforementioned State statute and regardless of the decision handed down by Common Pleas Court, the matter will ultimately be carried to the Pennsylvania Supreme Court. The latter tribunal is expected to receive the appeal sometime in March, it was stated by McKeesport City Solicitor Harry M. Jones.

The case is considered of interest to a number of other Pennsylvania cities and, in connection with the current proceedings, the McKeesport "News" of Dec. 29 commented as follows:

Early this year City Council decided to issue bonds and pay off $400,000 worth of indebtedness certificates on which the city has been paying 6% interest. A Philadelphia bond firm offered to sell the new bonds or buy them in itself at an interest rate not to exceed 2½%.

But before any bonds were sold, the proceedings were delayed when constitutionality of the state act making improvement certificates obligations of the city was questioned in an Erie court case.

City officials waited for the Erie decision before continuing with their plans and recently, when that court declared the act unconstitutional, decided to carry a test case to Supreme Court.

The names of City Engineer L. F. Savage and his wife are being used to represent taxpayers and their bill of complaint is against members of Council, representing the city.

The claim of the plaintiffs is that the improvement certificates should be paid off by property owners who benefited by the street and sewer improvements and against whose properties assessments for the improvements had been made. They declare that the certificates of indebtedness are not valid and binding obligations and debts of the city as a whole, saying in their bill of complaint that:

"The ordinances authorizing the issue of said certificates provided that their payment should be secured solely by assessments for such street improvements and sewers, and that they should not be obligations of said City. . . ."

The plaintiffs aver that the Act of General Assembly of June 3, 1933, P. L. 1466, is "unconstitutional and void." They follow that the city ordinance providing for the new issue of bonds is likewise unconstitutional and ask an injunction to restrain the city officers from proceeding with their plans.

The bond issue ordinance was adopted by City Council on May 17, 1943.

Port Authority Bond Tax Decision Awaited

The Tax Court of the United States is expected to issue its decision shortly in the case involving the legality of the Treasury move to subject to Federal taxation the income from bonds of the Port of New York Authority and the Triborough Bridge Authority and, inferentially, from the obligations issued by all similar entities. The decision may also have an important effect on the tax status of all State and municipal bonds. Regardless of which way the tax court rules in the present instance, the decision will be carried on appeal to the United States Supreme Court.

The current action was officially brought by the Bureau of Internal Revenue and was the outgrowth of its attempt to collect Federal taxes on income from Port Authority bonds held by the estate of Alexander J. Shamberg. Evidence in the litigation was presented to the tax court during 1943 in hearings conducted both in New York City and Washington.

The burden of the Internal Revenue Department's argument was to the effect that inasmuch as the Port Authority does not exercise sovereign powers of the State, it is not a political subdivision as defined in the Federal revenue act and therefore its bonds cannot be considered tax-exempt. The opposite view was argued by Counsel for the Port Authority, which participated in the action on behalf of all of its bondholders, as well as the contention that Federal taxation of State and municipal bonds would necessarily require increased interest rates on such obligations and, in effect, constitute a barrier to their fiscal operations.

While it is true that the action is part of the Treasury's repeated efforts to make all State and municipal securities subject to Federal taxation, it does not follow that this larger question is specifically at issue in the instant case. The following comment on the proceeding appeared in the New York "World Telegram" of Jan. 10 and was written by Peter Edson, one of its Washington correspondents:

The entire argument goes back to a study of English, an interpretation of the meaning of the 16th Amendment to the Constitution, which provides that "Congress shall have the power to lay and collect taxes on incomes, from whatever sources derived," and so forth. The "from whatever sources derived" is the key to the whole thing.

When ratification of this amendment was being sought Charles E. Hughes, then Governor of New York, raised the question of whether it would not permit Federal taxation of income on State bonds. Senator William E. Borah took the lead in assuring the states it would not be so interpreted. And Cordell Hull, then Chairman of the House Ways and Means Committee, put a definite exclusion clause to exempt local governmental securities from the first revenue act passed after the 16th Amendment was ratified in 1913.

A similar exemption has remained in the revenue code ever since, and nearly 100 efforts to secure a constitutional amendment to remove this immunity from Federal taxation have all been defeated. It is this statutory restriction which has caused the Treasury to take the rather roundabout way of removing the barrier by starting court action to collect income taxes on interest from Port of New York Authority bonds.

Sugar Allotment Forecast About 80% Through 1944

Industrial sugar rationing will continue through 1944 with allotments of about 80%, according to a forecast by B. W. Dyer & Co., New York sugar economists & Brokers. The Dyer analysis says:

"The further in the future a forecast is made, the less accurate it is likely to be. Nevertheless, we believe that your long-term plans should be made on the basis of sugar allotments of about 80% for 1944. This forecast is based on the following beliefs and assumptions: (1) the domestic beet sugar crop will be no more than 1,100,000 tons. (2) The total Cuban crop will be about 4,800,000 tons. About 800,000 tons of this will be required for ultimate alcohol production. (3) Sufficient shipping will be available to import all the sugar available for United States consumption. (4) The European and/or Pacific war may end either in 1944 or 1945. (5) Domestic refiners' production will be smoothed to maximize their refining capacity. (6) Election-year political decisions hereafter cannot fundamentally better the economics of the situation."

Mrs. Luce Calls Roosevelt Era One Of Failure And Frustration

Representative Clare Boothe Luce (Rep., Conn.) declared on Jan. 6, that history will record the Roosevelt Administration as "years of humiliating failure which rivers of blood—American blood—are now seeking to redeem for us."

Addressing a Republican rally in Los Angeles, Mrs. Luce was reported by the Associated Press (we quote from the New York "Sun") as saying:

"Whatever Franklin Delano Roosevelt's own fate at the polls in 1944, this era of his will be remembered by history as the tragic era. The Roosevelt era is the bloody and depressed era of American failure and frustration—failure and frustration for everyone and everything except, of course, for Mr. Roosevelt himself, and his own personal ambitions, which have strangely enough prospered exceedingly."

Beginning a nationwide speaking tour, she declared: "History will record that at a time when this America of ours was the greatest and strongest and richest in the world's nations, there nevertheless was allowed to come upon us the costliest and bloodiest war in all history.

"Under the tender ministrations of old Doctor New Deal, America slowly became a nation of hypochondriacs and introverts. Forgotten in a mounting fever of many imaginary ills, and many self-induced miseries, was the Japanese cancer that was growing in the Pacific. In the end, it reached to our very vitals."

The Republican party was said by the Congresswoman to be "historically the party of the Pacific."

"Wendell Willkie has spoken cogently and eloquently of the vast reservoir of good will which has been stored up abroad, especially in Asia, for America," she added. "It was not stored up there by Henry Wallace's kind of international handouts, nor Rooseveltian promises of impossible-to-fill freedoms. It was stored up by realistic and idealistic Republican statesmen at the turn of the century."

NYU Plans Symposium On Advertising

A symposium on advertising intended primarily for business executives who have a share in determining the marketing policies of their organizations has been organized by the New York University School of Commerce, Accounts and Finance, it was announced today (Jan. 6) by Dean John T. Madden.

The symposium is scheduled to begin Feb. 3 and will meet on consecutive Thursday evenings for the following fifteen weeks. The entire faculty of the School of Commerce's Department of Marketing will participate in the symposium with Professor Herbert M. Schiffer, assistant dean, acting as coordinator and discussion leader.

Although topics scheduled for discussion in the symposium will include all the most important permanent principles of advertising, special emphasis will be given to the possible applications of these principles to the post-war period.

The symposium will be held at the New York University Faculty Club, 22 Washington Square North. Those attending the symposium will be accorded guest privileges at the club for the duration of the symposium.

Profit Potentialities

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

Puerto Rico Electric Revenue Issue Offered

A new issue of $20,000,000 of Puerto Rico Water Resources Authority electric revenue bonds bearing a 2½% rate is being offered today by a selling group headed by The First Boston Corp. and B. J. Van Ingen & Co. and including Blair & Co., Inc.; Lazard Freres & Co.; Barcus, Kindred & Co.; Kneeland & Co.; A. C. Allyn & Co., Inc.; Graham, Parsons & Co.; Lee Higginson Corp., E. H. Rollins & Sons, Inc.; Merrill Lynch, Pierce Fenner & Beane; The Ranson-Davidson Co., Inc.; Eldredge & Co., Inc.; The Milwaukee Co.; Hawley, Shepard & Co.; McDonald-Coolidge & Co.; Field, Richards & Co.; The First Cleveland Corp.; Whiting, Weeks & Stubbs, Inc.; Newton, Abbe & Co.; Ballou, Adams & Co., Inc.; J. M. Dain & Co.; Indianapolis Bond & Share Corp. and Channer Securities Co.

The offering to the public, comprising $10,200,000 is that part of the issue which is due semi-annually from Jan. 1, 1950, to Jan. 1, 1969. Prices range from a 1.80% basis to 100, according to maturity.

The $20,000,000 issue, due semi-annually from Jan. 1, 1945, to Jan. 1, 1969, inclusive, was underwritten by B. J. Ingen & Co., Kneeland & Co., and Barcus, Kindred & Co., who privately placed the $9,800,000 not included in this offering; about $8,000,000 in Puerto Rico and the balance in the United States.

The purpose of the present financing is the funding or retirement of outstanding obligations amounting to a total of approximately $7,290,000, for the acquisition of the Porto Rico Railway, Light & Power Co., and to provide construction and reserve funds. On completion of this financing the Authority will have a total outstanding debt of $20,000,000 and will have an integrated power system under unified control doing a substantial majority of the total electric power business of the island. The electric power business constitutes about 95% of the gross revenues of the Authority, the balance being derived from varied services. It is expected that eventually the Authority will derive all its revenues from the development and sale of electric power.

Under the provisions of the Acts of Congress now in force, the bonds and income therefrom are, in the opinion of counsel exempt from Federal and State taxes.

The bonds are subject to redemption prior to their respective maturities, upon not less than 30 days' prior published notice, either in whole on any date on or after July 1, 1947, or in part, by lot, in inverse order of their maturities from moneys in the sinking fund on any interest payment date on or after July 1, 1949, at the following prices, plus accrued interest: 104 on or prior to Jan. 1, 1953, 103 thereafter and on or prior to Jan. 1, 1957, 102 thereafter and on or prior to Jan. 1, 1961, 101 thereafter and on or prior to Jan. 1, 1965, and 100 thereafter.

Eis In New York City

Leon L. Eis, formerly a partner in the dissolved firm of Scheer & Eis, is doing business as an individual dealer from offices at 52 Wall Street, New York City.

Dealers And Brokers' Cooperation With Treasury In War Loan Drive Requested

Cooperation of dealers and brokers with the Treasury's program for the Fourth War Loan Drive is requested in order to achieve the campaign's objective of selling as many securities as possible to investors other than commercial banks and to obtain the maximum investment of funds which are currently available or shortly to become available to such investors.

In a letter to dealers and brokers in the Second Federal Reserve District on Jan. 10, Allan Sproul, President of the Federal Reserve Bank of New York, had the following to say:

"To help in achieving this objective all banking institutions have been requested by the Treasury Department to decline to make loans to finance speculative subscriptions or any other loans on Government securities which cannot be paid out of anticipated income within a short period.

"To reinforce the action of the banks in this respect, dealers and brokers in securities are requested by the Treasury to limit the amount of their subscriptions, in the drive, to the amount of securities which they will be able to retail to customers, other than commercial banks, for investment after the drive has closed, plus the amount required for the investment of their own funds to the extent these are, and are expected to continue to be, idle. Generally speaking, the volume of purchases for subsequent resale to customers should be small regardless of the size of the investment firm, as most customers will have ample opportunity to subscribe during the drive. If a dealer or broker anticipates placing a large subscription, it is suggested that the matter be discussed with this bank before the subscription is entered. In order that there can be no misunderstanding as to the amount subscribed by a dealer or broker for his own account, subscriptions for account of customers must not be entered in the name of the dealer or broker.

"In further support of the Treasury's program for the Fourth War Loan Drive, and in order to avoid an unnecessary redistribution of securities in the Government security market following the drive, the public has been requested to refrain from entering subscriptions if subsequent prompt sale of the securities is intended. Dealers and brokers are requested to cooperate with the Treasury in discouraging the placement of subscriptions for Government securities by their customers for this purpose."

Warren Permits Name Entry In Primary

Governor Warren of California announced on Jan. 8 that he would permit his name to be entered in the May primary as a Republican candidate for President, but explained that his action was only to aid the party and not to seek the nomination.

In San Francisco advices of Jan. 8 to the New York "Times," is was further indicated:

"He was asked several days ago by a group of Republican leaders to authorize the formation of a committee to work for a delegation to the next National Convention pledged to him. The signers of the request said that they respected his reiterated announcement that he was not a candidate for either the Presidency or the Vice-Presidency and sought his cooperation to meet the mechanics of the primary law. The choice of a delegation is simplified if the voting carries a pledge to a particular person.

"In 1936 the State Republican delegation was pledged to Mr. Warren. He released the delegates immediately after the primary and the delegates attended the National Convention 'uninstructed'."

Congressmen Barred From Active Duty In Services By FDR

President Roosevelt instructed Secretary of War Stimson and Secretary of the Navy Knox on Jan. 10 that members of Congress "may not serve in the active components of the armed services."

In a formal statement, Mr. Roosevelt said that he had been informed by Attorney General Biddle that the Constitution forbids simultaneous service in the armed forces and in Congress.

The President also sent identical letters to the Secretaries requesting that they see to it that duly eleced members of Congress do not serve in the Army or Navy.

The text of Mr. Roosevelt's statement follows:

"The Secretaries of War and Navy have been instructed that duly elected members of Congress, as such, may not serve in the active components of the armed services. The desire of the national legislators to serve their country under arms is understandable and appreciated and does them honor. However, I am advised by the Attorney General that the Constitution of the United States forbids them from serving both in the armed forces and in the Congress at the same time.

"Aside from the constitutional barrier, there is also the problem of evaluation of service to the nation. One of the greatest strengths of our democracy in the time of crisis is a strong, virile Congress to meet the problems arising from the demands of total war. The election of these Congressment, after war was declared, showed that their constituents believed that their services as legislators was their paramount contribution to the war effort."

Standard Oil Of Ohio Preferred Stock Taken

The underwriters for the 101,389 shares of 4¼% cumulative convertible preferred stock par $100, announced Jan. 10 that the entire issue has been sold. Subscription Warrants for these shares were issued to the holders of the common stock of the company and upon the exercise of such Subscription Warrants 96,030 shares were sold. The remaining 5,359 shares have been sold by the underwriters.

The preferred stock is convertible, at the option of the holders into common stock, at the rate of 2.33 shares of common stock for each share of 4¼% cumulative convertible preferred stock to and including Jan. 15, 1954, and at the rate of 2 shares of common stock for each share of 4¼% cumulative convertible preferred stock thereafter, subject to adjustment in certain events.

The underwriters include F. S. Moseley & Co., The First Boston Corp., Blyth & Co., Inc., Harriman Ripley & Co. Inc., Lee Higginson Corp., Mellon Securities Corp., Smith, Barney & Co. and Hayden, Miller and Co.

Ampco Metal Look Good

The current situation in Ampco Metal, Inc., offers interesting possibilities according to a memorandum issued by Ryan-Nichols & Co., 105 South La Salle Street, Chicago, Ill. Copies of this memorandum may be had from Ryan-Nichols & Co.

A Preview Of Radio

(Continued from page 163)

ation in the total war-effort of the present.

Radio as an industry is fortunate to have television as a postwar development of great promise and popular appeal, able to open a new era in service to the public.

There should be no expectation, however, that when the war ends the air will be transformed overnight to television. It will require from three to six months to get the machinery in operation to resume the manufacture of civilian broadcast receivers. It may require a year after approval of standards and full authorization of commercialization of television broadcasting by the Federal Communications Commission before television sets are available within the price range from $200 to $300. Production of television receivers is not the only task. Television transmitters must be erected. Interesting programs be planned. Automatic radio relay stations must be built to link key cities into a network. That is no one-year job.

Alongside of television, "FM," or frequency modulation on ultra-short waves, holds great promise of becoming an added feature in broadcasting. Even now "FM" carries the sound part of television. In both television and "FM," much scientific progress has been made in connection with the application of radio to the war. The home-radio instrument of the future will be a combination television and sound-broadcast receiver incorporating "FM" and phonograph.

Outside the realm of radio communication, the application of radiothermics, or radio heating, is finding widely extended use in industry. The use of high-frequency waves for heating is a wartime development of no small achievement. It is accelerating and increasing the efficiency of numerous industrial processes.

The electron microscope, now produced under a high wartime priority rating, will be made available over a vast field of usefulness after the war. It will be compact and portable, and its service will be greatly increased. In addition, RCA Laboratories has succeeded in developing an electron micro-analyzer, which, incorporating an electron microscope, enables atomic identification of the chemical elements comprising sub-microscopic particles of matter. If, for example, there is iron in the nucleus of a bacterium, the micro-analyzer detects it.

Because of spectacular wartime developments, radio apparatus will be adapted for collision prevention to aircraft, ships, railroads and possibly automobiles. All this will be part of the new service of radio in an era of sight control made possible by the development of electron tubes in the field of microwaves.

As new electron tubes always serve as keys to major advances so in broadcast reception, new and tiny tubes—smaller than acorns—may introduce "personalized" radio. Small, compact receivers, and even transmitters may be built in a little case that will slip into a pocket. The uses to which such "stations" may be put gives the imagination much to play upon.

All these new developments will not be realized in 1944, but with 1944 as the year of expected decision in the European war, they will date from it, as radio broadcasting dated from 1919.

Manpower Problem Nearing Peak: Sen. Truman

(Continued from page 162)

problems which will have to be met in reconverting industry are serious, because any change of such vast extent is serious. They are not insuperable. Many of them were outlined in a recent report by my Committee, and we are doing what we can to encourage industry and Government agencies to remove or minimize obstacles that would otherwise retard reconversion.

"Many of the problems will affect retail stores. Principally, of course, it is very important to retail stores that there be no period of widespread unemployment after the reduction of war production and before the resumption of full scale civilian production.

"Even if this can be prevented, many retail stores will face difficulties by reason of the shift in population. Millions of persons have moved to defense communities. Many and perhaps most of these will move back.

"Retail stores will also have to give special attention to their inventories. In many instances, the merchandise which you have now, although good merchandise, is not equal to the quality that you furnished to the public before the war. In some cases where strategic materials and metals were formerly used, the merchandise you are buying now is made of substitutes which the public only accepts because there is no alternative. Furthermore, it has been manufactured in wartime at somewhat greater costs than those prevailing in peacetime. Also, during the war we have evolved new processes for manufacturing old materials, and have constructed facilities for producing large quantities of materials which were formerly too expensive for widespread use. Consequently, it is certain that after the war there will be new lines of merchandise with which some standard merchandise will be unable to compete.

Heavy Stock Danger

"For these reasons, it is important that while maintaining adequate inventories, you take care not to accumulate excessive stocks or long-run commitments.

"One of the greatest difficulties that followed the last war was caused by large stocks of merchandise. You will doubtless recall that even financially strong and widespread merchandising concerns like Montgomery Ward incurred great inventory losses. This time we have been more successful in combating inflation, and the difficulties should not be as severe, but they will exist."

N. Y. Analysts To Hear

The New York Society of Security Analysts, Inc. will hear Donald M. Hobart, advertising research of Curtis Publishing Company, on "Some Previews of Post-war Advertising" on January 14th.

Carlos Isreals, assistant to the general counsel for Associated Gas & Electric, will speak on "Deep Rock Aspects of General Gas & Electric" on January 17th.

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

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.

IBA 'Drive Within Drive' For War Loan

Investment bankers will conduct a "drive within a drive" in connection with the Government's Fourth War Loan starting Monday (Jan. 18), J. Clifford Folger, of Washington, President of the Investment Bankers Association of America, said on Jan. 11. In a letter to member houses in all sections of the country, Mr. Folger urged that, in addition to their participation in the Government's overall drive, they supplement this appeal to the mass market with intensive professional solicitation of big investors.

"The $5,500,000,000 goal set for sales to individuals—greater than the largest figure of sales to individuals ever previously attained—is so high that the Treasury has even greater need than before for our professional help in making a genuinely effective personal solicitation of individuals," his letter to IBA houses said. Mr. Folger in his letter added:

"Furthermore, the publicity and promotion for the drive will be aimed primarily at the mass market, at getting individuals on payroll savings plans to buy 'at least an extra $100 bond.' This leaves a big segment of the market, namely, individuals who can invest from $500 to $10,000 or more. This numerous group offers us an opportunity for conducting a 'drive within a drive' in reaching the big investors."

There is evidence of ample investment funds in individual hands to make an outstanding success of this drive, Mr. Folger said.

Result Of Treasury Bill Offering

Secretary of the Treasury Morgenthau announced on Jan. 10 that the tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills to be dated Jan. 13 and to mature April 13, which were offered on Jan. 7, were opened at the Federal Reserve banks on Jan. 10. The details of this issue are as follows:

Total applied for, $2,173,694,000.

Total accepted, $1,000,234,000 (includes $57,446,000 entered on a fixed-price basis at 99.905 and accepted in full).

Average price, 99.905. Equivalent rate of discount approximately 0.374% per annum.

Range of accepted competitive bids:

High, 99.925. Equivalent rate of discount approximately 0.297% per annum.

Low, 99.905. Equivalent rate of discount approximately 0.376% per annum.

(34% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Jan. 13 in amount of $1,004,706,000.

"Year of Decision"

Strauss Bros., 32 Broadway, New York City, have issued "Year of Decision," a timely bulletin, discussing the question of what pattern of our economy is foreshadowed by the momentous events ahead and what companies should be called upon to maintain peak production even as the war proceeds to its final stages. Specific securities which the firm considers of particular interest are also reviewed. Copies of the bulletin may be obtained from Strauss Bros upon request.

American Bank & Trust Co. Now Nat'l Amer. Bank

NEW ORLEANS, LA.—The name of the American Bank & Trust Co., 200 Carondelet Street, has been changed, effective Jan. 4, to the National American Bank of New Orleans.

Rents Were Frozen Too Low By OPA Mortgage Bankers Association Study Shows

Rent control experience so far indicates that rents generally were frozen about 14% too low, according to a study by the Mortgage Bankers Association of America published on Jan. 9.

Association members from 100 cities in 40 States, in a poll taken within the past three weeks, say that their experience has shown that rents were frozen an average of 13.8% too low.

The mortgage men say their operating costs for rental property have risen sharply and that, in the final analysis, property owners have been increasingly penalized under the ceilings established by OPA.

Estimates of how much too low rents were frozen ranged all the way from 35 and 40% in certain areas to less than 5%. Many members expressed the view that, based on the experience in their communities, no other group of citizens has made a greater contribution to stabilization of living costs than owners of rental property. Many supplemented this opinion by saying that rent is about the only item in the cost of living that has held absolutely firm in the anti-inflation effort.

"There has been no break in the rent front as far as holding prices down is concerned," H. G. Woodruff, Detroit, Association President said.

The opinions collected in the study have a special significance, Mr. Woodruff added, because the organization's members include many of the largest property managers in the country, some of whom supervise thousands of residential units. The study is thought to be the most recent made on a nation-wide basis on this subject and is one of nearly thirty which the Association has underway on wartime and post-war problems in the real estate and real estate financing field.

As to when rent control will end, more than 91% of the MBA members now believe that it can be successfully accomplished in six months to a year after the close of the war. Of this 91%, the majority expressed the opinion that considerable liberalization of restrictions can at least be put into effect before that time. Eight and a half per cent of the members do not anticipate an end of price control restrictions until several years after the war and believe that rent control will have to be maintained along with other price stabilization.

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

NEW YORK, N. Y.—**Frank L. Peel** and **Howard F. Linton** are now associated with **Amott, Baker & Co., Incorporated**, 150 Broadway.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Gordon Grant** has joined the staff of **Paul & Co., Inc.**, 50 Congress St.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Andrew W. Comstock** is now with **Farwell, Chapman & Co.**, 208 South La Salle St. In the past Mr. Comstock was with Blake Brothers & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Ralph D. Hollowell** has rejoined the staff of **Daniel F. Rice & Co.**, 141 Jackson Boulevard. Mr. Hollowell recently was connected with the First Boston Corp.

(Special to The Financial Chronicle)

CINCINNATI, OHIO—**J. Carl Danford** has rejoined **L. Hoefinghoff & Co., Inc.**, Union Central Building. Mr. Danford recently was connected with Browning & Co.

(Special to The Financial Chronicle)

NEW HAVEN, CONN.—**Chancey W. Hulse** is now with **Buckley Brothers**, 63 Wall St., New York City. Mr. Hulse was previously with R. S. Dickson & Co., Inc., and in the past was New Haven Manager for Phillips-Lovegrove & Co.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Frank E. Ward**, previously with O. H. Wibbing & Co., is now connected with **Edward D. Jones & Co.**, 300 North Fourth St.

(Special to The Financial Chronicle)

SPRINGFIELD, MASS.—**Alexander W. Haddon**, formerly associated with Percy O. Dorr & Co., Inc., for several years, has rejoined **Van Strum & Towne, Inc.**, investment counsellors of New York City.

(Special to The Financial Chronicle)

TOLEDO, OHIO—**Norman J. Fields** has rejoined the staff of **Braun, Bosworth & Co.**, Toledo Trust Building. Mr. Fields has recently been active with the Victory Fund Committee and the War Finance Committee in Toledo.

The Business Man's Bookshelf

Alternatives in Post-War International Monetary Standards—Walter E. Spahr, Professor of Economics, New York University—The Monetary Standards Inquiry, 408 Graybar Building, New York 17, N. Y.—paper—10¢.

British And American Plans For International Currency Stabilization—J. H. Riddle—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper—35¢.

Business Reserves in Present Tax Law—E. Cary Brown and J. Keith Butters—National Planning Association, 800 Twenty-first Street, N. W., Washington 6, D. C.—(Pamphlet No. 27)—paper—25¢.

Electrical Appliances—E. W. Axe & Co., Inc.—Tarrytown Press, P. O. Box 157, Tarrytown, N. Y.—$1.00; 50¢ to public libraries and non-profit institutions.

Taking God Into Partnership—Grenville Kleiser, with an introduction by Roger W. Babson—Funk & Wagnalls Co., 354 Fourth Ave., New York 10, N. Y.—cloth—$1.50.

Where's the Money Coming From? (Problems of Post-war Finance) — Stuart Chase — The Twentieth Century Fund, 330 West 42nd St., New York City—cloth—$1.00.

A Year of Transition

Thomson & McKinnon's annual review, entitled "1944—A Year of Transition," is now being prepared and copies may be had upon request from Thomson & McKinnon, 231 South La Salle Street, Chicago, Ill., members of the New York Stock Exchange and other principal exchanges.

Calendar Of New Security Flotations

OFFERINGS

FIRESTONE TIRE & RUBBER CO.

Firestone Tire & Rubber Co. has filed a registration statement for 450,000 shares of 4½% series preferred stock, cumulative, par value $100 per share.

Address—Firestone Parkway, Akron, O.

Business—Excepting in the manufacture and sale of certain war materials, the company and its subsidiaries are principally engaged in the manufacture and sale of rubber tires and tubes for automobiles, trucks, farm implements, airplanes, etc.

Underwriting—Harriman Ripley & Co., New York, and Otis & Co., Inc., Cleveland, head the list of underwriters. Others will be supplied by amendment.

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

Proceeds—Net proceeds will be used, together with additional funds of the company, for the redemption of the 454,129 shares of the company's 6% cumulative prefeerred stock, Series A, presently outstanding, at $105 per share and accrued dividends. The aggregate amount required to be paid upon such redemption is $48,364,738.

Registration Statement No. 2-5284. Form A-2. (12-31-43.)

Offered—Jan. 11, 1944, at $100 per share by Harriman Ripley & Co., Inc., Otis & Co. (Inc.), Blyth & Co., Inc., Lazard Freres & Co., Lehman Brothers, The First Boston Corp., Glore, Forgan & Co., Smith, Barney & Co., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Beane, Union Securities Corp., Hayden, Miller and Co., Hayden, Stone & Co., Kidder, Peabody & Co., Lee Higginson Corp. and Stone & Webster and Blodget, Inc.

FLORIDA POWER & LIGHT CO.

Florida Power & Light Co. registered with SEC $45,000,000 First Mortgage bonds, due Oct. 1, 1971; $10,000,000 Sinking Fund Debentures, due Oct. 1, 1956; and 140,000 shares Cumulative Preferred Stock, $100 Par. Interest rates on the Bonds and Debentures, and the dividend rate on the preferred stock, will be supplied by amendment

Address—25 S. E. Second Ave., Miami, Fla.

Business—This subsidiary of American Power & Light (Electric Bond & Share System) is an operating public utility engaged principally in generating, transmitting, distributing and selling electric energy (also manufacture and sale of gas), serving most of the territory along the east coast of Florida (with exception of the Jacksonville area), and other portions of Florida

Underwriting and Offering—The securities registered are to be sold by company under the competitive bidding Rule U-50 of the SEC's Public Utility Holding Company Act. Names of underwriters and price to public, will be supplied by post-effective amendment to registration statement

Proceeds will be applied as follows $53,170,000 to redeem at 102¼, the $52,000,000 of company's First Mortgage 5s of 1954; $15,693,370 to redeem at $110 per share, the 142,667 shares of company's $7 preferred stock, no par. Further details to be supplied by post-effective amendment

Registration Statement No. 2-4845. Form A2. (9-17-41)

Amendment filed eliminating the issuance of the preferred shares but providing for the issuance to bank of $5,000,000 serial notes.

Registration statement effective 5 p.m., EWT, on Dec. 30, 1943.

Bonds Awarded—Florida Power & Light Co. on Jan. 10, 1943, awarded the $45,000,000 first mortgage bonds due 1974 and $10,000,000 sinking fund debentures due 1979 to a syndicate headed by The First Boston Corp., the bonds as 3½s at 104.019 and the debentures as 4⅛s at 99.022.

Bonds Offered—The $45,000,000 first mortgage bonds, 3½% series due 1974, and the $10,000,000 4⅛% sinking fund debentures were offered at 105½ and interest and 100.462 and interest, respectively, by the following underwriters: The First Boston Corp., Smith, Barney & Co., Blyth & Co., Inc., Harriman Ripley & Co., Inc., Lazard Freres & Co., Kidder, Peabody & Co., Mellon Securities Corp., Stone & Webster and Blodget, Inc., Union Securities Corp., Glore, Forgan & Co., W. C. Langley & Co., Shields & Co., White, Weld & Co., Drexel & Co., Eastman, Dillon & Co., Harris, Hall & Co., Inc., Paine, Webber, Jackson & Curtis, Tucker, Anthony & Co., A. C. Allyn & Co., Inc., Equitable Securities Corp., Central Republic Co., Inc., Estabrook & Co., Lee Higginson Corp., F. S. Moseley & Co., The Wisconsin Co., Arthur Perry & Co., Inc., The Robinson-Humphrey Co., Stroud & Co., Inc., Alex. Brown & Sons, Laurence M. Marks & Co., The Milwaukee Co., Riter & Co., Auchincloss, Parker & Redpath, E. W. Clark & Co., Hayden, Miller & Co., Clement A. Evans & Co., Inc., Yarnall & Co., Atwill & Co., Cooley & Co., Fahey, Clark & Co., J. J. B. Hilliard & Son, Merrill, Turben & Co., The Ohio Co., Chas. W. Scranton & Co. and Wm. P. Harper & Son & Co., Inc.

KNUDSEN CREAMERY CO. OF CALIF.

Knudsen Creamery Co. of Calif. has registered $350,000 5½% sinking fund debentures due 1955.

Address—Los Angeles, Calif.

Business — Processing and distributing dairy products.

Underwriting—Dean Witter & Co.

Proceeds—For plant site, plant equipment and working capital.

Registration Statement No. 2-5257. Form S-1 (11-18-43).

Registration statement effective 5.30 p.m., EWT, on Dec. 8, 1943.

Offered by Dean, Witter & Co. at 100 and interest.

STANDARD OIL CO. OF OHIO

Standard Oil Co. of Ohio has filed a registration statement for 101,389 shares of cumulative convertible preferred stock, $100 par value, and an indeterminate number of shares of common stock, par $25 per share. The dividend rate on the preferred stock will be supplied by amendment. The shares of common stock are to meet the conversion privilege of the preferred stock and will not be offered separately. The conversion rates will be filed by amendment.

Address—Midland Building, Cleveland, Ohio.

Business—Direct activities are principally the refining and marketing of crude petroleum and products derived therefrom.

Underwriting—F. S. Moseley & Co., Boston, is named principal underwriter. Others will be named by amendment.

Offering—Rights to purchase the new preferred stock will be issued to common stockholders of a record date to be named later at the rate of one share of preferred for each 8 shares of common stock, at a price to be fixed by amendment. The unsubscribed stock will be purchased by the underwriters and offered to the public at a price to be filed by amendment. Stockholders of the company are to meet on Dec. 22, 1943, to approve the new issue of $10,138,900 of cumulative convertible preferred stock and 488,888 additional shares of common stock, a portion of which are to be reserved for conversion of the preferred. Any shares not so reserved would be available for issuance for oil producing properties and for other corporate purposes.

Proceeds—Net proceeds from sale of the cumulative convertible preferred stock will be added to the general funds of the company to be available for working capital, capital expenditures and general corporate purposes.

Registration Statement No. 2-5267. Form A-2. (12-8-43)

Standard Oil Co. of Ohio has filed an amendment to its registration statement in which it gives the offering price on its proposed issue of 101,389 shares of 4¼% cumulative convertible preferred stock, par value $100, at $100 per share.

Subscription warrants will be issued by the company to holders of record of common stock at the close of business Dec. 23, 1943, giving them the right to subscribe at $100 per share for the new preferred at the rate of one share for each eight shares of common stock so held of record. The subscription warrants will expire at 3 p.m., Jan. 5, 1944.

The preferred stock is convertible at the option of the holders into common stock, at the rate of 2.33 shares of common stock for each share of 4¼% cumulative convertible preferred to and including Jan. 15, 1954, and at the rate of two shares of common for each share of such preferred thereafter, subject to adjustment in certain events.

Standard Oil Co. of Ohio has filed an amendment to its registration statement listing the underwriters on the proposed offering of 101,389 shares of cumulative convertible preferred stock (par $100) as follows: F. S. Moseley & Co., 10%; Blair & Co., 1.50%; Blyth & Co., Inc., 4%; H. M. Byllesby & Co., Inc., 1.25%; Coffin & Burr, Inc., 1.25%; Curtiss, House & Co., 0.75%; J. M. Dain & Co., 0.75%; Paul H. Davis & Co., 1.50%; Estabrook & Co., 1.25%; Fahey, Clark & Co., 0.75%; Field, Richards & Co., 1%; First Boston Corp., 10%; First Cleveland Corp., 1%; Harriman Ripley & Co., Inc., 4%; Harris, Hall & Co., Inc., 2%; Hawley, Shepard & Co., 2%; Hayden, Miller & Co., 3%; Hayden, Stone & Co., 1.25%; Hornblower & Weeks, 2.75%; W. E. Hutton & Co., 2%; Kidder, Peabody & Co., 2.75%; Lee Higginson Corp., 4%; Mackubin, Legg & Co., 1.50%; McDonald-Coolidge & Co., 2%; Laurence M. Marks & Co., 1.50%; Mellon Securities Corp., 4%; Merrill Lynch, Pierce, Fenner & Beane, 2.75%; Merrill, Turben & Co., 2%; Morgan Stanley & Co., 10%; Maynard H. Murch & Co., 1.25%; Ohio Co., 1%; Paine, Webber, Jackson & Curtis, 2.75%; Arthur Perry & Co., Inc., 1.50%; Shields & Co., 2.50%; Smith, Barney & Co., 4%; Union Securities Corp., 2.50%, and White, Weld & Co., 2%.

Registration statement effective 3:15 p.m., EWT, on Dec. 23, 1942.

Of the total offering of 101.389 shares, 96,030 were subscribed for by stockholders. The remaining shares, it was announced Jan. 10, have been sold by the underwriters.

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.

Offered—Unsold 27,272 shares offered Jan. 13, 1943 at $100 per share by Harriman Ripley & Co. and associates.

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing (unless accelerated at the discretion of the SEC), except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930 (b).

Offerings will rarely be made before the day following.

MONDAY, JAN. 17

NATIONAL SECURITIES & RESEARCH CORPORATION

National Securities & Research Corp. has filed a registration statement for 1,200,000 shares (bond series, low-priced bond series, preferred stock series, income series, low-priced common stock series) and 40,000 shares of International series. The aggregate offering price is stated in the statement at $8,889,200. The shares are in investment trust fund, open-end diversified management type.

Address—120 Broadway, New York.

Business—Investment trust.

Underwriting—National Securities & Research Corporation is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5281. Form C-1. (12-29-43.)

TUESDAY, JAN. 18

AMERICAN REALTY CO.

American Realty Co. has filed a registration statement relating to the offering for the extension of first mortgage serial notes of Housam Realty Co., secured by a first mortgage deed of trust on the Ranelagh Apartments, 5707 McPherson Avenue, St. Louis, Mo., in the aggregate principal amount of $240,750.

Address—5707 McPherson Avenue, St. Louis, Mo.

Business—Apartment building. American Realty Co. was incorporated July 21, 1943, to acquire and own the equity in the Ranelagh Apartments subject to the first mortgage deed of trust, securing the outstanding and unpaid mortgage serial notes of the par value of $267,000 which, by the plan of reorganization, are to be reduced by 10% to $240,750 of par value, and on outstanding second deed of trust on which there is an unpaid balance of $40,500.

Underwriting—None.

Offering—Purpose of present offering to the noteholders is to reduce the principal amount of all the notes outstanding by 10%, leaving, after such reduction of principal, an aggregate first mortgage indebtedness of $240,750.

Registration Statement No. 2-5282. Form S-1. (12-30-43.)

WEDNESDAY, JAN. 19

EASTERN COOPERATIVE WHOLESALE, INC.

Eastern Cooperative Wholesale, Inc., has filed a registration statement for $100,000 4% registered debenture bonds authorized issue of 1943.

Address—44 West 143rd Street, New York City.

Business—Wholesale dealer in groceries and allied products, including, among other related activities, warehousing and packaging.

Underwriting—None.

Offering—The price of the bonds is $25 for each $25 principal amount thereof. The securities are being sold by the cooperative directly to its stockholders and friends interested in the cooperative movement without the interposition of any underwriter, dealer, broker or salesman. No commission is being paid to anyone in conjunction with such sale.

Proceeds—Proceeds are to be used to finance the purchase of the new warehouse and office building purchased in July, 1943, in New York, the purchase price of which was $50,000 cash on taking title and $12,000 in the form of a purchase money mortgage payable in installments over a period of seven years.

Registration Statement No. 2-5283. Form S-1. (12-31-43.)

UNITED STATES OF BRAZIL (ESTADOS UNIDOS DO BRASIL)

United States of Brazil (Estados Unidos Do Brasil) has filed a registration statement for $76,651,500, based on the aggregate principal amount of the Brazilian State and Municipal external dollar bonds outstanding on Nov. 1, 1943. The figure given represents the aggregate principal amount of all of the new bonds which would be outstanding if all of such bonds were converted pursuant to an option in the registration statement.

The registration is in respect to the assumption of responsibility for the payment of service of certain Brazilian State and Municipal external dollar bonds pursuant to Decree-Law No. 6019 of Nov. 23, 1943.

The offer is made to holders of various external bonds issued in dollar denominations by governments of the States and municipalities of Brazil and the Coffee Institute of the State of Sao Paulo, as follows:

State of Sao Paulo 7% secured sinking fund gold bonds (coffee realization loan of 1930), dated April 1, 1930, due Oct. 1, 1940.

State of Sao Paulo 15-year 8% sinking fund gold bonds external loan of 1921, dated Jan. 1, 1921, due Jan. 1, 1936.

State of Sao Paulo 25-year 8% secured sinking fund gold bonds external loan of 1925, due Jan. 1, 1950.

State of Sao Paulo 7% secured sinking fund bonds, external water works loan of 1926, due Sept. 1, 1956.

State of Sao Paulo 40-year 6% sinking fund gold bonds, dated July 1, 1928, due July 1, 1968.

State of Rio Grande do Sul 25-year 8% sinking fund gold bonds, external loan of 1921, due Oct. 1, 1946.

State of Rio Grande do Sul 40-year 7% sinking fund gold bonds, external loan of 1926, due Nov. 1, 1966.

State of Rio Grande do Sul consolidated municipal loan, 40-year 7% sinking fund gold bonds, dated June 1, 1927, due June 1, 1967.

State of Rio Grande do Sul 6% external sinking fund gold bonds of 1928, dated June 1, 1928, due June 1, 1968.

State of Minas Geraes 6½% secured external sinking fund gold bonds of 1928, dated March 1, 1928, due March 1, 1958.

State of Minas Geraes secured external 6½% gold bonds, Series A, dated Sept. 1, 1929, due Sept. 1, 1959.

State of Maranhao external secured sinking fund 7% gold bonds of 1928, due Nov. 1, 1958.

State of Pernambuco 7% external sinking fund gold bonds, dated March 1, 1927, due March 1, 1947.

State of Rio de Janeiro external 30-year 6½% secured sinking fund gold bonds of 1929, due Jan. 1, 1959.

State of Parana 7% external sinking fund consolidated gold bonds, dated March 15, 1928, due March 15, 1958.

State of Santa Catarina 25-year sinking fund external 8% gold bonds, dated Feb. 1, 1922, due Feb. 1, 1947.

City of Rio de Janeiro (Federal district) 25-year 8% sinking fund gold bonds, dated Oct. 1, 1921, due Oct. 1, 1946.

Federal District of the United States of Brazil (City of Rio de Janeiro) 5-year 6% external secured gold bonds, dated April 1, 1928, due April 1, 1933.

City of Sao Paulo 6% external secured sinking fund gold bonds of 1919, due Nov. 1, 1943.

City of Sao Paulo 30-year 8% external secured sinking fund gold bonds, dated March 1, 1922, due March 1, 1952.

City of Sao Paulo 6½% external secured sinking fund gold bonds of 1927, due May 15, 1957.

City of Porto Alegre 40-year 7½% sinking fund gold bonds, external loan of 1925, due Jan. 1, 1966.

City of Porto Alegre 40-year 8% sinking fund gold bonds, external loan of 1921, due Dec. 1, 1961.

City of Porto Alegre 40-year 7% sinking fund gold bonds, external loan of 1928, due Feb. 1, 1968.

Under the decree-law effective Jan. 1, 1944, the payment of interest and amortization of the bonds listed above will be made in accordance with Plan A or Plan B, at the option of the bondholders.

Under Plan A the original principal amount of the bonds will remain unchanged, but the interest rates will be reduced to new fixed amounts. The responsibility for service under Plan A remains with the original obligors.

Under Plan B there will be a reduction of 20% of the principal amount of the bonds in the case of State of Sao Paulo 7% secured sinking fund gold bonds (Coffee Realization Loan of 1930), due Oct. 1, 1940, and a reduction of 50% in respect of the other bonds listed above. Interest on the remaining face amount will be paid at the rate of 3¾% to compensate for the reduction in principal and interest rates, and the holders will receive cash payments ranging from $75 to $175 per $1,000 principal amount of bond.

The amount to be set aside annually to service the bonds under Plan B (assuming the holders of all the Brazilian Government, State and Municipal dollar bonds to which Plan B is available elect that plan) would be $12,151,809. The total interest charge during the first year would be $7,120,197 and the balance of $5,031,612 would be available for retirement of bonds. After deducting the Brazilian Government issues, the annual amount to service the bonds listed would be $4,905,696 annually, the interest for the first year being $2,874,428 and amortization $2,031,268.

Under plan, the balance of the funds set aside after deducting interest will be used to purchase bonds when quoted below par or to redeem bonds at face amount when at par or above.

Bondholders may elect their plan between Jan. 1 and Dec. 31, 1944.

Registration Statement No. 2-5285. Form Schedule B. (12-31-43.)

WEDNESDAY, JAN. 26

ATLAS PLYWOOD CORP.

Atlas Plywood Corporation has registered 150,000 shares of common stock, par value $1 per share.

Address—1432 Statler Building, Boston, Mass.

Business—One of the largest manufacturers of plywood packing cases in the United States.

Underwriting—Van Alstyne, Noel & Co., New York, are named principal underwriter. Others will be named by amendment.

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

Proceeds—For working capital and other general corporate purposes.

Registration Statement No. 2-5287. Form S-1. (1-7-44.)

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ASSOCIATED FUND, INC.

Associated Fund, Inc., has filed a registration statement for 5,000 full paid certificate units of $100 each; 1,000 installment payment certificates of $100 each, with insurance, and 4,000 installment payment certificate units of $100, without insurance.

Address—506 Olive Street, St. Louis, Mo.

Business—Investment trust.

Underwriting—Associated Fund, Inc., is named sponsor.

Offering—Date of proposed offering Dec. 7, 1943. Offering price 100.

Proceeds—For investment.

Registration Statement No. 2-5270. Form C-1. (12-10-43).

Amendment filed Dec. 27, 1943, to defer effective date.

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.

Amendment filed Jan. 7, 1944, to defer effective date.

BONWIT TELLER, INC.

Bonwit Teller, Inc., has filed a registration statement for 35,565 shares of 5½% cumulative convertible preferred stock, $50 par value, and 108,913 shares of common stock, par $1 per share. The latter includes 88,913 shares of common reserved for issuance upon the conversion of the 5½% cumulative convertible preferred stock registered, at the present rate of conversion, which may vary from time to time in the event of certain contingencies. The shares are issued and outstanding and the offering does not represent new financing by the company.

Address—721 Fifth Avenue, New York City.

Business—Owns and operates one of the outstanding large specialty stores in the United States.

Underwriting—Allen & Co., New York City, is named principal underwriter for both the preferred and common stock.

Offering—The offering price to the public of both the preferred and common stock will be supplied by amendment. The prospectus offers the 35,565 shares of 5½% preferred and 20,000 shares of common stock. The shares are presently issued and outstanding and are being purchased by the underwriters from Atlas Corporation and its subsidiary Rotary Electric Steel Co. Atlas Corporation, directly and indirectly, has been the controlling stockholder of the company since its organization.

Proceeds—Proceeds will go to the selling stockholders.

Registration Statement No. 2-5245. Form A-2. (10-29-43).

Amendment to defer effective date filed Dec. 31, 1943.

BUTTES OILFIELDS, INC.

Buttes Oilfields, Inc., has filed a registration statement for 306,305 shares of class A common stock, par $1 per share.

Address—912 Syndicate Building, 1440 Broadway, Oakland, Cal.

Business—Organized to drill and develop certain properties held under a community oil, gas and mineral lease.

Underwriting—None named.

Offering—The company plans to reorganize its capital structure and put it virtually, if not wholly, on a common stock basis. The exchange features of the offering are limited to holders of the corporation's outstanding 6% preferred stock and to holders of its 8% unsecured notes. The offering for cash is limited to stockholders of record as of July 15, 1943. If fully subscribed, cash proceeds from the issue will be $150,000.

Proceeds—Cash proceeds will be disbursed as follows: liquidation of general indebtedness, $40,000; operating capital, $5,000; general cash reserve, $60,000; reserve for property acquisitions, etc., $45,000. Price per unit for securities to be offered for cash is $1.60, with no underwriting discounts and commissions.

Registration Statement No. 2-5268. Form S-1. (12-7-43.) Statement originally filed in San Francisco.

Amendment filed Dec. 24, 1943, to defer effective date.

CENTRAL ILLINOIS ELECTRIC & GAS CO.

Central Illinois Electric & Gas Co. has filed a registration statement for 440,000 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.)

Amendment filed Jan. 7, 1944, to defer effective date.

CERTAIN-TEED PRODUCTS CORPORATION

Certain-teed Products Corporation has filed a registration statement for $6,737,300 4% cumulative income debentures (subordinated) to be due Oct. 31, 1973; 134,746 shares of common stock, $1 par value, and certificates of deposit for 67,373 shares of 6% cumulative prior preference stock.

Address—120 South LaSalle Street, Chicago, Ill.

Business—Business consists generally of manufacturing and selling asphalt roofing, shingles and related products, wallboard and gypsum products, boxboard and various other products.

Underwriting—Paul H. Davis & Co., Chicago, is named principal underwriter, or dealer manager and company will pay to selected dealers a commission for the deposit of shares of preference stock pursuant to an offer of exchange.

Offering—The company offers to the holders of the outstanding 67,373 shares of its 6% cumulative prior preference stock the right to exchange such shares for the new income debentures and shares of common stock on the basis of $100 principal amount of income debentures and two shares of common stock for each share of 6% cumulative prior preference stock. The registration statement states that the company proposes, under certain conditions, to issue to the holders of the 625,340 shares of common stock presently outstanding, common stock purchase warrants entitling the holders in the aggregate to purchase, at a price to be announced later, 208,446 additional shares of common, and to issue and sell such shares of common stock not taken up by the warrant holders. The company also proposes, under certain conditions, to issue and sell $5,500,000 principal amount of new senior debentures and to apply the proceeds of the sale of the new senior debentures, together with other funds, to the redemption of the outstanding debentures. There are $7,100,000 face amount of 20-year 5½% sinking fund gold debentures, Series A, due March 1, 1948, now outstanding. The interest rate of the new senior debentures has not been finally determined, but will not exceed 4½% per annum. The income debentures will be subordinated to the new senior debentures and to other indebtedness of the company. The company reserves the right to revoke the offer of exchange unless within a certain date holders of not less than 57,250 shares of the preference stock accept the offer. The proposal to issue common stock purchase warrants to present common stockholders and the procurement of a commitment for the purchase of any common stock not subscribed for by common stockholders and the issue and sale of the new senior debentures is contingent upon the exchange offer being declared effective by the company.

Proceeds—The proceeds to the company of the income debentures and shares of common stock offered will consist of shares of the preference stock exchanged and all such shares of preference stock will be retired and the capital of the company will be reduced by the sum of $100 for each share retired. For each share of common issued pursuant to offer, the sum of $1 will be deducted from capital surplus account and credited to capital account represented by such share.

Registration Statement No. 2-5241. Form S-1. (10-27-43).

Amendment filed Dec. 31, 1943, to defer effective date.

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.)

Company filed an amendment on Jan. 10 to its registration statement in which it gives the interest rate on its proposed issue of debentures at 5%.

Offering price to the public is given at 100, plus accrued interest from Jan. 15, 1944, to date of delivery. Underwriting discounts or commissions are 4%, making net price to the company 96, or a total of $3,360,000.

Underwriters are H. M. Byllesby & Co., Inc., Chicago, and Ladenburg, Thalmann & Co., N. Y., $825,000 each; Eastman, Dillon & Co., N. Y., $450,000; A. C. Allyn & Co., Inc., Chicago, $400,000; First Trust Co. of Lincoln, Neb., $250,000; Cruttenden & Co., Chicago, $200,000; Mackubin, Legg & Co., Baltimore; Wyeth & Co., Los Angeles; Bankamerica Co., San Francisco, $150,000 each, and Victor, Common, Dann & Co., Buffalo, $100,000.

FIRST BOND & MORTGAGE CO. OF GLENDALE, CAL.

O. C. Logan, voting trustee, has filed a registration statement for voting trust certificates for 1,400 shares of common capital stock of First Bond & Mortgage Co. of Glendale, Cal.

Address—1618 South Brand Boulevard, Glendale, Cal.

Underwriting—None named.

Offering—Date of proposed offering or delivery of voting trust certificates is January.

Purpose — Certain stockholders entered into a voting trust agreement on May 26, 1939, by which they agreed to create a voting trust with O. C. Logan as voting trustee. Said voting trust terminated on Nov. 1, 1942, and the holders and owners of the stock deposited in the trust are desirous of extending the voting trust for an additional period of five years from Nov. 1, 1942, with O. C. Logan continuing to act as voting trustee. The voting trustee is at present a director and the president of First Bond & Mortgage Co. of Glendale, Cal.

Registration Statement No. 2-5215. Form F-1. (9-20-43). Registration originally filed in San Francisco.

Registration statement fully effective Dec. 21, 1943.

FOOD FAIR STORES, INC.

Food Fair Stores, Inc., filed a registration statement for $3,500,000 15-year 3½% sinking fund debentures, due Feb. 1, 1959.

Address—2223 East Allegheny Avenue, Philadelphia, Pa.

Business—Operates supermarkets engaged in the retail sale of groceries, meats, meat products, vegetables, etc.

Underwriting—Eastman, Dillon & Co., New York, head the underwriting group, with names of others to be supplied by amendment.

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

Proceeds — To the payment of outstanding bank notes of $3,150,000, with prepayment premium and accrued interest, and to increase working capital.

Registration Statement No. 2-5280. Form S-1. (12-24-43.)

HOME INSURANCE CO. OF HAWAII, LTD.

Home Insurance Co. of Hawaii, Ltd., has registered 20,000 shares of common stock, par value $20.

Address—Honolulu, Hawaii.

Business—General insurance.

Underwriting—No underwriter named.

Offering—Stock is to be offered to stockholders through warrants at $30 per share, of which 7,683 shares to be taken by Castle and Cooke, Ltd., for investment; 6,407 shares to be taken by Hawaiian Trust Co., Ltd., for investment; shares representing warrants which are not exercised and full shares representing fractional interests will be auctioned at an upset price of $30 per share on Jan. 31, 1944, or such subsequent date as board of directors may determine and proceeds in excess of $30 per share will be distributed to stockholders whose subscription rights are not exercised or whose fractional interests are sold. If shares sold at auction are underwritten terms will be filed by post-effective amendment.

Proceeds—For capital and surplus.

Registration Statement No. 2-5260. Form S-1. (11-26-43.)

Registration statement effective 3 p.m., EWT, on Dec. 31, 1943.

ILLINOIS POWER CO.

Illinois Power Co.—name changed on Nov. 1, 1943, from Illinois Iowa Power Co.—has registered $65,000,000 first mortgage and collateral trust bonds series due 1973.

Address—134 East Main Street, Decatur, Ill.

Business—An operating public utility company engaged in the electric and gas business in Illinois.

Underwriting—Names will be supplied by post effective amendment.

Offering—Company proposes to sell the bonds through competitive bidding pursuant to Commission's Rule U-50. Price to the public will be supplied by amendment.

Proceeds—Company proposes to use the net proceeds from the sale of bonds, with $4,000,000 to $5,000,000 to be borrowed on bank notes and a portion of its treasury funds to redeem its first and refunding mortgage bonds as follows: Redeem on April 1, 1944, $30,681,500 face amount, Series A, 6%, due April 1, 1953, at 104½% and interest, and on June 1, 1944, $39,175,100 face amount of Series C, 5%, due Dec. 1, 1956, at 105% and accrued interest. Total redemption cost exclusive of accrued interest of the two issues is $73,196,022. In addition, company has or will redeem or pay off $17,321,900 face amount of its funded debt including $15,827,400 face amount of its first and refunding mortgage bonds Series B—the entire issue—to be redeemed on Dec. 1, 1943 from proceeds of recent sale to Continental Gas & Electric Corp. by Illinois Iowa of its entire interest in Des Moines Electric Light Co. and Iowa Power & Light Co. for $15,220,000. The company redeemed on Oct. 1, 1943, $500,000 first and refunding mortgage bonds, Series A, and will pay at maturity on Dec. 1, 1943, $994,500 face amount of underlying mortgage bonds.

Registration Statement No. 2-5237. Form S-1. (10-23-43.)

Bidding Rule Waived—The SEC on Jan. 6, 1944, approved an application of the company for authority to sell a $65,000,000 issue of first mortgage and collateral trust bonds privately to a group of insurance companies on condition that the price obtained for the bonds is satisfactory to the Commission.

(This list is incomplete this week)

N. Y. Stock Exchange Weekly Firm Changes

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

Proposed transfer of the exchange membership of Raymond S. Rose to Bertram F. Brummer will be considered by the Exchange on Jan. 20. Mr. Brummer will continue as a partner in Salomon Bros. & Hutzler, New York City.

Transfer of the Exchange membership of James S. Marsh to George A. Barclay will be considered on Jan. 20. Mr. Barclay will continue as a partner in Kean, Taylor & Co., New York City.

Transfer of the Exchange membership of Col. J. Goodwin Hall to Benjamin E. Bampton, who will continue as a partner in Pflugfelder, Bampton & Rust, New York City, will be considered on Jan. 20. Col. Hall is serving as Chief of Reconnaissance of the Army Air Staff.

William Frew withdrew from partnership in Moore, Leonard & Lynch, Pittsburgh, Pa., on Jan. 1.

James H. Carter, partner in Carter & Co., New York, died on Jan. 6.

Money In Circulation

The Treasury Department in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the moneys held in the United States Treasury and by Federal Reserve Banks and agents. The figures this time are for Nov. 30, 1943 and show that the money in circulation at that date (including, of course, that held in bank vaults of member banks of the Federal Reserve System) was $19,918,176,489, as against $19,250,318,310, on Oct. 31, and $14,210,452,014 on Nov. 30, 1942, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is on June 30, 1914, the total was $3,459,434,174.

S. C. Bond Quotations

E. H. Pringle & Co., 18 Broad Street, Charleston, S. C., have prepared a representative list of South Carolina State, county, city and town bonds, and a few of the larger school districts showing interest rates, maturities and bid and asked prices, as of Dec. 31, 1943. Copies of this interesting list may be had from the firm upon request.

Interesting Utility

New England Public Service Co. offers interesting possibilities according to a memorandum prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other principal exchanges. Copies of this memorandum may be had from the firm upon request.

Heads Johnson Branch

R. H. Johnson & Co. announce that John R. Klima is now in charge of their Pittsburgh office in the Union Trust Building.

World Currency Stabilization Plans Discussed By J. H. Riddle

The Keynes and White plans for international currency stabilization do not seem to be the most workable plans for meeting the conditions that are likely to prevail in the immediate postwar period, according to a publication just released by the National Bureau of Economic Research.

In the study entitled "British and American Plans for International Currency Stabilization," written by J. H. Riddle, Economic Advisor to the Bankers Trust Company of New York and Consultant to the National Bureau's Committee on Research in Finance, it is pointed out that many fundamental problems would have to be solved before either of these plans could be placed in effective operation. While the plans represent efforts toward greater international cooperation in monetary matters, they seem designed to operate in a stable world.

Questions Feasibility of Plans in Transition Period

The problem in the immediate postwar period, however, will be to restore stability in a badly disordered world. Political and internal economic instability will exist hand-in-hand with numerous trade restrictions and dislocations. The greatest war in history cannot help leaving in its wake a condition approaching the chaotic, especially for the continental European countries.

As an alternative to the Keynes and White plans, Mr. Riddle suggests that the so-called key-country approach to stabilization might meet the needs of the post-war transition period more adequately. This approach involves stabilizing currencies of some of the leading currencies as a nucleus for general stabilization. It would allow nations to work out their monetary problems one by one with first emphasis on remedying the basic causes of disequilibrium in each country. An international bank would assure cooperation among central banks and facilitate settlement of international balances.

The first step in the key-country approach would be to stabilize the dollar-sterling rate. Because of blocked sterling balances and a heavy adverse balance of payments, England will need substantial financial aid in dealing with her exchange problems, perhaps five or six billion dollars, but the need is for long-term loans rather than short-term stabilization credits, according to the report.

Needlessly Complicated

Pointing out that the general concepts and techniques of the Keynes and White plans are similar, Mr. Riddle states that they are essentially credit rather than clearing mechanism. A large fund or credit pool would be set up and managed by an international board of directors with broad powers and controls. The general purpose is to have creditor nations (those with favorable balances of trade) finance the debtor nations as a group.

International controls of the type suggested in these plans will appear to many as needlessly complicated. Mr. Riddle suggests that some less formalized arrangement might gain initial all-around approval more easily and perhaps grow as experience is acquired in handling international matters.

Unsuited to Immediate Post-war Period

Mr. Riddle questions whether any plan for over-all currency stabilization would be workable under the conditions that will prevail in the postwar period. Such plans are designed to facilitate general currency stabilization before the basic causes of instability are attacked. Instability of the exchanges, however, is a symptom or reflection of disorders elsewhere, the report states, and the problem is to cure those disorders. No country can maintain a stable currency unless its internal economy is in order. Economic stability in turn depends on political stability, Mr. Riddle observes. Until genuine peace and confidence have been restored to the world, it may be impossible to attain sufficient economic order to stabilize exchange rates generally.

The rates of exchange existing now, and the rates which the White plan would use in initiating over-all stabilization, are pegged rates and in many cases will turn out to have little relation to the fundamentals of the various economies in the postwar period.

Moreover, even if the plan did not break down in the transition period, it might be in such a frozen condition at the end of that period that its ability to deal with exchange problems in a more orderly world would be seriously impaired.

Credit Extension Problems

The study points out that both the Keynes and White plans rely heavily upon credits to solve the world's problems and suggests that these credits, instead of accelerating necessary fiscal and ecomonic reforms, might postpone them. Some countries might have to be carried for years without attaining internal political and economic stability. The difficulties of many debtor countries might be obscured for a period by stabilization credits, but they might build up economies that could continue only on the basis of a constant inflow of credits. Continued lack of balance in the stabilization mechanism would endanger the entire structure.

The experience of the 1920's shows that substantial credits may be granted without producing the equilibrium necessary for establishing and maintaining definitive exchange rates.

Another danger noted is that a system of quotas or shares in a credit pool might encourage debtor countries to believe that they have a "right" to credits, and that such credits need not be liquidated. American banking history suggests the danger of having applications for loans passed upon by the would-be borrower or by groups of would-be borrowers, who have sometimes been able to vote one another unwarranted loans, the auther comments. Furthermore, it is impossible to tell from either of the plans how deeply the United States might become involved in extending credits and loans.

Policing International Transactions

Both plans contemplate control over short-term capital movements, but this might require the policing of all international transactions, according to the author. Hence, those plans might extend and perpetuate exchange controls instead of removing them.

Another point brought out in this study is that the Keynes plan in particular might be highly inflationary at a time when the world will be combating inflationary influences generated by the war. Huge credits might give an artificial stimulation to world trade, but when the credits end the readjustments could prove very painful. The stimulation of foreign buying in the United States during the immediate post-war period might make it particularly difficult for the United States to supply the deferred demands of the public and hold prices in check.

Stabilization Needs A Prosperous United States

It will no doubt devolve upon the United States to supply most of the credits in any stabilization plan, Mr. Riddle observes, but our contributions will be more effective if safeguarded against wasteful or unsound use.

Prosperity in the United States, with the consequent stimulation of imports, tourist expenditures, and foreign investments, would greatly expedite the stabilization of other currencies. Moreover, states the author, a strong and stable dollar, free from exchange restrictions, will be the main stabilizing influence in the world, whatever method of stabilization may be adopted.

Richard Bond Is With H. M. Byllesby Co.

BALTIMORE, MD.—The investment firm of H. M. Byllesby & Co. announce that Richard H. Bond has became associated with them, as their representative, in Baltimore, with offices located in the Court Square Building. In the past Mr. Bond was an officer of Gillett & Co.

S. H. Junger Co. Adds Frank Cannon To Staff

Frank Y. Cannon, for many years a partner of J. K. Rice, Jr. & Co., has become associated with the over-the-counter securities firm of S. H. Junger Co., 40 Exchange Place, New York City.

A. J. Schlosser Joins Blyth & Co. Dept.

Blyth & Co., Inc., 14 Wall St., New York City, announce that Alvin J. Schlosser has joined their buying department. Mr. Schlosser was formerly with Halsey, Stuart & Co., Inc., having joined the New York office of that firm in 1931. He has been identified with important corporate reorganization work and many Halsey Stuart underwritings.

J. Streicher Co. Admits

J. L. Streicher, member of the New York Curb Exchange, has been admitted to partnership in J. Streicher & Co., Two Rector Street, New York City.

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Jack Kennan Now With C. F. Cassell & Co.

CHARLOTTESVILLE, Va.—C. F. Cassell & Co., 112 Second Street, N. E., announce that Jack Keenan, formerly connected with the Home Owners Loan Corporation, has become associated with their organization.

Interesting Situation

The 4¼% bonds of Northampton County, Pa., offer an attractive situation, according to an interesting descriptive circular prepared by A. Webster Dougherty & Co., 1421 Chestnut Street, Philadelphia, Pa. Copies of this circular may be had from the firm upon request.