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The First Year After World War I

A Retrospect Of The Year 1919 As A Guide To Post-War Planning By Investors, Industry, Banking, Finance, Government and Labor

After World War I was formally ended with the signing of the Armistice on Nov. 11, 1918, our economy was confronted with the necessity of absorbing the 2,000,000 men in the armed forces in France and the 2,000,000 additional ones in training camps in this country—We had to contend with lay offs brought about by the cessation of the manufacture of munitions and other special work incidental to the prosecution of the war—Then, too, while the war was in progress our domestic economy was subjected to widespread dislocations as a result of the controls and restraints imposed on business and industry by the Administration—The nation is now undergoing even more radical changes in its fundamental structure than was the case in World War I—For this and other reasons, we believe it very timely and pertinent to present now a review of the situation which prevailed on the "home front" during the year 1919, the first year after the previous conflict. The record for that period as it appeared in the "Chronicle's" Financial Review is reprinted herewith:

The year 1919 was in many respects, and perhaps it would be entirely accurate to say in all respects, a distinct surprise. Certain it is that the year as a whole belied all its early indications—the trade and economic indications which were so conspicuously in evidence when the year opened. The negotiations between the Allied and Associated Powers for the purpose of imposing terms of peace upon the Central Powers, and more particularly Germany, were very protracted, being prolonged far beyond expectations, the course of the negotiations not always running smooth or placid. It was not until May 7 that the Treaty, as framed by the peace conferees and embodying the terms upon which the Allied and Associated Powers were willing to conclude peace with Germany, was handed to the German plenipotentiaries at Versailles, not until June 28 that the Treaty of Peace was actually signed at Versailles, and not until January 10 of the new year (1920) that the certificates of ratification were exchanged putting the treaty into effect which formally terminated the war.

Joseph P. Tumulty
Pres. Wilson's Sec'y

Not only that, but from the very first there was strong opposition to the Treaty in the United States. The opposition arose, not because of objections to the terms of peace imposed, but because the Treaty included a Covenant for the organization of a League of Nations, with practically perpetual and unlimited powers over its members within the scope laid down.

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Wilson Leaving For Peace Conference

With a broad smile and beaming with confidence, President Wilson is pictured as he left for Brest, France, to attend the Peace Conference in Versailles in April, 1919. It was his second trip to Europe following the Armistice of Nov. 11, 1918. . . . During his first attendance at the Peace Conference Wilson had thrown himself doggedly into the work of persuading the Conference to write a League of Nations Covenant into the Peace Treaty itself. . . . At home others were lining up to prevent our entry into the League.

Financing Small Business After The Termination Of The War

By HON. ROBERT A. TAFT*

Senator Taft Urges Vesting Banks With Authority To Make Capital Loans With Maturity Of Not More Than 10 Years And Limited Guaranty By Governmental Agency To Private Investment Companies Meeting Certain Requirements, As The Instrumentality To Assist Small Manufacturing Companies In Obtaining Capital From Investors.

It is a pleasure to come to Boston from the pressure and confusion of Washington in wartime to discuss one of the most important of post-war problems. This is certainly an appropriate place to discuss the question because more work has been done on it here than anywhere else in the United States, and Mr. William Leavitt Stoddard, of the New England Industrial Development Corporation, is taking an active

Robert A. Taft

*An address delivered by Senator Taft at the Boston City Club, Boston, Mass., on Jan. 14, 1944.

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Gen. Ayres Sees Possibility Of Reconversion Of Industry Not Following Planned Order

Vice-President of Cleveland Trust Co. Sees Both Business Activity And The Security Markets Moving In Advancing Trends During Second Half of This Year If They Follow The Courses Marked by Averages in Election Years of The Past Century

In the opinion of Brig.-Gen. Leonard P. Ayres, "reconversion of industry for civilian production may turn out to be very different from the orderly procedure now being planned by Donald M. Nelson and sponsored by Bernard M. Baruch." Gen. Ayres observes that "apparently important parts of major industries will stop making munitions and return to their peace-time lines of production because the armed services no longer need the articles they have been making." "This process," he says, "is already getting under way, and there is every likelihood that it will keep on spreading. It conforms to no prearranged plan," he adds, "because it results from unforeseen military developments." Gen. Ayres' views are contained in the Jan. 15 "Business Bulletin" of the Cleveland Trust Co. and his further comments on the subject follow:

Gen. L. P. Ayres

"Probably the most striking case so far is that of the makers of railroad equipment. They have produced great numbers of tanks and much artillery, but now the tank and artillery programs have been greatly reduced, and the equipment firms are asked to go back to making locomotives. Baldwin Locomotive and American Locomotive will probably make nearly 4,000 engines this year of which more than half will be produced on military orders. These firms will face few or no problems of reconversion. Fortunately for them the Army now finds that it has pressing need for the articles the firms

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Senate Action On Tax Bill Delayed By Renegotiation Provision

Amendment Affecting Losses on "Hobby" Enterprises

The Senate has disposed of virtually all of the revenue sections of the $2,275,600,000 tax bill, disregarding President Roosevelts request for a "realistic" program of at least $10,500,000,000 in new taxes, and is now seeking to work out the controversial amendments to the renegotiation provisions of the bill. With respect to revision of the War Contracts Renegotiation Act, it is reported that a compromise is in the making between amendments voted by the Senate finance Committee and those favored by the Administration—possibly on the basis of a "cut-off date" or termination date for the governments renegotiation authority.

Senate action on most of the revenue phases of the tax bill was completed on Jan. 12, including the individual income and corporate tax schedules and the principal excise increases. At its session on Jan. 15, the Senate by a vote of 37 to 26 adopted an amendment to the bill limiting the amount of deductions a taxpayer might claim through losses sustained in operation of "hobby" enterprise—such as a racing stable. Sponsored by Sen. Danaher (Rep., Conn.) the amendment would prevent an individual op-

(Continued on page 312)

50 Years of Service

Henry Greaves, Treasurer of the Equitable Life Assurance Society of the United States, has completed 50 years of service with the Society. Mr. Greaves was honored at a luncheon given by the officers and directors of The Equitable.

Henry Greaves

Kidder, Peabody To Admit Three Partners

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange and other exchanges, will admit Harry C. Clifford, Walter V. Moffitt and Alfred Rausch to partnership in their firm as of Jan. 27. Mr. Rausch is in charge of the municipal department of the firm's Philadelphia office at 123 South Broad Street.

Collin, Norton Will Admit Craft, Goodsite

TOLEDO, OHIO—Don M. Craft and Huge H. Goodsite will be admitted as of Feb. 1 to partnership in Collin, Norton & Co., 508 Madison Ave., members of the New York Stock Exchange and other exchanges. Mr. Craft is in charge of the bond department of Collin, Norton & Co.

In This Issue

Special material and items of interest with reference to dealer activities in the States of Connecticut, Michigan and Missouri appear in this issue.

For Connecticut and Michigan see page 308; Missouri on page 276.

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NASD Challenges Congress

At the Hot Springs, Va., meeting on Tuesday, of this week, the new Board of Governors of the NASD unanimously voted to make the infamous 5% mark-up limitation rule stick and moved that a letter be sent out to all members informing them of this fact—the letter to be signed by the retiring Chairman, Henry G. Riter, 3rd, and the newly elected Chairman, Ralph Chapman, of the New York Stock Exchange firm of Farwell, Chapman & Co., of Chicago.

Now you may be sure the letter will not break the bad news in this blunt fashion but will be couched in silky and slick language, for which give credit to "the powers that be," that will make it appear as though those disagreeing with the contemptible manner in which this rule was foisted upon the membership or with a 5% mark-up limitation, as such or in principle, are malefactors and lacking in ethics.

But the guiding geniuses of the Association will find that they are fooling nobody and that small dealers and large will band together to see to it that steps are taken to compel the rescission of this vicious, illegally adopted rule.

They are not fooling anybody either when they talk about the Board of Governors—**with the newly elected members concurring—having taken unanimous action in the matter** for it is pretty generally recognized that even many of the fourteen old and seven new Governors were prompted to fall in line simply because of FEAR of offending the powers that be. Some, too, were originally high pressured over the telephone into agreeing to the decree and now feel they have to stick to their guns.

The SEC, of course, should have taken steps long before this to abrogate the rule, since it was not adopted in the decent democratic manner called for under the Maloney Act.

As a matter of fact, it is a certainty that Congress just will not sit back and permit the SEC to disregard the provisions of the Maloney Act in this respect or counterance a profit limitation (a mark-up limitation rule is tantamount to a profit limitation one) that will force the small independent dealer to close his doors and join the sales force of a large investment firm. And as one New York Dealer said recently, intelligent finance will not either.

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

Patterns Of The Post-War Future

President of Johns-Manville Corporation Holds We Will Have No Great Collapse In Prices In Longer Range Post-war Period If Present Job of Controlling Prices Continues—While Future Prices and Wages May Be Higher He Believes It Possible For Money To Buy Relatively More Than Heretofore Which Spells The "Recipe For Prosperity, Not For Depression"

Sees American People Fed Up With Ration Points, Price Controls, And With Being Pushed Around By Bureaucrats And Arrogant Labor Leaders—Says We Want Not 4, 8 or 40 Freedoms But Freedom To Become Leader Or Follower As We Choose—To Work Just Enough To Get Along Or Hard Enough To Buy The Big House On The Hill

By LEWIS H. BROWN*

Let me begin by saying that I am very happy to be here today. The constructive enthusiasm of the Sales Executives Club is always an inspiration. But, I must admit that only by meeting with you can one appreciate the real power for accomplishment which you represent.

To me, this brings assurance that in spite of the great inroads made by this war, our sales organizations remain a staunch and potent force—fully competent to shoulder their share of the huge job that will lie before us when the war is over.

Lewis H. Brown

However, the ability of our sales organizations, and every other group in American business to succeed in the undertakings which will challenge us in the post-war years will, of course, depend largely on conditions outside the conditions both economic and political. It is impossible to do the most rudimentary kind of planning for the future unless we know something of what the rules are going to be when the game starts.

Neither I nor anyone else can accurately predict the future. But all of us can and must make assumptions, based on the best information at hand. Let me, therefore, attempt to summarize some of the possible economic patterns which may develop in the post-war period.

In doing this I want to say that I lay no claim to being clairvoyant.

Dr. Gallup once told a story about a poll he had taken. The

*An address delivered by Mr. Brown before the Sales Executives Club of New York earlier this month.

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Cahill & Bloch To Be Formed in New York

The New York Stock Exchange firm of Cahill & Bloch, with offices at 39 Broadway, New York City, will be formed as of Jan. 27. Partners will be Robert L. Cahill, Elmer M. Bloch, exchange member, Alfred W. Weigt, exchange member, general partners, and Helen F. Cahill, limited partner. Mr. Weigt will acquire the Exchange membership of Mr. Cahill, who has been doing business as an individual floor broker, as has Mr. Bloch.

Robert Borden Now With Schwabacher Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Robert W. Borden has become affiliated with Blyth & Co., Inc., Russ Building. Mr. Borden in the past was Manager of the Municipal Department of Schwabacher & Co.

Mathey Admits Harvey

Edward A. Harvey has become a partner in L. A. Mathey & Co., 120 Broadway, New York City, members of the New York Curb Exchange.

Rock Island Reappraised

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other principal exchanges, have issued an interesting reappraisal of the Rock Island situation. Copies of this memorandum may be obtained from the firm upon request.

Attractive Situation

Class A stock of Chicago and Eastern Illinois offers an attractive situation at current levels according to an interesting analysis prepared by Raymond & Co., 143 State St., Boston, Mass. Copies of this discussion may be obtained upon request from Raymond & Co.

Railroads Returned To Private Control—Wage Increases Awarded To Workers—Crisis Ends

Within three hours after the announcement by President Roosevelt that the dispute between the carriers and their 1,100,000 non-operating employees had been settled and that increases agreed upon had been approved by Fred M. Vinson, Director of Economic Stabilization, Henry L. Stimson, Secretary of War, ordered Army control and operation of the nation's railroads terminated at midnight on Tuesday, Jan. 18. A threatened nation-wide railroad strike led to the seizure by the Government of the carriers on Dec. 27, last.

The other major obstacle to the return of the railroads to their owners was removed on Jan. 14 when the Brotherhood of Railroad Firemen and Enginemen, the Order of Railway Conductors and the Switchmen's Union of North America reached an agreement with the carriers. These three unions had held out against the terms of the agreement made on Dec. 29 by the other two operating unions, the Brotherhood of Locomotive Engineers and the Brotherhood of Railroad Trainmen. The financial terms of the agreement of the operating unions provide for a wage increase of 4 cents an hour, 5 cents an hour in lieu of overtime after 40 hours, expenses while away from home and one week's annual vacation with pay, the equivalent of 2 cents an hour. However, the agreement signed on Jan. 14 carried two stipulations which were not in the agreement made by the Brotherhood of Locomotive Engineers and the Brotherhood of Railroad Trainmen, viz: (1) That the parties cannot further consider overtime, away-from-home expenses and vacation with pay for the duration of the war; and (2) that the parties are not restricted from taking action at any time to change basic rates of pay or to amend existing rules or to propose new rules not connected with overtime, expense away from home and vacation with pay.

Under the agreement reached between the Carriers Conference Committee and the 15 non-operating unions, increases of 1 to 5 cents an hour were added to the sliding scale increase of from 4 to 10 cents approved by the Shaw Special Emergency Board, making total increases of from 9 to 11 cents an hour. For non-operating employees earning less than 47 cents an hour, the settlement in lieu of overtime calls for 11 cents an hour additional; from 47 to 57 cents an hour, 10 cents additional; and from 57 cents an hour and up, 9 cents additional. The agreement also provides that the allowance which has been agreed upon in lieu of overtime shall become effective as of Dec. 27, 1943, as in the case of the operating unions.

Work Plan Of 6-Hour Shift, 7-Hour Pay Proposed By Head Of Reynolds Metal Co.

Federal legislation which would make mandatory in industry a six-hour shift and pay at the rate of seven hours was advocated on Jan. 14 by R. S. Reynolds Sr., president of Reynolds Metals Co., as part of a plan to increase employment in the United States by one-third after the war.

In reporting this proposal, the New York "Herald Tribune" of Jan. 15 also said:

The 6-hour shift and 7-hour pay basis would apply wherever six or more persons are employed. All mercantile, banking and government departments would work two shifts daily of six hours each.

Other features of Mr. Reynolds's plan are:

That the home owners' 20-year payment plan be enlarged to include the purchase of furniture, machines and fixtures; that workers be encouraged to purchase and own stock in the companies which employ them; creation of quick-freeze stations and warehouses in rural areas; extension of loans to farmers to insure orderly marketing of crops, and proper planning of public works by local, State and national governments.

In line with his employee stock-ownership proposal, Mr. Reynolds declared that marginal trading in stock under the call-loan plan, of Wall Street as well as short-term loans to bankers, "has tended to concentrate stock ownership in the hands of the non-creators and non-producers. My proposal should make possible the return of business ownership to workers and management."

Interesting Situation

The current situation in Bowser, Inc., offers interesting possibilities according to a memorandum issued by Cruttenden & Co., 209 South La Salle St., Chicago, Ill., members of the New York and Chicago Stock Exchanges. Copies of this memorandum may be had from the firm upon request.

Railroad Securities

The recently published annual report of the Interstate Commerce Commission had at least one feature that came as a surprise to many rail men and which has brought forth a considerable amount of criticism. In many of its recent reorganization plans the Commission has provided an escape clause in the new 1st Mortgage bonds, providing that with the assent of holders of a specified percentage of the bonds (generally 75%) a moratorium may be declared on fixed or contingent interest or on principal maturities. Such a proposal for perpetuating burdensome debt structures and protecting the position of stockholders in what may be an obviously topheavy capital structure is completely at variance with the attitude of the Commission in setting up new capital structures for roads now undergoing reorganization under its jurisdiction. In pending reorganizations the Commission has even recently, and in the face of war swollen earnings, refused to recognize the rights of old stockholders to participate in the new companies even to the extent of stock purchase warrants. Perhaps the Commission has become so discouraged over the endless litigation its plans have evoked that the prospect of a future free from reorganizations presents an attractive vista.

Whatever the reason for the proposal, its critics view it as one of the most serious blows yet struck at general railroad credit. It is also claimed in many quarters that whereas the Commission may have the power to impose whatever provisions it cares to on the new mortgages being issued in reorganization, the imposition of the escape clause on all railroad bonds already outstanding would be of dubious constitutionality. Also there has been some question raised as to the possible legality of railroad bonds as investment media in the event such legislation were passed.

The legislation would almost certainly be an open invitation to unsound capital structures. In fact, the Commission in its report defends the proposal on the grounds that the escape clause "tends somewhat to lessen the necessity for strict limitations in the debt and interest charges of companies undergoing reorganization which otherwise are neces-

(Continued on page 270)

Charges Administration With 'Misrepresentation' In Seeking To Have Subsidies Approved

In urging defeat of the Administration's food subsidy program, Senator Bushfield (Rep., S.D.), charged in the Senate on Jan. 14 that "an unprecedented campaign of misrepresentation and even falsehood has been waged by those high in authority for the purpose of instilling fear in the minds of the people" that catastrophe will result if the bill barring consumer subsidies is approved. Senator Bushfield declared that various "Government officials have by written and spoken word, endeavored to instill in the minds of the American people a fear that catastrophe will result if this bill is passed." He added that "if we follow the advice given us we will lose our shirts in the expenditure of public money for unneeded and unwanted subsidies."

Senator Bushfield further asserted that "there is only one solution to this confusion and threatened famine and that is to remove all regulations on food production. Let the age-old law of supply and demand take its course. Hoarding will cease. Black markets will disappear. We will get rid of an unwanted and an unnecessary army of Government employees, and our supply of food will be ample for all purposes."

C. W. Doolittle With Merrill Lynch Firm

(Special to The Financial Chronicle)

DENVER, COLO.—Charles W. Doolittle has become associated with Merrill Lynch, Pierce, Fenner & Beane, First National Bank Building. Mr. Doolittle in the past was a principal of Sidlo, Simons, Roberts & Co.

Lamson Bros. & Co. Celebrates 70 Years

Lamson Bros. & Co., 141 West Jackson Boulevard, Chicago, Ill., members of the principal security and commodity exchanges, are this year celebrating the 70th anniversary of the firm's founding in 1874.

Daniel Baugh Joins Gordon Macklin Co.

(Special to The Financial Chronicle)

CLEVELAND, OHIO — Daniel Baugh III has become associated with Gordon Macklin & Co., Union Commerce Building, members of the Cleveland Stock Exchange. Mr. Baugh was formerly a floor broker on the Cleveland Stock Exchange and prior thereto was with Hopper, Soliday & Co., of Philadelphia.

Bricker Warns Of Five Major Dangers Threatening Nation

A change in the philosophy of government as well as a change of Administration in Washington is needed if the nation is to be saved from five major dangers now confronting it in its domestic policy, Governor John W. Bricker of Ohio contended on Jan. 13. Mr. Bricker, candidate for the Republican Presidential nomination, told a joint meeting of five Missouri and Kansas City G. O. P. organizations that he was confident of a Republican victory in this year's national elections.

In reporting this, an International News Service dispatch from Kansas City appearing in the New York "Journal American" further said:

"Nothing would so assure our fighting forces that America is still self-governed as a Republican victory," he asserted.

Mr. Bricker said New Deal bureaucracy threatened the nation with five dangers:

Danger in the size and power of the Federal Government and its encroachment upon the proper functions of the States.

Danger in the vast revenue drawn by the Federal Government from sources heretofore available to the States.

Danger in burdensome taxation "not for war but for expanded functions of government, depriving our people of the opportunity to make their own way."

Danger in "bureaucratic restrictions so extensive and burdensome that they have been smothering the initiative and enterprise of our people."

Danger in the "ruthless aim to destroy our system of checks and balances, superimposing the executive department over the other departments of government."

Railroad Securities

(Continued from page 269)

sary in view of the wide fluctuations in railroad earnings experienced in the past and which may be expected in the future." Examination of the earnings records of most of the reorganization roads in normal times (not to mention depression years which the Commission apparently thinks will recur) as applied to the new capitalizations is not calculated to convince many that less "strict limitations in the debt and interest charges" would be advisable.

Again one has only to compare prices for the new Erie 1st Mortgage bonds, or for that matter the 1st Mortgage bonds of companies still six to 18 months away from consummation of reorganization, with prices for such bonds as Baltimore & Ohio or the strong underlying liens of Lehigh Valley to become convinced that the device of temporary moratoria without correcting the underlying factor of an insuperable debt burden works to the detriment of senior bondholders. This is contrary to the general precept upholding lien seniority followed in judicial reorganization procedure and consistently stressed by the Supreme Court.

Another factor being brought out by critics of the proposal is that it might well remove one of the greatest incentives there has been to utilize boom earnings to reduce outstanding debt. The necessity for such programs has been stressed repeatedly by the Commission itself. Relieved of the fears of judicial reorganization, there might well develop in the future an inclination on the part of railroad management to adopt more liberal dividend policies, to the detriment of creditors. Stockholders could sit back secure in the knowledge that the improvident dividend policies did not presage their eventual elimination. When the time came when retrenchment was essential the moratorium would be their safeguard.

Mallory, Hollister To Dissolve; Two New Firms Will Be Formed

Following the dissolution of Mallory, Hollister & Co. on Jan. 31, two new firms will be formed on Feb. 1: Mallory, Adee & Co. and Pyne, Kendall & Hollister.

Partners of Mallory, Adee & Co., which will have offices at 120 Broadway, New York City, will be Charles H. Mallory, George T. Adee, Paul W. Havener, William L. Strong, Jr., member of the New York Stock Exchange, general partners, and Stanley W. Burke, Henry E. Coe, Jr., and Robert E. Strawbridge, Jr., limited partners.

Buell Hollister, Ernest L. Jones, member of the Exchange, Albert B. Bianchi, and F. Malcolm Minor will be partners in Pyne, Kendall & Hollister, which will be located at 120 Broadway, New York City.

Nov. Rail Operations

Vilas & Hickey, 9 Wall Street, New York City, members of the New York Stock Exchange, have just issued an interesting summary of I. C. C. comment on November rail operations. Copies of this circular may be had from the firm upon request.

National Service Proposal Shelved By House Committee

The House Military Affairs Committee on Jan. 18 postponed indefinitely consideration of President Roosevelt's recommendation for national service legislation.

Following the group's closed meeting, Representative May (Dem., Ky.), Chairman of the Committee, said the action does not preclude future consideration of such legislation but that it "was decided to hold it in abeyance for the time being, pending future developments." Mr. May further explained, according to the Associated Press, that the Senate Military Committee already has arranged for hearings on the legislation and the House group could avail itself of information gathered by that Committee it if desires to consider the bill later.

Attractive Possibilities

A food chain store, common stock currently selling under $6, offers interesting present and future possibilities, according to a bulletin issued by Hicks & Price, 231 South La Salle St., Chicago, Ill., members of the New York and Chicago Stock Exchanges and other exchanges. Copies of this bulletin may be had from the firm upon request—ask for Bulletin C 22.

U. S. Offers Aid In Russian-Polish Dispute Over Territorial Boundaries

The United States has offered to aid in bringing about a resumption of diplomatic relations between the Russian Government and the Polish Government in exile in London, it was announced on Jan. 17 by Secretary of State Hull. It is understood that the American offer extends only to the question of diplomatic relations and does not presume interference in the settlement of Poland's territorial dispute with Russia, although mediation in the boundary affair would not be ruled out if the offer was accepted.

In answer to Soviet Russia's proposal of Jan. 11 to settle territorial questions on the basis of the old Curzon line, the Polish Government, in a statement issued in London on Jan. 14, neither accepted nor rejected the offer, proposing instead that the United States and Great Britain be called in to act as intermediaries in discussing "all outstanding questions" between Russia and Poland. This was followed on Jan. 17 by a Soviet statement saying that the Polish note amounted to a rejection of Russia's offer, although it was described as being non-committal. However, the Polish Government did say that it could not recognize "unilateral decisions."

"While the Polish Government cannot recognize unilateral decisions or accomplished facts which have taken place on the territory of the Polish Republic," the statement said, according to Associated Press London advices, "they have repeatedly expressed their sincere desire for a Polish-Soviet agreement on terms which would be just and acceptable to both sides."

"To this end," it continued, "the Polish Government is approaching the British and United States Governments with a view to securing through their intermediary discussion by the Polish and Soviet Governments, with the participation of the British and American Governments, of all outstanding questions, settlement of which would lead to friendly and permanent cooperation between Poland and the Soviet Union."

The text of the Russian statement of Jan. 17, as broadcast from Moscow by Tass, the Soviet official news agency, and reported in Associated Press London advices, follows:

"In reply to a declaration made by the Polish Government in London, Jan. 15, Tass is authorized to state:

"First, in the Polish declaration the question of the recognition of the Curzon Line as a Soviet-Polish frontier is entirely evaded and ignored, which can only be interpreted as a rejection of the Curzon Line.

"Secondly, as regards the Polish Government's proposal for the opening of official negotiations between it and the Soviet Government, the Soviet Government is of the opinion this proposal aims at misleading public opinion, for it is easy to understand that the Sovet Government cannot enter into official negotiations with a government with which diplomatic relations have been interrupted.

"The Soviet Government reminds that diplomatic relations with the Polish Government were interrupted through the fault of that government, because of its active participation in the hostile anti-Soviet slanderous campaign in connection with the Katyn murders launched by the German occupationists.

"In the opinion of the Soviet circles, the above-mentioned circumstances once again demonstrate that the present Polish Government does not desire to establish good-neighborly relations with the Soviet Union."

The Soviet border proposal was described in these columns Jan. 13, page 195.

Pending Tax Bill Assailed As "Tragic Failure" By Randolph Paul

Randolph Paul, General Counsel of the Treasury Department, voiced objection on Jan. 7 to the pending tax bill declaring it "a tragic failure," and saying that "what started out to be a revenue bill is now in large part a measure to appropriate public funds for 'relief' of war profiteers and others."

In an address before the Indiana State Bar Association, at Indianapolis, Mr. Paul gave these reasons for his charges:

1. It does not raise enough revenue. (The Treasury asked for $10,500,000,000.)

2. It fails to reduce inflationary pressure.

3. "It denies to more than 50,000,000 taxpayers the simplification of tax law to which they are entitled."

4. "The bill, particularly the Senate Finance Committee version . . . makes a dead letter" of the contract renegotiation act designed to prevent exorbitant war profits.

From Associated Press Indianapolis advices we also quote:

Reviewing renegotiation changes in both the House-approved measure and the bill recommended by the Senate committee, Mr. Paul declared "it is no exaggeration to say that these amendments emasculate the (renegotiation) statute. Their adoption would make it worse than nothing; it would leave a facade of war profit control with no reality behind it."

He cited particularly amendments that would permit contractors to reopen "closed" renegotiation cases, exempt many subcontractors from renegotiation, and make the Act inapplicable to "standard commercial articles."

Of the measure's revenue yield, Mr. Paul argued that the House bill would raise about $2,100,000,000 a year but that the bar to the automatic rise in social security levies would reduce prospective receipts by $1,400,000,000.

"That means," he added, "that the Senate bill will raise only $873,000,000 . . . without allowance, however, for revenue losses and increases in expenditures resulting from the Finance Committee renegotiation amendments."

This arithmetic is at variance with that of the Senate Finance Committee. Mr. Paul's text did not elaborate on his figures.

"If these (renegotiation) amendments stand," the Treasury official said, "it will be years before we know precise financial effects; but it is possible that they will put the bill in the red. In short, what started out to be a revenue bill is now in large part a measure to appropriate public funds for 'relief' of war profiteers and others."

"Booms & Depressions"

Security Adjustment Corporation, 16 Court St., Brooklyn, N. Y., have an interesting chart of business booms and depressions during all wars from 1775 to 1944 presenting a graphic picture of American business and financial cycles. Copies of this chart may be had from the firm upon request.

Ralph Chapman Named Chairman of NASD

At the fourth annual meeting of the board of governors of the National Association of Securities Dealers, Inc., held in Hot Springs, Va., Ralph Chapman of Farwell, Chapman & Co., Chicago, was elected chairman of the Association. He succeeds Henry G. Riter 3rd of Riter & Co., New York City.

Ralph Chapman

Other officers elected were: James Coggeshall, Jr., First Boston Corp., New York, and Hermann F. Clarke, Estabrook & Co., Boston, vice-chairman; Albert Theis, Jr., Albert Theis & Sons, Inc., St. Louis, treasurer; and Wallace H. Fulton, executive director.

Elected members of the executive committee in addition to the officers were Mr. Riter, James Parker Nolan, Folger Nolan & Co., Inc., Washington, D. C., retiring treasurer; and Ralph E. Phillips of Dean Witter & Co., Los Angeles.

Emery Joins Staff Of First Cleveland Corp.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Fred H. Emery has rejoined the staff of the First Cleveland Corporation, National City Bank Building, with which he was formerly associated for many years. Mr. Emery has recently been with the Smaller War Plants Corporation in Cleveland.

Turner With Reynolds

Reynolds & Co., 120 Broadway, New York City, members New York Stock Exchange, announce that Warren Hires Turner is now associated with them.

Real Estate Securities

The Best Bond of All

Since the inauguration of this column two years ago, the writers have from time to time recommended real estate bonds, which very fortunately have almost all gone up considerably in value.

One day we would suggest the purchase of hotel bonds, the next day we went to office buildings, then we came to apartment houses and every once in a while we picked out a loft building that seemed desirable. These bonds for many years have all been under-priced and it was a natural thing that when any normal amount of business came along, that these securities should benefit. The War caused an unusual amount of business and, of course, the securities not only received the normal amount of benefit we expected, but became even more desirable than we hoped for.

There are a great many issues that we have not yet discussed in this column, which we believe are still selling below their intrinsic worth and the buyer of them will probably be able to make a profit. From time to time we hope to call these different issues to your attention and trust that our opinion of them will be justified by coming events.

This week, however, we would like to tell you about a bond, which we know is good. As a matter of fact, it must be good or any real estate bond you ever buy will never be any good.

We are speaking of U. S. War Bonds, and for at least once in this column we are going to suggest not buying any real estate bonds—at least not until after you have bought all of the U. S. War Bonds you can afford.

Fifty Years Of Investment Service

Bond & Goodwin, Incorporated is this year marking the fiftieth anniversary of its activity in the investment banking business.

Starting as a Boston concern in 1894, Bond & Goodwin has gradually expanded its activities until it now maintains offices in Boston, New York, and Portland, Maine, and is represented in other cities. During this period continuity of management has been reflected in the long service of its officers. Both the President and the Treasurer have each been with the firm for over thirty-four years, and six of the eleven senior officers have been with the organization an average of twenty-six years. All senior officers have been with the firm for at least ten years.

Bond & Goodwin has been identified with many public financings, outstanding among which was that of Henry Ford. This occurred shortly after the First World War when Mr. Ford acquired the minority interest in the Ford Motor Company, which required a revolving credit of $75,000,000. This was the only public financing that Mr. Ford has ever done.

The firm maintains statistical and trading departments and specializes in governments, municipals, railroads, public utilities, industrials, and bank and insurance stocks. An income tax information service for the accommodation of investors is also maintained.

To Admit McCarthy; Firm Name Vose Co.

Daniel F. McCarthy, member of the New York Stock Exchange, will be admitted to partnership in the Exchange firm of Stewart, Vose & Co., 1 Wall Street, New York City. On the same date Myron L. Schafer will retire from partnership and the firm's name will be changed to Vose & Co. Mr. McCarthy has been active as an individual floor broker for many years.

Interesting Situation

Steady and substantial growth in earings of the "utility Group have increased the speculative attraction of both the Prior Lien and Plain Preferred stocks of New England Public Service Company according to a detailed circular on the situation prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national Exchanges. Copies of this interesting circular may be had from Ira Haupt & Co. upon request.

N. Y. Security Dealers Re-Elect All Officers

At the annual meeting of the New York Security Dealers Association, Frank Dunne, of Dunne & Co., was elected President of the Association. Mr. Dunne has served continuously in that post since 1937.

Frank Dunne

C. E. Unterberg

John J. O'Kane, Jr.

Other officers elected were Vice-Presidents: C. E. Unterberg, of C. E. Unterberg & Co., and John J. O'Kane, Jr., of John J. O'Kane, Jr. & Co. Treasurer, Fred J. Rabe, of F. J. Rabe & Co., and Secretary, Philip L. Carret, of Carret Gammons & Co.

Herbert Allen, of Allen & Co., and Otto Steindecker, of New York and Hanseatic Corp., were added to the Board of Governors.

The various committees were appointed, including the Committee on Public Relations, which was increased to five members and includes in addition to Mr. Dunne and Mr. Carret, James Currie, Jr., of Troster, Currie & Summers; Tracy Engle, of Buckley Brothers, and Meyer Willett, of Bristol & Willett.

Post-War Opportunities

The Long Island Lighting Company, 250 Old Country Road, Mineola, N. Y., has prepared interesting information on Long Island's post-war opportunities, copies of which will be sent upon request.

Public Utility Securities

Some Year-End Utility Reports May Prove Disappointing

Share earnings reports for utility stocks in 1943 are highly mixed. This is due in large degree to various methods of accruing taxes during 1942-43. Companies which were ultra-conservative in estimating Federal taxes in 1942 have unintentionally thrown their interim 1943 results out of balance. The Federal tax bill was not finally passed until October, 1942, and some utilities anticipated a 45% or 50% normal tax rate. Hence accruals for the first nine months were on that basis, and when 40% was retained these companies were forced to throw into the last quarter's earnings a credit for the entire extra amount accumulated in the previous nine months. Thus, the results for the twelve months ending Sept. 30, 1943, include an abnormally "good" quarter — the final one for 1942—but results for the calendar year 1943 will not include this quarter, which will then be shifted into the previous period, the calendar year 1942. Hence comparisons which looked very favorable for the September 1943-42 period may make a very different showing on the calendar year basis.

In the third quarter of 1943 all class A and B utilities reported income taxes of $45,372,000, a decrease of 8% as compared with the previous year. Obviously, many companies were accruing on a 45% basis (or higher) in 1942 and a 40% in 1943. The available FPC figures for the 12 months ending September do not separate the tax item into its components; while a net gain of 6.7% was shown, this was due to the fact that the big jump in excess profits taxes more than outweighed the reduced accrual of income taxes.

One company which seems likely to suffer in the calendar year report is Consolidated Edison. In the 12 months ended September 30th the company reported earnings of $1.84 a share versus $1.54 in the previous 12 months. It appears likely that the calendar year earnings may be in the neighborhood of $1.70 or $1.75, compared with $1.79 last year. There also may be some doubt whether Edison in 1944 will be able to avoid excess profits taxes (as it has thus far) since the "carryovers" by which it previously benefited may no longer be fully available.

Utility stockholders and analysts should closely watch the progress of pending tax legislation. The present House bill proposes to reduce that portion of earnings exempted from excess profits taxes (but on which the normal tax is paid). This is done by reducing the present scale of percentages on invested capital from 8-7-6-5 (on varying portions of capital) to 8-6-5-4%. The Senate version of the bill would retain 5% as the lowest percentage (8-6-5-5%). Since the lowest percentage applies against all capital in excess of $200,000,000, it is obvious that a big company like Consolidated Edison with a net property account of well over a billion dollars, would suffer quite heavily if allowed only 4% exemption on perhaps 85% of its property account. Of course the company could change over to an average earnings basis, but it is estimated that this might work out almost as badly. While forecasts are premature, a rough estimate would seem to indicate earnings of only about $1.40 a share if the House bill is enacted. (The company will benefit by relaxation of dimout restrictions, but on the other hand it seems to be losing the aluminum business in Maspeth).

Another case is Houston Lighting, which in the 12 months ended September 30th showed a remarkable gain of 33% in common share earnings over the previous period. In the 12 months ended October the gain was cut to 21% and in November to 14%. It appears likely that the company will wind up the year with only a moderate gain over 1942.

These two instances are not necessarily typical—each company must be studied individually to arrive at a revised estimate of earning power under present conditions. It will be particularly interesting to see what will happen to the earnings of the big holding companies, a few of which have been showing phenomenal gains on their stocks. American Power & Light in the September statement showed a gain of 168% in the earnings for the preferred stock, Columbia Gas 142% gain on the common, Engineers Public Service 49% on the common, Public Service of New Jersey 48%, etc. Due to the leverage factor, these percentages may shrink very sharply, though many holding companies may retain sizable gains due to the greater latitude now allowed them in reporting consolidated returns to the Treasury.

Tomorrow's Markets Walter Whyte Says——

Market now up against small offerings. Volume drying up on declines and lifting on rallies points to resumption of strength.

By WALTER WHYTE

The market is now up against offerings which may hold it at present levels. I don't think these offerings will be strong or heavy enough to prevent a resumption of the advance. The most they can do is delay it.

* * *

It is during this process of delay that most casualties will occur. There is little that tries one's patience like holding on and waiting for a stock to live up to its promises.

* * *

Three weeks ago this column recommended the buying of a list of stocks. Of this list four got into the buying range; the others did not. Curtiss Wright "A" was bought at about 16¾. Stock has fluctuated fractionally since purchase and at present is still at 16¾. From its tape action, stock indicates a move to about 18 before any serious hindrance is met. On the downside the 15 figure should mark its low point. Any break-through of that price would mean a cancellation of immediate up potentialities.

* * *

Lockheed is another airplane stock recommended here. It was bought at 16 and is still available at that price. Unlike Curtiss Wright, this one shows more mobility, indicating an advance to approximately 19. Should a reaction occur Lockheed should hold at 14. Inability to hold it would be a down indication.

* * *

American Steel Founders, a rail equipment issue, was bought at 25. As this is being written it's selling at 26¾ Steel Founders doesn't have much stock ahead until it hits the 28-29 range. From present indications the stock will not go through on the first move; it may cross 28 and set back to about 25-26. So I suggest profits across 28. If things remain as they are I expect to recommend repurchase of this stock. In the event of some unforeseen reaction (before rally to across 28) stock should not carry under 23½.

* * *

Western Union "A" is the last stock in our list. It was bought some time ago at 43½. Since its purchase, the stock, I'll admit, has not been a world beater. Currently selling at 42¾ it slogs along apparently oblivious to the

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Financing Small Business After The War

(Continued from first page)

part in the preparation of legislation for the present Congress.

The tremendous interest throughout the country in protecting and developing small business is one of the encouraging features when we consider the kind of America we are to live in after the war. It proves that the American people really do want a system of free men and free enterprise, and no socialization of industry. There are plenty of discouraging features which are going to make it hard to attain our real desire. We will be burdened with a debt amounting to approximately three hundred billion dollars, with interest charges alone of six billion dollars a year. We will undoubtedly maintain a huge army and navy for many years to come. The necessary expenses of Government are, therefore, likely to be sixteen or seventeen billion dollars a year. New projects for public works, social security, foreign trade, veterans' benefits, and countless others, good and bad, would make our Federal budget more than fifty billion dollars a year if they were all approved. While we talk glibly of re-establishing free enterprise, we face proposals for government activity which can only lead to a totalitarian state. The National Resoruces Planning Board proposes corporations, owned at least half by the Government, to operate power companies, transportation companies, shipbuilding, aviation, aluminum and magnesium. Spending plans would impose on industry such a crushing burden of taxation that there would be no incentive to continue working or to take a chance in any new project. Every man beginning a new industry would start with two strikes against him. We could avoid this burden only by a further increase in the public debt, and that would create an inflation which would destroy the value of all savings and investments. Either course would gradually force a socialization of industry in the United States.

While we talk of free enterprise, and our soldiers battle against the forces of totalitarianism, the whole thinking of the world has turned from the liberalism embodied in our Constitution for a hundred and fifty years to a planning of the lives of other people. Our thinking has turned away from local self-government to the solution of every problem of Federal power and Federal money. If those processes are not restored, we shall find ourselves a totalitarian state, with every detail of our lives planned by a benevolent, but arbitrary and inefficient, bureau in Washington.

There is no doubt that there must be increased Federal activity. The very complications of modern life have forced legislation to preserve the very features of individual and business freedom which maintained themselves when life was more simple. But it becomes all the more important that when we draft legislation of this kind, it be framed so as to preserve individual freedom, and continue the reward the American system has given for initiative, ability, hard work, and genius, instead of suppressing all these qualities by a planned direction from Washington. Many New Deal measures are highly admirable in purpose. Nearly all of them have been used to impose rules and regulations limiting freedom, rather than carrying out the purposes of the legislation.

In small business we have a typical example of a condition necessary to a free enterprise system, which has been hampered and may be destroyed unless it is protected and assisted in some degree by Federal legislation. But here also we must approach the problem of Federal action with the most careful consideration. Whatever we do must foster and stimulate small busines, old and new, and must not be diverted to create a new control from Washington either for political purposes or for economic planning. We must not attempt to change the character of little business itself, or cast every man in the same mold.

Small business, to a large extent, is the basis of our whole free enterprise system. That system is not free unless men with ability and courage are able to enter into it on their own account. It is not free if every man in the United States is only an employee who cannot rise above that status. Large business units may have many advantages. In some industries, like the utilities and the manufacture of steel, they must be large and require large units of capital. But large business units, like units of Government, tend to settle down into fixed grooves. They adopt methods which cannot be easily changed. There is little incentive among their many employees to develop new ideas or new methods. Our whole system depends on rewards for individual work, individual initiative, genius and daring. It depends on giving to the men who have those qualities an incentive to provide a better standard of living for their families, a better education for their children, and a better provision for their families after their death. It depends on substantial rewards for such men as against those who take no interest in their work and who have no ability to improve the conditions of their fellow men.

If this country becomes a country of big business, we are not a great deal better off than if we socialize the entire nation and let the Government run business. As a matter of fact, the easiest road to socialism is through the formation of large business units which can be easily taken over by the Government. The Communish, the Socialist, even the New Dealer has shown at times a strange friendliness to the biggest units of big business. They do not stand in the way of the so-called reforms, as does a vast group of independent American individuals. Fortunately we still have such a group, who are their own masters and do their own thinking. We have six million farmers, every one an independent business man. We have hundreds of

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Financing Small Business After The War

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thousands of professional men, lawyers, doctors, engineers, most of whom are independent and develop their own ideas. We have over two million small businesses. They must be preserved if artisans are to have the freedom, after learning the trade, to step out for themselves and be their own masters, if clerks and other employees are to have the same right in the field of retail and wholesale trade.

This number of small businesses, however, has not kept up with the procession in recent years. Reaching a height of 2,213,000 in 1929, one to every fifty-five persons in the population, it fell seriously during the depression, regained some numbers until 1941, but decreased again in 1942 as a result of the war. Small business is bound to suffer under war controls. It is bound to suffer under planned economy. No economic planner would plan a world of small business, because it can't be made to fit into any preconceived category. Rigid price control can be met by large business, but the small business man who relies on special services and location to obtain a somewhat wider margin is forced into a strait-jacket which eliminates any chance to make a living. The small business man is usually unable to convert to war work, or at least finds it much more difficult.

After the war, therefore, we face the necessity of restoring the health of small business. In part this is a question of encouragement and the stimulation of morale by a new attitude towards business on the part of the Government. A business man ought to be assumed to be honest until he is proved to be a crook, instead of the opposite assumption now indulged in.

I don't know anything that will help as much as the removal of restrictions on business, not only those of price control, rationing and supply, but some of the regulations which were in force before the war, particularly those requiring questionnaires and reports. When I used to campaign in Ohio, and go into the stores along the main streets of small towns, the greatest complaint from storekeepers was that their whole time was taken up in filling out Government reports. The large business man employed more bookkeepers to do the work. The small business man had to spend his own time, which ought to have been devoted to improving his own business. Certainly the whole system of taxation of business can be substantially simplified. If one policy can help small business more than any other, it is the removal of regulation and Government interference.

In the second place, there should be a clearer definition of unfair competition and a more rigorous enforcement of the laws against that competition. Small business, particularly in the retail field, has always suffered from the practices of large manufacturers and dealers in selling below cost, and otherwise taking unfair advantage of a more integrated business, or one operating over a wide territory. The Federal Trade Commission ought to concern itself with correcting the unfair treatment of small business.

There are further affirmative policies which can stimulate and encourage small business. There was a time when every man who saved money was a prospective investor in small business. If he had accumulated a substantial fortune of his own, he became the patron and backer of other men who seemed to possess ideas or ability. Undoubtedly many of the new ventures went wrong, but when one did succeed, the investor obtained such advantages as to balance his losses in others. Industries which began with one or two employees were expanded by the investments of a half-dozen friends who had confidence in the enterprise or the enterpriser, until they gave work to hundreds of men, or thousands, or hundreds of thousands. Today that system has disappeared, principally because of the high rates of tax on income. If a man loses, he loses his own money. If he gains, the Government takes from him a large part of his gains, and a large part of the additional income he might otherwise enjoy.

With the burden of taxation which the nation must meet after the war, there is little chance of a substantial reduction of the rates on income. It would be possible, however, to repeal the capital gains tax except as against professional speculators and dealers in securities. There is no capital gains tax in England. If men were encouraged to finance small industries, and knew that they could sell out their interest when the industry was established without paying most of the proceeds to the Government, there would be a great incentive for such action, which might be many times repeated. The capital gains tax has produced practically no money. The tax has tended to freeze capital and prevent its turnover in individual hands. If we want capital to go into small industry, or into large industry, the market ought to be just as liquid as possible, and the Government ought to do everything possible to encourage the transfer of property from one person to another, so that capital reaches the hands of those who can make it most useful for production and employment.

The second step to accomplish the same purpose is the relaxation of restrictions on the financing of small industry. The Securities and Exchange Commission has made the business of public financing so expensive and difficult as to be almost impossible in the case of those small manufacturing concerns which have attained their first growth but need additional capital for expansion. Furthermore, these restrictions have hampered the existence of the stock exchanges in the smaller cities. Such stock exchanges should be encouraged and developed. It is hopeless for the small business man to look to New York for capital. The great exchanges there can only be interested in big business. But with deliberate thought a market for the securities of small concerns can and must be developed in many smaller cities throughout the United States.

Finally, we have the question of Government assistance to provide loans and equity capital for small business. This is the subject of the bill introduced by Senator Mead, which is now being considered by the Senate Committee on Small Business. Here we reach a field where the very interest of small business itself requires that we move slowly and with careful thought; for once you invite the Government in, it is not unlikely to become a permanent guest. Yet I believe some steps may be safely taken.

Small business divides itself into two groups, one the small manufacturer, the other, and far more numerous, the retail and wholesale dealer. Their problems are substantially different. The encouragement of the manufacturer is more important to the community because he can develop new production which will create new employment. Retail and wholesale service will undoubtedly be provided by someone without Government assistance. On the other hand, from the standpoint of encouraging independence, freedom and opportunity, the maintenance of the independent dealer is just as important as that of the independent manufacturer. Retail business does not require as much capital, however, and I believe that the retail problem is more one to be dealt with by protection against unfair competition and removal of regulation than it is by deliberate Government financing.

When we consider the character of assistance to be sought, we find also a variation in the classes of help required. Businesses may require loans for current purposes, they may require capital loans for periods of from five to ten years, or they may require capital either in the form of preferred stock or in the form of common stock. I am inclined to believe that concerns which are adequately capitalized have no great need for current loans. The business of making current loans is the business of the banks. The banking business is also a small business in many communities, and it ought to be conducted by private enterprise just as much as the manufacturing and retail businesses ought to be conducted by private enterprise. Most complaints against the banks for refusing to loan are made by men or companies who are not entitled to loans and who really require equity capital.

When we come to loans for capital purposes, payable in five to ten years, there is a different situation. Banks have not regarded this as their proper function, bank examiners do not regard it as their proper function, and many banks refuse altogether to make such loans. Bank funds for the most part are deposits payable on demand, and bank assets must be liquid. There is no agency in the United States today which makes a business of handling capital loans of this kind. Nor are they saleable to the public in the case of small business.

It may be argued that there should be no capital loans. If business requires capital, it is much better that it be in the form of stock. Loans require the payment of interest in spite of losses. Ordinarily they must be amortized, and so the profits of the business must not only be reasonable, but must be of a sufficient size to pay off the loan. A small business, having such a loan, which encounters a depression, is likely to be wiped out. Nevertheless, many small businesses have been financed by loans of this character in the past. Many have borrowed, applied all their earnings to pay off the loan, and borrowed again. Many big businesses, like the railroads, have relied upon bonds to furnish a considerable portion of their capital. There seems no great objection to such a method of providing capital if it is confined to a proper percentage, perhaps a half, of the other capital in the business. My own view would be that in the retail and wholesale business there should be no such loans, but that, if we can, we should provide them for small manufacturing concerns.

The first step in this process would be to enact a clear authority to banks in the Federal Reserve System and the Federal Deposit Insurance System to invest in capital loans of manufacturing companies with a maturity of not more than ten years. Such loans might or might not be secured by mortgages on the permanent assets of the company, but should not be a lien on the inventory and accounts receivable, to the end that current loans might still be obtained.

The legislation before Congress proposes that a Small Business Finance Corporation be set up within the Federal Reserve System to make loans to small business. In my opinion the powers given are much too broad. Such loans should not be made directly by the Government. A Government corporation, however, might guarantee or insure loans made by banks up to 90% of their face amount, making a proper charge for that service. This would have the advantage of removing the matter largely from political influence, and leaving the determination of the soundness of the loans largely to persons familiar with local conditions and the record of the applicant. As I have suggested, any loan should be limited to one-third of the net capital after the loan is made.

In my opinion the provision of equity capital is far more important than loans, but it is also the problem where we meet with real difficulty. I have cited the reasons why the sources of such capital have largely been dried up by our tax system. We have to consider now whether the Government can assist in providing a certain proportion of the equity capital required in small business.

It seems clear to me that the Government should not own stock, either common or preferred, in business concerns. The inevitable result is effective Government control, no matter how small the percentage of stock may be. On the other hand, I believe the Government can assist small business in obtaining capital from investors. I would suggest that we provide for the qualification of private investment companies as an instrumentality in such a plan. Any private investment company which met certain Government requirements would be eligible.

I would suggest a limited guaranty to such a company by the Small Business Finance Corporation of capital loans for manufacturing companies, and preferred stock and common stock of manufacturing companies and retail and wholesale concerns. Not to bore you with figures, but to suggest the kind of guaranty I have in mind, we might provide that the Corporation guarantee for private investment companies 75% of capital loans, 65% of preferred stock issues, and 50% of common stock issues, which they purchase, making a proper charge in each case for the service. The balance of the risk would rest on the private investment company.

Of course the extent of the financing should have some relation to the capital already invested in the business by the owner of the busines. For instance, we might provide that in the case of manufacturing companies a preferred stock issue could not exceed the amount of the capital already in the business, and that the amount of a common stock issue should not exceed twice the common capital already in the business. In the case of retail concerns, a preferred stock issue might be limited to one-half the pre-existing capital, and common stock to a sum equal to the amount of that capital. Of course these figures are only suggestions, and it would require exhaustive study and perhops some experiment before they could be correctly fixed. I believe they should be such that a large investment company with wide diversification and experience might afterwhile be able to go on its own and abandon the Government guaranty. The ultimate goal, in any event, would be one of cooperative investment.

In the matter of investment we face a dilemma. The rich man no longer finds it profitable to take a risk. The small investor, for his own good, should not take a dangerous risk. Our effort must be to bring these small savers into the risk investment field. The machinery I suggest is designed to make this possible by diversification of investments and Government guaranty. Undoubtedlly these private investment companies would lose money on some of their ventures, but it would not be a complete loss. Some of their small businesses should expand rapidly and prove to be so profitable as to balance the failures. The Government would have a far wider diversification than any investment company, and if a sufficient charge is made for the guaranty, there is hope that there might be no net loss. Even if the activity did cost the Government something, it should be well worth while.

The proposal I have made sounds radical, but as a matter of fact it is not nearly as radical as the many proposals to put the Government directly into the business of making private loans. It is only more complicated. It is an effort to use our present processes of saving and capital investment. The entrance of the Government into the banking business is threatening to destroy the whole system today, and its extension after the war to the entire loan field would tend to destroy what is left of a free capital market.

I can assure you that the Senate Committee on Small Business is determined to work out a solution of this problem. We shall welcome your advice and assistance.

General Foods Sales Head Says Cost Of Living Will Come Down When War Conditions End

"Prices and cost of living are going to come down after the ending of wartime conditions," said William M. Robbins, President of General Foods Sales Company, Inc., at the New England Sales Management Conference earlier this month.

"It is true that if price ceilings were abolished today there would be price increases," he said. "But soon after there is a fairly free flow of raw materials and most wartime restrictions can be lifted, prices and cost of living will begin to trend downward.

"A basic aim in American competitive business is to get large volume, and this is done by a combination of increasing efficiency, improving quality, and lowering prices. The war has only temporarily upset this trend.

"Businessmen generally know that they limit their sales if they try to get a high price and a high profit margin on each item they sell. They can make more money in the long run if they price goods moderately enough to get a great increase in sales, thereby permitting economies of large scale production. Under this method, plus the factor of improving quality, the public gets more and better goods for less money. There is more employment, and thrifty people have better chances to get good returns on their investments.

Forces Should Balance

"There will be neither a marked inflation nor deflation after the settling down from wartime conditions," said Mr. Robbins. "There will be powerful forces pulling both ways at once, therefore tending to offset each other. On one hand there eventually will be less employment than at the wartime peak, less than peak income to spend, and a freer raw materials market. On the other hand are such factors as accumulated demand, reserves of savings, and a larger national debt."

Mr. Robbins predicted a large volume of advertising in the post-war era and many jobs for salesmen. He believes no drastic changes in our economy or our distribution system are in the offing. He urged business leaders to prepare for a great shift from a seller's market to a buyer's market.

Business Must Look Ahead

Stressing the growing importance of all phases of human relationships of business, he pointed out the urgency of each business being prepared for absorbing men and women returning from the armed forces.

"It is important to keep in touch with your workers who now are in uniform in order to study what may be done to utilize any new training and skills they acquire while in war service.

"Many business concerns have blueprints for new post-war products. Wherever feasible, without interfering with war work, some of these products should get out into test markets in 1944. In that way the 'bugs' in new products can be cut out and the shift over to peacetime production will be speeded up, with less of an upset to employment conditions."

Missouri Brevities

Kansas City Public Service Co.

War-time earnings continue to flow into the treasury of the Kansas City Public Service Company making possible complete retirement of the $330,000 serial Equipment Trust Notes due 1944-48. Total debt was reduced to approximately $2,000,000 during 1943, the decrease amounting to about 60%.

Local dealers active in the company's securities continue to express their belief that dividends may be inaugurated shortly on the 5% Preferred stock, which became cumulative Jan. 1.

International Shoe Company

Net sales of International Shoe, reflecting war-time restrictions, showed a slight decline to $142,841,095 in the fiscal year ended Nov. 30, 1943, compared with $144,256,388 in 1942. The decrease would have been greater had it not been for the fact that over 2½ million pairs of shoes were shipped from stock on hand at the beginning of the year. Earnings, after substantially higher taxes, were $6,737,648 equal to $2.01 per share on the common stock compared with $6,994,952, or $2.08 a share in 1942.

Rice-Stix Dry Goods Company

The 1943 annual report of Rice-Stix Dry Goods Company made interesting reading for Missouri dealers favoring local dry goods and merchandising stocks. Net sales of $46,936,752 in the fiscal year ended Nov. 30, 1943, were up 23% over 1942. Net profit of $1,720,880 equal, after preferred dividends, to $5.56 per share of common compares with $1,418,200 and $4.34 per share in 1942. (These figures are before Contingency Reserves charged direct to surplus equal to $2.85 per share in 1943 and $2.84 in 1942.)

Net current assets, after allowing for the non-callable Preferred stocks at par, totaled $25.68 as of Nov. 30, 1943, per share of common stock. Book value of the common amounted to $35.44 per share, including the $2,000,000 reserve for contingencies set up over the past three years to provide for possible post-war adjustments. The common stock, which is listed on the St. Louis Stock Exchange and New York Curb Market, has advanced from a low in 1943 of 6⅞ to a recent high of 13¼. Dividends totaled $1.25 per share in 1943. Directors have declared 50 cents payable March 1, 1944, to stock of record Feb. 14.

St. Louis National Stockyards Dividend In Jeopardy

Shareholders of St. Louis National Stockyards Company have been advised that a 33⅓% reduction in rates for handling livestock, ordered by the Department of Agriculture, may cause a cessation of dividend payments. As an outgrowth of hearings held between November, 1940, and March, 1941, the Department of Agriculture contends that the value of the stockyards is $3,900,000 for rate-making purposes and not $11,000,000 as claimed by the company.

An application for a rehearing has been made and during the interim the old rates are being charged with the excess being impounded. Capital stock of the company dropped sharply on the Chicago Stock Exchange and in the "over-the-counter" market in St. Louis touching a low of 30 compared with a 1943-44 high of 50¾. Present dividend is $1 per share quarterly.

With Barrett Herrick

KANSAS CITY, MO.—Frances B. McKee has been added to the staff of Barrett Herrick & Co., Inc., 1012 Baltimore Avenue.

Peltason a Director

ST. LOUIS, MO.—At the annual meeting of York Corporation, Paul E. Peltason, member of the firm of Peltason, Tenenbaum & Co., was elected to the board of directors. Common stock of the York Corporation will be listed on the New York Stock Exchange and trading on the big board is expected to start on January 31, 1944.

Missouri Recommendations

Dempsey-Tegeler & Co., 407 No. 8th St., St. Louis, are distributing an illustrated booklet entitled: "The First Ten Years" which gives the story of the firm's underwriting and other investment activities.

Scherck, Richter & Co., Landreth Building, St. Louis, have prepared an interesting analysis of **Berkshire Fine Spinning Associates, Inc.** Preferred and Common stocks. Copies are available to dealers.

Taussig, Day & Co., 506 Olive Street, St. Louis, Mo., will send on request a recent analysis of **Buckeye Incubator Co.** common stock.

Waldheim, Platt & Co., 308 No. 8th St., St. Louis, have compiled a list of **159 Common stocks with unbroken dividend records** ranging from 10 to 96 years. All the issues are listed on the New York Stock Exchange. Copies are available on request.

White & Co., Mississippi Valley Trust Building, St. Louis, have compiled a recent analysis of **Eversharp pfd.**, copies of which may be had upon request.

St. Louis Bank Statements

G. H. Walker & Co., 503 Locust St., St. Louis, who annually publish a comprehensive Manual of St. Louis Bank Stocks (1944 edition available to dealers February 12th), have issued the following comparison based on the 1943 year-end statements of the leading downtown banks (figures are per share):

	Book Values		Indicated Earnings		Dividends Paid	
	12/31/43	12/31/42	1943	1942	1943	1942
First National Bank	35.78	34.55	4.26	3.02	2.20	2.20
St. Louis Union Trust Co.	54.10	53.93	2.92	2.77	2.50	2.50
Mercantile-Commerce Bk. & Trust Co.	185.33	178.76	12.57	10.87	6.00	6.00
Mississippi Valley Tr. Co.	44.06	42.58	2.98	3.30	1.50	1.50
Boatmen's Nat'l Bank	42.53	39.83	4.30	3.81	1.35	1.00

Hardy Does Not See Gold Fitting Well Into Post-War Monetary Plans

Stating that the psychological advantages of a gold standard to a large extent have been destroyed, Charles O. Hardy, financial and monetary economist, says whether curriencies in the post war era are tied together by bilateral and mutilateral agreements or more closely integrated through an international fund or clearing union, gold does not fit well into the plan.

Dr. Hardy, for 20 years a member of the staff of Brookings Institution and now Vice-President of the Federal Reserve Bank of Kansas City in charge of research, says the gold standard fulfilled the ambitions of a world that was primarily interested in safeguarding against inflation.

"It does not appeal to a world that is dominated by the recollection of a long era of world wide depression," Dr. Hardy observes in a paper published on Jan. 17 by the Monetary Standards Inquiry of New York. The economist says that if the present war should be followed by a series of wild inflations there may be a reaction toward the gold standard or some other system that will exert pressures against credit expansion and governmental deficits.

"If this does not happen," he adds, "it will be a long time before fluctuating exchanges and manipulated currencies will be abhorred as they were in the leading nations between 1880 and 1930."

Observing that the roots of the gold standard's unpopularity run deep, Dr. Hardy says the issue is not merely between stable and unstable exchanges but between nationalism and internationalism. He continued:

"As to nationalism, discipline of the gold standard requires that every country shall keep in step with the rest of the world and no country shall be a law to itself. Great wars always inflate the spirit of nationalism and the stress and strains of the great depression have had the same effect.

"Any suggestion that each individual country should subordinate its policies to the effects of those policies on the world at large is likely to fall on stony ground. The world war may be a conclusive demonstration of the need for international thinking but its short run effect is to make international thinking impossible.

"In the second place the gold standard fits in badly with the current trend of thought in the direction of 'social control' and governmental planning. The gold standard reflects the attitudes of people who believe that government is best which governs least. The fact that it was a system which reflected the minimum of managerial direction was a virtue in the days of its origin but now that very characteristic has become a vice."

La Salle St. Cashiers Elect New Officers

CHICAGO, ILL.—At the annual meeting and election of officers of the La Salle Street Cashiers, the following officers were elected to serve one year: President, Ray Harrell, E. W. Thomas & Co.; Vice-President, Harold Ouimette, Central Republic Co.; Treasurer, William M. Walsh, Adams & Co.; Secretary, E. B. Salberg, Illinois Co. of Chicago. Members of the Executive Committee (to serve three years), Charles J. Vojta, Remer, Mitchell & Reitzel; and William T. Phelan, Smith Bros. & Co.; to serve two years, unexpired term, Leonard H. Kasbohm, Doyle, O'Connor & Co.

Gen. Ayres Sees Possibility Of Reconversion Of Industry Not Following Planned Order

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regularly produced in time of peace, and it needs them in large numbers.

"Many of the makers of farm implements find themselves in a somewhat similar situation. England and Russia will need food this year even more pressingly than they will need some of the munitions we have been shipping to them. As a result makers of farm implements have been asked to return to their regular lines of production, and to do it in a hurry. They are now busily stocking up with materials, and they will be expected to make this year 80% as many of their peace-time products as they turned out in 1941.

"Makers of typewriters have been asked to make considerable numbers of their regular peace-time models, and there is a good deal of expectation in the industry that other sorts of office appliances will shortly be added to the list of things that they will be asked to produce. Tire makers have been turning out munitions of varied sorts in large volume, but now they are being asked to stop making munitions, and to return instead to manufacturing tires. Much reconversion will result from military demands not related to any master plan.

Industrial Production

"According to the index compiled by this bank the physical volume of industrial production, which was 40% above the computed normal level in October, declined to 38.8% above normal in November. However, this latter figure is a preliminary one and is subject to change. In the diagram the silhouette shows the monthly changes in the index of industrial production since the beginning of 1937. * * *

"Long diagrams of business activity published by this bank carry similar computations backward on a monthly basis to 1790. It is noteworthy that the production records of 1941 and 1942 and 1943 are the highest ever recorded, even after they have been corrected to allow for long-term growth of population and of industrial production. The highest previous figure was 24% above the computed normal level during the War of 1812. The highest figure reached in the First World War was 16% above the computed normal level.

"During most of 1943 the volume of industrial production held close to the high level of about 40% above the normal level. The dip in June resulted from the strike of the coal miners last summer. Probably the revised November figure will show a similar but smaller dip resulting again from strikes of the coal miners. It is not probable that the highest records of industrial production in this war period have as yet been reached. The reason for that is that the 1944 programs of munitions production call for greater outputs in the early months of this year than those of the latter part of last year."

In addition to the above, Gen. Ayres remarks that "when the final figures for employment in 1943 are available they will probably show that in December 98.5% of the non-agricultural labor force in this country were gainfully employed." "That," he notes, "is the highest percentage of employment ever recorded in our history, and about as high as is possible." He further states "it is probably true that the peak of civilian employment, including both agricultural and non-agricultural workers, was reached last July when employed people outside of the armed services numbered 54.3 millions.

"Our Federal Government spent more than 10 million dollars an hour last year, or about 88 billions in all, of which about 82 billions were war expenses. Probably our governmental expenditures will be still greater this year, and that is why the business boom will continue. It is nearly certain to be more uneven than it has been during the past two years, because that was a period of continuous expansion, and this year will be a period of mixed expansion and contraction, with increasing employment and larger payrolls at some times and in some places, but decreased employment in others."

Election Years

Commenting on business activity and the security markets in election years, Gen. Ayres has the following to say:

"Both business activity and the security markets will be moving in advancing trends during the second half of this year if they follow the courses marked by their averages in the election years of the past century. This bank has among its long diagrams of business activity one which shows the course of stock prices month by month since 1831.

"In the earliest years the stocks in the index were those of canal companies, but from 1833 to 1871 they were rail stocks, and since 1871 rails and industrials. By using these data it is possible to construct a diagram showing the average of the movements of business activity above and below the normal or 100% level, and the average of the stock prices for all the election years since 1832 when President Jackson was reelected.

"In the diagram (this we omit—Ed.) the shaded area shows the average of the monthly fluctuations of business activity above and below the normal line in the 28 election years from 1832 through 1940. It shows an advance into February, a decline from then to July, and then an advance to the end of the year. The dashed line shows the average of the stock price movements. It advances to April, declines rather sharply to June, and then has an uninterrupted advance to the end of the year.

"These average records are shown here because there is widespread interest in their subject matter, and because they have some historical value. Nevertheless they should not be interpreted as being of much usefulness as guides to show the probable movements of business and stock prices in any one particular election year. During the long period covered by the records the data for individual years have followed most diverse courses, and in many instances have not conformed at all closely to the orderly patterns shown here.

"It may well be that there has generally prevailed among business men during the election years of the past century something of cautious and hesitating sentiment regarding business prospects as the time for Presidential nominations approached, and that attitudes have usually become more confident after the nominations have been made. The diagram would support such an interpretation. It is interesting to note that the low points for both business activity and stock prices are near the middle of the year instead of being in the election month."

Evans Warns Close Corporations — Discusses Tax Problems At Institute

Many tax difficulties encountered by close corporations are chiefly caused by the corporation's failure to follow proper mechanics and the right procedure, Peter Guy Evans, C. P. A., and member of the New York Bar, declared in an address on "Problems of Close Corporations" on Jan. 14, 1944, before the final session of the Second Annual Institute on Federal Taxation conducted during the week of January 10, by Rhode Island State College at Providence, R. I.

Peter Guy Evans

Mr. Evans, Chairman of the Institute, stated many executives and directors are not corporate-minded, and their failure to get away from the individual or partnership way of doing business has resulted in additional taxes and suits against them by minority stockholders.

Mr. Evans, Lecturer on Taxation at Columbia, Rutgers, and New York Universities and co-author of a small taxpayers' income tax guide, "For Personal Income Tax", also pointed out that the small corporations, because of their size and relationship that exists among the management, in many instances as stockholders, directors, and officers, had to be very exacting and meticulous in the conduct and management of their corporate affairs.

As long as taxes remain as high as they are today, Mr. Evans emphasized, we cannot expect many new corporations to be started. For the time being at least, there are certain definite tax and other advantages in doing business as an individual or as a partnership. In fact, we will continue to see a steady liquidation of corporations, the shares of which are closely held or controlled by families.

Patterns Of The Post-War Future

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question he asked was: "Do you believe in a hereafter?"

He received a reply card on which was scribbled in the wavering, uncertain handwriting of a very old man:

"I don't know, but I'll damned soon find out."

As we in industry look ahead to the *post-war* "hereafter" we are in much the same frame of mind as this old man. We *do* know that it's near at hand and we will soon find out what it's going to be like.

Definition of the Post-war Period

First, let us define just what we mean by the post-war period.

In our company, since Pearl Harbor, we have been proceeding on the premise—which may be either right or wrong—that the war in Europe will not be over before the fall of 1944 and that it will take at least another year—1945—to defeat Japan. After peace comes we should be busy for two or three years—say 1946 and 1947 — with demobilization, reconversion and in making up some of the more urgent accumulated domestic shortages of goods. For purposes of planning, therefore, we anticipate that the real post-war period will begin about the year 1948.

Now, what will be the economic patterns of this era? If you talk to a hundred economists you will get a hundred different patterns. But if you take the salient features of each and chart them, they break down into about three patterns.

(1) *One group of economists believes* that in this post-war period we will repeat our experience after the first World War. Perhaps the price inflation in this war will not go as high as in the last war because of our price ceilings and economic controls. But when peace comes and the brakes are taken off, this group thinks we probably will have a short boom, followed by a violent "primary" post-war depression. After this they believe we will have several years of prosperity on an uneasy, unstable price level, to be followed in its turn by a far vaster, agonizingly slow "secondary" post-war depression. That was the experience after the Civil War and after the first World War. A substantial group thinks it may well be the pattern after World War II.

(2) *There is another group that believes* the post-war pattern may be characterized by a permanently higher price level, such as France experienced after World War I. Prior to World War I France had a debt of 27,000,000,000 francs. By the end of the war, in 1918, it had mounted to about 120,000,000,000 francs. But between the end of the war and 1926 the debt rose to over 400,000,000,000 francs. With it came devaluation of the franc from 18.3 cents to 4 cents. (Wages rose from 50 francs a month to 200 francs, but the laboring man could not buy as much with 200 as he did formerly with 50 francs.) Most of this economic phenomenon occurred not during the war but in the post-war period—the period after 1919. If such were to be our experience after World War II in this country, you can translate for yourselves what would happen to the great group of fixed income families, and those who had saved and invested money either in bonds or insurance policies. You can visualize the problem of business trying to maintain working capital while climbing from one price level to another. The problem of accounts receivable and inventories, and the problem of refinancing would all require careful planning if we were to get our business ships safely through to the other shore.

(3) *Then there is another group of economists who believe* that in the post-war period we may get a permanent, foreign-type "planned economy," administered by a political bureaucracy, subject to the American spoils system and reinforced with all the compulsions of dictatorial, totalitarian Europe. In other words, a system of economics, patterned after Italy, Germany or Russia, in which the State tells everyone where to work, what to make, the prices at which to sell, and then, in the form of taxes, takes most of the wages and profits away from those who work to give to those who do not work and hustle for a living.

Those who believe we will have such a planned economy say that then all the old theories of economics and what we have learned by years of experience will no longer be operative. They, of course, fail to make clear that without the imperative of war, a planned economy must substitute some other form of compulsion if it is to make recalcitrant minorities conform to the plan.

Now what are the chances of our having to face any one of these three dilemmas? Your guess is as good as mine. The important thing is not so much to find an agreement as it is to be prepared to face whatever alternative confronts us.

If you think we may be confronted with a pattern similar to that which followed World War I, then you have a lot of experience to draw on. You may prepare down-cycle budgets ahead of time and make plans for new products and new markets with which to help cushion the decline.

Problems of a Higher Price Level

If, on the other hand, you think we may be confronted with a permanently higher price level, you can begin now to figure out how, when prices are no longer controlled by government, you can adjust selling prices upward to cover future wage costs and taxes so as to leave a fair profit, without starting a wild spiral of inflation. Compensation plans, list prices and discount schedules to customers would have to be adjusted as we find a new economic balance in markets controlled by supply and demand instead of government, and where a dollar an hour might be a common wage for common labor as compared to the famous 40 cents an hour minimum wage of NRA days.

If you think we are to be inevitably saddled with an Americanized version of the Russian planned economy, you can either resign yourself to the requirements of such an economy, or start now to exercise the American citizen's traditional privilege of resisting to the utmost an undesirable change in our form of government.

Personally, I am inclined to believe we will not have any of these three patterns, although we may draw something from each. In spite of the many mistakes which have been made, we have done a better job of controlling price increases than in the last war. If this continues, there will be no good reason why we should have any great collapse in prices in the longer-range post-war period. The tendency for wages, once having risen, to maintain the new level has been demonstrated in this country for over a hundred years. Since wages and salaries in manufacturing make up 80% of costs, high money wages in a free economy must inevitably result in higher prices in terms of money. But high money wages may not mean high purchasing power, as the people of France found out.

Relative Price Decline Possible

I think there will be a *relative* decline in the prices of manufactured products, relative, that is, to wages and costs. It will be based, as in the past, on ever increasing efficiency of production and distribution. The result of such a relative price decline wherever it can be engineered will be a constantly growing volume in an ever expanding market.

Let me cite a concrete example. An automobile in 1948 may well sell for $1,500 as compared to $750 in 1938—or twice as much. But it may well be that wage rates will have gone up not twice, but two and one-half times meanwhile. Such a situation is only possible, however, if greater efficiency of manufacturing and distribution has absorbed the added increment in wage costs. In such a case the car at the doubled price will still be cheaper for the wage earner than his old car had been.

In other words, although prices may be permanently higher than before the war, this means a continuation of the "more value for less money" philosophy which has characterized the more advanced and more efficient of our mass production industries for more than a quarter of a century.

But this is the recipe for prosperity, not for depression. And the mere fact that our money has been revalued doesn't mean that our whole economic system is doomed.

I am not a fatalist and do not believe the rising and passing of systems of governments or of economics is foreordained. Especially here in America are we accustomed to taking our destiny in our own hands. We are apt to get very much what we decide we want and what we deserve, as long as we do something about it. What, then, do the American people want? What are the requirements of the future to which any economic system in this country must adapt itself.

We want work; we want security; we want more leisure; we want more and better things at lower prices; we want *freedom*—not four freedoms, eight freedoms or 40 freedoms. We want freedom to become the leader or the follower as we choose; to work just enough to get along or hard enough to buy the big house on the hill.

If we want only more security, leisure and things, a planned economy like Russia's might serve our purpose. But we Americans want *freedom* as well, and *that* a planned economy of the totalitarian type can never give us.

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The First Year After World War I

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The objections urged against this League of Nations were that it would involve virtual abandonment by the United States of the Monroe Doctrine, that it would deprive the country of sovereignty over its own affairs on critical occasions and that, instead of insuring perpetual peace to the United States, it would embroil this country in all European troubles and would thus be a flagrant disregard of the warning against "entangling alliances" uttered by Washington. The opposition found expression in the United States Senate, and was so

Elbert H. Gary

vigorous and pronounced and so deep-rooted that ratification of the treaty by the Senate became out of the question, except by the attachment of numerous "reservations" and "interpretations," and these the Administration Senators (acting at the instance of President Wilson) would not accept, they taking the ground that these modifications would so materially alter the constitution of the League of Nations that the Peace Treaty would have to go back to the Allied and Associated Powers for approval of the changes made and be resubmitted also to Germany. The definite failure to obtain ratification after lengthy debate and many formal and informal negotiations, in committee and out of committee, and on the part of members of both parties acting on their own initiative to prevent such a result, occurred on November 19, and on the same day the special session convened by the President six months before adjourned. Accordingly the year closed without the United States having become a definte party to the Peace Treaty.

But the fact that the year 1919 proved a surprise in mercantile and financial affairs did not grow out of any developments in connection with the Peace Treaty, or because of the attitude of the United States Senate (and in which there was reason to think the Senate reflected the bulk of popular sentiment) with regard to the same. Outside the United States the Peace Treaty was never in jeopardy and if received the assent of enough of the other leading Powers to make it effective, though lacking the formal support of the United States. Germany had been rendered helpless by the terms of the armistice and hence was forced to yield, assent to any terms of peace that its victorious enemies might see fit to impose, no matter how harsh or severe—and, as a matter of fact, the peace terms actually laid down were both harsh and severe—and a renewal of the war being thus out of the question the rest was of little consequence. Formal conclusion of peace might be and was delayed. But the war itself closed with the signing of the armistice on November 11 of the previous year. Were there the slightest doubt on that point, the authority of President Wilson himself might be invoked in support of the statement, for the President, when announcing the terms of the armistice, before a joint session of the House of Representatives and the Senate on the day named, only a few hours after the document had been signed, took occasion to say, "The war thus comes to an end," thereby indicating the absolutely conclusive nature of the arrangement.

Hence 1919 — notwithstanding the negotiations and proceedings in Europe and in the United States —constituted the first year *after* the world war. It is for that reason the course of the year proved a surprise in industrial and economic affairs. It was expected to be a period of reaction in business; instead there was only hesitancy at the beginning, after which the forward march was again resumed. It was supposed that the year would be one of readjustment—of return to the normal after the abnormal state of things, in every branch of trade and industry and in every line of human endeaver in every part of the world, engendered by the greatest war in human history. But far from a return to the normal, the abnormal became further pronounced and further accentuated. It was supposed that prices of goods and manufactures after their previous great advance would tend lower; instead they soared still higher. It was believed that the cost of living would be reduced; instead, it leaped further upward. Nothing seemed more certain than that wages would have to come down, but antecedent advances proved hardly a circumstance to the new advances that were to come in 1919. In place of the previous dearth of labor, there was now to be an over-supply (so the argument ran) but, except in the early months, experience proved the precise contrary, and labor remained scarce and was able to dictate its own terms. The great currency and credit expansion of the war was to be followed by contraction, and deflation was to succeed inflation; actually the exact reverse occurred. And so in a hundred different way the year failed to fulfill expectation and turned out far differently from what most people had counted on when it opened.

The explanation for the difference between expectation and result is found in the circumstance that the war, besides the havoc and destruction it wrought, exercised a profoundly disturbing effect in other respects. The war itself was a thing of the past. The agencies and influences growing out of it, or which were called into being to deal with it, continued in motion and steadily gained in momentum. If this is borne in mind, nothing strange will be found in the annuals and the experience of the year. Nevertheless, the striking contrast between the conditions and prospects at the beginning and those which marked the later course of affairs cannot be ignored, for it constitutes one of the significant features of the year's history. It serves, moreover, to explain why sentiment and opinion with reference to the probabilities of the twelve months, based on the apparent outlook at the opening of 1919, went so far astray. A cursory review of the situation revealed in the opening month, January, will serve to indicate how largely public sentiment was affected at that time by causes and circumstances which subsequent events showed to have been of a mere transitory nature. When the year opened, some of the post-war characteristics which had been looked for in industrial affairs were in evidence and it was supposed these were premonitory of what was to come in the whole range of industries throughout the year. There was a slackening of activity and some noteworthy declines in commodity values. Labor, which had been scarce up to the time of the armistice the previous November, now appeared to be becoming plentiful, and it seemed likely that this situation would continue, in part because of the discontinuance of the making of munitions and of other work connected with war activities and in part because of the return home of American soldiers from France and the continued demobilization at camps in the United States of the military forces which had been in training to be sent overseas. With the release from military duty of such large masses of men reports of growing idleness begain to come in. It is true the idleness was by no means uniform, being pronounced mainly at centres where special war work had been done, and often little noticeable elsewhere. In the iron and steel trades banking of furnaces became prominent and with the booking of new orders reported less than half of current production the steel mills were engaged to only about an average of 60% to 65% of their capacity. Copper production had to be sharply curtailed, and though the large producers of the metal sought to maintain the price agreed upon the previous month, stocks of the metal were so large and the demand so inconsequential this was found impossible and prices rapidly drifted away from control of the producing interests. Sharp reductions in the prices of cotton goods were announced and raw cotton also suffered a sharp reduction.

Thus early in the year the indications pointed strongly towards trade reaction. The causes however, proved merely transitory, as already noted, though this was recognized by few at the time. Close reasoning seemed to support the theory at the time that the year must prove one of reaction and of a gradual readjustment to the normal. It appeared plausible enough to argue that the return of so many young men to their customary duties—the demobilization of the American army meant a return of 2,000,000 men from France and the discharge of those who had been in training at the military camps in this country meant the release of 2,000,000 more— would ensure a plentiful supply of labor, while the cessation of the manufacture of munitions and other special work incident to the prosecution of the war would turn loose still more labor and thus make progress toward the restoration of a normal course of affairs not only natural but easy and inevitable. In this early period of the year consideration of the immediate prohabilities were freighted mainly with discussions as to the best means to employ for procuring work for the large numbers of men so suddenly released from military duty and from war manufacturing. The problem as it presented itself then was how to find jobs for the many applicants for the same. Great anxiety was manifested as to whether sufficient work could be found for all the returning soldiers; and in all the leading cities and towns the municipal authorities and public-spirited citizens interested themselves in establishing agencies and headquarters for the purpose of bringing together those looking for work and those having it to offer.

Even thus early there was a manifestation of the spirit on the part of labor that was to have a controlling influence on affairs and to change wholly the course and character of the year, making it a prolongation of the war's debauch instead of a steady ebbing back to a peace or ante-war basis. During the war the labor unions everywhere had acquired the habit of asking for higher wages and for shorter hours of work, and as no interruption of industrial activities could be permitted while the conflict continued (out of a fear of the effect upon the war), labor largely, in fact almost entirely, had its own way. It got a shorter day and it got repeated increases in wages, this indeed being one of the main factors in the great rise in prices which attended the war.

It is customary for labor union organizations to emphasize labor's contribution in winning the war.

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The First Year After World War I

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They would have it appear that labor made special concessions so as to help the Government in the prosecution of it great undertaking. Very few men have seen fit to challenge the statement, and if is being repeated with such persistency and frequency that there is danger that among the uninformed it may in the course of years be accepted as the truth. It seems proper, therefore, to state here, in a review and analysis of the events and developments of the war, and the period succeeding its conclusion, that, so far from labor having been especially considerate of the needs of the Government during the war and having refrained from action that might interfere with the operations of the Government, the precise opposite was the case. Indeed it would be no exaggeration to say that labor indulged in the most unconscionable profiteering while hostilities were going on and continued the practice after the conflict ceased. Labor, under the guidance of labor union officials, saw in the war its great opportunity and availed of it to the limit. It was obvious that the Government could not allow industrial activities to be interrupted anywhere, since production had to be stimulated to the utmost for the prosecution of the war. This was so not merely at munition works, but everywhere. Government requirements, of course, had their ramifications everywhere, for the army had to be clothed and fed, as well as supplied with the tools of war, and in the present instance an extra responsibility rested upon the Government in the circumstance that the needs of the Powers with which the United States was associated, needs which this country alone could supply, had also to be considered. But entirely apart from the Government's direct needs, industrial activities had to be maintained to their fullest limit if the war was to be made a success beyond peradventure.

The labor leaders were not slow to see this and they were governed accordingly. By strikes or threats of strike, shrewdly based upon the knowledge of the inability of the producer and manufacturer to resist, it being indeed self-evident that they would not be allowed to resist in view of the virtual pledge that every producer felt under that output must be fully maintained, labor succeeded in enforcing all its demands of whatever nature, not only in the way of increased wages and reduced hours, but in the way of numerous other concessions, all tending to add to the cost of producing. And this occurred over and over again. The process was repeated many times and always with absolute assurance of success. The ostensible basis of the demands was invariably the higher cost of living, which in the last analysis was due, even during the war, to this process of raising wages and shortening hours in one line of human activity after another, thereby increasing the cost of producing and manufacturing, in which labor cost is in nearly every instance the largest item.

While the rise in the cost of living served as the pretext for many of labor's demands, often they were put forth without any reference of relevancy to the cost of living, but made on the general theory that the work people were entitled to a larger share of the good things of life, and now that they were, by reason of the war, in position to enforce their claim, it would be folly not to avail of the opportunity. While the war continued in progress, the purpose was not thus openly avowed, but subsequently all disguise in that respect was cast aside. A special War Labor Board had been created for the purpose of passing upon disputes between employer and employee. This Board, however, really had no more freedom of action than the employer himself. Its main function seemed to be to tone down proposed advances in wages, which in the first instance were made unduly high so as to allow room for toning them down. The War Labor Board did not care to run the risk of incurring the displeasure of labor, in view of the imperative need of keeping the laboring classes satisfied and contented so that there should be no cessation from work, and the employee in submitting his case to the War Labor Board hence had practical assurance that he would be granted *some* advance.

It was supposed that the high wages would belong merely to the period of the war, and that with the close of hostilities wages would even if only gradually tend to a lower level again. Indeed, many of the wage increases had been definitely limited to the period of the war. There were skeptics, it must be admitted, who doubted that wages established during the period of the war would easily or quickly come down again. But at least hardly any one imagined that wages would rise still higher—that on top of the increases made during the war and arising out of that emergency there would be further and even more striking increases than those already granted. And herein lies one of the main reasons for the mistake made in prognosticating the course of the year. The labor cost of an article constitutes, as already stated, by far the greater part of the total cost of such article with relatively few exceptions, and with this labor cost rising still furthr, instead of diminishing, as had been supposed would be the case, there could be no reduction in prices, and in turn, so long as prices remained at such high levels, with the tendency higher instead of lower, there could be no contraction, no deflation after the previous great inflation. The wage demands of 1919 were as numerous as had been those of 1917 and 1918. Labor would abate not a jot of the advantage it had gained during the war. On the contrary, as already noted, it insisted on pressing its advantage still further. Even early in the year, when conditions appeared to be unfavorable for the assertion of further demands by the laboring classes because of military demobilization there was a manifestation of the spirit on the part of labor that was to dominate everything else during the year.

Eugene G. Grace

As one indication of this there was the demand of the operatives in the cotton mills of New England. At the opening of the year 1919 the situation in the cotton goods trade was decidedly chaotic, and during January sharp reductions in the prices of cotton goods were announced, while raw cotton also suffered a sharp decline. Production of textiles was reduced and advices from all mill centres were to the effect that further curtailment was in evidence. Print cloths at Fall River were marked down every two or three days. The high price in 1918 had been 14 cents a yard, reached in May; at the opening of 1919 the quotation was 9.75 cents per yard; on Jan. 13 there was a reduction to 9.50 cents; on Jan. 16 to 9.25 cents; on Jan. 18 to 9 cents; on Jan. 21 to 8.75 cents; on Jan. 27 to 8.50 cents, and on Jan. 30 to 8 cents. Though the moment was wholly unpropitious for new labor demands, either in the way of shorter hours or increased pay, yet at this very time the cotton operatives launched a movement for reduced hours, they demanding a 48-hour week, but at the pay they were then receiving for 54 hours. At Lawrence, Mass., a strike actually resulted because of the refusal of the manufacturers to comply with the demand. At Fall River and quite generally elsewhere the 48-hour week was put into effect early in February on the basis of pay for the time actually worked. As it happened, however, later on the outlook in the cotton goods trade improved and the following May a voluntary increase was granted to virtually all cotton mill workers, and became effective June 2. This last served to end a strike at Lawrence, which had lasted some 15 weeks and involved about 25,000 workers. This advance made the new wage basis 39.10 cents for weaving a cut of cloth 47½ yards of 64 x 64, 28-inch printing cloths compared with only 22.71 cents at the beginning of 1916. Even that, however, did not suffice to prevent subsequent demands for still other increases. On Dec. 1 the operatives at Fall River engaged in a one-day strike because of the refusal of the Cotton Manufacturers' Association to grant an additional increase of 25% on top of the prodigious advances previously made and the unprecedently high wage scale already prevailing. By this time, the cotton manufacturing industry was on a highly prosperous basis again, the demand for goods having outstripped the production and sent prices of goods skyward; nevertheless, the manufacturers found they could not grant a further increase of 25%. They did, however, tender an increase of 12½%, raising the weaving price of a cut of cloth up to 44.98 cents. This offer was accepted by the mill workers and they returned to work the next day.

The price of printing cloths at Fall River continued to decline during the early months of the year until on March 7 it was down to 6.75 cents. Thereafter, however, improvement began, and by the end of the year the quotation was 14.50 cents. The extreme urgency of the demand for goods made possible this great advance in price. Early in 1919, following the signing of the armistice the previous November, when prices were plunging downward with such great rapidity and everybody was looking for still lower prices, there had been very extensive cancellations of orders. Contrariwise, when it was seen that expectations of still lower prices were not to be realized new orders began to pour in, in excess of the capacity of the mills to take care of the same—especially on the basis of the 48-hour week now in force all over New England as against the previous 54-hour week—and all were anxious to secure prompt deliveries. The obtaining of prompt deliveries was very difficult, and in numerous instances quite impossible, and this had the effect of bringing additional orders, purchasers seeking to provide for future demands by placing orders well ahead of prospective needs. In this cotton goods trade the situation finally became so acute, owing to the inability of the mills to provide supplies for immediate delivery, that prices no longer were any consideration. In other words, purchasers were willing to pay almost any figure if only they could obtain the goods.

The experiences of the cotton mill operatives in New England in the matter of wages was duplicated in practically all other lines of industry, with one or two exceptions. Not only was labor able to retain the high wages of 1918, granted while the country was still engaged in military operations, but to get still further increases. Wage increases followed one another in rapid succession. As it happened, too, the demand for labor continued far in excess of the supply. The return to their ordinary pursuits of 4,000,000 robust young men from the army did not operate at all to produce any over-supply of labor as had been feared might be the case when 1919 opened. Thus labor was in position to command its own terms. And, as already noted, it pushed its advantages to the utmost. It made, in many cases, simultaneous demands for increased wages and decreased hours, and with rare exceptions succeeded in getting at least the major portion of what it asked for.

As the result of these repeated wage increases and the exceedingly high levels of wages thereby established the weekly income of the wage-earning classes, who of course constitute the bulk of the population, was raised to figures which previous to the war no one of them would have dared hope for even in his wildest fancy. Men who had been getting $3 or $3.50 a day could now command $6 or $7 or $8, or even $10 a day. And they proceeded to spend these large earnings with the utmost prodigality. The department stores in the different cities never did a larger nor a more profitable business, they were in the heyday of their prosperity. That class of the population dependent upon fixed incomes which cannot be readily changed—such as college professors, school teachers, post-office employees and municipal and State officials, as also the widow and other dependents deriving their main support from the income of special funds provided for their protection—found the high cost of living a serious drawback to comfortable existence. Not so the laboring classes, with their new-found ability to fix wages to their own liking and as high as they pleased. As already stated, they spent the money as freely as it came to them. They seemed to feel that they had come into a new privilege. Saving, economy and thrift were thrown into limbo. They bought only the most expensive things and showed contempt for low-priced articles. The department stores were not slow to fix prices accordingly. Silk shirts and other luxuries were what appealed to these people, now suddenly blessed with large incomes—incomes surpassing that of the professional man, enjoying the advantages of a college education and long years of training and study—and nothing seemed so high-priced as to be beyond their reach.

Buying without stint and in the most reckless fashion, they found over and over again that even the extra large income they were now enjoying did not suffice for their needs according to the changed habits they were now indulging. Instead of realizing that they were indulging in an orgy of extravagance and that virtually the whole laboring community were doing the same thing, the difficulty of making even an enormously enlarged income cover their swollen outlays simply bred and paved the way for new demands of further wage increases. And so the process went on. Each wage increase led to further extravagance and greater recklessness of expenditure, and the inevitable demand of still greater pay undeviatingly followed. Labor union leaders made charges of profiteering against the manufacturer and trader, and more or less profiteering was unquestionably indulged in — the seller raising his price not only sufficiently to cover the added labor cost, but to leave a little extra profit for himself—but in the last analysis the trouble was with the laboring man himself and his family. By raising his own wages over and over again, and thereby adding to labor cost, and doing this in one line of industry after another through the whole gamut of industries, he made advances in prices an absolute necessity and by supporting high values by his own reckless and unrestrained buying he encouraged those having goods to dispose of to make inordinate advances in price levels.

Thus labor really became the victim of its own greed for more and still more. And yet all the time labor had the remedy within its own hands. It could at any time have forced a reduction in the high cost of living if it had entered upon a policy of studiously declining to purchase high-priced articles. Then such articles would have become unsalable, would have become a drug upon the market, making reductions necessary in order to dispose of the goods instead of permitting further advances. Leaders in the economic world everywhere were urgent saving, economy and

Warren S. Stone

thrift as the one sovereign remedy against the cost of living, but there is not on record a single instance where labor union officials gave the same advice or recommended the practice of similar virtues. Instead they urged further wage increases, and the laboring man was taught that the employer was helpless as against the united and concerted demand of the employee.

Wage increases and price increases succeeded one another with such undeviating regularity that the matter finally became generally referred to as the operation of the "vicious circle." It is to be said that late in the summer a glimmer of intelligence did seem to dawn upon the heads of at least one large labor body as to the working of this "vicious principle." On July 30, Warren S. Stone, Grand Chief of the Brotherhood of Locomotive Engineers, and the other members of the Advisory Board of that Brotherhood, presented a statement, which was addressed to President Wilson and "Gentlemen of the Cabinet," with reference to the "increasing costs of living commodities." This statement pointed out that at a meeting of the Advisory Board held in Cleveland the matter of an increase in compensation "commensurate with the conditions we find because of the constantly increasing cost of living commodities" had been thoroughly considered. The statement went on to say that a widespread spirit of unrest existed among all classes, especially among wage-earners "whose wages will no longer provide adequate food, shelter and raiment for themselves and families." The belief was expresed that this situation had been brought about "mainly by conscienceless profiteering by the great interests who have secured control of all necessaries of life." The Brotherhood men declared that they found themselves obliged "to again request an increase in wages to meet the mounting cost of living." They went further, however—and here there appeared the first glimmer of sense that seemed to have dawned upon the laboring world—and declared that they felt that "should this request be granted the relief would be but temporary should prices continue to soar." To this, they added the following significant remark: "We believe the true remedy for the situation and one that will result in lifting the burden under which the whole people are struggling is for the Government to take some adequate measures to reduce the cost of the necessaries of life to a figure that the present wages and income of the people will meet. Should this not be considered feasible we will be forced to urge that those whom we represent be granted an increase in wages to meet the deterioration of the purchasing price of the dollar, be that what it may, which can be easily determined by competent authority."

The Brotherhood men contended that the members of the Brotherhood were really earning less money than prior to the war, inasmuch as "a daily wage of $5 prior to the war, which at that time was worth 500 cents, is to-day worth approximately, judging from competent authority, only $2.15." They said they did not "believe that increasing the compensation accompanied by a greater increase in the cost of commodities of life, will produce lasting benefits to our craft or to the American citizen in general." They sought an audience with the President and his Cabinet for the purpose of laying this situation before him.

There appeared some prospect of relief from the growing advances in wages in Grand Chief Stone's attitude regarding the barren advantage to be derived from increases in wages where attended by renewed rise in the cost of living. Unfortunately, however, Mr. Stone did not show much much confidence in the efficacy of his own sugestions, and it quickly became apparent that the railway unions, the Brotherhood of Locomotive Engineers among them, were aiming for the complete domination and control of the railroad system of the country by the employees. Grand Chief Stone's petition to the President proved only the prelude to the submission of very radical propositions on behalf of railway labor. In this new endeavor, the employees of the railroads were perhaps no more dictatorial than the wage-earning classes generally had become, but the comprehensiveness of the scheme for bringing the whole carrying industry under the dominion of the employees served to arouse public attention to what was going on and resulted in the defeat of the scheme. The unions saw opportunity for launching their proposal in the circumstance that the railroad situation was becoming very complicated because railroad employees who, in 1918, when Mr. McAdoo was Director-General of Railroads, had been awarded such prodigious wage increases were again active in trying to secure additional increases. On July 31, William G. Lee, President of the Brotherhood of Railway Trainmen, announced that a resolution adopted the day before by a special committee of 16 appointed at a then recent convention of the trainmen at Columbus, Ohio, would be sent to the Railroad Administration, saying that unless the Railroad Administration took action by October 1 on the demands of the Brotherhood, that wages of the trainmen either be increased or the cost of living reduced, steps would be taken looking to the enforcement of the demands. The Railroad Shopmen were also asking concessions of various kinds, including a request for "a very substantial increase

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in wages." Thereupon (namely on August 1), President Wilson addressed a letter to Representative Esch, Chairman of the House Committee on Inter-State and Foreign Commerce, and to Senator Cummins, of the Senate Inter-State Commerce Committee, recommending that Congress create a Board empowered to investigate and pass on all railroad wage problems. The President's letter was prompted by a communication he had received from Walker D. Hines, the new Director-General of Railroads, calling attention to the wage demands of the Railroad Shopmen, and suggesting the creation of such a Board. The President endorsed the suggestion and urged it upon the attention of Congress. The President suggested that the Board proposed also be empowered to fix transportation rates. Since the question of rates was so closely allied to the wage problem, the President expressed the hope that it would be possible for the committee addressed "to consider and recommend legislation which will provide a body of the proper constitution, authorized to investigate and determine all questions concerning the wages of railway employees, and which will also make the decisions of that body mandatory upon the rate-making body, and provide, when necessary, increased rates to cover any recommended increases in wages and therefore in the cost of operating the railroads." Director-General Hines, in his communication, had urged that any general increase to shop employees would result in

Frederick H. Gillett

demands for corresponding increases to every other class of railroad employees. The situation, therefore, he asserted, could not be viewed except as a whole for the entire 2,000,000 railroad employees. Viewed as a whole, every increase of one cent an hour meant an increase of $50,000,000 a year in operating expenses for straight time, with a substantial addition for necessary overtime. The increase of 12 cents per hour asked for by the shop employees would, if applied to all employees, mean (including necessary overtime) an increase of probably $800,000,000 per year in operating expenses. It should be added that the President considered the railroad wage situation so serious that on the same day (August 1) he also sent a letter to Speaker Gillett of the House of Representatives and Majority Leader Mondell, asking that the recess which the House had proposed to take with the consent of the Senate (which was engaged in discussions of the Treaty of Peace), beginning August 2 and continuing until September 9, be postponed until a later date.

The President's proposal, however, of a special Board to deal at once with the question of wages and rates did not appeal to the different Brotherhoods. On August 6, 14 of the principal railroad unions, acting as a unit, presented to Mr. Hines their demands for increased wages, at the same time expressing their disapproval of the President's recommendations that a special Federal Commission be constituted to settle the problems arising out of the demands of the railroad workers. They also asked that the Director-General endorse the so-called Plumb Plan, providing for Government ownership of the railroad systems of the country with a share in their management and profits for the workers, as embodied in a bill placed before the House of Representatives on August 2 by Representative Simms. In their letter to Mr. Hines they declared that railway employees were entitled to compensation which would at least re-establish the pre-war purchasing power of their wage. They would not admit that rates of pay to employees and transportation charges were in any way correlated. "Minimum rates of pay should be sufficient to guarantee to the most unskilled employee an adequate living wage, with such additional amounts as will meet the necessities incident to old age, injury, sickness and death, and higher rates based upon the skill, responsibility and hazard required and involved. Also these wage rates should be such as will compare favorably to the wages paid for similar service in other industries." They could not sanction the plan proposed by the Director-General and approved by the President for a Congressional Committee, for the reason that it meant months of delay at a time when the questions involved required immediate settlement. With reference to the Plumb Plan embodied in the Simms Bill, they urged that if enacted into law it would give to the Inter-State Commerce Commission its original authority over transportation rates, and employees could not hope for increases in rates of pay except as they resulted from economy and efficiency in operation due to their own collective efforts.

In the meantime, however—and this proved the most disturbing development of all, because it disclosed so plainly the purpose and object in view — the four brotherhoods of railroad employees, with the ten affiliated railway organizations of the American Federation of Labor, claiming to represent altogether 2,200,000 workers, had on August 2 issued a statement at Washington announcing that they were "in no mood to brook the return of the lines to their former control, since all the plans suggested for this settlement of the problems leave labor essentially where it has stood and where it is determined not to stand," and embodying most radical propositions of their own for dealing with the matter. They said: "Our proposal is to operate the railroads democratically, applying the principles to industry for which, in international affairs, the nation has participated in a world war." They added: "President Wilson declared in his message of May 20, 1919 for the 'genuine democratization of industry, based upon a full recognition of the right of those who work, in whatever rank, to participate in some organic way in every decision which directly affects their welfare in the part they are to play in industry.' He spoke plainly in behalf of a 'genuine cooperation and partnership based upon real community of interest and participation in control.'" The employees then went on to demand Government acquisition of the railroads and their operation on a profit-sharing basis for the benefit of employees. Among other things which the brotherhoods now demanded were representation on a directorate of 15 which should operate the systems and a share for labor of the surplus at the end of each year after operating costs had been met and fixed charges paid. The provisions of the bill presented to Congress on behalf of the four brotherhoods were outlined by Representative Simms as follows:

1. Purchase by the Government on valuation as determined finally by the Courts.
2. Operation by Directorate of 15, five to be chosen by the President to represent the public, five to be elected by the operating officials, and five by the classified employees.
3. Equal division of surplus, after paying fixed charges and operating costs, between the public and the employees.
4. Automatic reduction of rates when the employees' share of surplus is more than 5% of gross operating revenue.
5. Regional operation as a unified system.
6. Building of extensions at expense of the communites benefited in proportion to the benefit.

Representative Simms added that the Executive Council of the American Federation of Labor had been instructed at Atlantic City the previous June 17 to cooperate with the organizations representing the railroad employees. This it had done, and Samuel Gompers, President of the American Federation of Labor, was Honorary President, and Warren S. Stone, head of the Brotherhood of Locomotive Engineers, was President of the Plumb Plan League, formed to urge the Simms Bill before the country. As a matter of fact, in a statement issued on August 4 at Washington by the Railway Brotherhood leaders, setting forth the demands of labor respecting a change in industrial management and policy, the proposed legislation for the reorganization of railroad management embodied in the Simms Bill was characterized as "Labor's bill."

In view of the attitude of the railway unions regarding the President's suggestion of a special body for dealing with wages and rates, the President did not urge the suggestion any further. Moreover, in a letter from Senator Cummins, received on August 7, the President was advised that while the Senate Committee on Inter-State Commerce recognized the gravity of the situation, it felt that Congress had already given the Executive "complete and plenary authority to deal with the existing situation and that additional legislation at this time can add nothing whatever to your power in the premises." In the meantime a considerable number of railway employees had gone on strike, against the advice of their national leaders. Accordingly, the President the same day (August 7) addressed a letter to Mr. Hines, authorizing him to say to the railroad shop employees that the question of wages they had raised would be taken up and considered on its merits by the Director-General himself, but only in conference with their duly accredited representatives. The President at the same time stated that "concerned and very careful consideration is being given by the entire Government to the question of reducing the high cost of living."

The statement given out by the four Brotherhoods on August 2 and joined in by the American Federation of Labor declaring that railroad employees were "in no mood to brook the return of the lines to their former control," and expressing adherence to the Simms Bill embodying the Plumb Plan for turning the operation of the roads over to the employees and their unions was construed

Frank W. Mondell

as a threat on the part of the union leaders to tie up the railroad system of the country with a strike in order to force the adoption of the ideas embodied in the Plumb proposition. The attempt to influence legislation by such reprehensible methods met with almost universal condemnation on the part of the press and evoked indignant protest from all quarters. Accordingly, the heads of the different railway organizations on August 9 thought it best to issue an explantory statement regarding labor's stand on the Simms bill. In this they declared that "in proposing the elimination of capital and the tripartite directorate we have no purpose of intimidation," and saying, "we appeal to the statesmanship of America and to the common sense of American manhood and womanhood. To prevent any misunderstanding as to the policy of the organized railroad employees we unite in a definite assertion that we have no desire and have had none to impress upon the public by violence or by threats our proposal that the railroads be nationalized under triparite control." It was significant of the hostility that had rapidly developed against the Plumb scheme and the identification of the American Federation with the same that after a conference in Washington of the Executive Council of the Federation which extended over three days, namely August 28, 29 and 30, announcement came saying that the Council had concluded to defer final action on the proposition.

In all this it was presently to appear that they had gauged public sentiment and the attitude of the Administration at Washington aright. The President might have the deepest sympathy with labor and be inclined to espouse the cause of labor unions as he had done on so many occasions in the past, but he was nevertheless proceeding to aim a body blow at their new aspirations. On August 25 Mr. Wilson made it plain that the demands of the railway shopmen for increases amounting to from 15 to 27 cents an hour would only serve to result in still further increasing the costs of production and therefore the cost of labor. The men had been receiving 58, 63 and 68 cents per hour and now demanded 85 cents cents per hour. In statements issued on that day by him, along with a report by Director-General of Railroads Hines, emphasis was laid on the fact that the demands for the increases asked for could not be met. On the other hand, in an endeavor to effect an adjustment of the wages of shopmen to conform to the basis of pay of other railroad employees, the Administration awarded the shopmen 4 cents additional an hour. Even this, it subsequently developed, would add $45,000,000 to the annual payroll of the railroads. Following a conference with representatives of the shopmen on August 25 the President issued two statements, one to the shopmen and the other to the public in general. In the latter, the President dealt with the demands of the shopmen and stated that, in determining the issue, "We are not studying the balance sheets of corporations merely; we are in effect determining the burden of taxation which must fall upon the people of the country in general." The shopmen had urged in support of their claims the very serious increase in the cost of living. The President referred to this as "a very potent argument, indeed," but added:

Samuel Gompers

"The fact is, the cost of living has certainly reached its peak and will probably be lowered by the efforts which are now everywhere being concerted and carried out. It will certainly be lowered so soon as there are settled conditions of production and of commerce [here the President took advantage of the opportunity to spur the Senate to action on the Peace Treaty], that is, so soon as the Treaty of Peace is ratified and in operation, and merchants, manufacturers, farmers, miners, all have a certain basis of calculation as to what their business would be and what the conditions will be under which it must be conducted." Continuing in this strain the President pointed out that the demands of the shopmen and all similar demands were in effect this:

"That we make increases in wages, which are likely to be permanent, in order to meet a temporary situation which will last nobody can certainly tell how long, but in all probability only for a limited time. Increases in wages will, moreover, certainly result in still further increasing the cost of production and therefore the cost of living, and we should only have to go through the same process again. Any substantial increase of wages in leading lines of industry at this time would utterly crush the general campaign which the Government is waging, with energy, vigor and substantial hope of success, to reduce the high cost of living. And the increases by the cost of transportation which would necessarily result from increases in the wages of railway employees would more certainly and more immediately have that effect than any other enhanced wage costs. Only by keeping the cost of production on its present level, by increasing production and by rigid economy and saving on the part of the people, can we hope for large decreases in the burdensome cost of living which now weighs us down."

In conclusion the President expressed the belief that in the circumstances it would be clear "to every thoughtful American, including the shopmen themselves when they have taken second thought, and to all wage-earners of every kind, that we ought to postpone questions of this sort till normal conditions come again and we have the opportunity for certain calculation as to the relation between wages and the cost of living. It is the duty of every citizen of the country to insist upon a truce in such contests until intelligent settlement can be made and made by peaceful and effective common counsel." The President cautioned that "demands unwisely made and passionately insisted upon at this time menace the peace and prosperity of the country as nothing else could and thus contribute to bring about the very results which such demands are intended to remedy."

In his statement to the shopmen the President told them "we are face to face with a situation which is more likely to affect the happiness and prosperity, and even the life, of our people than the war itself. We have now got to do nothing less than bring our industries and our labor of every kind back to a normal basis after the greatest upheaval known to history, and the winter just ahead of us may bring suffering infinitely greater than the war brought upon us if we blunder or fail in the process." The President did not hestitate to say that if the "efforts to bring the cost of living down should fail, after we have had time enough to establish either success or failure, it will, of course, be necessary to accept the higher costs of living as a permanent basis of adjustment, and railway wages should be readjusted along with the rest." All that he was now urging, he insisted, was that "we should not be guilty of the inexcusable inconsistency of making general increases in wages on the assumption that the present cost of living will be permanent at the very time that we are trying with great confidence to reduce the cost of living and are able to say that it is actually beginning to fall."

The President finally ventured the opinion that legislation dealing with the future of the railroads would in explicit terms afford adequate protection for the interest of the employees of the roads, but, quite apart from that, it was clear that no legislation could make the railways other than what they are, a great public interest, and it was "not likely that the President of the United States, whether in possession and control of the railroads or not, will lack opportunity or persuasive force to influence the decision of questions arising between the managers of the railroads and the railway employees. The employees may rest assured that during my term of office, whether I am in actual possession of the railroads or not, I shall not fail to exert the full influence of the Executive to see that justice is done them."

The most encouraging feature about the President's action was that it quickly became evident that his appeal to the shopmen would be effective. While it had been decided on August 26 to put to a vote of the local unions the question of accepting or rejecting the President's appeal to the shopmen to defer their demands for higher wages, a later communication to the local unions, by the heads of the organizations involved, issued on August 28, recommended that the question of suspending work be left in the hands of the officers of these organizations, "with the understanding that no strike order will be issued unless such action becomes absolutely necessary to

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meet the conditions arising from the present situation, or joint action with other railroad organizations for a general wage increase." The instructions of August 28, which were in a much more conciliatory tone than those issued August 26, also stated that "it is our honest judgment that a fatal mistake would be made by our members to assume the responsibility of tying up the railroads at this time when the President is evidently doing all possible to reduce the high cost of living." The instructions to the local shopmen's union on August 26 had been sent out after Director-General of Railroads Walker D. Hines had been advised by representatives of the railroad shop craft committee of 100 that "know the sentiment of the membership," the committee could not "accept as a basis of settlement the rates established in his proposition submitted by the President." Previously a vote in favor of a strike effective September 2 had been taken and it was stated on August 26 that 95% of the men had registered in favor of a strike. The President's overtures operated to set aside this strike vote and to put the question to the men anew, who then agreed to abide by the President's decision. The unauthorized strikes of the shopmen in different parts of the country were gradually abandoned.

For the rest of the year the Railroad Administration, backed by the President, consistently adhered to the policy laid down in the foregoing. There were special wage increases, but no general ones, and the special increases were mostly claimed to be by way of adjustment. Unauthorized strikes, that is where the men quit work without the sanction or in direct opposition to the wishes of their leaders, were summarily dealt with. These unauthorized strikes, while of sporadic occurrence, were not in all cases without importance, and indeed some of them proved quite disturbing. An instance of this kind occurred out in California in August, just about the time the Railroad Administration was engrossed in the consideration of the railway shopmen's demands, and the identification of the brotherhood and other railway organizations with the Plumb Plan for the "democratization" of the railroad industries. A strike of the employees of the Pacific Electric Railway, controlled by the Southern Pacific, but not under Government operation, led to a sympathetic strike of the railway workers on certain of the Government controlled lines running out of Los Angeles—the Southern Pacific, the Santa Fe and the Salt Lake lines operated by Government — and caused the complete tying up of railroad operations in parts of California, Arizona and Nevada. After the strike had been in progress for some days, Director-General Hines on August 28 issued an ultimatum to the strikers, commanding them to return to work.

John J. Esch

After pointing out that the employees on the steam railroads had quit work without any grievance being presented or alleged, and stating that the action of these strikers was a violation and repudiation of the agreements between the employees and the railroads upon which they worked and also of the national agreement between the U. S. Railroad Administration and the chief executives of the organizations to which the strikers belonged, such national agreement providing for the adjustment of all causes of complaint in an orderly manner without suspension of work, Mr. Hines gave notice that all striking employees who did not report for duty by August 30 at seven in the morning would be regarded as having terminated their employment and their places would be filled. Not only that, but anyone who interfered with or impeded the running of trains would be committing an offense against the United States and would be arrested and prosecuted accordingly. This proved sufficient in this instance. The strikers had derived encouragement in the early stages of the movement from a telegram claimed to have been received August 24 by Los Angeles officers of the Railroad Brotherhoods from W. G. Lee, President of the Brotherhood of Railway Trainmen, stating that, "while the strike was not authorized the usual penalties of the Brotherhood accompanying the unauthorized strikes would not be exacted in this case in connection with any action the strikers might take." When, however, Mr. Lee and Warren S. Stone, the Grand Chief of the Brotherhood of Locomotive Engineers, got knowledge of the attitude which the Railroad Administration was taking, they both advised all members of their respective unions that a sympathetic strike would not be countenanced and indicating the penalties that had been visited upon offenders who had engaged in unauthorized strikes.

There were a number of wage *adjustments* adverted to above. While the amounts involved in none of the cases were of the prodigious magnitude of the wage increases made the previous year when Mr. McAdoo was Director-General, yet they represented a considerable sum in the aggregate. We have already referred to the wage increase granted the railway shopmen, and which was not at all satisfactory to them. In November a higher wage scale, embodying equalization of the earnings of the railway train service men engaged in slow freight service, and which it was estimated would add $3,000,000 a month or $36,000,000 a year to the payroll, was submitted to representatives of the four big Railroad Brotherhoods. The Railroad Administration, in submitting this proposal, announced that the policy adopted the previous August of not considering increases in the general level of railroad wages until a reasonable opportunity had been afforded to ascertain the result of the efforts of the Government to reduce the cost of living, had not been departed from, and that the proposed increase was merely with the view "to correct unjust inequalities as between different classes of railroad labor." New wage demands, however, kept pouring in, and on November 23 the general chairmen of the Brotherhood of Locomotive Firemen and Enginemen, about 180 in number, met in separate session at Cleveland and discussed the demands of their organization for a wage increase of 40 to 45%. Their demands had been presented to the Railroad Administration in September, but no reply had been received. The Brotherhood of Railway Trainmen, who made similar demands at the time, were advised, as noted above, that the time was not opportune and that they must await the result of the efforts to reduce the cost of living.

From what has been said it will have been gathered that the task

Albert B. Cummins

of running and administering the railroads was not an easy one. Nor were railroad developments favorable in other respects. With railroad wages continuing to mount upward, and with other concessions to railway employees and with numerous other drawbacks, a further large augmentation in the expenses occurred, still further diminishing the net income out of which the Government guaranteed rental had to be paid. Returns compiled by us, covering the returns filed with the Inter-State Commerce Commission by all railroads having gross operating revenue in excess of $1,000,000 per annum, showed an increase in the gross earnings for the twelve months of 1919, as compared with the twelve months of 1918, of $258,130,137, following an increase in 1918 over 1917 of $863,892,744. On the other hand, because of an augmentation in expenditures of $401,609,745, net for 1919 was $143,479,608 smaller than for 1918, and this came after a loss in 1918, as compared with 1917, in the huge sum of $284,771,620. These are the results before the deduction of taxes and other items. With these deductions made, the remaining net income fell $377,037,622 short of meeting the Government guaranteed rental, which was very much larger than even in the calendar year 1918, when the loss to the Government amounted to $169,461,738.

Railroad securities remained under a cloud the whole year and railroad credit continued impaired throughout. Entirely aside from the direct loss incurred by the Government in the operation of the roads, continued Government control was not regarded with favor. The service was unquestionably poorer than under private control, the discipline more lax, with a marked impairment of efficiency and capacity on the part of the employees. Outside of railroad employees themselves, who had profited so much through Government administration of the roads, and who were naturally anxious to perpetuate and extend these benefits to themselves, there was practically no public sentiment in favor of Government retention of the roads—rather there was a pretty general desire to have the Government relinquish control at an early date. All this was pretty well established before the different Railroad Brotherhoods and the railroad unions connected with the American Federation of Labor made their bold proposition that the Government should acquire ownership of the roads and turn them over to the employees to operate in their own way and for their own benefit. The proposal was so coldly received that even the railway unions quickly began to see that nothing was to be gained by endeavoring to push the scheme, though the coal miners coquetted with it a little, since they themselves were engaged in a movement to obtain a further large increase in their wage scales and thought that the support of the railway employees might be useful to that end. Indeed, before it became apparent how severely the public was inclined to frown upon such projects, some radical propagandists were talking wildly of the impending nationalization of both the railroad carrying industry and the coal mining industry.

The President himself was never in doubt as to public sentiment with reference to continued operation of the roads by the Government. While still in France, he took occasion when addressing Congress, which had been convened by him in extra session on May 19, to notify Congress that he had made up his mind as to the date when the roads should be returned to private control. In a very brief but wholly unqualified manner, he announced his conclusion in that respect, saying simply: "The railroads will be handed over to the owners at the end of the calendar year."

Of course, it was not possible to turn the properties back to their shareholders and directors without making legislative provision that would permit the step, since two years of Government operation had so completely altered the entire railroad status that it was out of the question to hand them over willy-nilly. The President hoped that by giving the legislative body long notice in advance of his intentions it would have ample time to perfect the needed legislation. But Congress dillydallied and delayed and procrastinated so that the year actually closed with no new acts on the statute books for dealing with the matter. It was not until November 17, shortly before the ending of the long extra session, that the House passed what was known as the Esch Railroad Bill, which embodied some radical and undesirable features. The Senate, in turn, passed a substitute measure, the work of Chairman Cummins, of the Senate Committee on Inter-State Commerce, but this was not until December 20. The President then stepped in and gave Congress two months more of grace in which to perfect the necessary legislation. In a proclamation issued on December 24 the President fixed March 1 as the date for the termination of Government control. The statement given out by the President's private secretary, Joseph P. Tumulty, in connection with the proclamation, after adverting to the message of the President the previous May, indicating the President's intention to restore the roads to their owners at the end of the calendar year 1919, went on to say that "in the present circumstances, no agreement having yet been reached by the two Houses of Congress in respect to legislation on the subject, it becomes necessary in the public interest to allow a reasonable time to elapse between the issuing of the proclamation and the date of its actually taking effect." Therefore, transfer of possession back to the railroad companies was fixed so as to become effective at 12.01 a. m. March 1, 1920. It now depended upon the conferees on the part of the two Houses of Congress to reconcile the differences between the two bills and submit a compromise measure. This proved a long and difficult task, and it was not until Feb. 18, 1920, that the compromise bill could be submitted to the House of Representatives, which then set Saturday, Feb. 21, for action upon it, when it passed that body by the decisive majority of 250 to 150, notwithstanding vehement opposition on the part of the American Federation of Labor and the railway labor unions to the labor provisions in the bill. The Senate in turn passed the bill on Feb. 23 in face of similar opposition on the part of the labor unions, the vote being 47 to 17. The labor unions sought to prevail upon the President to veto the measure, but this move also proved ineffective, and the bill became a law on Feb. 28.

Among the notable events of 1919 in labor matters were the strike in the steel industry and the bituminous coal miners' strike. These both occurred in the later months, and hence disappointed the expectations raised in August, when the President requested labor organizations to hold in abeyance for the time being demands for wage increases and other concessions until he had had opportunity to see if the cost of living could not be substantially reduced — a request which it seemed at first would meet with ready compliance. The strike in the steel industry was begun on Sept. 22. It was inaugurated at the instance of the leaders of the unions of iron and steel workers affiliated with the American Federation of Labor, which had undertaken to organize all steel workers and bring them under Federation control, thus carrying out their long announced threat in that respect. This was not a strike for increased wages, but was for the avowed purpose of gaining from the United States Steel Corporation recognition of labor unionism and the principle of the "closed shop." Judge Elbert H. Gary, Chairman of the U. S. Steel Corporation, took a firm stand in opposition to the principle of the "closed shop," pointing out that it "means that no man can obtain employment in that shop except through and on the terms and conditions imposed by the labor unions. He is compelled to join the union and to submit to the dictation of its leader before he can enter the place of business. If he joins the union he is then restricted by its leaders as to place of work, hours of work (and therefore amount of compensation) and advancement in position regardless of merit; and sometimes, by the dictum of the union leader, called out and prevented from working for days or weeks, although he has no real grievance, and he and his family are suffering for want of the necessities of life." Judge Gary declared that the country would not stand for the "closed shop." It could not

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afford it, he said, adding, "in the light of experience we know it would signify decreased production, increased cost of living, with initiative, development and enterprise dwarfed. It would be the beginning of industrial decay and an injustice to the workmen themselves, who prosper only when industry succeeds."

Judge Gary declined to receive a committee of union men sent to discuss the matter with him on threat of a strike for non-compliance, first because he did not believe the men were authorized to speak for large numbers of the Corporation's employees, and secondly because it seemed to him that a conference with them would be treated by them as a recognition of the "closed shop" method of employment. The President sought to prevail upon the leaders to defer the strike, but the effort proved unavailing. The union men in control of the movement were made up of very radical thinkers, John Fitzpatrick being chairman of the National Committee for the Organization of Steel Workers of the American Federation of Labor, and the committee comprising among others William Z. Foster, who had formerly been active on behalf of the I. W. W. (Industrial Workers of the World), and who some years before had written a book in collaboration with other writers, entitled "Syndicalism," in which social revolution and the destruction of the wage system, together with other radical doctrines, was advocated. As indicating Chairman Fitzpatrick's views, he was quoted as having said, after the adjournment of the committee meeting on Sept. 18, when a motion to rescind the action previously taken calling the strike was voted down, notwithstanding the President's request to that effect: "We are going to

C. B. Ames

socialize the basic industries of the United States. This is the beginning of the fight. We are going to have representatives on the Board of Directors of the Steel Corporation. President Wilson has promised that, in effect, in his program for the placing of industry on a better basis." In testifying before the Senate Committee on Labor and Education, which undertook an investigation of the causes of the strike, Chairman Fitzpatrick admitted that the strike was called as the result of a referendum vote in which only 100,000 of the 500,000 steel workers which he sought to involve in the strike had voted, though he claimed there were 50,000 more by the time the vote was counted. In the end the strike proved a blessing in disguise, for after it had been inaugurated it quickly became apparent that the movement was foredoomed to defeat. The number of steel workers who joined the ranks of the strikers was far less than had been supposed might be the case, and with the beginning of the second week of the conflict it was seen the strike was certain to fail. The strike assumed important dimensions only in the West, and at the Gary steel plants the military had to be called out to suppress the disorders which resulted. At all points, notwithstanding temporary successes at the start, the strikers quickly lost ground. The plants of the Bethlehem Steel Co. were not included in the original strike order, but on Sept. 27 the National Committee of the Iron and Steel Workers, at a meeting at Pittsburgh, proclaimed a strike at these plants, too (to go into effect Monday, Sept. 29), after E. G. Grace, the President of the Company, had declined to accede to the demand for a conference with the unions. The outcome in this last instance merely served further to demonstrate the weakness of the whole affair, for the strike at the Bethlehem plants proved an absolute fizzle. The strike leaders kept putting forth claims of important successes until the end of the year, but while the output of both iron and steel was substantially reduced in October, the strike practically ceased to be an influence after that month. As late as Dec. 13 and Dec. 14 the presidents of 24 unions connected with the steel industry voted to continue the strike, though it had for some time been virtually a thing of the past. It was not until Jan. 8 of the new year that the strike was officially called off.

It deserves to be noticed that early in October the leaders in the steel workers' strike sought to avert the defeat of the movement, which even then was impending, by a clever attempt to secure indorsement of their cause at the hands of an outside agency. On Oct. 6, the National Industrial Conference of representatives of capital, labor and the public, which President Wilson had called some time before, to "discuss fundamental means of bettering the whole relationship of capital and labor," opened at Washington. At the very outset of the meeting of this industrial conference, Samuel Gompers, the Chairman of the Labor Group, introduced a resolution proposing the appointment of a committee to whom should be referred for settlement the questions at issue in the steel controversy. Pending the findings of the committee, the workers were to be requested to return to work (which now, with certain defeat ahead, they were willing to do, although they would not refrain from striking when requested by the President) and the employers were to reinstate them in their former position. Fortunately, however, Judge Elbert H. Gary was able to thwart this audacious move on the part of the Labor Group. Mr. Gary firmly opposed the attempt to have the Industrial Conference come to the rescue of the misled steel workers. He declared he was of the fixed opinion that the strike should not be arbitrated, or compromised, nor any action taken by the Conference bearing upon the subject. In the end, the resolution was defeated, the Employers' Group and the Public Group voting against it. The Industrial Conference itself succeeded in accomplishing nothing. It split, nominally on the question of collective bargaining, but actually on the right of outside organizations like the American Federation of Labor "butting in" and representing workers banded together under shop organizations and engaged in bargaining directly with the employer. After being defeated on this issue and on the Steel resolution the Labor Group quit the Conference on Oct. 22. The Conference adjourned the next day.

On November 20, the President called a new Industrial Conference to meet in Washington beginning Dec. 1. The new Conference was called in response to a recommendation made to the President by the Public Group of the old Conference. Unlike the latter, the new Conference was not made up of distinctive groups. Instead, all the conferees were appointed to act in the interest of the people as a whole. Seventeen persons were named by the President to function in the new body; "all of the new representatives," said the President, in his letter of invitation, "should have concern that our industries may be conducted with such regard for justice and fair dealing that the workman will feel himself induced to put forth his best efforts, that the employer will have an encouraging profit, and that the public will not suffer at the hands of either class." This new Conference, after having met on the date set deliberated privately, and in the new year put forth a rather ambitious project for promoting harmony between capital and labor.

Strike of the Bituminous Coal Miners

More serious than the steel strike was the strike of the bituminous coal miners. Stren-

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"Certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness"

The First of These is LIFE

One thing distinguishes American democracy most sharply from other forms of government—and that is its regard for human life.

★ ★ ★

Remember the historic dash to Nome, in 1925, with life-giving serum when death stalked in that far community?

Remember the *Squalus*—and the almost superhuman efforts made to save the lives of the 33 men trapped in her sunken hull hundreds of feet below the surface?

Remember the items about iron lungs rushed to infantile paralysis victims who could not breathe without them?

★ ★ ★

Think of the mercy ships of the last war, loaded to the gunwales with food for starving Belgians and Armenians—the medical supplies and other equipment shipped to the Japanese when the horror of earthquake struck in 1923—the development of blood plasma, penicillin and other ways and means of saving and prolonging human life.

Then think of nations where to take one's life by hari-kari is a national honor. Nations where births are encouraged only so that more and more lives can be spent in battle and conquest. Nations where those unpopular in government are removed not by ballots but by bullets.

Do you begin to see the one great difference between American democracy and other forms of government?

★ ★ ★

In the midst of war, one of the great railroads of this country has been awarded the E. H. Harriman Memorial Gold Medal "for outstanding accomplishment in railroad safety."

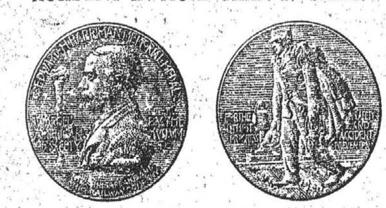
That railroad has been honored, mind you, not just because it has hauled millions of tons of coal and other materials to keep the war production program rolling—but because *"with the greatest number of passengers carried since 1928, the Chesapeake and Ohio in 1942 attained the lowest passenger casualty rate in its history. It has not had a passenger fatality in a train accident in over 27 years, carrying 115,350,000 passengers with a passenger mileage of more than 6,750,000,000."*

It has been honored, not just because it has speeded to waiting ships the things of war for trans-shipment to the battle fronts—but because *"the Chesapeake and Ohio shows a reduction in total employee casualty rate of 70 per cent for the past 5 years as compared to the 5 years, 1921 to 1926 inclusive, and it is one of the very few railroads which were able to reduce their employee casualty rate in 1942 far below that of 1941, with a steady, continued, year-by-year reduction since 1936."*

★ ★ ★

In accepting the Harriman Medal, the Chesapeake and Ohio recognizes in the very existence of such an award the one thing above all others worth fighting for—the sanctity and dignity of human life—which, as history has repeatedly shown, exist only so long as government is in the hands of the people and not people in the hands of government.

"NO PASSENGER FATALITY IN A TRAIN ACCIDENT IN MORE THAN 27 YEARS."



The Edward H. Harriman Memorial Medal, awarded annually to the railroad with the outstanding safety record—awarded on June 24, 1943, to the Chesapeake and Ohio Railway Company in "recognition of its outstanding safety record for the year 1942 among Class I Railroads operating ten million or more locomotive miles."

CHESAPEAKE AND OHIO RAILWAY

Cleveland, Ohio

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uous efforts were made by the authorities at Washington to avert this strike at the soft coal mines. The miners' demands had been formulated at the International Convention of the United Mine Workers of America at Cleveland, Ohio. The Convention closed on Sept. 23, after adopting resolutions for nationalization of the coal mines through Governement purchase of the mines, and for a working alliance with railroad employees to secure the adoption of the Plumb plan for nationalization of the railroads. A joint wage conference of the miners' representatives and the coal operators convened at Buffalo during the week of Sept. 25. Having been unable to reach an agreement, it was announced on Oct. 2 that the conference would recess until Oct. 9, at which time a sub-committee of the conference would renew the consideration of the miners' demand at Philadelphia. This subcommittee, which was composed of two operators and two miners from each of the four States represented, namely, Ohio, Indiana, Illinois and Western Pennsylvania, met at Philadelphia on Oct. 9, and after a three-day session announced on Oct. 11 that it had been unable to come to an agreement and that the conference would be adjourned. The operators the same day (Oct. 11) issued a statement asserting that the existing wage scale would not expire until April 1, 1920, or until the President should officially promulgate peace. The demand of the miners was for a 60% increase in wages, a maximum six-hour day, and a five-day week, with time and a half for overtime and double time for work on Sundays and holidays. Secretary Wilson of the Department of Labor was unremitting in his endeavors to avert the strike. The official strike order, calling upon all union bituminous coal miners to stop work at midnight Oct. 31, was issued to 4,000 local unions on Oct. 15 by John L. Lewis, as Acting President of the United Mine Workers. Secretary Wilson continued his efforts, however, but all to no purpose. Finally, after an all-day meeting of the President's Cabinet, the President issued a statement from the White House Oct. 25. He characterized the strike as "one of the gravest steps ever proposed in this country affecting the economic welfare and the domestic comfort and health of the people." He said it was "proposed to abrogate an agreement as to wages which was made with the sanction of the U. S. Fuel Administration, which was to run during the continuance of the war but not beyond April 1, 1920." He said he felt convinced that when the time and manner were considered the proposed strike constituted "a fundamental attack, which is wrong morally and legally, upon the rights of society and upon the welfare of our country." He added: "When a movement reaches a point where it appears to involve practically the entire productive capacity of the country with respect to one of the most vital necessities of daily domestic and industrial life, and when the movement is asserted in the circumstances I have stated and at a time and in a manner calculated to involve the maximum of danger to the public welfare in this critical hour of our country's life, the public interest becomes the paramount consideration." He said furthermore that he felt it his duty "in the public interest to declare that any attempt to carry out the purpose of this strike and thus to paralyze the industry of the country, with the consequent suffering and distress of all our people, must be considered a grave moral and legal wrong against the Government and the people of the United States." The law would be enforced and means would be found "to protect the interest of the nation in any emergency that may arise out of this unhappy business." In the circumstances he "solemnly" requested both the national and the local officers and also the individual members of the United Mine Workers of America to recall all orders looking to a strike on Nov. 1 and to take whatever steps might be necessary to prevent any stoppage of work.

Albert B. Anderson

But the officials of the United Mine Workers remained obdurate, and on Oct. 29 announced "that a strike of bituminous miners cannot be avoided; the issue had been made and if it must be settled upon the field of industrial battle, the responsibility rests fairly and squarely upon the coal barons alone." The Government then had recourse to legal proceedings and on Oct. 31 an order was issued on the petition of C. B. Ames, Assistant Attorney-General of the United States, by Federal Judge A. B. Anderson, at Indianapolis, enjoining officials of the United Mine Workers from enforcing the strike. Unlawful conspiracy to limit the output and facilities for the transportation of coal was charged in the proceedings. Hearing on the injunction came up Nov. 8, and the Court then directed the recall of the strike order, to which the mining leaders rendered compliance, though in the meantime the strike had gone into effect Nov. 1. The view of this action of the Government taken by the miners was indicated by the comment of President Lewis, to the effect that he regarded "the issuance of this injunction as the most sweeping abrogation of the right of citizens guaranteed under the Constitution and defined by statutory law that has ever been issued by any Federal Court."

It quickly appeared that it was one thing for a court to direct a recall of a strike order, but quite a different thing to get the strikers to return to work. As a matter of fact, only a very limited number of the miners in various parts of the country saw fit to go back and resume mining. The great bulk of the strikers simply stayed out. In the meantime the Administration authorities renewed their efforts to bring about an adjustment of the wage controversy between miners and operators, but again failed. No basis could be found acceptable to miners and operators alike. As a last expedient, the Fuel Administrator, Dr. Harry A. Garfield, backed by the members of the President's Cabinet, prescribed the conditions which both miners and operators would be obliged to accept. Under these conditions the miners were to get a 14% advance in wages, in addition to the large advances obtained by them in October, 1917, while the operators were to sell coal at the same price as before, the hours of labor remaining unchanged, that is, an eight-hour day for six days a week. The miners, however, appealed to the President and obtained what virtually amounted to a modification of these terms. On Dec. 6 Attorney-General Palmer announced, on behalf of the President, that, as soon as the miners returned to work on the basis of the 14% increase in wages (with which the miners were wholly dissatisfied) he would appoint a commission of three, including representatives of the operators and miners, to decide upon a further increase in wages and settlement of other questions in dispute. This proposition district representatives of the United Mine Workers at a conference decided to accept, and the miners thereupon immediately returned to work. Dr. Harry A. Garfield, however, tendered his resignation as Fuel Administrator, and the President then appointed Walker D. Hines in his place. Mr. Garfield's plan, as stated, provided a 14% wage advance, but it virtually precluded any further advance beyond this, since it was made with the idea that there should be no advance in the price of coal to the consumer.

Another of the conspicuous labor troubles of the year involved the printing trade in New York City. Owing to a combined lockout and strike, extending to the whole 250 or more establishments engaged in book and magazine and job work throughout the city, and involving all the pressmen and assistants and the press feeders employed in these establishments, virtually all the weekly and monthly papers and magazines found it impossible to get out their customary issues. The typesetters, also, in great measure joined in the movement. Under the rules of the International Typographical Union, the members of that union were unable to engage in a strike without the sanction of the international body, and to strike, therefore, would have involved the risk of expulsion from that body, but large numbers of these typesetters took "vacations" instead, and in that way managed to abstain from work. The demand related to both wages and hours of work. The unions asked for a $14 increase in wages, with a reduction in the number of hours from 48 per week to 44. The employing printers offered a $6 wage increase, and the adoption of the 44-hour week on May 1, 1921. The unions were willing to let the matter of increase in pay go to arbitration in accordance with the request of the employers, but would not submit to arbitration the question of the immediate introduction of the 44-hour week. The Typographical Union, however, meeting on Sunday, Nov. 23, decided to let the question of the 44-hour week go to arbitration along with their wage demands. Only the previous Sunday the members of the "Big Six" Typographical Union, at a mass meeting had voted to stay away from their jobs until their demands should be granted. But by this time the number of the "vacationists" had increased to such an extent that the employ-

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ing printers finally refused to continue negotiations with the officers of the union, and protested to the International Typographical Union that the action of the "vacationists" was equivalent to a strike. As a result, the Executive Council of the International body issued a mandate peremptorily ordering the "vacationists" to return to work, the threat of penalization by the International Union was held over their heads in the event of failure to comply. This proved effective. Following the action of the Typographical Union, the pressmen's and feeders' unions, who had seceded from their International bodies, voted to rejoin the latter. Work was generally resumed Nov. 24. Throughout the strike, the International Printing Pressmen and Assistants' Union had supported the employing printers, and had opened offices here to recruit pressroom workers to fill the places of those who, because of their affiliations with the four outlawed local unions, had been refused re-employment. The number of recruits obtained, however, had proved very small. The strike and lockout had begun October 1, and the trouble, therefore, lasted pretty nearly two months, during all of which time nearly all the leading weekly and monthly publications found it impossible to bring out their regular issues, though one or two of them, and notably the Literary Digest, were issued in reduced size, the text matter being reproduced from plates made from photographic copies of typewritten manuscripts. The arbitration resulted in giving the typesetters $9 a week increase, raising the scale of pay from $36 to $45, but on the basis of the continuance of the 48-hour week until May 1, 1921.

The Volume of Business

While the year 1919 was a period of undoubted great trade activity—taking trade as a whole without regard to conditions in many separate industries—and of advancing prices and large profits, it may be questioned whether the volume of business in the aggregate was fully equal to that of the previous year when the war was still in progress and all energies were employed in the endeavor to bring production in what were termed the "essential" industries to the top-notch—"essential" here meaning indispensable to the conduct of the war. In what are ordinarily considered basic industries, more particularly iron and steel as one and coal mining as another, production was heavily reduced. The output of bituminous coal in the United States in 1919 is put at only 458,063,000 tons, as against 579,385,820 tons in 1918, and 551,790,563 tons in 1917; and the production of Pennsylvania anthracite for 1919 at 86,200,000 tons, as against 98,826,084 tons in 1918 and 99,611,811 tons in 1917. In the case of copper, too, there was a very considerable diminution in production—the shrinkage being figured at over 600,000,000

Dr. H. A. Garfield

pounds—the production of refined copper for 1919 being put at 1,863,580,381 pounds, against 2,473,077,401 pounds in 1918 and 2,507,663,067 pounds in 1917. According to the American Iron and Steel Institute, the make of pig iron in 1919 reached only 31,015,364 tons which compared with 39,054,644 tons in 1918 and 38,621,216 tons in 1917. In all these instances a falling off seemed natural as a result of the cessation of hostilities; and the labor troubles just referred to tended still further to cut down the output. In the case of coal, mining in 1918 had been pushed to the utmost since without adequate supplies of fuel, arranged for in advance, operations in the essential industries to full limits could not have been maintained and might have been checked altogether. To guard against contingencies, coal production had to be stimulated even beyond immediate requirements, otherwise the consequences might have been very serious. What was involved in the coal trade in the change from a war basis to a peace basis was at once recognized when the armistice was signed in November, 1918, for coal production was immediately allowed to fall off. In the first part of 1919 the loss from the corresponding months of 1918 was very striking, and in the case of the anthracite shipments the exceedingly mild winter, as contrasted with the extraordinarily severe weather experienced during the early months of 1918, came in as an additional factor operating in the same direction. In the closing months of 1919 the strike in the bituminous regions while it lasted reduced coal production to small proportions. In the matter of iron and steel the cessation of war activities meant that iron and steel would now be constituent elements merely in peace products and no longer have their chief use in the turning out of war materials. The transformation here quite obviously was more decided than in any other industry and that circumstance alone inevitably tended to produce a state of quietude such as was the characteristic of the early months of 1919. In addition, differences of opinion with reference to the new and lower schedules of prices to be put in force, and some sharp disputes between Government bodies as to what the new prices should be, served further to promote the disinclination to engage in ordinary business undertakings. Here, too, labor troubles—both in the steel industry itself, and later in the coal industry, this last serving to deprive iron and steel making concerns of needed supplies of fuel — acted further to reduce production after the early period of quietness had given place to a renewed demand for all leading products of iron and steel and now of a quite urgent character. In copper the elimination of all war demands necessarily entirely changed the aspect of that trade, the more so as huge stocks of the metal accumulated in 1918 on the supposition that they would be needed by the War Department, were now freed for other uses.

In the building trades there was naturally a tremendous revival of activity. Following the entrance of the United States into the war in April, 1917, the erection of buildings for private use had to be almost completely eliminated except so far as new structures had to be erected as an incident to the conduct of the war itself in order that the materials that would have gone into the ordinary buildings might be available for war uses. As a result of this enforced restriction a great and unprecedented scarcity of housing accommodations developed—

A. Mitchell Palmer

not alone for dwelling purposes, but for office and business needs. Property valuations consequently went up and so did rents—at first in a slow and cautious way (owners succeeded in getting good prices for parcels which had long been unsalable), and then at the very close of the year with great rapidity. All this served to release pent-up energies in the building lines. At first it was a question how far builders would go in the attemps to relieve the shortage. The cost of materials was high, labor unruly and demanding steadily increasing compensation and insisting on shorter hours along with other concessions which made the labor cost almost prohibitory, besides which, on account of the attitude of labor, contractors had to assume great risks in venturing upon engagements looking to the future since a seeming gain might be turned into a serious loss by further labor demands which would have to be granted as the alternative to a strike and a complete stoppage of work involving even more serious loss. As a matter of fact, new labor troubles kept steadily arising in the buildings trades, constituting a formidable obstacle in the carrying out of new projects. In addition, money rates were ruling high and real estate mortgages were not easy to obtain. Nevertheless despite all these drawbacks new work on a very extensive scale was planned and in no small degree carried to completion, this last being due to the fact that owing to the scarcity of housing accommodations purchasers finally got into a mood where they were willing to pay almost any price in order to supply their needs, thus enabling the builder to recover all his outlays and make a profit besides. Carefully compiled statistics published by the "Commercial & Financial Chronicle" show that at 286 cities in the United States the contemplated outlay under permits issued during the 12 months of 1919 aggregated no less than $1,505,317,260 (the heaviest total on record for any calendar year), against $496,537,914, the exceptionally small total for 1918, and $819,241,507 for 1917.

As regards business generally, it is exceedingly difficult to say in any particular case whether the *volume* of business in 1919

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was equal to that of 1918. Expressed in money the business, with relatively few exceptions, was unquestionably larger, but that has little bearing upon the volume of business transacted—the number of separate units handled and dealt in—since prices ruled so very much higher that that circumstance alone tended to raise the aggregate sales value to heavily increased levels. Retail business, it seems safe to say, surpassed all previous records. This was because the wage-earning classes received higher pay than ever before and spent the money with the greatest freedom—even with recklessness. As pointed out above, they crowded the department stores to the doors and were wholly indifferent as to the prices charged. It was because of these large sales at retail that the demand upon jobbers and wholesalers, and in turn upon manufacturers, was so urgent and the main consideration everywhere seemed to be to get goods, wholly irrespective of prices.

The Country's Foreign Commerce

In our foreign trade the totals reached unprecedented figures, the high record established in 1917 being surpassed by a wide margin. In brief, the value of the merchandise exports for 1919 was $7,922,150,592 against $6,149,087,545 in 1918, $6,233,512,597 in 1917 and only $2,113,624,050 in 1914. The total of the merchandise imports was $3,904,406,327 in 1919 against $3,031,212,710 in 1918, $2,952,467,955 in 1917 and only $1,789,276,001 in 1914. Here, too, the higher prices played an important part in swelling the totals—not so very much so in the comparison between 1919 and 1918, but accounting for the greater part of the increase as compared with 1914. The balance of merchandise exports was the largest by far in the country's history, being $4,017,714,265, as against $3,117,874,835 in 1918, $3,281,044,642 in 1917 and $3,091,005,766 in 1916, and but $324,348,049 in 1914. Notwithstanding the tremendous magnitude of the favorable balance, augmented still further by large silver exports, the United States was obliged the last seven months of the year to make heavy shipments of gold abroad. On June 9 the Federal Reserve Board removed all restrictions on the exportation of gold and thereafter the metal moved out in large quantities. The net outflow for the 12 months was $291,651,202, against net imports of $20,972,930 in 1918, net imports of $180,570,490 in 1917, $530,197,307 in 1916, and $420,528,672 in 1915. The bulk of the gold went to South America (mainly the Argentine) and to the Far East (principally to Japan, China and India), and the explanation is found in the fact that in the case of those countries the trade balance ran strongly against this country. This being the case and the United States being once more (as far as the outside world was concerned) on an unqualified gold basis, the adverse balance had to be settled by shipments of gold. On the other hand, Europe (in the trade with which the balance in favor of the United States was of such huge dimensions) was unwilling to part with any of its stock of the metal, the restrictions against a gold outflow being as rigidly maintained as before. Europe, being anxious to protect its gold reserves at a time when such a step seemed imperative because of the tremendous addition made since the beginning of the war to the paper currency issues in all the belligerent countries. The effect was to cause a severe drop in the exchanges, particularly in the case of the exchange rates on London, Paris and Rome. This matter of the depreciation in the exchanges is dealt with more at length in our review of the foreign exchange market further below. Under ordinary circumstances the takings of our goods and manufactures by these European countries would have been heavily reduced. As it was, the purchases here were, as we have already seen, heavily increased. The reason was that with the close of the war Europe needed large amounts of raw materials and other things in order to rehabilitate its devastated areas and also for its economic reconstruction, while at the same time food supplies, which could not be obtained elsewhere, had to be obtained from us in order to avert starvation for large masses of people.

Our Agricultural Productions

From an agricultural standpoint, the year proved a distinct disappointment. In 1918 when the war was still in progress the Government had extended its guaranteed price for wheat so as to cover the wheat crop to be raised in 1919, since abundant supplies of wheat seemed so essential, not only for the benefit of the United States, but for its allies and associates in the war, and accordingly the area devoted to autumn sown wheat under the stimulus of this guaranteed price was decidedly increased, far surpassing the area sown to winter wheat in the best previous years. The seed was also put in under most favorable auspices, so the crop started under most propitious circumstances. Accordingly a wheat yield of unexampled dimensions seemed in prospect. But, as it happened, expectations in that regard were grievously disappointed—this, too, notwithstanding that the plant wintered unusually well so that condition of the winter wheat crop as a whole which on Dec. 1, 1918, had been officially reported at 98.5 stood April 1 at 99.8 and May 1 at the phenomenal record of 100.5. Accordingly, the forecast at that date pointed to a probable winter wheat yield of 900,000,000 bushels and the possibility of producing a full billion

Joseph I. France

bushels did not seem to be out of the question. But from that time on the situation changed very rapidly and prospects quickly became seriously impaired; partly by reason of cold weather and partly because of excessive rain in certain regions and, finally, in the Southwest because of red rust. The result was that in the end the winter wheat yield proved no more than 731,636,000 bushels. As it happened, too, the spring wheat crop proved a failure almost from the start owing to a variety of circumstances and proved one of the very smallest on record. In the end the product of winter and spring wheat combined turned out smaller than what had been counted upon for winter wheat alone, reaching only 940,987,000 bushels, or but little better than the 921,438,000 bushels of wheat harvested in 1918 when the wheat crop had been of good average proportions, but by no means up to the best previous record. The oats crop turned out to be only 1,248,310,000 bushels, as against 1,538,124,000 bushels in 1918 and 1,592,741,000 bushels in 1917. The barley crop and the rye crop also fell below those of 1918. The corn crop ran better than the poor yield of 1918, but below that of several other years; the official figures placed it at 2,917,450,000 bushels, against 2,502,665,000 bushels harvested in 1918 and 3,085,233,000 bushels raised in 1917. In the South the cotton crop proved the fifth in a series of short yields, with a yield, including linters, not much above 12,000,000 bales; back in 1911 the crop had been over 16,000,000 bales.

The old Congress before its expiration on March 4 enacted a law appropriating $1,000,000,000 to enable the President to carry out the price guarantees made to producers of wheat of the crops of 1918 and 1919, "and to protect the United States against undue enhancement of its liabilities thereunder." The new Act gave the President blanket authority to provide all the machinery for handling the wheat from the time when purchased from the farmer until sold to the consumer, with control over millers, wholesalers, jobbers and bankers, importers, manufacturers, etc. Besides appropriating $1,000,000,000 as a revolving fund to carry out the guarantee, discretionary powers were conferred to continue the old agency for handling the wheat crop or to create a new one. The bill also carried as a rider, a cotton futures provision under which only 13 grades of cotton (from low middling up) can be delivered on future contracts and all cotton so delivered must be classified by Government graders. This last minute legislation (it did not become a law until March 4), brought about the closing of the New York Cotton Exchange on March 5. This was in order that arrangements might be made for the readjustment of trading to meet the requirements of the new law. The Exchange had also been closed March 4, on account, however, of the Mardi Gras celebration at New Orleans, which was a holiday on the New Orleans Exchange, and an agreement existing between the New York and the New Orleans Exchanges by which the holidays observed on one Exchange are also observed by the other.

Effort at Price Stabilization

One of the incidents or episodes of the year was an attempt at price stabilization in which Secretary of Commerce William C. Redfield was particularly prominent. As it happened, the movement came to grief after several weeks' earnest effort by Mr. Redfield. At a conference on Feb. 5, called by Mr. Redfield and attended by a number of former heads of the more important divisions of the War Industries Board, representatives of various Government departments and others, action was taken toward evolving plans for establishing a fair postwar level of prices for basic commodities. This meeting, which followed a series of conferences between members of the Cabinet and others interested in the matter, was held for the purpose of considering the industrial situation with particular reference to the unemployment which it was feared would result from the demobilization of the army and the return of so many soldiers from France. Price stabilization, it was expected, would lead to the resumption of active buying, then held in abeyance out of a fear that current tendencies would inevitably force lower prices later on if the trend in that direction should not be arrested by some general scheme like that in contemplation. The meeting resulted in the adoption of a resolution requesting Secretary Redfield to seek the approval of President Wilson for the appointment of a committee to deal with the situation. A statement given out by Mr. Redfield after the conference said that "it was contemplated that this committee should call into conference the representatives of the basic industries of the country to examine conditions in industry with a view to the formulation of a scale of prices at which the Government departments and other buyers would be justified in buying freely and at which the manufacturers would be willing to sell with a view to maintaining or restoring business activities to a full volume." The Secretary added that "it was believed that public announcement of the conclusions of such a committee would have a great value in establishing con-

Sen. Bob La Follette

fidence in a level of prices and would be accepted by bankers and others as a basis for credit." It is significant of the views so widely entertained in the early part of the year as to the likelihood of trade reaction, unemployment and price deflation—in all of which particulars the year turned out so differently than expected, as already noted—that in an enumeration of the "conditions confronting the country," Mr. Redfield in the statement referred to put first of all, "Unemployment of labor, now large and rapidly increasing." The Secretary also spoke of "a stagnant condition of industry" and said that prices were "high and unstable, due to the effect of the war, which interfered with the ordinary operation of the law of supply and demand" to which he added that "prices were inflated beyond the possibility of maintenance upon the same scale during peace time."

On Feb. 15 President Wilson cabled to Mr. Redfield his approval of the proposal. On Feb. 18 Mr. Redfield announced that George N. Peek, formerly Vice-Chairman of the War Industries Board, had been chosen by Mr. Redfield as Chairman of the Board, Mr. Peek to select his associates on the Board. From the first the price stabilization plan evoked much criticism and met with no little opposition. On the one hand there was impatience with any further attempts of any kind at regulation on the part of the Government and on the other hand there was opposition from certain sections of the community who feared that price stabilization would mean to them simply lower prices and diminished profits. For instance, a protest was said to have been cabled to President Wilson on February 17 by a number of Senators—among others Senators Lenroot and La Follette of Wisconsin; Gronna of North Dakota; Borah of Idaho; Curtis of Kansas; Gore of Oklahoma; Smith of South Carolina; Smith of Georgia; Ransdell of Louisiana, and Sheppard of Texas—saying it had been called to their attention that Secretary Redfield had evolved a plan to stabilize prices, including farm products, and that the signers, "members of the Senate speaking for themselves and the farmers of their States," desired to register a decided protest and to be heard on the matter "before it receives any sort of official sanction." On Feb. 23, Mr. Redfield announced that the Board which he had appointed under the Chairmanship of George N. Peek was to be known as the Industrial Board of the Department of Commerce. He said that they were "to put into practical effect a program for the readjustment of prices for basic materials in such a fashion as to create a firm foundation on which the consumer could base his future purchases and the producer could form necessary estimates." The Industrial Board, he said, had the assistance of the Council of National Defense.

The iron and steel trade—where price stabilization was most to be desired—fell in very readily with the suggestion of the Department of Commerce. At a meeting of representatives of the iron and steel industries on March 6 it was unanimously voted to accept the invitation of the Industrial Board "to cooperate in the endeavor to stabilize business conditions, and the whole subject matter was referred, with power, to a committee." After a number of conferences between steel men and the Industrial Board it was announced on March 20 that a full agreement had been reached upon a new schedule of prices. In making this known, Judge Elbert H. Gary, Chairman of the Board of the U. S. Steel Corporation, took occasion to state that in lowering prices there was no intention to make decreases in wages except perhaps at some mills operating under contracts between employers and employees providing for a sliding scale. He added that it was not expected that prices during 1919 would be any lower. Judge Gary pointed out that "the objects to be secured are in revival and stabilization of business by establishing a reasonably low basis of prices which would be satisfactory to the consuming public and yet, so far as practicable, would yield a moderate and reasonable return to the investors." The Industrial Board on its part issued a statement saying that in giving its approval to the schedule of prices decided upon the Board was carrying out the purpose for which it had been created and believed that a level had been reached below which the public should not expect to buy during 1919. The purpose of the Board was to bring about such a lower level of prices as would effect stability and stimulate trade, to the end that business and industry could proceed and build up with confidence and provide maximum employment.

The new schedule of prices went into effect the next day, March 21, and provided for drastic reductions in prices. It should be added that these reductions were in addition to sharp cuts in prices made at the close of 1918 (after the conclusion of the armistice) and which became operative Jan. 1, 1919. A few illustrations will serve to indicate the extent of the two reductions combined. Thus, basic pig iron, which the previous December had been marked down from $33 per ton to $30, was now reduced to $25.75. Large steel billets which in December had been reduced from $47.50 to $43.50 were now cut to $38.50. Merchant bars, plates and structural steel which had been reduced $4@$5 a ton in December were marked down further $7 a ton. In the case of rails no change had been made in December; they were now marked down $10 a ton to $45 a ton for Bessemer and $47 a ton for rails of open hearth steel. The expectation that no lower prices than those now agreed upon would come in 1919 was fully realized. In the second half of 1919 a great change in the outlook for

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iron and steel occurred. Demand revived, while at the same time the strike, first in the steel trade and later at the bituminous coal mines, the latter depriving furnaces and mills of a sufficient supply of fuel, reduced the output of iron and steel products. The inquiry finally became so urgent that open market prices for iron and steel ruled far above the schedule fixed March 21, and high premiums had to be paid in order to secure immediate delivery.

The Railroad Administration insisted upon lower prices than those fixed for rails and opposed the March 21 schedule from the start. Its declination was announced April 2 and made final April 10. Director - General Walker D. Hines, of the Railroad Administration, denied the right of the Industrial Board to impose a price upon the Railroad Administration, and clung to the opinion that the prices fixed were too high. He accordingly took the position that the railroad Administration could not approve them as being reasonable prices. Chairman Peek, of the Industrial Board, on the other hand, took the ground that the stabilization plan could not be carried out successfully unless with the complete co-operation of all departments of the Government, and as "at this late date in the execution of the plan this important essential to its success has been denied by the Director-General of Railroads, by that denial the labor of the Industrial Board is set at nought and the Government is exhibited as setting up an industrial policy with one hand and destroying it with the other." On April 18 Washington dispatches stated that President Wilson had directed the Industrial Board and the Railroad Administration to reopen discussion and endeavor to find a common ground on which they could agree. The attempt, however, proved futile. Several further conferences were held and all were fruitless of results. On May 8, the 1st day, Mr. Hines announced that the conferences were at an end and that the Railroad Administration would proceed to ask for competitive bids for steel materials. It appeared later that on May 2 President Wilson had sent a cablegram that it would be best to discontinue the Industrial Board, particularly in view of the fact that the Attorney-General regarded its action as questionable under the law. Apparently this cable was forwarded by the White House to Mr. Hines, but not to Mr. Redfield or Mr. Peek. At all events the two latter did not learn of the message until knowledge came to them regarding it through a letter from Mr. Hines. Chairman Peek and the other members of the Industrial Board had tendered their resignations to Mr. Redfield in April when the Railroad Administration first declined to be bound by the March 21st schedule and Secretary Redfield now accepted them, sending to each an identical letter under date of May 9th. The dissolution of the Industrial Board then followed as a matter of course. Secretary Redfield's file of correspondence when made public also revealed that under date of April 18th the President had cabled that he was sincerely sorry that the efforts of the Industrial Board had met with serious check, but was afraid that this was partly because the public and some members of the Board itself and been under the impression that they were fixing prices, whereas the board had been intended merely as a court of mediation between buyer and seller.

This, too, was the view of Carter Glass, Secretary of the Treasury, who had sided with the Railroad Administration in the controversy with Mr. Hines. In a statement issued on May 12th, Secretary Glass stated that the Industrial Board in attempting to "fix minimum prices for the public did precisely that which it had been warned not to do," and that the action had been promptly repudiated by him as "contrary to fundamental principles of economics, of public policy and of the law." He said the Treasury had consistently striven since Armistice Day for the removal of all Government restraints, controls and interferences. The original plan which in its general features had had his approval, he asserted, was to endeavor to bring about a meeting of minds, between the producers and those Governmental agencies which had large purchases to make, upon bed rock prices which would carry conviction that new enterprises might be undertaken with safety and the hope of profit. The Industrial Board having departed from this idea he was now confirmed in the view "that the Board was hopelessly committed to an unsound and dangerous policy." The controversy between Director-General Hines and Mr. Glass on the one side and Chairman Peek, of the Industrial Board, and Secretary Redfield on the other, finally took a very acrimonious turn. In the last analysis the Attorney-General's opinion regarding the illegality of any price arrangement of this sort was doubtless the most important element in leading to its abandonment.

The action of Director-General Hines in asking for competitive bids for 200,000 tons of steel rails, as noted above, failed of its object and did not bring lower prices than those fixed on March 21. Six leading steel concerns bid uniform in all respects as to prices and conditions of manufacture and in absolute accord with the prices approved by the Industrial Board. A seventh steel concern proposed prices $10 in excess of those named in March. In these circumstances Mr. Hines did not hesitate as to the course to pursue. In view of the immediate need of the rails, orders were placed at the price indicated (that is, $46 per ton for open hearth rails), but under protest, the Director-General saying: "This action is taken not only without approval of the prices, but . . . with emphatic disapproval of the prices and the manner in which they have been established."

Government Financial Operations

The financial operations of the Government were not of the huge magnitude of those of the previous year, and yet were of large extent. The long delayed War Revenue Bill, fixing new rates of income and excess profits and war profits taxes, after having been agreed to in conference, finally passed both Houses of Congress in February—in the House, Feb. 8, and in the Senate, Feb. 13—but was not signed by President Wilson until Feb. 24 after his return from his first trip to France. The President affixed his signature to the bill while on the train en route from Boston to Washington. Mr. Wilson, however, was not successful in prevailing upon Congress to expedite other needful legislation which during his absence in Europe had been progressing quite tardily. As a matter of fact, he was greatly provoked over the action of a few members in the Senate in blocking desired legislation. The result was that the life of the old Congress expired on March 4 without the passage even of most of the appropriation bills. Republican leaders had expressed a desire to have the Deficiency Bill carrying the $750,000,000 revolving fund for the Railroad Administration enacted into law, and conferred with the majority leaders to that end (the Democrats were still in control in the old Congress), but the managers on both sides were unable to accomplish anything, due to protracted speeches by Senators La Follette, France and Sherman, who held the floor from 10 a.m., March 3 until the hour of adjournment March 4. The President thereupon issued a statement dealing with the dereliction of Congress in failing in these particulars, saying:

> A group of men in the Senate have deliberately chosen to embarrass the administration of the Government, to imperil the financial interests of the railway systems of the country and to make arbitrary use of powers intended to be employed in the interest of the people.
>
> It is plainly my present duty to attend the Peace Conference at Paris. It is also my duty to be in close contact with the public business during a session of the Congress. I must make my choice between these two duties, and I confidently hope that the people of the country will think that I am making the right choice. It is not in the interest of the right conduct of public affairs that I should call the Congress in special session while it is impossible for me to be in Washington because of a more pressing duty elsewhere, to co-operate with the Houses.
>
> I take it for granted that the men who have obstructed and prevented the passage of necessary legislation have taken all this into consideration and are willing to assume the responsibility of the impaired efficiency of the Government and the embarrassed finances of the country during the time of my enforced absence.

With the expiration of the life of the old Congress the political complexion of the legislative body changed, the Republicans holding control in both Houses in the new Congress. It was freely charged that the action of the Republicans in the old Congress was influenced in no small degree by knowledge of that fact—they feeling that in the new Congress they would be in position to act with greater freedom on that account. It was also charged that for the same reason the Republicans were desirous of having the new Congress convened in extraordinary session at an early date, the sooner to exercise their power of political control. The President on his part made no secret of his intention not to call the new Congress into being until it became absolutely impossible to carry on the Government without such a step. Notwithstanding the old Congress had left so much needful legislation unfinished, statements emanating from the White House at Washington kept persisting to say that the President would not convene Congress in extraordinary session until the summer, after his second return from France—he having set sail for Europe again on the morning of March 5 after a strenuous ten days in this country crowded with important events. It will be noted that in the statement we

L. Y. Sherman

have quoted above he took express occasion to say that it was not "in the interest of the right conduct of public affairs that I [he] should call Congress in special session while it is impossible for me to be in Washington, because of a more pressing duty elsewhere, to co-operate with the Houses." However, the President had to yield in his determination. The needs of the Railroad Administration were very urgent and apparently also the representations of the Secretary of the Treasury as to the embarrassment to result from the failure of Congress to pass the annual appropriation bills likewise carried much weight with the President. On May 7 a call for an extra session of Congress, to convene Monday, May 19, came by cablegram from the President and was made public by proclamation at Washington.

As already noted, Government borrowing during 1919 was not on the enormous scale which marked the fiscal operations of the calendar year 1918. Only one large public loan was floated, the old Congress having made full provision for this before it went out of existence. The rest of the Government financing was carried on by means of Treasury certificates of indebtedness—largely certificates put out in anticipation of tax collections, but also considerable amounts in the shape of loan certificates. Preliminary steps bearing upon the new borrowing to be done were taken at the very beginning of the year. On Feb. 10, Carter Glass, the Secretary of the Treasury, addressed a letter to Claude Kitchin, Chairman of the House Ways and Means Committee, in which he asked the attention of the committee to the necessity of the immediate enactment of legislation amending the Liberty Bond Acts so as to make possible the funding by a Victory Liberty Loan in the spring of the floating debt already incurred or which would be incurred up to that time. He contended that this Victory Liberty Loan could not be issued successfully now that hostilities had ceased within the limitations imposed by existing laws. Although it was not contemplated to float the new loan until the spring, he deemed it proper to urge prompt action in view of the early expiration of the life of the existing Congress (on March 4) and the apparent impossibility of convening and organizing the new Congress in time to enact further bond legislation before the Victory Liberty Loan campaign should begin. As considerable time was still to elapse before the actual offering of the new loan, he felt obliged to ask greater latitude in the exercise of a sound discretion as to the terms of the proposed Victory Liberty Loan than had been conferred by Congress in respect to previous Liberty Loans. The Secretary submitted the draft of a bill to amend the Liberty Bond Acts so as to achieve the ends desired. Congress, however, was not prepared to go quite so far in the leaving of discretionary powers with the Secretary as he had desired. The Secretary had asked for authority to issue in his discretion either bonds or notes, as market conditions at the time might warrant, but the Committee, bearing in mind that a new loan must in all probability bear a higher rate of interest than the rate in the Liberty Loan issues, and that such higher rate might adversely affect the financial markets, on Feb. 19 definitely decided in favor of short-term notes, and were thereupon advised by the Assistant-Secretary of the Treasury that this plan would be acceptable to Secretary Glass. Because of a misapprehension that the Victory Liberty Loan plans had been abandoned or modified materially by reason of the Committee's decision, Mr. Glass on Feb. 20 again announced that the campaign for a loan in the spring would be carried out and that a campaign would be inaugurated on April 21, or possibly earlier, and would be popular in nature.

In his letter to Chairman Kitchin of the House Committee, Mr. Glass had suggested that authority be conferred upon the Secretary to issue $10,000,000,000 additional bonds or notes. He had pointed out that the amount of bonds unissued under the Liberty Bond Act was slightly in excess of $5,000,000,000—the authorization under the first Bond Act having been $2,000,000,000 and under the second, third and fourth Acts $20,000,000,000 and approximately $17,000,000,000 of bonds having been issued under the four Acts. In the bill, however, the limit of the new notes was put at $7,000,000,000 instead of the $10,000,000,000 suggested by the Secretary. In the form proposed by the Committee the Victory Loan Bill passed the House on Feb. 26 with but 3 dissenting votes. The Bill was favorably reported to the Senate Feb. 28 and passed in that body without a roll call on March 2 after the collapse of a Republican filibuster marked by more than twenty hours' debate. The Bill became a law with the President's signature on March 3. By Section 3 of the Bill the aggregate of certificates of indebtedness granted under previous acts that might be issued from time to time was increased from $8,000,000,000 to $10,000,000,000.

The new statute while limiting the amount of notes that might be put out to $7,000,000,000 and providing that the notes must be issued at not less than par granted authority to the Secretary to prescribe the terms and conditions of the loan and to fix the rate or rates of interest. It was provided that the maturtiy should be not less than one year nor more than five years from the date of issue. The Act included certain alternative proposals with respect to exemption from taxation, and the Secretary was given discretion to choose from among four classes of exemptions. For the purpose of stabilizing the market for the 4% and the 4¼% Liberty Loan Bonds the law provided additional exemptions from taxation.

On March 12 the Secretary issued a public statement definitely fixing April 21 as the date for the opening of the Victory Liberty Loan campaign and Saturday, May 10, as the date for the close. In this statement he pointed out that under the Liberty Loan Acts he still had authority to issue bonds similar to those of the second, third and fourth Liberty Loans in amount of $5,022,518,000, but any issue of bonds under authority of those acts would have

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to be at 4¼% interest as a maximum. After studying financial conditions, however, he had determined, he stated, that the interests of the United States would be best served by the issuance of short-term notes rather than of longer term bonds "which would have to bear the limited rate of interest of 4¼%." He also expressed the belief that a short-term issue would maintain a price at about par after the campaign had been closed far more readily than would a longer term issue. Even at this time he was obliged to state that he had reached no "conclusion as to the rate of interest and exemptions from taxation which these notes will bear because this decision must be based on conditions existing immediately prior to the opening of the campaign." The details of the proposed Victory Liberty Loan were announced by the Secretary on April 13. The Secretary fixed the amount at $4,500,000,000. This was smaller than had been expected, which created a favorable impression, reports having been current that the amount might be in the neighborhood of $6,000,000,000. Furthermore, the Secretary officially proclaimed that "this will be the last Liberty Loan," to which he added the following explanation: "Although, as the remaining war bills are presented, further borrowing must be done, I anticipate that the requirements of the Government, in excess of the amount of taxes and other income, can, in view of the decreasing scale of expenditure, be readily financed by the issue of Treasury certificates from time to time, as heretofore, which may be ultimately refunded by the issue of notes or bonds without the aid of another great popular campaign such as has characterized the Liberty Loan."

The Secretary also now stated that the Loan would take the form of 4¾% three-four-year convertible gold notes of the United States exempt from State and local taxes, except estate and inheritance taxes, and from normal Federal income tax. The notes would be convertible, at the option of the holder, throughout their life, into 3¾% three-four-year convertible notes of the United States exempt from all Federal, State and local taxes except estate and inheritance taxes. These 3¾% notes were in turn made convertible into 4¾% notes. Both series were to be dated and bear interest from May 20, 1919, and mature on May 20, 1923. All or any of the notes might be redeemed before maturity, at the option of the United States on June 15 or Dec. 15, 1922, at par and accrued interest. As was the case with the four huge issues of Liberty Loans this Victory Liberty Loan proved a great popular success, the aggregate subscriptions reaching $5,249,908,300—an oversubscription of $749,908,300. In accordance with the terms of the issue the oversubscription was rejected and subscriptions allotted to the amount of $4,500,000,000. Subscribers were permitted to make payments on an installment plan stretching over the six months' period from May 10, 1919, to Nov. 11, 1919, as follows: 10% with application on or before May 10; 10% July 15; 20% Aug. 12; 20% Sept. 9; 20% Oct. 7, and 20% on Nov. 11 with accrued interest on deferred installments. Payments in full could be made with application or on May 20 (except as to subscriptions subject to allotment, in which case payment might be completed on June 3) provided the 10% required with application had been duly paid on or before May 10. It was also permissible to complete payment on any installment date with the accrued interest.

The temporary financing of the Government through the issue of Treasury certificates of indebtedness, which was a feature of Government financing throughout the war, was continued during 1919, but on a greatly reduced scale. These certificates of indebtedness served to provide the Government with funds in advance of receipts from the sale of bonds or notes, or in anticipation of revenue from income and profits taxes, and also operated to distribute payments on bond and note subscriptions and for taxes over extended periods of time, thereby avoiding tremendous transfers of funds on any one date with consequent money stringency. On July 25 Secretary Glass addressing a communication to the banking institutions of the country revealing a very favorable state of Treasury finances and indicating the policy of the Government with reference to the issue of *loan* certificates of indebtedness for the immediate future. He said that three months had passed since the last offering of Treasury certificates other than those issued in anticipation of taxes. This interval had been made possible, he stated, by the rapid decrease in the current expenditures of the Government, the very large early payments on the Victory Loan and the ready sale of tax certificates. The time has now come when the issue of Treasury Loan certificates should be resumed. It had accordingly been determined to issue loan certificates of five months' maturity. These were to be issued on the first and fifteenth of each month, beginning Aug. 1, 1919. The minimum amount of each semi-monthly issue of the certificates should not in any case exceed, say, $500,000,000, and after September and during the remainder of the calendar year should not on the average exceed half of that amount, for then all the Victory Loan certificates would be paid or provided for and such progress made in army settlements and in demobilization as greatly to reduce the requirements of the current program. That would mean the issue, during the remaining five months of the calendar year of certificates to the amount of, say, $3,500,000,000. As against this, there would during the same period mature and be paid loan and tax certificates in the aggregate amount of $2,997,540,500, leaving a net increase of $502,459,500. The Secretary also said that the figures he was now able to present fully justified the announcement made the previous April that the Victory Loan could be regarded as the last of the series of Liberty Loans and that the Treasury would be able to finance its further temporary requirements "by the sale of Treasury certificates of indebtedness bearing interest at the rate of 4½% or less and also to fund as many of these as it may be desirable to fund by the issue of short-term notes in moderate amounts at convenient intervals when market conditions are favorable and upon terms advantageous to the Government." It was indicated to the banking institutions that in pursuance of this program they would be expected to take from time to time "not less than 1.6% of the gross resources of each bank and trust company for each semi-monthly issue during August and September," and the percentage it was stated might fall "as low as 0.8% towards the end of the calendar year." As showing how much less of a draft upon the resources of the banks this was than the similar drafts which had to be made in the previous year, it is proper to point out that in the last half of 1918 Secretary McAdoo was obliged to advise the banks that what they would be expected to take would equal roughly "2½% of the gross resources of each bank and trust company for every period of two weeks, or a total of 5% monthly."

On Aug. 25th the Secretary went a step further and notified the banking institutions that in view of the success of the first two issues of Treasury certificates, in pursuance of the program outlined above the third semi-monthly issue dated Sept. 2nd would be offered without asking the banks and trust companies to subscribe for any specified quota. This third offering, free from the suggestion of any compulsory feature, fully met expectations and proved an unqualified success. Accordingly, the Treasury Department was enabled to advance another step. On Sept. 8th the plan was varied by suspending the sale of loan certificates for the time being and offering two series of tax certificates, both dated Sept. 15, 1919, one series maturing in six months and bearing interest at the rate of 4¼% and the other maturing in one year and bearing interest at the rate of 4½%. This was the first time in over a year that certificates had been offered at less than 4½%. In addition, it was announced that all certificate maturities prior to 1920 would be provided for from tax receipts or out of cash in bank. Subscriptions to these two offerings of tax certificates proved very heavy, aggregating $758,600,500, of which $101,131,500 represented the 4¼% six-month series and $657,469,000 the 4½% one-year series. The success of these offerings made it possible to suspend for another period the offering of further loan certificates. It was not until Nov. 23rd that announcement came of the resumption of Treasury certificate issues. When offering the two issues of tax certificates in September the Secretary had stated that while it could not be said definitely when semi-monthly issues of loan certificates would be resumed, such issues would certainly not be resumed before Oct. 15th. He now stated that though most factors in the general situation since that time had been adverse, the position of the Treasury had developed more favorably than then there seemed any reason to hope, and this had made it possible to avoid earlier resumption of further issues of certificates. He announced both a new issue of Treasury certificates of indebtedness for Government loan purposes and an offering of Treasury certificates in anticipation of taxes. Both issues were dated Dec. 1, 1919, the loan certificates falling due Feb. 16, 1920, and the tax certificates March 15, 1920, both bearing 4¼% interest. The subscriptions to the tax certificates closed Dec. 2nd and reached $250,942,500, while the subscriptions for the loan certificates closed Dec. 1 and aggregated $162,178,500. On Dec. 8th the Secretary offered another issue of Treasury certificates in anticipation of taxes. They were dated Dec. 15 and payable June 15, 1920, but with interest at 4½%. In this last instance the

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subscription books were closed Dec. 19 and aggregate subscriptions reached no less than $728,130,000, of which $257,455,500 represented certificates paid for in Treasury certificates of earlier issues. On Dec. 29th the Secretary offered still another issue of Treasury certificates in anticipation of taxes and this time advanced the rate of interest to 4¾%. The new certificates were dated Jan. 2, 1920, and became due Dec. 15, 1920. In making his new offering the Secretary said the success of this issue should assure the consummation of the Treasury's plan for financing the unfunded portion of the war debt in such a way as to avoid the necessity for great refunding operations by spreading maturities and meeting them so far as may be out of tax receipts. Subscriptions in this case continued until Jan. 16th and it was announced after the close of the year that $703,026,000 had been subscribed for.

Growing Tension In Money

As already indicated, the year was one of currency and credit inflation, and of price inflation, and it was also a year of growing tension in the money market. On Jan. 24th, at a meeting of the Sub-Committee on Money of the Liberty Loan Committee in this city it was decided to announce the removal of all the money restrictions in New York. A statement was issued in which it was pointed out that on Dec. 30th of the previous year (1918), when the arrangement whereby the New York banks had been furnishing funds to stabilize rates on loans on Stock Exchange collateral was about to expire (it would have expired Jan. 10, 1919), the Committe had inquired whether the Treasury Department wished an extension of the arrangement then in force and had been requested by the Treasury Department to continue its operations in aid of the Government's financial requirements. Acting in accordance with the wish of the Treasury thus expressed, the Sub-Committee on Money had arranged with the New York banks to continue the arrangement then existing until after the next Government Loan and, with the authorities of the Stock Exchange, to continue exercising control of the loan account to prevent its expansion in the aggregate. Now, however, the officials of the Stock Exchange in a written communication to the Money Committee had stated that conditions had so changed that "there is now nothing to indicate the probability of a speculative movement which would absorb large amounts of money," and accordingly the Sub-Committee on Money, after consultation with and the approval of the Treasury Department, had come to the conclusion that control by the Stock Exchange Committee might for the present be suspended. At the same time, it was thought best that the Stock Exchange authorities be requested to continue to receive from members of the Exchange daily reports of their borrowings until after the next Liberty Loan had been placed, but that "the definite arrangements made with a large group of New York banks to furnish funds for Stock Exchange loans, if and as required, should now be terminated."

With this action, the so-called "Money Pool" created in October, 1917, ceased to function. The result was seen the very next month when with the revival of Stock Exchange speculation call loan rates advanced to above the figure of 6% which had previously arbitrarily been fixed as the figure beyond which the call loan rate would not be allowed to go. On Monday, Feb. 24, the call loan rate shot up to 7%. This, however, proved merely a temporary flurry and the rate quickly dropped back to 6% and did not again go above that figure the remainder of the month. It was not until June that real money stringency developed. In that month call loan rates got as high as 15%; in July a still higher figure was reached, namely 18%. Then after a period of relative ease in August and September new tension developed in October, and continued through November, in which latter month the quotation for call loans at one time got as high as 30%. A like high figure was not again touched in December, but the money market remained tight until the close of the year.

Exertions of the Federal Reserve Board

These high rates on the Stock Exchange came as a revelation to the financial world which had been led to believe that, under the operation of the Federal Reserve System, extreme rates for money such as had often prevailed on the Stock Exchange before the establishment of that system would never again be possible. The notion, of course, was preposterous. But from the start the idea had been sedulously cultivated—and by no one more persistently than the Federal Reserve authorities themselves—that the possibilities of credit expansion and loan accommodation under the Reserve system were limitless. While the

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campaign for the Victory Liberty Loan was being carried on, considerable restraint on the part of borrowing was enforced and the situation was kept well in hand, but thereafter it got out of control. The Federal Reserve authorities now began to make strenuous efforts to check further credit expansion. The spurt in call loan rates on June 3 to 11% had been the first occasion since the advent of the Federal Reserve system (barring a temporary spurt in December, 1913) that the rate on Stock Exchange loans had been allowed to go appreciably above 6% and the circumstance naturally caused great commotion among speculators who imagined that immediate steps would be taken to extend borrowing facilities and bring about a renewal of ease. But the Federal Reserve Board was not blind to the dangers of the situation. On June 10 news came from Washington saying the Federal Reserve Board had addressed a letter to the Chairman of each of the Federal Reserve Banks seeking information as to the extent of borrowings by member banks on Government collateral for other than purely commercial purposes. In this letter which was sent out over the signature of Governor W. P. G. Harding, concern was expressed on the part of the Federal Reserve Board "over the existing tendency towards excessive speculation." It was stated that while ordinarily this could be corrected by an advance in discount rates at the Federal Reserve Banks it was not practicable to apply this check at the moment because of Government financing. After pointing out that by far the larger part of the invested assets of the Federal Reserve Banks consisted of paper secured by Government obligations, the Board indicated anxiety to get some information on which it could form an estimate as to the extent of member bank borrowings on Government collateral "made for purposes other than for carrying customers who have purchased Liberty Bonds on account, or other than for purely commercial purposes." New warnings came in July cautioning the Federal Reserve Banks not to permit the use of their facilities in aid of Stock Exchange speculation. There was a disposition at first on the part of the Reserve authorities to make light of the high rates on the Stock Exchange and to have it appear that what the Stock Exchange speculators were obliged to pay for accommodation was a matter of little consequense so long as funds might remain available for ordinary mercantile borrowers at moderate rates. But it was soon seen that no such distinction was possible—that stringency in the call loan branch of the money market was sure sooner or later to extend to other branches of the market.

The rest of the year the activities of the Federal Reserve Board were employed largely in efforts to guard against the use of the facilities of either the member banks or the Federal Reserve Banks in the promotion of speculative enterprises or for speculative ends. Repeated warnings came from the Federal reserve authorities, intended as reminders on that point. The difficulty of dealing with the situation was in some measure increased by the removal of the embargo on gold exports towards the end of the half-year, as more specifically set out further along in this article. The Reserve authorities were confronted on the one hand by the circumstance that new demands on the credit facilities of the banks were constantly arising, while on the other hand the removal of restrictions on gold exports—which was almost immediately followed by a considerable outflow of the metal—meant inevitably cutting down of cash reserves and a fall in the ratio of cash reserves to liabilities. A bull movement of large extent and great energy was under way on the Stock Exchange and this necessarily meant pressing demands upon the banks for accommodation. In July high rates for call loans on the Stock Exchange were of daily occurence. In the early part of July rates on call as high as 8%, 10%, 12%, 15%, and even 17% were reported. Indeed, after the close of business on Monday, July 7, 20% was said to have been charged for "all industrial" money. Some slight re-

W. P. G. Harding

laxation of the stringency occurred later in the month, but the situation remained more or less acute, and on July 31 the call loan rate mounted to 18% on both mixed and "all industrial" collateral after a period of some days, with ruling quotations 6 at 7%. At the end of July current gossip had it that the aggregate of Stock Exchange loans stood at $1,750,000,000 against $1,500,000,000 at the beginning of the month, $1,000,000,000 at the opening of June and only $600,000,000 at the beginning of March. These figures may have been exaggerated to some extent, but they doubtless reflected correctly the prevailing trend. In a statement issued on July 9, the Federal Reserve Board observed that flurries in the rates for call money on stock collateral were "inevitable so long as the present methods of financing and settling speculative transactions in stocks are persisted in," regrettable as this might be. It went on to add:

As things are now they can be guarded against only by such methods as were adopted during the war, providing a reasonable supply of credit for carrying stocks but, contrariwise, taking effective measures to prevent undue speculation or expansion of the loan account, but it would be in every way undesirable and unfortunate to perpetuate in peace times such arbitrary measures.

It is not the function of the Treasury nor of the Federal Reserve Banks or the banking institutions of the country to provide cheap money for stock speculation, and the Board feels that the reflex action of the rates for call money on stock collateral upon the Government's financial program and the requirements of commerce and industry has greatly decreased (as, indeed, was evidenced by the small redemptions of Treasury certificates notwithstanding high call money rates and the relatively small effect upon the rates for commercial borrowings), and will continue to decrease as it becomes better and better understood that the true functions of the banking institutions of the country and of the Federal Reserve system, acting in their aid, is subject to the temporary requirements of the Government, to finance commerce and industry. Only those banking institutions which adhere to this policy are performing their true function and are being wisely and conservatively handled in the real interest of their stockholders and the public. The demand for credit for stock speculation must yield precedence to these prior demands, and the rates for stock speculation ruling from time to time, however erratic, can have no permanent effect upon the rates for Government and commercial and industrial purposes.

To have definitely established the fact that there is no necessary connection between rates for speculative purposes and for commercial transactions is in itself an important development.

The hopeful views here expressed were not realized. As already indicated, it soon became apparent that rates for money on call could not be treated with indifference or be ignored—that they would be inevitably followed by growing tension in other branches of the money market. During August the money market was distinctly easier, but it was evident to careful observers that when the autumnal demand for money came there would be renewed pressure and at the close of September rates for call loans again spurted upward, touching 9% on Sept. 26, 15% on Sept. 29 and 12% on Sept. 30, while in October call loan rates were high throughout the month and the tension continued throughout November and was only partially relieved during December. It became apparent at the beginning of October that the policy of the Federal Reserve Banks with respect to discount rates would in some important particulars have to be modified. Even in advance of the action of the Reserve Banks, the member banks began to alter their own practice with respect to loans on Government collateral. Information the latter part of October was that banks which in October of the previous year had agreed to lend money to subscribers to the Fourth Liberty Loan at 4¼% for a year were now telling their clients that if these loans were renewed at the expiration of the year's time 5% would be charged. Bankers explained that with the termination of the period agreed upon they they felt free to institute a rate more in keeping with the prevailing market for funds. For the Victory Loan of the previous May the banks had in many instances agreed to lend money to subscribers for six months at 4¾%, the rate carried by the Victory notes themselves. These agreements generally expired the next month and here, too, it was certain the rate charged would be advanced. The Federal Reserve Board gave a very plain intimation of the forthcoming change in its own policy in the "Bulletin" for October. This official publication in discussing the discount policy of the Federal Reserve Banks took occasion to observe that "the disappearance of the U. S. Treasury from the long-term loan market and the rapid reduction in its requirements for short-term accommodation foreshadows the approach of the time when the financial operations of the Government will cease to be the important factor in shaping Reserve Bank policies which they have been and Federal Reserve Bank rates once more will be fixed solely with a view of acommodating commerce and business."

Action in accord with the views here laid down came soon thereafter. In November some call loans were negotiated at 30% per annum, the highest quotation recorded since the panic of 1907 and reflecting a degree of stringency which it had been supposed the establishment of the Federal Reserve banking system had rendered forever out of the question. On November 3 the Federal Reserve Bank of New York made an advance in its discount rate and this was subsequently followed by all the other Federal Reserve Banks throughout the country. The step was taken to curb credit inflation and prevent the further use of the facilities of the Federal Reserve Banks in promoting speculation on the Stock Exchanges and in commodities. In issuing the schedule of new rates effective November 3, Benjamin Strong, Governor of the Federal Reserve Bank of New York, gave out a statement on November 2, saying:

The reason for the advance in rates announced today by the Federal Reserve Bank of New York is the evidence that some part of the great volume of credit, resulting from both Government and private borrowing, which war finance required, as it is released from time to time from Government needs, is being diverted to speculative employment rather than to reduction of bank loans. As the total volume of the Government's loans is in course of reduction corresponding reductions in bank loans and deposits should be made in order to insure an orderly return of normal credit conditions.

The advances in the discount rates of the Federal Reserve Banks and the soaring of money rates to new high figures caused a collapse in values on the Stock Exchange and on November 11 the credit situation was discussed at a special meeting held at the Federal Reserve Bank of New York and attended by the Governor and Vice-Governor of the Federal Reserve Board. In response to a letter from Senator Owen under date of November 14, Governor Harding of the Reserve Board, contended that "the high rates for call money which have prevailed continuously for the past two weeks, and intermittently for several months past, were in themselves very clear indication of the strained position into which the unbridled speculation had thrown the stock market," and he pointed out that "during the week ending November 8 the Federal Reserve Board had sold to other Federal Reserve Banks $90,000,000 of acceptances for account of the Federal Reserve Bank of New York, but in spite of this action the reserves of the New York Bank had fallen to 40%." "In these circumstances," he added, "in order to prevent further expansion it became necessary to call the attention of the large rediscounting banks to the situation." He also laid stress on the fact that "during the summer the Board had made the specific announcement that it would not sanction any policy which would require the Federal Reserve Banks to withhold credits demanded by commerce and industry for the processes of production and distribution in order to enable member banks to furnish cheap money for speculative purposes." Later in November (November 19, 20 and 21) a three-day conference between the Governors of the 12 Federal Reserve Banks and the members of the Federal Reserve Board took place. Prior to this, there had been a conference between the Board and the Advisory Council. Nothing transpired with reference to the results of these meetings. After the break on the Stock Exchange in November and the resulting liquidation of speculative holdings it was claimed that the aggregate of Wall Street brokers' loans had been reduced to $1,350,000,000 as against $1,750,000,000 in July. However, two further advances in discount rates were made by the Federal Reserve Banks in December. The first advance came December 11 and the second December 30. The effect of this latter was to establish a rate of 4¾% for advances on all classes of paper and for all maturities except for agricultural paper of from 61 to 90 days maturity, the rate for which was left at 5%.

In a statement bearing on the discount policy of the Bank issued on December 30, Benjamin Strong, Governor of the Bank, pointed out that in view of the fact that the U. S. Government had completed its permanent financing and the further fact that Government income in relation to expenditures had reached a point where temporary borrowing would be on a greatly reduced scale, and in view of the further fact that the U. S. certificates of indebtedness outstanding were now widely distributed (it being estimated that not over one-half of the certificates outstanding were now held by the banks), the directors of the New York Federal Reserve Bank had "eliminated the preferential rates heretofore maintained in favor of advances and rediscounts based on bonds, certificates of indebtedness and acceptances and for the time being at least have established a single rate for credit at the Federal Reserve Bank, thereby greatly simplifying their future rate policy." It was also announced in Washington dispatches December 30 that the Federal Reserve Board had telegraphed all Federal Reserve Banks that it would approve the schedule rates doing away with the preferential rates theretofore given to paper secured by certificates of indebtedness—the differentials in favor of paper secured by other Government obligations having been abolished by the action taken earlier in the month (December 11) and already referred to. On the Stock Exchange call loans on December 29 commanded as high as 25%, and this figure was repeated on December 30 and December 31, the renewal rates on these three days being respectively 10%, 15% and 15%—the year thus closing in a way plainly suggestive of the mone-

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tary tension for which the year was noteworthy.

Condition of Clearing House Banks and Federal Reserve Institutions

It remains to be said that the weekly returns of both the New York Clearing House institutions and those of the Federal Reserve Bank of New York as well as those for all the Reserve Banks in the country, gave constant indications from week to week during the last half of the year of the strained credit situation and of the inflation in note issues with the impairment of reserve position to which this was giving rise. On Dec. 27, 1919, the New York Clearing House banks and trust companies, according to the weekly returns for that day, showed an aggregate of loans, discounts and investments of $5,197,484,000, as against $4,659,461,000 Dec. 28, 1918, showing an increase for the 52 weeks of roughly $538,000,000. In the deposits the increase for the 52 weeks was only $250,568,000, the grand aggregate of demand and time deposits, Dec. 27, 1919 being reported $4,309,830,000, against $4,059,262,000. At

Benjamin Strong

the end of 1919 it will be observed the loan item exceeded the deposits by $887,654,000, which compares with an excess at the end of 1918 of no more than $600,199,000. The fact that the loans so largely exceeded the deposits—the excess running larger by $287,455,000—affords perhaps as good an indication as any of the augmented credit demands and the loaned up condition of the New York Clearing House institutions. The figures of deposits here has no reference to the ordinary deposits and does not include Government deposits against which no cash reserves are required and which add that much to the loaning capacity of the institutions. But though Government deposits were somewhat larger this will account for only a small part of the great expansion in the loan item; the total of the Government deposits having been reported $225,030,000 Dec. 27, 1919, against $177,559,000 Dec. 28, 1918. In the autumn before the plans inaugurated by the banks for curtailing loans—in response to urgings from the Federal Reserve authorities—became fully effective, the aggregate of the loans stood at even larger figures, being reported no less than $5,433,003,000 October 11, which was the maximum for the year. Of course, the banks greatly extended their borrowings at the New York Federal Reserve Bank. Beginning with the return for Feb. 21, 1919, the New York weekly Clearing House return commenced reporting an entirely new item. We have reference to the item designated "bills payable, rediscounts, acceptances and other liabilities." This constitutes a sort of tell-tale of the borrowings at the Reserve Bank. On February 21 the amount of this item was given as $808,180,000. For Dec. 27, 1919, it was $1,004,338,000. At times during the year the amount was yet larger, being highest November 8 at $1,064,705,000. The increase in the bill holdings of the New York Federal Reserve Bank similarly indicate the growth in the extent to which resort was had to the facilities of the Reserve Bank. For Dec. 26, 1919, the total of bills in the portfolio of the New York Federal Reserve Bank was $979,506,000, as against $721,698,000 Dec. 27, 1918. The holdings of bills secured by Government war obligations decreased from $610,770,000 to $584,588,000, but the bills discounted secured by mercantile paper increased from $41,605,000 to $203,606,000, and the holdings of bills purchased in the open market ran up from $39,323,000 to $191,313,000. The surplus reserve of the New York Clearing House institutions, above legal requirements, on Dec. 27, 1919, was $8,232,540, against $42,804,340, Dec. 28, 1918. The surplus varied widely from week to week, on occasions during the year, particularly in the autumn, and it happened twice that there was an actual deficit below the legal requirements (only reserves held with the Federal Reserve Bank counting as "legal" reserves, cash in vault never being included as far as member banks of the Federal Reserve system are concerned). The dates of these deficits were September 20 and December 20, the amount of the deficit at the earlier date having been $53,186,140, and on the later date $12,320,830. On the first of these occasions the matter caused uneasiness, it having been the first time that such a situation had arisen since the establishment of the Federal Reserve System. Later the fluctuations in the reserves of the New York institutions ceased to attract much notice, it having been demonstrated over and over again that the reserve position of the Clearing House banks varied in almost direct ratio with the borrowings at the Federal Reserve Bank. One week the borrowings would be sharply reduced and reserves would fall to a low figure or be entirely wiped out. The next week new borrowing would again be indulged in, thus adding to reserves with the central institution and the cash reserve position would once more take on a favorable or seemingly favorable aspect. This new borrowing, however, would impair the reserve position of the Federal Reserve Bank itself, with the result that the Reserve Bank would now be obliged to take extra precautions to restrict borrowing so as to improve its own position. Yet in the latter half of the year this shuttlecock performance continued for long periods of time, a good bank statement being concurrent with a poor Federal Reserve return or vice versa, an unfavorable Clearing House statement being coincident with a favorable Federal Reserve report. Quite early in the summer the New York Federal Reserve Bank found its reserves down close to the legal minimum and for the rest of the year it was a constant struggle to prevent impairment of its reserve position. The New York Reserve Bank had $824,944,000 of Federal Reserve notes in actual circulation December 26 1919, against $736,553,000 December 27 1918.

For the Federal Reserve system as a whole—that is, for the 12 Federal Reserve Banks combined—the course of things was much the same. The last six months of the year were a period of constant strain, with the Federal Reserve Board and the officials of the Federal Reserve Banks making strenuous efforts to prevent an increase in the demands upon the facilities of the Federal Reserve Banks and meeting with only indifferent success in the endeavor. It was the hope of the Federal Reserve authorities that holdings of war obligations carried in loans by the banks would be gradually liquidated and they urged particularly that as the credits thus employed were released measures should be taken to guard against their being used for speculative purposes. The warning at first seemed to be directed mainly against Stock Exchange speculation, but it soon became apparent that speculation of any kind also must come under the ban—whether in commodities, in real estate or in anything else. It cannot be said that the promptings and urgings of the Federal Reserve authorities were without avail, but despite all they said and did the demands upon the credit facilities of the Federal Reserve Banks kept constantly increasing. Borrowing on war paper diminished somewhat, though very much less than had been counted upon or hoped for. On the other hand, other kinds of borrowing kept steadily expanding and ran far in excess of the reduction of bill holdings through liquidation of war paper. To meet the calls for further accommodation large additional amounts of Federal Reserve notes had to be issued. Reference has already been made to the expansion in Federal Reserve note issues by the Federal Reserve Bank of New York. For the 12 Reserve Banks combined the aggregate of Federal Reserve notes in actual circulation stood at $3,057,646,000 Dec. 26 1919, against $2,685,244,000 December 27 1918. During the same 52 weeks an increase also occurred from $117,122,000 to $261,039,000 in the volume of Federal Reserve *bank* notes in circulation. Gold reserves fell off somewhat, being $2,078,432,000 December 26 1919, against $2,090,274,000 December 27 1918; and as the deposit liabilities of the Federal Reserve System, like the note liabilities considerably increased the ratios of cash reserves naturally were reduced. On December 26 1919, the ratio of cash reserves to net deposit and Federal Reserve note liabilities combined was 44.8%, as against 50.6% December 27 1918. The statute requires 40% reserves against note circulation and 35% reserve against the deposit liabilities.

The State of the Foreign Exchanges

In the foreign exchanges, the year will always stand as one of the most momentous in history. In the years while the war was actively in progress, exchange rates on Great Britain and France and in minor degree also on Italy had been maintained at artificial figures. Hostilities having ceased with the signing of the armistice in November 1918, a new situation confronted the great Powers in 1919. It was recognized that under peace conditions artificial aids of this kind would have to abandoned—support indefinitely was out of the question—and even if attempt should be made to continue the practice for the time being the effort must sooner or later prove futile. Accordingly, quite early in the year, artificial restraints, which for so long a period had been maintained with absolute success in the case of both Great Britain and France, were removed and the exchange market left to itself, free to respond to the play of natural influences. This action meant a complete readjustment of exchange values on all the belligerent countries of Europe to much lower levels. There was nothing to do except to let these new and lower levels be found. The situation was without parallel. All the Entente Powers were heavily indebted to the United States, and their needs in the way of food and other supplies and for materials necessary in the process of reconstruction in rectification of the havoc created by the war were such that the trade balance must run heavily against them and in favor of the United States for a long time to come. In these circumstances drastic declines in exchange rates were inevitable and the year will always be memorable for the extent of these declines. But though it was generally realized how heavy were the handicaps under which the Entente countries labored in their dealings with the United States, the drop in rates went much further than anyone supposed likely or even possible—and as it happened, still lower depths were to be reached in 1920. In the case of the exchange rates on the countries which were neutral during the war quotations also moved to a lower basis, not merely in sympathy with the general slump, but because these neutral countries with the cessation of hostilities lost in not a few instances certain advantages which they had enjoyed during the war. In the case of Germany and Austria it is almost needless to say the bottom dropped almost completely out.

In January and February quotations for sterling bills and for French francs and Italian lire continued pegged with transactions limited to routine requirements. In March there came the change discussed above. Things had been following the customary routine when on Tuesday, March 18, there came a severe break in

French exchange. This was followed on Thursday, March 20, by the announcement from J. P. Morgan & Co. that the British Government had ordered the cessation of purchases of sterling exchange, which meant, of course, the removal of the "peg" which had held sterling exchange at an arbitrary fixed figure for so long. Complete demoralization developed the latter part of the month as a result of these steps. The rates for cable transfers on London had been held at 4.76 7/16, while the rate for sight bills on London had been maintained in the immediate vicinity of 4.75¾. On March 20 there was a drop in the former case to 4.71 and in the case of sight bills to 4.70. By the end of the month cable transfers were down to 4.59 and sight bills to 4.58. The lowest point previously reached by sterling during the war had been in September 1915, when 4.50 had been quoted for demand bills just prior to the placing of the Anglo-French loan. In the case of the French franc there had never been any attempt to maintain absolutely fixed rates, larger or smaller deviations having been permitted, the support having been apparently general rather than specific. On March 3 the quotation for checks on Pairs was 5.49@5.45½ francs to the dollar. Until the middle of the month there was relatively little change. On Saturday, March 15, there came a small drop and this the next week was succeeded by a decline at an accelerating pace. The rate then recovered only to drop again the next week, and March 31 saw French exchange down to 6.07 francs to the dollar. The previous low point for French checks during the war had been in 1916 when the quotation April 13 had been 6.07½ francs to the dollar.

Support was also withdrawn during March from Italian exchange. Until March 21 the quotation for cable transfers on Rome by the Federal Reserve Bank had been 6.35 lire to the dollar. On the day mentioned there was a drop to 7.05 and on March 22 to 7.70, while on March 27 the quotation got down to 8.00 though by March 31 there was a recovery to 7.45@7.40 to the dollar. The reason for the collapse here was that on March 21 Fred I. Kent, Director of the Division of Foreign Exchange of the Federal Reserve Board, gave out a statement saying: "All restrictions as to the sale or purchase of lire exchange by dealers as described under the executive order of the President of Jan. 26 1918, are hereby removed until otherwise instructed." The course of the exchange market for the rest of the year was a record of renewed further declines interspersed with recoveries from time to time, none of which, however, proved lasting. In April sterling bills enjoyed a substantial recovery, but neither the French franc nor the Italian lire shared in this to any substantial extent. In May very pronounced weakness again developed in sterling exchange, while the decline in francs and lire reached sensational proportions. In June weakness was again the predominating feature in sterling exchange while French exchange and Italian exchange showed no improvement. In July rates for sterling bills dropped lower even than in 1915 when, as already stated, demand bills got down to 4.50 just before the British Government stepped in and extended support. In French exchange, new declines were reported almost daily and the Italian lire also broke to still lower figures. In August the foreign exchange market at times was utterly demoralized and new low records were established all around. In September exchange after a further manifestation of weakness in the early part of the month, in which new low levels were established in the case of exchange on the former belligerent countries of the continent of Europe, quite a striking recovery ensued the latter part of the month. This recovery extended into October, but pronounced weakness once more became the dominant characteristic the latter part of this month. Brief spurts of strength would be almost immediately followed by renewed weakness. In November the pound sterling dropped below $4.00 and new low records were also established for exchange on Paris and on Rome, not to speak of Berlin and Vienna, while in December utter demoralization developed under further startling declines in rates. Indeed, the collapse was so complete that the market the early part of the month fell into a state closely bordering on panic. Demand bills on London on December 12 got down to 3.65¼ (this comparing with 4.86⅝, the value of the pound sterling when at par), and though by December 17 there was a recovery to $3.91¼, this recovery was not maintained, and by December 31 the rate was down again to $3.75. The French franc during December continued to decline until on December 10 it required 11.84 francs to make the equivalent of a dollar (the value of the French franc when at par being 5.18 francs to the dollar); the close December 31 was at some recovery, with the quotation 10.92@10.87 francs to the dollar. The Italian lire in the closing months of the year also suffered another drop with the effect of breaking all the preceding low records—followed then by an irregular period of recovery. The rate on checks on December 11 got down to 13.60 lire to the dollar, with the quotation December 31 13.27. As for rates on Germany and on Austria, trading in exchange on those countries was not resumed until July, and therefore no quotations were available prior to that time. Transactions in exchange on Berlin began around noon on Wednesday, July 16. Opening quotations were at 8 cents for checks and 8¼ cents for cable transfers, which was practically the basis previously established for dealings in marks on occupied territory in Germany by the American authorities. As compared with the value of the reichmark when at par, namely, 23.82 cents, these looked like very low figures; in December, however, the mark got down December 9 to 1.87 cents with the close December 31 at 2.03 cents. In exchange on Vienna, quotations first appeared July 26, the rate for checks being 3.25 cents and for cable transfers 3.50 cents, the value of the Austrian crown when at par being 20.26 cents. By the following December the rate had dropped almost out of sight, the quotation December 9 being only 0.51@0.55 for checks and 0.53@0.57 for cable transfers; on December 31 the quotation was 0.53@0.60 and 0.60@0.62, respectively.

In the case of exchange on the other European centres, it will be sufficient to give simply the quotations at the beginning and the end of the year to indicate that the trend in all cases was strongly downward and to show the extent of the decline. The Swiss franc suffered less depreciation than any other European currency, but even in that case the rate moved lower. In this instance, however, the value of the medium was at a premium with the opening of the year. The Swiss franc when at par is 5.18 francs to the dollar. The quotation for sight bills on Switzerland, January 2, was 4.86@4.85 units to the dollar; on December 31 1919, on the other hand, 5.62@5.52 francs were required in exchange for the dollar. Guilders on Amsterdam for sight bills were quoted at 42 7/16@42½, Jan 2, and at only 37¼@37⅜ Dec. 31. At normal parity the value of the guilder is 40.20 cents. The Spanish peseta for checks was quoted at 20.05 cents January 2 and at 19.20 December 31. The normal value of the Spanish peseta is 19.30 cents.

Exchange on the Scandinavian centres, experienced a tremendous slump. When at par the Scandinavian kroner or crown is worth 26.80 cents. On January 2 the Danish kroner was quoted at 26⅞, while on December 31 the quotation was only 18.82. Similarly the Swedish crown which had been quoted January 2 (for checks) at 29⅛, on December 31 commanded only 21.25 cents in our money. In like manner the Norwegian crown against 28.00 cents January 2 commanded only 20.25 cents December 31.

An important factor in foreign exchange rates and dealings during the year was the removal of embargoes on the exportation of gold. Restrictions on export shipments of manufactured gold were removed in effect by regulations issued by the War Trade Board effective May 9. These regulations provided that all manufactures of gold, the bullion value of which did not exceed 65% of the total value, might be exported without individual export license under special export licenses applicable to the exportation of commodities not on the Export Conservation List. Manufactures of gold, the bullion of which exceeded 65% of the total value, it was stated, would be regarded for the purpose of exportation as gold bullion, the exports of which were still under the exclusive control of the Federal Reserve Board. On June 9, there came the announcement also of the removal—this time by the Federal Reserve Board—of the embargo on exports of gold as also the termination of restrictions affecting transactions in foreign exchange. Some of the Reserve Board's comment in its announcement of the withdrawal of the ban on exports of gold is decidedly interesting in the light of the subsequent developments. It expressed the opinion that our gold reserves were so strong that even a very considerable outward movement of gold could be faced without any apprehension. To the extent that such shipments tended to restore normal conditions elsewhere they would tend to increase the buying power of nations that wished to become and should be our customers. The advances by the United States to Governments associated with this country in the prosecution of the war were rapidly coming to an end with the result that the command of the rest of the world over our gold would be decreased and it was quite possible that with the restoration of more normal conditions elsewhere and the continuance of large favorable trade balances a movement of gold toward the United States might set in. Such a movement, the Reserve Board urged might "well prove to be undesirable tending as it would to keep our prices above the level of other markets and so put us at a disadvantage in international trade." The movement of gold this way which might prove the occasion for the anxiety and apprehension here expressed did not materialize; the outflow of the metal, on the other hand — to South America and the Far East principally — reached far larger proportions than expected; and, as for our gold reserves being so strong that we could readily spare considerable amounts out of it, the credit situation became so strained the latter part of the year and borrowing at the Reserve Banks was so greatly augmented that the double process of depleting the ratio of reserves (1) by increase of liabilities and (2) by reduction of gold holdings, began to be viewed with no little concern. Beginning with June the United States lost heavily on the international gold movement each and every month, and for the seven months ending with December 1919, the net loss of gold to the outside world was $301,926,083. For the 12 months of the calendar year 1919, the exports of gold exceeded the imports of the metal in amount of $291,651,202, as already stated further above.

Course of the Stock Market

In the stock market the year will always be memorable for the wonderful advances in prices recorded in the shares of the in-

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dustrial properties. The railroad stocks, except in a few special instances, failed to participate in the upward flight in prices. This was because of the doubt surrounding their future, inasmuch as they were still under Government control (the effect of which had been to saddle them with a growing burden of high wages, besides steadily impairing the efficiency of railway labor), and Congress having displayed complete indifference to enacting the necessary legislation providing for the return of the roads to private control. Barring the apathetic character of the transactions in the railroad shares, the speculation for higher prices on the Stock Exchange can be said to have had few, if any, parallels in the similar movements witnessed in the past. In this we have reference alike to the buoyancy and activity of the market and the ascent of prices. Beginning about the middle of February, the speculation took on more and more the character of one of those great bull movements which at the most are witnessed only once or twice in a generation, when the whole community seems to be seized with a frenzied desire to acquire stocks on the theory that whatever the immediate outlook a period of great prosperity must be deemed to lie ahead in which all undertakings will share save only those absolutely destitute of merit. In the fervor characterizing the speculation it was comparable only to the great revival which occurred on the Stock Exchange in 1879 and 1880, following the resumption of specie payments on Jan. 1 1879, and with that other great upward swing in values which culminated with the corner in Northern Pacific shares in May 1901. The pace was fast and furious most of the time, with new high records of prices constantly being established. Cliques and pools were ceaseless in their efforts to bring about advances in particular stocks, and their manipulation played, of course, an important part in the success of the movement. But these are inevitable concomitants of "bull" campaigns, and the underlying strength of the movement lay in the wide and general support which it had received at the hands of the public and without the aid of which it would have been foredoomed to failure.

The factor of paramount importance in this tremendous speculation was unquestionably the waging to a successful conclusion of the greatest war in human history with the resources of the United States only slightly impaired—whatever might be the financial and economic aspect of the European countries which had been associated with this country in the war. While the conflict was in progress the ban put on the use of money and of capital in the promotion of undertakings not deemed essential for the conduct of the war had imposed a check upon speculative endeavors of every kind on the Stock Exchange. During the preceding year—in 1918—stock prices had over and over again manifested a rising tendency which undoubtedly would have developed into a speculative movement of large proportions had it not been that the New York financial authorities (in pursuit of their policy of husbanding their resources so as to be able to finance the needs of the Government) had refused to encourage Stock Exchange speculation and had declined to furnish monetary facilities for that purpose.

Thus the situation at the opening of 1919 was that, while substantial advances in prices had been established on the Stock Exchange during 1918, there had been no broad and sustained bull movement nourished by popular support, while following the signing of the armistice, in November 1918, somewhat of a downward reaction had actually occurred. But in January the restrictions imposed upon the money market and upon Stock Exchange dealings were removed. The announcement that these restrictions were to be discontinued came on Jan. 24. With that action control by the Stock Exchange Committee over borrowing was definitely suspended and simultaneously the arrangement which the Money Committee had made with a large group of New York banks to furnish funds for Stock Exchange loans also came to an end. Thus the restraint upon Stock Exchange borrowing, which had previously existed for about a year and a half, was now to be absent, or at least was no longer to be a damper upon Stock Exchange operations, though it remained true that at the request of the Money Committee and the Treasury Department the Stock Exchange authorities continued to exercise a certain degree of surveillance over Stock Exchange speculation—that is, there was

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compliance with the request that they "continue to receive from members of the Exchange daily reports of their borrowings until after the next Liberty Loan is placed."

With the removal of the restraints that had repressed speculation so long, pent-up energies were released and quickly began to make their influence felt. In the early months of the year much doubt existed as to the course of business for the immediate future, as indicated further above, many predictions being made of a trade reaction. These doubts, however, gradually passed away, and with this the forward movement of prices began to gain steady headway, despite numerous unfavorable developments of one kind of another. From the middle of February to the end of May the rise in prices made almost uninterrupted progress, the pace being fast and furious, and the rise in prices reaching tremendous proportions with the speculation constantly broadening. In the summer months, however, the speculation encountered serious setbacks in high and advancing money rates. Those engineering the bull campaign had counted upon continued low money rates. During the period of war it had been deemed best by the financial authorities not to let call loan rates go above 6% per annum. Whenever indications of a scarcity of funds for the limited speculation that was permitted became manifest, the local combination of banks, which was cooperating with the Treasury Department in conserving banking facilities in the interest of Government needs, would furnish funds at the 6% rate mentioned. These speculators for a rise supposed this policy would be continued. They also imagined that with the Federal Reserve Banking System in operation, affording to member banks of the system rediscounting facilities of huge magnitude, accommodation for Stock Exchange purposes would be of practically unlimited extent. In both expectations they were to be sadly disappointed. Call loan quotations went far above the 6% rate counted upon as the maximum and, what is more, not only was no attempt made by either the Reserve Banks or the member banks to hold money rates down, but the Reserve Bank authorities uttered repeated warnings against the use of the credit facilities of the banks at all for Stock Exchange speculation. The consequence was that the Stock Exchange had many a bad turn during the summer months, with violent breaks in prices. Through it all, however, the underlying strength of the market was fully maintained and quick upward rebounds in prices occurred with every removal of monetary pressure. In the autumn the labor troubles came to supplement the unfavorable influence exerted by the monetary tension. But in the case of the steel strike, which was inaugurated in September, it was quickly seen that the strike was foredoomed to failure and there were also multiplying evidences that labor movements were recoiling upon their authors. As one illustration of this, there was the Boston policemen's strike, where the policemen lost their jobs, and Governor Coolidge of Massachusetts received unqualified popular approval for his firm and uncompromising stand against the striking policemen, he even getting a telegram of commendation from President Wilson. Accordingly, the stock market once more showed that its normal tendency was still strongly upward. Unmistakable evidence of this appeared in September, while in October tremendous activity again developed with further great advances in prices. During all this time money rates continued to rule high, and there were other untoward happenings and incidents. In November, the money situation once more began to assert its full influence; and with the Federal Reserve authorities looking with extreme disfavor upon the wild and apparently uncontrolled speculation on the Stock Exchange and determined to prevent the further use of the resources of the Federal Reserve Banks for the promotion of speculation of any kind, tremendous liquidation in stocks now took place on the Stock Exchange and caused a collapse in prices compared with which few parallels are to be found in Stock Exchange annals. Some recovery from the low points reached in November occurred in December, but the result altogether was that the year closed with substantial recessions all around from the extreme high figures of the twelve months, after one of the most pronounced bull campaigns in Stock Exchange history.

A survey of the stock market by months shows that in January and the first half of February the course of prices still continued strongly downward under the influence of a series of unfavorable developments which are enumerated at length in our monthly narratives on subsequent pages. In January about the only interruption to a continued decline came on Saturday, Jan. 25, as a result of the announcement made after the close of business the day before that money restrictions as regards Stock Exchange loans had been discontinued. On this news active stocks opened at an advance of from 1 to 2 points over the closing figures the previous day. The advance, however, was not maintained, the most of it being lost before the end of the half-day's session and the next week the market again resumed its downward course. In February, after further important declines as a consequence of a variety of depressing influences, there came that complete change in the character and tone of the market to which reference has already been made. The definite turn of the market may be said to have come on Friday, Feb. 14. In the upward swing the latter part of the month the advances reached substantial proportions, though it was not then apparent that the turn in the market, which came with Feb. 14, was to inaugurate one of the most gigantic bull campaigns in Stock Exchange history. At the outset, there were many doubts and misgivings as to whether the market course had been permanently changed, and a genuine revival of Stock Exchange speculation for higher prices had been begun. In March the upward movement was carried still further, despite some further adverse developments and untoward happenings—the effect of which, however, was merely to cause downward reactions. Some of these downward dips were quite severe, but quick recovery always followed. Accordingly, confidence in the stability and permanence of the rise in prices was manifestly strengthened. One of the depressing influences in March was the utter demoralization of the foreign exchange market that developed the latter part of the month as a result of the withdrawal of support from the French franc and the removal of the "peg" which had so long held

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sterling exchange rates at practically fixed figures. The way the stock market bore up under this strain did much to inspire confidence in the speculation. In April the upward movement continued to gain momentum and the character of the market became unmistakably fixed as a type of one of the greatest speculative campaigns in Stock Exchange history. In May the buoyancy continued unabated and the rise in prices assumed even larger dimensions than before. In June the market received a severe jolt by the advance in call loan rates on the Stock Exchange. This happened at the very beginning of the month and prices took a general tumble, the declines in some of the specialties being as precipitate and as pronounced as the previous rapid and huge advances. The speculative fraternity had supposed that the Federal Reserve Banking System afforded a guaranty against high money rates. When, therefore, on June 3 there came a spurt in call loan rates, and some borrowers found themselves obliged to pay as high as 11% per annum to get the accommodation they needed, consternation seized possession of the speculative fraternity. Later in the month there came other similar spurts in call loan rates, 15% being reached on June 16 on industrial collateral and 12% on mixed collateral, with reports that 20% had been paid after the close of business on loans of about $1,000,000. However, the stock market, and the speculators behind it, quickly accommodated itself to the new situation and appeared to be all the better for the shake-down it had received. Each downward plunge—and there were many of them during the month—brought a new set of buying orders, and, notwithstanding the general market experienced a severe decline, not a few stocks advanced and established new high records.

In July the condition of money again exerted a dampening influence. During the first three weeks of the month the disposition was to ignore the money market and to proceed in disregard of the same. Pool operations continued in many of the minor stocks and notable and even sensational advances were established in such stocks—often when the rest of the list was displaying a reactionary tendency. In the end, however, the money situation dominated everything else. On Monday, July 21, a general break in prices occurred second only to that experienced at the beginning of June. This break, however, was followed the next day by a quick recovery, and this recovery continued on succeeding days, the steel, oil, motor and tobacco stocks moving up several points. But the loan situation did not improve and on July 29 another general all-round tumble in prices occurred, and the market closed on July 31 in a decidedly nervous state.

In August the market had some decidedly bad turns, and the downward tendency of prices not only continued but proceeded at a greatly accelerated pace. In the last week of the month, however, there was a decided change for the better. This further break in August, it is proper to state, had no connection with the condition of the money market, which assumed a distinctly easier tone. The causes of the sensational declines were found in the unsettled labor situation and the radical doctrines promulgated in connection, therewith, though the further great weakness in foreign exchange also was a contributing influence. Apprehensions regarding the labor situation were later in the month considerably relieved by the action of President Wilson and the Director-General of Railroads, and this will explain the recoveries in prices at the close of August. In September the market once more revealed the characteristics common to periods of active speculation at rising prices, and it became apparent that the bull campaign, which had been such a marked feature earlier in the year, had during the summer months been merely suspended instead of definitely checked and ended. Some remarkable advances in prices now occurred. There was some further adverse developments, and in particular the further weakness in foreign exchange furnished occasion for worriment, but interest was chiefly centred on the labor troubles, and as these assumed a less menacing phase, the stock market reflected the fact in higher prices and renewed buoyancy. Efforts to avert the steel strike proved unavailing, and the strike was definitely inaugurated on schedule time, namely Sept. 22, and was maintained for several weeks thereafter, but the certainty of its defeat was obvious from the start, and, inasmuch as the labor situation elsewhere had so greatly changed for the better, the speculative spirit also revived, and prices once more rapidly moved upward. Towards the close of September the improvement developed into positive buoyancy, an attempt to widen the scope of the steel strike by extending it so as to include the plants of the Bethlehem Steel Company having proved an absolute failure. In October tremendous activity, with further great advances in prices, distinguished the speculation. In the case of many of the higher-priced specialties the upward spurts were of sensational proportions and, considered in connection with the antecedent great rise, served further to mark the bull movement of 1919 as among the most notable in Stock Exchange records. Bear operators had their innings on occasions, the market yielding to pressure when developments in industrial affairs were unpropitious, but their successes were invariably temporary, and after each reaction the market quickly resumed its upward course.

In November a tremendous slump in prices occurred and the bull movement was definitely terminated—and in a way that could leave no doubt of its termination. Renewed tension in money resulted in the calling of loans on a large scale, and this in turn led to extensive forced liquidation. The recrudescence of the speculative fever in October had given the stock market a dangerous aspect, and it had become manifest that further drafts on the credit facilities of the banks must involve menace to the entire credit structure, if permitted. Bank officials were as cognizant of the peril as Federal Reserve officials. Both were determined that Stock Exchange borrowing must be further extended, but must be gradually reduced. This meant that new accommodation was out of the question and that prevailing accommodation to Stock Exchange borrowers must be lessened. Inability to replace existing loans brought many daring operators to a realizing sense of the risks they were running and induced them to lighten the loads they were carrying. On Nov. 12, call loan rates got up to 30%, with disastrous effect on Stock Exchange prices. While the market had many bad days during the month, Nov. 12 may be said to have been the worst, because on that day the declines were most violent and general and then it first became apparent that the bull element had lost control and manipulation no longer availed to check the downward avalanche. Further liquidation carried the market to new low levels on subsequent days, the unfavorable foreign exchange situation being an additional depressing influence. The railroad shares at first suffered comparatively little, which was natural, inasmuch as they had not participated in the long series of sensational advances made in the spring and summer in the industrial properties, but towards the end of the month they also had to undergo severe liquidation and showed weakness though never to the same extent as the industrial properties.

The November collapse, however, did not continue into December. In fact, this last month was one of distinct recovery in values even though the market had some more bad days, and the ease with which upward reactions were established seemed to afford evidence that the underlying strength remained unimpaired and that the reverses encountered during November, notwithstanding their severe character, had served in no manner to undermine confidence on the part of Stock Exchange habitues or the general public in the enduring character of the speculation. The railroad shares in most cases reached the lowest figures of the year in December, owing to the delay by Congress in the enactment of legislation providing for the return of the railroads to private control, though the latter part of the month prospects in that regard improved, and President Wilson, after the close of business on Dec. 24, gave notice that in order to allow a reasonable time to elapse for the completion of pending legislation the date for the termination of Government control would be deferred until March 1.

The year's record for the railroad shares is of very substantial declines for the reason already indicated, while on the other hand the record of the industrial shares is of general advances, even huge advances in the great majority of instances notwithstanding the severe break which occurred the latter part of the year. The fluctuations in railroad shares all through the year were less extreme than in the case of the industrial properties. These shares were laggards in the great advance of the spring and yet did advance nevertheless. The last six months they always declined when the general market was weak and often sagged when the industrial list was marching ahead with great rapidly. Among the trunk line stocks we find New York Central opened in January at 75, reached 83¾ in June, touched 66¾ in December, and closed December 31 at 69½; Pennsylvania opend at 45½, sold at 48½ in May, reached 39⅞ in December, and closed Dec. 31 at 40⅝; Baltimore & Ohio common opened in January at 50, touched 55¼ in May, dropped to 28¾ in December, and closed the year at 31⅝. Among the Western and transcontinental roads, Union Pacific stood at 123⅝ at the close of the year, against 128¾ at the opening, and in the interval sold as high as 138½ in May and as low as 119⅛ in August. Southern Pacific is an exception to the rule, and at 102¾ Dec. 31, sold a trifle

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higher than the opening price in January at 102, after having meanwhile been up to 115 in June and down to 91⅞ in November; for Northern Pacific the price Dec. 31 at 79 compared with 94½ Jan. 2, the high figure for the year having been 99⅞ May 27, and the low figure 77 Dec. 12. Great Northern pref. opened at 95¼, got up to 100⅝ in May and to 75⅛ in December, with the close Dec. 31 at 78⅜. Of all the railroad shares the Canadian Pacific suffered the widest fluctuations; opening at 160 in January, it got up to 170⅞ in July, and dropped to 126⅛ in December, with the close 132½. Milwaukee & St. Paul common, opening at 39½, reached 52¾ in July, touched 34⅛ in December, and closed at 37. Atchison moved up from 93½ in January to 104 in May, but December saw it down to 80½; the close was at 83⅞. There was a speculation two or three times during the year in the low-priced railroad shares, and these make a better record than the rest of the railroad list. Texas & Pacific, in particular, belongs in this class, it having enjoyed a sharp rise on the Texas oil developments; from 27½ Jan. 21, it sold up to 70½ in July, but closed Dec. 31 at only 41¾. Minor improvements also occurred in St. Louis & San Francisco, Missouri Pacific and Rock Island shares. Among Southern railroads, the Southern Railway stock did not share in this improvement. Opening at 29⅞, the common shares sold at 33 in May and dropped to 20¼ in December, with the close Dec 31 22⅜.

The record for the industrial shares, as already stated, is one of very noteworthy improvement. The motor stocks were very prominent in the rise, and General Motors Corporation common jumped up from 118½ in January to 406½ in November; even after the break the latter part of the year the close Dec. 31 was at 339. Studebaker Corporation common rose from 45¾ in January to 151 in October, and closed Dec. 31 at 109. The oil and rubber stocks were also pushed up with great rapidity. As illustrations, Texas Company stock, which was quoted at 184 in January, sold at 345 in October, with the close Dec. 31 at 226; and Pan-American Petroleum & Transport moved up from 67 in January to 140¼ in October, with the close Dec. 31 at 104½. United States Rubber common, from 73 in January, got up to 139¼ in November, with the close 136⅜, and B. F. Goodrich common, as against 56½ in January, sold at 93⅜ in October, with the close at 81. Sugar stocks, on the great rise in the price of the commodity, were likewise distinguished in the same way. American Beet Sugar, from 62 in January, advanced to 101¾ in October, and closed at 94; American Sugar Refining common, from 111¼ in January, rose to 148⅜ in October, and closed at 139⅞; and Cuba Cane Sugar common jumped from 20⅜ in January to 55 in December, with the close 52½. Some of the steel shares were marked up with great rapidity under violent and wide fluctuations. This is not true of the shares of the U. S. Steel Corporation, which moved up and down in orderly fashion; Steel common, opening at 94¾ in January, touched 88¼ in February, reached 115½ in July, and closed Dec. 31 at 106⅝. On the other hand, Crucible Steel common, after selling at 52⅛ in February, was quoted at 261 in October, with the close 217, while Republic Iron & Steel common, from 71½ in January, advanced to 145 in November, with the close 122½. The equipment shares were among the conspicuous features of the year. Baldwin Locomotive common fluctuated between 64⅞ and 156¼, American Locomotive common between 58 and 117½, American Car & Foundry between 84½ and 148⅜. Among shares in other lines of industry distinguished in the same way, might be mentioned American Woolen common, which against 45¼ in January sold at 169½ in December, and International Paper common, which against 30¼ in January sold at 82 in November, and these illustrations might be extended indefinitely. As a matter of fact, to enumerate all the noteworthy advances in the industrial group would be to give nearly the entire list.

RANGE OF LEADING STOCKS IN 1919
ALL PRICES DOLLARS PER SHARE, NOT PER CENT

	Par	Opening	Lowest	Highest	Closing
Trunk Lines—					
Baltimore & Ohio	100	50	28¾ Dec 15	55¼ May 27	31⅝
Cleve Cin Chic & St L	100	36	32 Feb 17	54⅞ Jun 6	52
Erie	100	17⅛	12⅜ Dec 30	20¼ May 19	13
New York Central	100	75	66¾ Dec 12	83¾ Jun 6	69½
N Y Chicago & St Louis	100	30	23¾ Sep 24	33¼ July 10	27¾
Pennsylvania	50	45½	39⅞ Dec 16	48½ May 19	40⅝
New England and Eastern—					
Boston & Albany	100	135	116 Dec 16	145 Apr 3	123
Boston & Maine	100	31	28 Jan 30	38½ July 29	37
N Y N H & Hartford	100	31⅞	25⅛ Dec 12	40⅞ July 17	26⅝
Coal Roads—					
Central of New Jersey	100	207	170 Sep 23	213 Aug 19	175
Delaware Lack & Western	50	182¾	172½ Mar 18	217 May 7	190
Delaware & Hudson	100	104	91½ Dec 1	116 May 29	93
Lehigh Valley	50	55⅛	40½ Dec 30	60⅜ Jun 2	42
N Y Ontario & Western	100	20	16½ Nov 28	24¼ July 18	16¾
Reading	50	82¾	73⅞ Dec 12	93⅝ Jun 6	76¾
Western and Pacific—					
Canadian Pacific	100	160	126⅛ Dec 1	170⅞ July 10	132½
Chicago & Alton	100	7⅝	7¼ Jan 13	12½ May 15	7¼
Chic Milw & St Paul	100	39½	34⅛ Dec 12	52¾ July 17	37
Chic & North Western	100	96	85 Nov 28	105 May 26	86⅞
Chic Rock Isl & Pac (new)	100	25¼	22⅛ Jan 21	32¼ July 17	26¾
Colorado & Southern	100	21⅛	19 Dec 13	31¾ May 5	22
Denver & Rio Grande	100	3¾	3½ Apr 7	15½ July 14	6¾
Great Northern, pref	100	95¼	75⅛ Dec 12	100⅝ May 27	78⅜
Illinois Central	100	97¾	85⅞ Dec 30	104 May 16	86
Minn St Paul & S S M	100	91	70 Dec 16	98¼ May 29	72⅝
Northern Pacific	100	94½	77 Dec 12	99⅞ May 27	79
Southern Pacific	100	102	91⅞ Nov 29	115 Jun 2	102¾
Union Pacific	100	128¾	119⅛ Aug 8	138½ May 29	123⅝
Southwestern—					
Atch Topeka & Santa Fe	100	93½	80½ Dec 12	104 May 27	83⅞
Kansas City Southern	100	19	13 Nov 28	25¼ May 19	15½
Missouri Kansas & Texas	100	5	4⅝ Feb 10	16⅝ July 22	9½
Preferred	100	8¾	8½ Jan 13	25⅛ July 18	12¾
Missouri Pacific	100	25	22⅛ Nov 29	38⅞ July 9	25¼
St Louis-San Francisco (new)	100	13½	10¾ Jan 21	27¾ July 17	18⅜
St Louis Southwestern	100	17⅞	10⅞ Dec 18	23⅜ Jun 9	13
Texas Pacific	100	29⅛	27½ Jan 21	70½ July 2	41¾
Southern Roads—					
Chesapeake & Ohio	100	56½	51½ Dec 16	68½ May 17	55⅜
Louisville & Nashville	100	118½	104⅞ Aug 19	122¾ May 17	109¼
Norfolk & Western	100	107½	95 Dec 1	112½ May 19	97
Seaboard Air Line	100	8⅞	6⅝ Dec 27	12 July 23	6⅞
Preferred	100	17⅝	12 Dec 19	23¾ July 17	14
Southern Railway	100	29⅞	20¼ Dec 12	33 May 19	22⅜
Preferred	100	70	52⅞ Dec 12	72½ May 27	56
Miscellaneous—					
Allis-Chalmers Mfg	100	32⅞	30 Jan 21	51⅝ Oct 8	50⅞
Amer Agricul Chemical	100	101	87 Sep 2	113¾ May 1	91⅜
American Beet Sugar	100	65	62 Jan 3	101¾ Oct 21	94
American Can	100	47	42⅞ Feb 11	68⅝ Sep 30	55
American Car & Fdry	100	93⅞	84½ Feb 10	148⅜ Nov 5	140¼
American Cotton Oil	100	39⅝	39⅝ Jan 2	67½ July 14	50¾
Amer Internat Corp	100	**55⅞	**52⅜ Feb 8	††132¼ Oct 31	††116⅜
American Locomotive	100	61	58 Jan 21	117½ Oct 7	101
Amer Smelt & Refining	100	76⅝	61½ Dec 1	89¾ July 16	69¾
American Steel Foundries	33⅓	§36	33¼ May 10	47 July 7	45¾
Amer Sugar Refining	100	112½	111¼ Jan 21	148⅜ Oct 29	139⅞
Amer Telep & Teleg	100	100⅞	95 Dec 30	108⅝ Mar 10	96⅛
American Tobacco	100	195½	191⅞ Feb 4	314½ Oct 24	277
Amer Woolen of Mass	100	51	45¼ Jan 16	169½ Dec 31	162½
Anaconda Copper	50	60½	54⅝ Nov 29	77⅞ July 16	63⅝
Atl Gulf & W I SS Lines	100	107¾	92 Feb 8	192⅝ Oct 31	168¾
Baldwin Locomotive	100	74½	64⅞ Jan 29	156¼ Oct 22	113¼
Bethlehem Steel Corp	100	61¼	55½ Jan 20	107¾ July 15	94¼
Class B common	100	61¾	55⅜ Jan 21	112 Oct 23	97¼
Calif Petroleum v t c	100	20⅜	20⅜ Jan 2	56⅞ Oct 20	43¼
Central Leather	100	60⅝	56½ Feb 8	116½ July 24	100⅜
Colorado Fuel & Iron	100	36⅝	34¾ Feb 10	56 July 14	42¼
Continental Can	100	69⅛	65½ Feb 10	103¾ Jun 7	88¼
Corn Products Refining	100	48⅛	46 Jan 21	99 Oct 22	85
Crucible Steel of America	100	58	52⅛ Feb 7	261 Oct 23	217
Cuba Cane Sugar	No par	29½	20⅜ Jan 27	55 Dec 8	52½
Distillers Secur Corp	100	x49¾	x49 Jan 2	66⅜ Mar 14	‡
Fisher Body Corp	No par	39	38¼ Jan 8	173 Oct 8	131¼
General Electric	100	151	144½ Feb 2	176 Oct 20	169½
General Motors Corp	100	133	118½ Jan 21	406½ Nov 5	x339
Goodrich (B F) Co	100	57	56½ Jan 10	93⅜ Oct 29	81
Int Mercantile Marine	100	26⅞	21¼ Jan 31	67¾ July 11	49¾
Preferred	100	112⅛	92¾ Feb 10	128½ May 28	109½
International Paper	100	30⅝	30¼ Jan 3	82 Nov 5	79¾
Kelly-Springfield Tire	25	69¾	68 Jan 21	164 Nov 3	143½
Kennecott Copper	No par	32¾	27⅝ Nov 29	43 July 15	29⅞
Keystone Tire & Rubber	10	¶99	38⅝ Dec 29	126½ July 14	43½
Lackawanna Steel	100	67⅝	62½ Jan 21	107¾ Nov 1	87⅜
Maxwell Motor	100	28½	26¾ Jan 22	61 July 28	31¼
Mexican Petroleum	100	179½	162¾ Jan 23	264 Oct 22	217
National Lead	100	65⅞	64 Jan 11	94½ Oct 23	82⅜
New York Air Brake	100	105	91¼ Feb 3	145¾ Oct 22	112
Pacific Mail SS	5	38	29½ Feb 8	42⅜ July 11	38
Pan Am Pet & Trans	50	69¾	67 Jan 21	140¼ Oct 22	104½
People's Gas Lt & Coke	100	49	32 Dec 30	57 May 26	34½
Pressed Steel Car	100	62½	x59 Feb 11	109 Oct 20	101⅛
Railway Steel Spring	100	76	68½ Feb 10	107½ Nov 5	98½
Republic Iron & Steel	100	74¾	71½ Jan 18	145 Nov 1	122½
Sinclair Cons Oil Corp	No par	*34	*33¼ Jan 2	*69¾ May 8	43¾
Sloss-Sheffield Steel & Iron	100	49¾	46½ Feb 10	89 Nov 3	73½
Studebaker Corp (The)	100	52	45¾ Jan 22	151 Oct 28	109
Texas Co (The)	100	184¾	184 Jan 2	345 Oct 30	226
U S Food Products Corp	100	†66	66 Apr 8	91⅜ Oct 1	78½
U S Industrial Alcohol	100	104	x97⅛ Dec 1	167 May 27	112¼
U S Rubber	100	80¾	73 Jan 21	139¼ Nov 6	136⅜
U S Steel Corporation	100	94¾	88¼ Feb 10	115½ July 14	106⅝
Preferred	100	113⅝	111¼ Dec 12	117½ July 17	113¾
Utah Copper	10	74⅞	65⅛ Feb 7	97½ July 16	76½
Virginia-Carolina Chemical	100	53	51 Feb 10	92½ July 14	67¼
Western Union Telegraph	100	88	82 Sep 22	92½ May 26	87
Westinghouse Elec & Mfg	50	41⅜	40½ Jan 21	59⅞ Jun 9	55
Willys-Overland (The)	25	26⅜	23¼ Jan 22	40¼ Jun 2	32

x Ex-dividend. *Sinclair Oil & Refining Corporation; name changed in September to Sinclair Consol. Oil Corp.. †First sale was made April 3; formerly Distillers Securities Corporation. ‡See U. S. Food Products Corp. §First sale was made May 7; previously to that date par value was $100 and range was from 68 Feb. 8 to 109⅛ May 1. ¶First sale April 11. **80% paid. ††Full paid.

Below are general statistics for 1919 and 1918:

GENERAL SUMMARY FOR TWO YEARS

		1919	1918
Coin and currency in U. S. Dec. 31	$	7,961,320,139	7,780,793,606
Bank clearings in United States	$	417,519,523,388	332,354,026,463
Business failure	$	113,291,237	163,019,979
Sales at N. Y. Stock Exchange	shares	316,787,725	144,118,469
Imports of merchandise (12 months)	$	3,904,406,327	3,031,212,710
Exports of merchandise (12 months)	$	7,922,150,592	6,149,087,545
Net exports of gold (12 months)	$	291,651,202	*20,972,930
Gross earnings (12 months)	$	5,173,647,054	4,915,516,917
Net earnings (12 months)	$	764,578,730	908,058,337
Railroad constructed	miles	x686	x721
Wheat raised	bushels	940,987,000	921,438,000
Corn raised	bushels	2,917,450,000	2,502,665,000
Oats raised	bushels	1,248,310,000	1,538,124,000
Cotton raised	bales	a11,030,000	11,602,634
Pig iron produced	(tons of 2,240 lbs.)	31,015,364	39,054,644
Lake Sup. ore shipments by water	(gross tons)	47,177,395	61,156,963
Copper production, refined, in U. S.	lbs.	1,863,580,381	2,476,077,401
Anthracite shipments	(tons of 2,240 lbs.)	66,855,462	76,649,918
Coal of all kinds	(tons of 2,000 lbs.)	544,263,000	678,211,904
Petroleum production (whole U. S.)	bbls.	377,719,000	355,927,716
Immigration into United States	No.	247,338	b115,916
Building operations, 286 cities	$	1,505,317,260	496,537,914

*Net imports. a Agricultural Department's estimate, which does not include linters. x Estimates of "Railway Age Gazette." b These are the arrivals of alien immigrants. The net alien arrivals (immigrant and non-immigrant) for 1919 were 17,912, against 41,471 in 1918.

Reprints on "The First Year After World War I" will shortly be available. The price of these will vary with quantity ordered.

The Commercial and Financial Chronicle
25 Spruce Street
New York 8, N. Y.

M. J. Geary Joins John Galbraith & Co.

PORTLAND, ORE.—M. J. Geary has become associated with the firm of John Galbraith & Co., stock and bond dealers in the Porter Bldg. Coming to Portland in 1909 as General Agent for the Rock Island Railroad, Mr. Geary has since been active in Pacific Northwest affairs except during World War I, when he was National Director of National Parks and Monuments, a subsidiary at that time of the Federal Government. In this capacity he assisted National Banks in their allotments of Liberty Bonds. In 1919 he became Secretary of the Union Safe Deposit & Trust Co. of Portland, which firm was later merged with the Brotherhood Bank. In 1926 he formed the investment firm of Buffington, Houghton & Geary, where he was until the firm of M. J. Geary & Son was formed in the Wilcox Bldg. in 1931.

Mr. Geary is a member of the Board of Trustees of the Patten Home, and is well known in investment circles throughout the nation.

Schaenen And Mathers With Smith, Barney

Nelson Schaenen and Lloyd C. Mathers have become associated with Smith, Barney & Co., 14 Wall Street, New York City, members of the New York Stock Exchange and other Exchanges, in their underwriting department. Mr. Schaenen was formerly manager of the public utilities division of Moody's Investors Service, and Mr. Mathers had been on the staff of the Securities & Exchange Commission since 1934 in the corporation finance division and the public utilities division.

Patterns Of The Post-War Future

(Continued from page 278)

The American people have learned this under the restrictions and regimentations of war-time controls. Because of the strict requirements of war, we have been operating under a planned economy for many months. Our people have accepted this because of the emergency. But there is increasing evidence on all sides that they do not like it.

Citizens May "Shoot Santa Claus"

The American people are, in my opinion, fed up with ration points, price controls, and with being pushed around by a multiplicity of bureaucrats and by arrogant labor leaders. But above all they are beginning to realize that the bills of a Santa Claus government must be paid by every citizen in taxes—direct and indirect. It may well be because of this new understanding brought home to them by the slogan "Pay as you go," that the citizens at the polls in 1944, contrary to Al Smith's famous axiom, may decide to "shoot Santa Claus." In any event, they will demand at the end of this emergency that freedom of enterprise be restored. Then the test will be whether free enterprise can function to the satisfaction of the great majority of ordinary Americans.

The first requisite will be to provide reasonably full employment. Can private industry meet this challenge?

If by full employment we mean that every man and woman in America will have a job, I doubt that any system, except Russia's, can meet such a requirement. But if by full employment we mean the *prevention* of serious, large-scale unemployment such as would bring a major depression and the stalling of the industrial machine, then I believe that private industry, encouraged by a government that does its part to create a climate favorable to the development of initiative, enterprise and expansion, *can* do the job.

Unemployment Must Be Prevented

I emphasize the word *prevention* in discussing possible post-war unemployment. I believe it is imperative that we approach the entire problem with the objective of developing plans to *prevent* unemployment, rather than of thinking in terms of *curing* unemployment after it takes place. I have confidence that action taken now and in the future to remove the causes of unemployment by encouraging the expansion of our industrial system can enable private industry to provide substantially all the needed jobs in the post-war years. If, on the other hand, we think in terms of curing unemployment—if our national policy follows the defeatist pattern of the 1930's and we depend only upon enormous programs of public works and relief activities; if we continue to minimize incentives, to place burdens on and obstacles before the business machine—then it seems to me that serious unemployment will be inevitable.

No amount of public works can provide all the needed jobs. With all the different methods tried in the 10 years of the 1930's, we never even came close to solving the unemployment problem. The only possible solution, if we are to avoid the regimentation of a planned economy, is work in private enterprise—supplemented, when necessary to fill the gap, by public works.

Since the real jobs in private enterprise are apparently what a large majority of the people will want, and since providing these is the only way freedom in America can be preserved, what path should the leaders in government, in business, in labor and in agriculture, follow in order that full employment in private industry may be attained?

In my opinion the first step after Germany is defeated is for the new Administration and the new Congress to announce clearly that we are not going to continue a war economy after the war is over; that private enterprise must prepare to go forward with confidence, assured that government will proceed at once to remove every obstacle and to offer every reasonable inducement to the building of new productive equipment which will provide employment and eventually raise the standard of living. With this assurance, industry, labor, agriculture and government can cooperatively bring about a program that will encourage the expansion necessary to meet our post-war needs.

We Must Profit from Past Experiences

In building such a program we must profit from past experiences and guard against inconsistencies in economic policies which can allow taxes to fall too largely on venture capital and on incomes derived from daring and innovation, thus drying up a major source of employment; policies which encourage monopolistic practices that restrain free competition; policies which allow strong pressure groups to force wages or prices too high for full employment.

In a recent editorial James H. McGraw, President of McGraw-Hill Publishing Co., said:

"We can be prosperous beyond our dreams—all of us—workers, farmers, and business men—but one of the prerequisites is the self-discipline of accepting competition for ourselves as well as others."

This is a statement of principle which should never be lost sight of in planning for the expansion of our free enterprise machine. Doubtless, as we enter the post-war period, pressure for special privileges will continue to be applied on government by various groups. Government can best encourage enterprise and provide increased employment by lifting its hand from the scales and becoming a friendly arbiter to look after the interests of *the public* rather than the contending parties. The Government should throw its weight in favor of raising the total of national income instead of encouraging the struggle between conflicting groups over the division of a declining national income.

The war has brought America a tremendous new capacity to produce. In less than three years we increased our factory machine capacity by around 40%. We have learned that it no longer takes a generation to build a great national industrial plant. With the resources, skill, engineering ability and know-how of the United States in this advanced stage of the machine age, we could probably double our present capacity for producing machine-made consumer goods in less than five years if we determined to do so.

Big Selling Job Ahead

The great challenge in the post-war future, therefore, will not be the development of industrial production capacity, as was the case after World War I. We know how that is done. Rather the problem will be to develop new knowledge and skill in the field of distribution. We must sell a lot more per capita in 1949 than in 1929 if we are to keep our factories going.

In 1929 we had a national income of $83,000,000,000. Various estimates have been made of the national income at 1929 prices required to prevent dangerous unemployment after the war. Without getting into economic technicalities or arguments, let us make some assumptions. We know that, partly owing to the growing population and partly because of our greater efficiency in production, we must considerably increase our output of goods and services over pre-war levels if large-scale unemployment is to be avoided. Let's assume that the required increase in 1949 as compared to 1929 is 50%. In other words, in dollars of 1929 purchasing power the value of production would have to reach about $125,000,000,000, regardless of the actual number of 1949 dollars it would be worth. This would mean an increase, not in spending power but in the quantity of goods and services produced per capita, amounting to 28% for every man, woman and child in the United States. That is why I say that our selling organizations are going to have to sell a lot more goods than in the past. That, of course, is what we want to do. That is how the standard of living is raised. That is how unemployment is prevented.

This means that the sales forces in American business, together with our distribution experts and our advertising and sales promotion executives, will face an unprecedented task. For even though we will have great production capacity and even though we are successful in creating huge consumer purchasing power, it does not follow that the American people will purchase all the things we can produce unless the necessary consumer demand is built up. New wants, new habits, new patterns of living, new forms of social existence must be created.

Discussing this point in a recent report to the Association of National Advertisers, Dr. Henry C. Link made the following pertinent observation:

"We have been hearing a lot about '*production for use* instead of for profit.' In recent years this has become the slogan of academic economists, social reformers, and other Utopians. . . . Production for what use? And by whom? The airplane is not exactly a novelty, but our recent social survey . . . shows that, though 72% of city men and women have not yet flown, 44% of those who have never flown do not even now *want* to take a trip by air. This proportion is even higher among farmers. In short, production does *not* insure use."

Sales and Advertising Play Vital Role

This is, to me, a very significant statement. It puts a finger on the weak spot of the contention heard so frequently in Washington these past 10 years that advertising and sales promotion is an unnecessary expense which in a "planned economy" ought to be eliminated. Moreover, it gives some insight into the huge sales, advertising and promotional job that must be done in the post-war years. The progress already made in raising our living standards to the highest in the world can be largely attributed to our sales and distribution methods. However, there are many new frontiers to be crossed. You gentlemen here today will indeed play a vital role in the difficult and interesting years that lie ahead.

I have posed many problems today. I am not predicting that all of them will be solved. As a realist, I know how far we are now from the accomplishment of many of our goals. I know how far we are from effective coordination of our efforts. I know how far away the policies of the now discarded New Deal are from the philosophy of efficient production, distribution and full employment. I know how easy it is for us and for the American people to be misled by ignorance, class antagonism, and political hokum. But in the direction I have outlined lies our opportunity.

In spite of confusion and inefficiency we are today on the road toward winning the war. If we can perform that colossal task, it should certainly be within our power to bring about full reemployment in peace-time jobs of the man-power of the United States. Upon our ability to do just that, in my opinion, rests the future of our republic and the system of capitalism on which it is based. To accomplish that goal will require a high degree of wisdom, statesmanship, vision and courage—much higher than all of us, including business, labor, agriculture and government, have yet demonstrated.

However, during this national crisis new leaders are being developed, and I believe that we are at least approaching a basis for greater unity of purpose in the years that lie ahead. When our fighting men come back from war you can be sure they are going to have definite ideas about the kind of America they want, and it is not likely that they will want the kind of regimented life they have been fighting to exterminate from the world.

Today our production machine is operating at forced draft and on an overtime basis. When the war is over we must carefully and intelligently adjust it to a peace-time basis. There is nothing about this problem that is impossible of solution if we will but put in charge engineers who understand the machine, who will remove the monkey wrenches and supply the right kind of lubricating oil at the right times and in the right places.

We need a new approach to the problem of employment in the post-war world—a new philosophy of hope and courage—new methods to keep the economic machine operating at high levels of production and new men in high places who will bring co-operation instead of conflict to the solution of these problems that are so vital to the welfare of all the people.

We are rapidly approaching the time when there will be another turn in the road ahead. In spite of all the obstacles, I, for one, have confidence in the destiny of America.

S. E. C. Delays Hearing On Trading Privileges

The Securities and Exchange Commission postponed Jan. 17, at the request of all parties concerned, the hearing scheduled for Jan. 19 on the applications filed by the New York Club Exchange for permission to extend unlisted trading privileges to the common stocks of six corporations. The hearing will now be held here on Jan. 26.

Securities involved are Lukens Steel Co., $10 par common; Merck and Co., Inc., $1 par common; Public Service Co., of Indiana, Inc., no par common; The Warner and Swasey Co., no par common and Puget Sound Power and Light Co., $10 par common stock.

Canadian Securities

By BRUCE WILLIAMS

It is encouraging at last to hear a few forthright opinions expressed by practical economists to the effect that, come peace or a continuance of the war, the present trend of interest rates will continue—that the present 2% maximum for government bonds suitable for banks is more likely to be replaced eventually by a 1¾% maximum.

Doubts in the minds of investors, with regard to the future course of interest rates, have considerably retarded normal activity, and the Canadian market has suffered, inasmuch as the attractiveness of the 4%-5% coupons on high grade bonds has been obscured by expectation in many quarters of generally higher interest rates.

There is also the long standing factor of reluctance on the part of a large proportion of our banking community to consider any foreign risk. It would seem that this attitude must change if we are to shoulder our proper responsibility as the leading creditor nation of the world and have within our borders the international financial center of the world.

It is difficult, of course, to make any change in a policy that, during the war, has enabled bankers to regard with pardonable complacency portfolios largely filled with riskless short term Government securities, but in the postwar period we must play a larger role and be able to assess risks in the foreign as well as in the domestic field. A long step would be taken in this direction if bankers here were at least able readily to gauge the investment quality of Canadian securities.

To get back to current affairs, it is regrettable that there is still considerable acrimonious comment on the question of United States shareholders' liability for inheritance taxes under the Succession Duty laws of the Dominion. As previously stated in these columns, this matter has been considered sufficiently important, that the Canadian Minister of Finance has requested the Department of External Affairs to approach the State Department in Washington with the object of arriving at an agreement whereby double taxation in both countries will be avoided.

With regard to the market for the past week, on the whole, the tone was still good, but the volume of activity still left a lot to be desired. Direct Dominions were quiet and a shade better. Nationals, on the other hand, were active and strong; the 5s of October 1969/49 were greatly in demand, no doubt in anticipation of the possible redemption, this year, of the 5s of 1969/44.

In the provincial section of the market, there was little to record and prices were mostly unchanged. City of Montreal issues were strong on anticipation of an early acceptance of the latest debt settlement plan. There was a decrease in activity in internal issues although there was some interest shown in gold and oil shares. As a result, the Canadian dollar in the "free" exchange market was dull and slightly easier at 10½ discount.

In considering the immediate market trend, there is evidence of latent interest on the buying side and, should the recent improved sentiment in other investment markets continue, such interest will doubtlessly be translated into action.

Wholesalers' Meeting Will End Today

The 17th annual convention and war conference of the wholesale Dry Goods Institute, Inc., which opened at the Hotel New Yorker yesterday (Jan. 19), will conclude its meetings today. Among those scheduled to address today's luncheon meeting are: Representative Will M. Whittington (Dem., Miss.), Chairman of the House Committee on Flood Control; Frank L. Walton, Vice-President of Catlin-Farish Co., New York, who is former Director of the Textile, Clothing and Leather Division of the War Production Board, and Walter Mitchell, Jr., Director of Business Surveys, Dun & Bradstreet, Inc. The merchandise exposition will close at 6 p.m. and the annual banquet, at which there will be no speeches or serious business, will be held at 8 p.m.

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.

Municipal News & Notes

The present deficit of $37,000,000 incurred by the City of New York from rapid transit operations must be eliminated or "it will undermine the investment value of real estate and make its ownership a liability instead of an asset." This view was expressed by Secretary Thomas Jefferson Miley of the Commerce and Industry Association of New York City in identical letters addressed recently to Mayor Fiorello H. LaGuardia and the five Borough Presidents.

The Association warned that New York City is nearing the limit of its power to raise taxes and that relief for "overburdened and distressed real estate," the main tax source, is long overdue and is now imperative.

In urging that the deficit from transit operations, "which now results in oppressive taxation," be eliminated by increasing the present 5-cent fare, the Association declared that the unification of all transit facilities under municipal ownership and operation "has removed the fare question from any possible political implications." The charge can no longer be made that a higher fare will benefit private enterprise, the Association said, and made the following additional observations:

"No valid objection can now be made to a self-sustaining rate of fare as the City will get all of the revenue resulting from any increase in the fare. Any revenue received from such increased fare in excess of the amount required to meet the fixed charges on the public debt issued for rapid transit purposes could be used to finance the replacement of obsolete equipment, the purchase of new and additional sorely needed equipment, providing more comfortable traveling conditions for the passengers, and the extension of existing facilities.

"The budget for the current fiscal year, which terminates June 30, 1944, shows the total appropriations for interest, redemption and sinking fund installments on the rapid transit debt amounted to $56,971,176.85. It was estimated that surplus operating revenues to the extent of $20,000,000 would be available to reduce fixed debt charges, leaving the sum of $36,971,176.85 to be raised by taxes on real estate to meet the deficit in rapid transit operation.

"The present deficits from rapid transit operation of almost $37,000,000 accounts for 23 points in the present tax rate on real estate of $2.89 per hundred dollar valuation, so that if this tremendous loss were eliminated the tax rate would have been $2.66 per hundred dollars of valuation.

"The deficit from rapid transit operation is an enormous load for the taxpayers and owners of real estate to carry. With a constantly diminishing tax base, consisting of real estate now valued at approximately $16,000,000,000 in comparison with a real estate tax base of $19,500,000,000 which existed in 1932, it must be obvious to experienced administrators that a continuation of the huge annual deficits from subways operation will seriously undermine the investment value of real estate and subject its ownership to serious losses.

"In addition, the City's ability to market securities to provide funds for the extension, improvement and equipment of the rapid transit lines and for other public improvements will be seriously impaired if the value of real estate is depreciated by being subjected to burdensome taxation to make up the annual losses incurred by operating the subways at a rate of fare that does not meet the cost of service."

Bond Ratings And Investment Policy

Much of the additional strength exhibited by the municipal bond market during the past several weeks was due in some measure to the upward revision of the ratings on hundreds of issues by Moody's Investors Service. In this regard, the following comment was made by Hemphill, Noyes & Co., New York, in a recent issue of their municipal news letter:

Ratings

On February 26, 1936, the Comptroller of the Currency, issued a set of regulations for Federal Reserve member banks which included the statement that "The purchase of investment securities in which the investment characteristics are distinctly predominantly speculative, or investment securities of a lower designated standard than those which are distinctly or predominantly speculative is prohibited" and "Where there is doubt as to the eligibility of a security for purchase, such eligibility must be supported by not less than two rating manuals." This was immediately interpreted by bank officers as meaning that member banks could not buy anything rated lower than BBB by two services.

In May of the same year, the Comptroller stated that "Such ratings are not conclusive on the question of eligibility," explaining that "the fact that rating manuals classed a security as distinctly or predominantly speculative does not unalterably prevent a bank from purchasing it under the regulations, provided the bank can convince an examiner the investment is sound."

There are hardy bank officials who buy what they think suitable and go to the mat with the examiner but many, perhaps most member banks, have preferred the comfort of being within the rating fence. Many have gone to the extreme of limiting their institutions to bonds rated not lower than A. They explain with a shrug that it is easier to get along with the lower income than to argue with an examiner who objects to BBB bonds on the ground that if given a lower rating they would have to be sold immediately, whereas A bonds when lowered give a period of warning.

In 1938 considerable publicity was given a new set of regulations which relieved banks of any necessity for confining themselves to bonds rated by an investment service, the object being to loosen up credit. However, most banks appear to have continued as if bound by the 1936 pronouncement. Three services rate corporate bonds, Moody only rates municipals.

All this is a prelude to calling your attention to four pages of new and revised Moody ratings on pages 1081-1084 in "Moody's Governments, Section 1, Volume 15, Number 106, January 1, 1944." Among the most important of those rated A, and thereby made eligible for purchase by banks who restrict themselves to this rating, are Chicago, Cook County and certain of their districts, Detroit, Cuyahoga County, Ohio (Cleveland), Toledo, Philadelphia, Philadelphia School District, Nashville Electric Revenue Bonds, Seattle, both General Obligations and Light & Power Revenue Bonds, Tacoma, and many less well known names.

Municipal dealers are obliged to take notice of ratings even when they disagree with them, because of the large number of buyers who prefer to accept their guidance rather than to make their own studies of relative values.

Edward Purcell & Co. To Admit B. Conway

Barclay J. Conway will be admitted to partnership in Edward A. Purcell & Co., 65 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1.

Sees Food, Transportation Equipment Important Post-War Requirements

On the theory that the European phase of the war may end during 1944 and that the pattern of our economy following cessation of hostilities will begin to make itself felt this year, the current Strauss Bulletin states that food and transportation equipment will transcend all other requirements during the year. "Not that there will not be many other needs to fill," continues the bulletin, "this will only represent that which must be done at the outset; the rebuilding from devastation may eventually entail a total production effort greater than that which created the means of destruction.

"Thus will the stage be set for a vigorous return to peace-time production. With industry in strong financial condition, individual savings at record levels, private indebtedness at low figures, and the prospects of reduced taxation following an early termination of the war, all the encouraging factors are present which should overcome all uncertainties, and return us to our normal high standard of living in the days that will surely follow the year of decision."

Copies may be had upon request from Strauss Brothers, 32 Broadway, New York City.

1944 Investor's Aid

E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, have issued a most interesting booklet entitled "Investor's Aid 1944" and covering approximately two hundred representative companies in the leading industrial classifications. Although probable length of the war must assume a primary role in 1944 investment policy, the firm believes that the majority of investors are now engaged in appraising postwar probabilities and has therefore focused attention in their review on the post-war years. Stocks covered have been evaluated in relation to indicated postwar performance, using as a basis the assumption that post-war economic conditions will permit aggregate corporate earnings after taxes approximating the average for 1936, 1937 and 1939. In determining the more favored issues one of the important considerations was the apparent potentiality of capital gain, since an effort to secure long-term capital gain must remain the cornerstone of any equity investment program, E. F. Hutton & Co. believes.

Copies of this interesting booklet may be had from the firm upon request.

Banking: Growth Industry

Huff, Geyer & Hecht, 67 Wall Street, New York City, have prepared for distribution an interesting brochure entitled "Banking: Foremost Growth Industry," discussing the favorable potentials affecting the industry. Copies of this brochure may be had from the firm upon request.

Thomas F. Gleason Is With Van Ingen In Cgo

CHICAGO, ILL. — Thomas F. Gleason has become associated with the trading department of B. J. Van Ingen & Co., Inc., 135 So. La Salle Street. Mr. Gleason was formerly connected with Rogers & Tracy, Inc., for many years.

Reorganization Rails Comprehensive Analysis

The fourth of the Campbell Series of analytical studies of reorganization railroad securities is now on the press. More comprehensive than the previous analyses, this new report covers the securities of the following seven reorganization rails: Seaboard Air Line; Denver & Rio Grande Western; St. Louis-San Francisco; Missouri Pacific System; New York, New Haven & Hartford; Chicago, Milwaukee, St. Paul & Pacific; and Chicago, Rock Island & Pacific. The report includes traffic factors and statistical resume showing trends and standard of measurement for these rail securities as compared with 20 of the leading solvent roads; 20-year record of earnings applicable to fixed and contingent charges together with fundings and all dividend requirements of new issues to be traded; arbitrage tables covering these seven roads so that the buyer may obtain the new reorganization securities at the lowest possible prices predicated upon the Campbell evaluations.

The price of this new report is $7.50. Checks should be sent with all orders—address Thomas G. Campbell, Railroad Consultant, C. E. Stoltz & Co., 25 Broad St., New York City.

N. Y. Stock Exchange Weekly Firm Changes

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

The proposal that Robert L. Gill act as alternate on the floor of the Exchange for William L. Strong, Jr., will be considered on Jan. 27.

Edmond du Pont, general partner in Francis I. du Pont & Co., will also become a limited partner as trustee under Deed of Trust, dated Jan. 14, 1944, effective Jan. 15, 1944. Thomas W. Phelps, general partner, became both a general and limited partner effective Jan. 15.

Louis Haight, special partner in Ward, Gruver & Co., died on Jan. 9.

Pension, Bonus And Profit Sharing Plans

The Chase National Bank of the City of New York, 11 Broad St., New York City, have available a 92-page summary entitled "Pension, Bonus and Profit-Sharing Plans," covering the fundamentals of formulating and financing employee benefit plans. Copies of this interesting study may be had upon request without obligation—write to the Pension Trust Division of the Chase National Bank.

Investors Tax Form

Paul H. Davis & Co., 10 South La Salle St., Chicago, Ill., members of the New York Stock Exchange and other leading exchanges, have available for investors an income tax form containing space for tabulation and explaining principal points covered by the Internal Revenue Act, including capital gain and loss provisions. Copies may be had upon request from Paul H. Davis & Co.

Meyerhoff Admits Partner

(Special to The Financial Chronicle)

CHICAGO, ILL.—Philip Plesofsky has been admitted to partnership with Irving E. Meyerhoff, and the partners will do business under the firm name of Irving E. Meyerhoff & Co., with offices at 120 South La Salle Street. Mr. Meyerhoff, a member of the Chicago Stock Exchange, has been active as an individual broker for some time; Mr. Plesofsky has been associated with him.

Liquidation Of War Production Not Purely Post-War Problem: Kaplan, Tells N. Y. U. Forum

The liquidation of war production is not purely a postwar problem since it is already upon us, Dr. Abraham D. H. Kaplan, member of the research staff of the Committee for Economic Development, told members of the New York University Institute on Postwar Reconstruction on Jan. 12.

"As of the end of December, 1943, the volume of Army and Navy contracts already terminated, or being reviewed for termination, aggregated upwards of $8,000,000,000," said Dr. Kaplan, who went on to say:

"This is 50% more than the face value of all contracts terminated at the end of the last war. Stockpiles of critical materials, which were desperately needed six months ago, have already gained on the rate at which they are being used, so that they may now be released for civilian production.

"If as much as a year elapses between the ending of hostilities in Europe and in Asia, we may have a tapering off of more than 50% in the rate of war production. The problem of reconversion may, therefore, become as current as the problem of war production, before the war is over.

"Thanks to the improved control of materials and the expediting of shipments, the inventories held by the war industries represent less than 15% of our annual war output. If war production were at its present peak when the war ended, the total value of claims on unfinished contracts would run between $10,000,000,000 and $11,000,000,000. The bulk of these claims would be represented by the $8,000,000,000 of raw and processed materials which have been tailored to Government specifications and, therefore, have negligible value to the contractors as an offset to their claims.

"Of the surplus supplies that may accumulate at the end of the war, nearly three-fourths will be in the form of technical ordnance having no marketable value for commercial purposes. Assuming that by the end of the European phase of the war we shall have stabilized the expendable materiel at six to eight months' reserves, the prospect is for an accumulation of some $15,000,000,000 of supplies. The major portion of the marketable total is likely to be in food, clothing, trucks and hardware. Considering the heavy requirements for foreign rehabilitation and relief, and the relatively low stage of inventories in these lines, the disposition of this surplus should not prove to be an insuperable problem.

"When it comes to the $16,000,000,000 of industrial war plant built by the Government, the outlook for a rapid disposition is not favorable. One third of the investment is in facilities for explosives and technical ordnance that are suitable almost solely for military purposes. The other third runs to aircraft plants and shipyards of which perhaps not more than 10% can be used in the immediate post-war period.

"The best promise of utilization lies in the plant which has been built for chemicals, electric machinery and petroleum products, including synthetics. While many of the plants were located for military rather than economic reasons, they represent versatile equipment which may be used for other purposes. The plants as a whole are huge undertakings which were built at far above normal replacement costs. To sell them at what they will bring in the open market would probably cause serious political repercussions. The chances are that they will have to be leased on favorable terms subject to progressive revision as their possibilities for peacetime use become clearer.

"In all phases of the liquidation program, the fiscal concern of the Government in getting the highest salvage values should be subordinated to the consideration of what policies will make for rapid reconversion and the encouragement of the resumption of high levels of employment."

Arbitrage Data On Chicago, Rock Island

Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting arbitrage circular on Chicago, Rock Island & Pacific Railway Co. Copies of this circular may be had upon request from Sutro Bros. & Co.

Investment Trusts

"Twelve Years Of Progress"

Since the inception of the **Keystone Funds** in 1932, combined net assets of the funds have grown to over $67,000,000. Regular and special dividends paid to investors in Keystone Funds since 1932 amount to $17,700,000.

In commenting on this record, **Keystone Corporation**, the sponsor, states: "It may or may not be significant that the greatest growth in The Keystone Plan has occurred during the period dating from the 1937 decline in the market through the confusing markets of World War II—up through the past year of markets which combined both war characteristics and 'peace scares.'"

The significance of the Keystone record, it would seem to us, is expressed in the simple statement—"Twelve Years of Progress."

* * *

"You, Too, Can Get Rich Quick"

"Being extremely advertising conscious, we have often been impressed by copy which tells how an ordinary mortal like the writer can become a Paderewski in his spare time, fascinate friends and prospects with sparkling conversation after reading for a few minutes a day, or spellbind wealthy gentlemen at Rotary Club lunches and such like after delving ever so lightly into a simple leaflet on public speaking.

"For that reason we have often wondered why nobody has advertised that 'YOU, TOO, Can BEAT the STOCK MARKET in Your SPARE TIME.'

"On paper it looks simple enough. All you have to know is how to (1) time your purchases so that you won't invest at a peak; (2) decide, if you are going to invest, which industries are best situated; (3) determine which companies in those industries have the best prospects; (4) choose whether you will buy their senior or their equity securities, and (5) analyze your tax situation so that even if you win you won't lose.

"Investment bankers who have made the study of securities values their life work recognize these as fundamental problems although there may, no doubt, be some question as to their order of importance.

"It's a fair statement, however, that highly important among these problems is that of industry selection. If it can be determined that the steel, railroad equipment, or automobile industry, for example, is particularly well situated with regard to post-war outlook, its securities should deserve special consideration at this time."—Excerpt from **Hugh W. Long & Co.s "New York Letter."**

* * *

The latest issue of **Lord, Abbett's "Abstracts"** cites "Four extra reasons for extra participation in the Fourth War Loan." The four reasons cited are sound investment reasons. They are

(Continued on page 309)

Michigan Brevities

Bank news held the limelight this month as annual reports to stockholders and elections of officers were made public.

Only two top executive moves were announced with **Harry Lynn Pierson**, President of Detroit Harvester Company, elected a director of The Detroit Bank, and **O. D. Marcks**, former Vice-President and Treasurer of the Equitable Trust Company, assuming the office of President.

Earnings of the Detroit banks, following the general trend over the country were substantially higher than those of 1942.

The **National Bank of Detroit** had a net profit for 1943 of $3,250,633, or $3.25 a share as compared with $2,762,376, or $2.76 a year ago.

Chairman Walter S. McLucas disclosed that 63% of the bank's loans were now of the V or VT variety or used to finance war production.

The **Detroit Bank** reported a net profit of $1,266,984, or $10.28 a share on the common after preferred requirements as against $1,141,783, or $9.17 a share. Stockholders approved a 10% stock dividend.

Net earnings in 1943 of the **Manufacturers National Bank of Detroit** amounted to $884,962, or $14.74 a share as against $674,991, or $11.25 a year ago.

The **Commonwealth Bank** reported a net profit for 1943 of $889,965, or $17 a share as compared with $849,332, or $16.27 a share in 1942.

Earnings of the **Industrial National Bank of Detroit** aggregated $345,171, or $6.90 a share as against $309,259, or $6.18 a share in 1942.

* * *

Frank H. Kemp, one of the original 14 organizers of the National Securities Traders Association, has announced his association with **R. C. O'Donnel & Co.**

Formerly connected with **Charles Parcells Co.** and **Cray McFawn**, Kemp also was First President of the Detroit and Michigan Securities Traders Association in 1935-36.

* * *

Insiders in banking circles forecast that most of the important personnel changes in the big banks here would take place after the annual elections. A Vice-President of one bank, who has done much work on V and VT loans, resigned last week and changes in directorate and official lineup of another big bank are hinted.

* * *

Despite handicaps as the result of the war, the **Manufacturers National Bank** was able to occupy its new main office at Fort and Shelby on schedule. At times there were over 200 workers rushing the job to completion, using almost entirely non-critical materials.

This move left one of the city's finest banking offices—in the Penobscot Building, Detroit's largest — vacant, and speculation is rife as to whether a new bank will be formed to occupy them or whether the Michigan National Bank, large outstate branch system, will be able to invade Detroit and utilize these quarters.

* * *

Proceeding with his policy of liquidating the State's sinking fund holdings which have depreciated alarmingly in value, Treasurer D. Hale Brake, recently announced the sale of bonds having a face value of $570,900 for $463,299.

In the group sold to highest bidders were $150,000 worth of Garden City 1% special assessment bonds due 1965 for $77,685.

Highest single bid was 104.66 for $60,000 worth of City of Detroit bonds due in 1945 and bearing 4% interest.

Lowest successful bid was 51.25 for $75,000 worth of East Detroit special assessment bonds bearing 1¼% and due in 1970.

* * *

Again in the Fourth War Loan, members of the investment banking industry are being called upon to bear a big part of the load. Teams have been assigned to the various banks to contact businessmen and industrialists.

Team Captains are: Commonwealth Bank, Charles M. Ettinger of Halsey, Stuart & Co.; The Detroit Bank, Howard C. Parker of Manley & Co.; Industrial National Bank, Ralf A. Crookston, Hornblower & Weeks; Manufacturers National Bank of Detroit, Fred A. Bargmann, Braun, Bosworth & Co.; National Bank of Detroit, H. Russell Hastings; and Wabeek Bank, William Moore, McDonald, Moore & Co.

Detroit Stock Exch. Re-Elects Hal Smith

DETROIT, MICH.—Breaking a precedent of long standing, the Detroit Stock Exchange re-elected Hal H. Smith, Jr., of Smith, Hague & Co., as President. It has been the custom for some time to limit each Exchange head to a single year term.

Other officers of the Exchange for the ensuing year are: Charles A. Parcells, of C. A. Parcells & Co., Vice-President; Milton A. Manley, of M. A. Manley Co., Treasurer; Clarke C. Wickey, Executive Vice-President and Secretary, and Fred J. Oppat, Assistant Secretary and Examiner.

Winslow Howarth, Baker Simonds & Co.; Max J. Stringer, Watling, Lerchen & Co., and Armin H. Vogel, of A. H. Vogel Co., were elected directors for the three-year term, while Valette R. Eis was named for the two-year term.

NSTA Membership Comm. Headed By Pizzini

B. Winthrop Pizzini, of B. W. Pizzini & Co., New York City, First Vice-President of the National Security Traders Association, has been elected Chairman of the NSTA 1944 Membership Committee, it is announced.

Other members of the Committee are: Ludwell A. Strader, Scott, Borner & Mason, Lynchburg, Va., Vice-Chairman; J. W. Means, Trust Company of Georgia, Atlanta; Earl M. Scanlan, Earl M. Scanlan & Co., Denver; Andrew L. Tackus, Putnam & Co., Hartford; T. W. Price, E. H. Rollins & Sons, Inc., San Francisco; Howard S. Harris, Baldwin & Co., Boston; Mrs. Ora M. Ferguson, Merrill Lynch, Pierce, Fenner & Beane, Louisville; Edward Rotan, G. V. Rotan & Co., Houston; and E. L. Colton, Canadian Bank of Commerce, Portland, Ore.

B. Winthrop Pizzini

Insurance Industry & Federal Regulation

Mackubin, Legg & Co., 22 Light St., Baltimore, Md., members of the New York and Baltimore Stock Exchanges, have prepared an interesting discussion of the insurance industry as it may be affected by failure of passage of the Walter Bill and the Bailey-Van Nuys Bill, now pending in Congress, and affirming the intent of Congress that the regulation of insurance remain within the control of the States. Copies of this discussion on the outlook and possible trends may be had upon request from the Insurance Stocks Department of Mackubin, Legg & Co.

Connecticut Brevities

Total assets of the Hartford National Bank & Trust Company as of Dec. 31, 1943, were $195,969,752 as compared with $140,552,259 at the end of 1942. Government securities totaled $113,738,144 against $68,787,761 a year ago. Deposits showed an increase of over 41%—$55,106,910, the total as of Dec. 31, 1943, being $186,609,940 against $131,503,030 last year. Book value at the year-end was $22.02, while the corresponding figure in 1942 was $21.49. Indicated earnings were $1.81 compared with $1.38 per share a year ago.

Hamilton Standard Propellers Division of United Aircraft Corporation has increased production facilities to a point where propeller blades can now roll off the lines at better than one a minute. Hamilton Standard, together with its licensees, expects to turn out 1,000,000 propellers in a little more than a year's time. The recent completion of the first million was the result of ten year's labor.

As of December 31, 1943, the Hartford-Connecticut Trust Company showed total assets of $108,288,887—an increase of $20,073,168 over the preceding year. Holdings of United States Government securities, including $16,123,240 securities pledged to secure United States War Loan deposits and for other purposes, totalled $37,057,199 against $19,328,791 a year ago. Deposits increased to $97,622,105—a gain of $20,912,798. There was a slight change in book value from $46.88 per share to $47.50.

Stockholders of Connecticut Railway & Lighting Company have taken initial steps toward putting into effect a refinancing program which would result in the redemption of certain of the outstanding bonds.

The Phoenix State Bank & Trust Company as of the year ending December 31, 1943 showed total assets of $89,737,809 compared with $71,067,833 the preceding year. Deposits advanced from $66,264,533 to $84,718,197—an increase of $18,453,664. Book value now figures $262.80 a share—up $10.92 over last year.

Travelers Insurance Company and subsidiaries showed a $1,800,000 growth in premiums during the past year, rising to a total of $236,000,000. Distribution of premiums was as follows:

Life, $113,400,000; accident and health, $31,000,000; compensation $35,600,000; general liability, $9,600,000; automobile casualty, $19,300,000; burglary, $2,500,000; fidelity and surety, $1,200,000; boiler, $1,600,000; glass, $600,000; motor vehicle fire, $6,000,000; inland marine, $1,900,000; and general fire, $13,000,000.

Leon P. Broadhurst, formerly president of the Phoenix State Bank & Trust Company, has been made Chairman of the Board of Directors. Charles A. Lillie succeeds him as president of the bank.

As of the year ended December 31, 1943, total resources of the West Hartford Trust Company reached $9,383,765—an advance of $959,234 from 1942. Total deposits were up $933,000, now totalling $8,816,896. Indicated earnings totalled $20.91 per share, and net earnings after dividends show $14.41 a share compared with $8.62 a year ago.

Remington Arms Company was recently named in an anti-trust suit, together with Imperial Chemical Industries, Ltd. and its American subsidiary, and E. I. duPont de Nemours & Co. The defendants were charged with conspiracy to restrain foreign and domestic trade of the United States in chemical products, firearms, and sporting ammunition.

On January 6, 1944, there was a public offering of 91,577 shares of the Derby Gas & Electric Company's no par common stock at $18 a share. These shares were sold by the Ogden Corporation as a part of its plan to dispose of its public utility investments in compliance with the Public Utility Holding Company Act of 1935. This new offering makes a total of 146,606 shares outstanding in the hands of the public (less 15 shares held by subsidiary, valued at approximately $4,272,671, Debentures outstanding total $2,600,000.

The production volume of Winchester Repeating Arms Company in 1943 is expected to show an increase of 4,765% over average annual peacetime production. Estimated increase of center-fire rifles (Garands and the company's new carbine) is 998%.

In the report to the Connecticut Light & Power Company common stockholders for the twelve months ended November 30, 1943, earnings per share were $2.616 against $2.529 for the corresponding period ending November 30, 1942. Total operating revenues were $27,155,012 against $25,222,649 a year ago, while the net was $3,733,977 — an increase of $112,401.

Attractive Situation

The current situation in the common stock of Lukens Steel Co. and Southwestern Public Service Co. offer attractive possibilities according to memoranda prepared by Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of these interesting memoranda may be obtained from the firm upon request.

Unbroken Dividends

Waldheim, Platt & Co., 308 North Eighth St., St. Louis, Mo., members of the New York, Chicago and St. Louis Stock Exchanges, have prepared an interesting list of 159 common stocks with unbroken dividend records of 10 to 96 years, all listed on the New York Stock Exchange. Copies of this list may be had upon request from Waldheim, Platt & Co.

Small, As Well As Big Business, Must Plan Now For Post-War Period, Jesse Jones Asserts

Warns Outlook For These Establishments Is Serious

Asserting that "the need for preparing for the reconversion period by all segments of business grows daily more imperative," Secretary of Commerce Jesse Jones warns that the war-created changes in the normal pattern of the national economy makes the outlook for smaller business establishments serious.

In an article entitled "Private Initiative Needs Revitalizing", appearing in the January issue of "Domestic Commerce," Secretary Jones says that "steps must be taken now if these important private enterprises are to play their essential roles in the peacetime era to come." He adds that his Department "sees the danger of a concentration of wealth and power in the hands of a relatively few private enterprises in the post-war period if less powerful businesses are allowed to become impotent and enervated, if private initiative is not encouraged."

As to the roles for the smaller business firms in the post-war period, Secretary Jones wrote:

"First, small business must be stable and prosperous for the good of the entire economy, for it is an axiom that big and small business are dependent on each other. Without the smaller, the larger firms would cease to function smoothly and prosper as they have prospered in the past

"Second, our employment goals can never be reached unless there are thousands and thousands of small employers. Any doubt of this should be quickly dispelled when considering estimates made by the Department of Commerce. According to these, there were in 1939 more than 2,750,000 small business concerns in the United States. Employers and employees in these enterprises numbered more than 8,350,000 people.

"Surely we can't afford to be without this reservoir of jobs and profits.

"A third small business role concerns its essentiality to small community life. Our Nation is predominantly made up of small towns and cities. Their business life is predominantly in the hands of smaller establishments. When they all financially the entire community suffers. And whether the wartime expediency of decentralization in manufacturing remains after the war or not, the many small producers and distributors will be needed in a thriving State.

"Fourth, small enterprises must be maintained because they are the essence of democracy. Without them private initiative with its accompanying risk-taking will be stifled. Without them the democratic system as we have known it will cease to exist."

Secretary Jones further said:

"The Department of Commerce is demonstrating its belief in a free competitive system of enterprise. Within its capacities it will constantly seek to increase and to improve its contributions to the system. It will continue to fulfill its obligation to represent business interests in government; make known to policy-making agencies its problems and requirements.

"But as we view the year ahead of us with all its uncertainties, the necessity of a broad and deep and all-inclusive planning for the reconversion period appears in the foreground. In this picture we see smaller enterprises standing side by side with the larger. All need to prepare now for the post-war period.

"We in Government and business leaders and private organizations can formulate the plans. But to make them work there must be a virile, courageous and revitalized upsurge of private initiative."

Investment Trusts

(Continued from page 307)
summed up with the following patriotic appeal:

"Suppose that through your own personal extra effort you could shorten the war by one-fifth of one second. That seems a reasonable supposition, and stated that way it may not seem very important. Yet in one-fifth of a second a bullet can leave a Mauser rifle, travel 200 yards pass through the heart of an American boy, and come out the other side. You, personally, can prevent our last casualty in this war."

* * *

National Securities & Research Corp. outlines a 1944 investment program in the current issue of **"National Notes."** The program includes "Four groups for income backed by earnings." They are: (1) Bond Series, with an approximate current return of 5%; (2) Low-Priced Bond Series, with an approximate current return of 6.6%; (3) Preferred Stocks Series, with an approximate current return of 7.3%; and (4) Income Series, which is a balanced portfolio of bonds, preferred and common stocks with an approximate current return of 7.1%.

These four series will provide the investor with a check every month of the year. $10,000 invested equally among them will afford an average return of 6½% to 7% (based on current prices and 1943 dividend payments).

* * *

Distributors Group has published revised portfolio folders on **General Bond Shares** and **Railroad Shares,** listing holdings and current information as of Dec. 31, 1943. The average market appreciation of the portfolio securities owned by General Bond Shares from current levels to 1936-37 highs would be 46%. Current return on this fund based on 1943 dividend payments is 7.1%. In the case of Railroad Shares (discount railroad bonds), the potential market appreciation of the portfolio securities to their 1936-37 highs is 58% and the current return is 9.1%.

Distributors Group has also published revised folders on **Steel Shares** and **Railroad Shares.** In a recent mailing this sponsor discusses the outlook for gold stocks, of which **Mining Shares** is fully invested in at the present time.

* * *

"Franklin Foundation"

"One of the most interesting examples of fiduciary stewardship is found in the history of the Franklin Foundation of Boston. Back in 1791 Benjamin Franklin bequeathed to the 'Town of Boston' one thousand pounds sterling ($5,000), which was to be invested and at the end of 100 years was to be divided, a portion being continued at interest for a second century and a portion being expended in 'Public works which may be judged of most general utility to the inhabitants, such as fortifications, bridges, aqueducts, public buildings, pavements, or whatever may make life in the town more convenient to its people and render it more agreeable to strangers resorting thither for health or a temporary residence.'

"A century later, under able trusteeship, the portion which was to be bequeathed to the 'Town of Boston' had increased from the original $5,000 to $329,300.48, and was used to establish the Franklin Technical Institute which today is believed to be the most conspicuous monument in America to Dr. Franklin." — Excerpt from **MIT's "Brevits."**

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

During 1943 fire insurance stocks advanced 8.8%, as measured by Standard & Poor's Weekly Index of 18 stocks, which moved from 105.4 on Dec. 30, 1942, to 114.7 on Dec. 29, 1943. The high point of the index for the year was 122.5 on July 21, a rise of 16.2% from 105.4. The decline from July 21 to Dec. 30 was 6.4%.

The accompanying tabulation (Table I) shows the asked prices of 30 active fire insurance stocks as of Dec. 31, 1943, compared with Dec. 31, 1942, together with the calculated percentage changes. The average appreciation of the group was 8.4%, compared with 8.8% for Standard & Poor's Index. The tabulation is divided into two parts, the upper of which shows the 14 stocks which appreciated more than average, and the lower the 16 stocks which appreciated less than average, including Security Insurance which depreciated 2.3%.

Table I

	—Asked Price— Dec. 31 1942	Dec. 31 1943	% Appreciation
Bank. & Shippers	71¾	87	21.3
Fire Association	54¼	64	18.0
National Union	162	191	17.9
Glens Falls	38¾	44¾	15.5
Firemen's Fund	75¼	86½	15.0
American Equitable	17½	20	14.3
Insur. Co. of N. A.	71¾	81¼	13.2
Fidelity-Phenix	44¼	50	13.0
Pacific Fire	99	110½	11.6
St. Paul F. & M.	268	298	11.2
Continental	42	46½	10.7
New Hampshire	42½	46¾	10.0
Prov. Washington	33⅛	36⅜	9.8
Home Insurance	29⅜	32⅛	9.4
Average of 30	----	----	8.4
American Alliance	21⅛	22¾	7.7
Hanover Insurance	24⅝	26½	7.6
Hartford Fire	93	99¾	7.3
Northern	87½	93½	6.9
Agricultural	69½	74	6.5
Aetna	51½	54¾	6.3
Springf'd F. & M.	124½	132	6.0
Boston Insurance	537	560	4.3
National Fire	56¼	58½	4.0
Franklin	28⅝	29¼	2.2
Phoenix	86	87¾	2.0
New Brunswick	30⅜	30¾	1.2
Great American	27¾	28	0.9
North River	23½	23⅝	0.5
United States Fire	49¼	49½	0.5
Security Insurance	37¼	36⅜	—2.3

It will be noted that the range of appreciation is very wide, varying from the maximum of 21.3% for Bankers & Shippers to the low of 0.5% for North River and United States Fire.

Turning now to casualty and surety company stocks, these advanced 10.3% during the year, as measured by Standard & Poor's Weekly Index of nine stocks, from 127.8 to 141.0. The high point of the year occurred on Sept. 22, when the index registered 145.4, an appreciation of 13.8%, from which point it declined 3.0% to Dec. 29, 1943.

Table II

	—Asked Price— Dec. 31 1942	Dec. 31 1943	% Appreciation
Maryland Casualty	4	8¼	106.3
U. S. Fid. & Guar.	31¼	33⅜	22.8
Pacific Ind.	40⅝	48	18.2
New Amsterdam Cas.	23⅛	26⅞	16.2
Seaboard Surety	44⅜	51½	16.1
Fidelity & Deposit	128	147	14.8
Massachusetts Bond.	68¼	77½	13.6
American Surety	54	61¼	13.4
Continental Cas.	37	41	10.8
Standard. Acc.	58⅝	62¾	7.0
Aetna C. & S.	142½	148½	4.2
Hartford S. B.	44¼	45	1.7
U. S. Guarantee	83½	73	—12.6
Average of 13	---	---	17.9

In Table II, prices and percent changes are shown for 13 active stocks, the average appreciation of which was 17.9%, compared with the Index appreciation of 10.3%. However, if the extreme cases of Maryland Casualty's gain of 106.3% and U. S. Guarantee's loss of 12.6% are eliminated, the average appreciation of other 11 stocks is 12.5%.

By way of comparison, it is of interest to note that during 1943 the Dow Jones Industrial Average advanced 13.8% and the Dow Jones Composite (65 stocks) advanced 18.8%.

RR. Reorganization Data

A concise tabular analysis of the Chicago, Rock Island & Pacific Railway reorganization and all other leading Class I railroad reorganizations is embraced in the Brooks Railroad Table Reorganization Supplement, a current service covering all rail reorganizations. Subscriptions are $25 per year; trial copies available upon request—write to Brooks Railroad Tables, Inc., 37 Wall St., New York City.

Interesting Opportunity

The securities of Berkshire Fine Spinning Associates, Inc. appear to possess all the "ear-marks" of an outstanding opportunity among textile securities, according to a study of the situation prepared by Scherck, Richter Company, Landreth Building, St. Louis, Mo. Copies of this interesting study may be had upon request from Scherck, Richter Co.

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.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 272)

action of the rest of the market. But in advancing as it did it accomplished a major piece of market work. It absorbed large amounts of stock which have to be digested before any new move can take place. The question of time here is of paramount importance. Frequently stocks after finishing the first stage of an advance go into a period of dullness which may take ten weeks before a move is resumed. In Western Union the ten-week period has about another week to go. On the up-side there is little stock ahead. Some offerings are on the books at about 48 but not enough to give the stock more than a few days uneasiness. But in the event new offerings are larger than I now foresee I suggest partial profits in Western Union at 48 or so keeping a position as a backlog. On the down-side stock is flirting with its critical point of 42. Should the latter figure be broken then all previous advice to hold is nullified. If this sounds paradoxical keep in mind that profits are nice things to have but cutting losses is equally, if not more, important.

* * *

On the news front there is little to report. The international bombshell is of course the Russian newspaper "Pravda" story about the British putting out feelers for a negotiated peace with Hitler. So far the market hasn't evaluated this piece of gossip.

* * *

On the home front Congress is back in the saddle beating its breast with patriotic fervor with one hand and log rolling with the other to perpetuate itself in office. The political question of the fourth term is still a stumbling block. I don't know any more about FDR's plans than my barber. But for a potential candidate Roosevelt is acting very unlike one. In his last speech he not only called industry names but antagonized his labor supporters by his draft labor plan.

The market is doing nothing of importance to either anticipate or reflect these tides of events or public opinion. What volume occurs seems to come on rallies. On declines volume seems to dry up. In itself this is not enough to indicate coming events. But taken in connection with other market performances, e. g. rail strength, steel activity, it points to higher prices.

* * *

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.]

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.

(Special to The Financial Chronicle)
BOSTON, MASS. — **Ralph B. Dibble** has joined the staff of **W. E. Hutton & Co.,** 75 Federal St.

(Special to The Financial Chronicle)
COLUMBIA, S. C.—**George H. Edwards** is now with **Frank E. Smith & Co.,** Liberty Life Bldg.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF. — **Elvene Carr** has been added to the staff of **Quincy Cass Associates,** 523 West Sixth St.

(Special to The Financial Chronicle)
LOS ANGELES, CAL. — **Edna Williams** is with **Hill, Richards & Co.,** 621 South Spring St.

Strong Opposition To Service Law Expected In Congress—Labor Voices Disapproval

President Roosevelt's call for the enactment of national service legislation has brought forth predictions from several Congressmen that it will be rejected, while spokesmen for a large part of organized labor have voiced their disapproval of the proposal, which was embodied in the President's annual message to Congress on Jan. 11, given in our Jan. 13 issue, page 193.

Both Philip Murray, President of the Congress of Industrial Organizations, and William Green, President of the American Federation of Labor, issued statements denouncing the national service proposal as ineffectual in preventing strikes and not solving, but possibly, further complicating the manpower problems. The two labor leaders conferred with the President at the White House on Jan. 12 reportedly to explain their position in the matter and to seek to convince him that he had erred in suggesting such legislation.

Mr. Murray's statement said, in part:

"The CIO has consistently urged that apart from the evils inherent in the attempt to resort to compulsory labor, the approach embodied in national service legislation is ineffectual and actually contains dangers of further complicating rather than aiding our manpower situation.

"The CIO, therefore, has been opposed to and will continue to oppose the enactment of any national service legislation."

In his statement, Mr. Green summed up the AFL's major reasons for opposing the service legislation as follows:

"1. It will not prevent strikes. The experience of Great Britain proves that. Britain has a national service law. It has not stopped strikes. In 1942 the number of strikes in Britain was greater proportionately than in the United States.

"2. It will not solve manpower problems. The War Manpower Commission's policy committee, composed of management, labor and agricultural representatives, declared unanimously only two months ago that 'the American people will provide greater output under a voluntary system than under one of compulsion and regimentation.'

"3. It threatens to undermine our basic concepts of democracy. There is no real comparison between drafting men for service in the armed forces of the country and drafting them for service in private industry, operating for private profit. As eminent an authority as Mr. Bernard Baruch has publicly warned against this."

Some Congressional comment was reported by the Associated Press from Washington, Jan. 1, as follows:

Senator Reynolds (Dem., N. C.), Chairman of the Senate Military Affairs Committee, which would act on such a bill, assailed the proposal as a measure for "enslaving the American people." It would produce "the same thing Hitler and Stalin have," he declared. His colleague, Senator Johnson (Dem., Colo.), sharply criticized it as "labor conscription" and while he said he preferred to "speak only for myself" raised a question whether it would get out of committee. On the House side, Chairman May (Dem., Ky.), said he never "was hot for it" but his military committee probably would report out some kind of a bill.

Representative Gearhart (Rep., Cal.), also saw the message as "a campaign document" and Representative Thomas (Rep., N. J.), styled it "the President's swan song."

"A fine admission of mistakes of the past with no remedies," was the comment of Representative Miller (Rep., Neb.),

A number of Republicans said they favored the national service idea, but Representative Andrews (N. Y.), who put himself in this category, said he doubted it would go through.

"The kind of leadership I have been looking for since the declaration of war"—was the assertion of Representative Sheppard (Dem., Cal.)

From Paul V. McNutt, Chairman of the War Manpower Commission, came: "I think 'no comment' is the best answer."

For months he has been meeting questions about the national service by saying it was up to the President. At the same time he has said that he did not believe a national service act would solve man-power problems.

Representative Harness (Rep., Ind), said he could not support such a bill "unless I'm convinced that my present views are wrong."

Representative Brook (Dem., La.), said he had found "no demand" and "no support for it" in his home district.

Calendar Of New Security Flotations

OFFERINGS

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.)

Registration statement effective 12:45 p.m., EWT, on Jan. 15, 1944.

Offered Jan. 17, 1944, at $11⅞ per share by Van Alstyne, Noel & Co., Merrill Lynch, Pierce, Fenner & Beane, Hornblower & Weeks, Dominick & Dominick, Hemphill, Noyes & Co., Paine, Webber, Jackson & Curtis, and Johnston, Lemon & Co.

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 Franciscso, $150,000 each, and Victor, Common, Dann & Co., Buffalo, $100,000.

Registration statement effective 5:30 p.m., EWT, on Jan. 14, 1944.

Offered Jan. 17, 1944, at 100 and int. by H. M. Byllesby & Co., Inc., and associates.

MISSISSIPPI VALLEY BARGE LINE CO.

Mississippi Valley Barge Line Co. has registered 227.000 shares of common stock. par value $1 per share. The shares are issued and outstanding and do not represent new financing by the company.

Address—1017 Olive Street, St. Louis, Mo.

Business—Is a common carrier by water engaged in the transportation of freight on the Mississippi, Ohio, Monongahela, Allegheny and Kanawah Rivers.

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

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

Proceeds—Atlas Corporation as of Dec. 15, 1943, owned of record 277,612 shares of stock of the company, constituting 39.66% of the voting power of the company, making Atlas the parent of Mississippi. The stock owned by Atlas includes the 227,000 shares offered by prospectus in connection with the registration. The total held by Atlas also includes the shares (not exceeding 50,000) which the company contemplates purchasing from Atlas shortly after the completion of the offering under the prospectus, for the purpose of resale to certain of its officers and keymen at the same price that it purchases such shares from Atlas. Proceeds will go to the selling stockholder.

Registration Statement No. 2-5278. Form A-2. (12-23-43.)

Mississippi Valley Barge Line Co. has filed an amendment to its registration statement giving the offering price on the 227,000 shares of its common stock, $1 par value, at $3 per share. G. H. Walker & Co. of St. Louis is thee principal underwriter.

Offered Jan. 14, 1944, at $3 per share by G. H. Walker & Co.

WEST VIRGINIA PULP & PAPER CO.

West Virginia Pulp & Paper Co. has filed a registration statement for 155,830 shares of cumulative preferred stock, 4½% Series, par value $100 per share.

Address—230 Park Avenue, New York City.

Business—Owns and operates six highly integrated mills engaged in the manufacture of white papers, kraft papers with collateral production of certain chemicals and chemical by-products and other related products.

Underwriting—Harriman Ripley & Co., Inc., New York, heads the group of underwriters. Others will be named by amendment.

Offering—Company will offer to holders of its outstanding 155,830 shares of 6% cumulative preferred stock, the right to exchange such shares for shares of 4½% series registered, on a share for share basis, together with a cash dividend adjustment of 37½ cents, which adjustment, together with the dividend receivable on the cumulative preferred stock, 4½% series, will give the stockholders who exercise the right to exchange a dividend for the quarter ending Feb. 15, 1944, the date when unexchanged shares of preferred stock will be redeemed, at the annual rate of 6%. Exchange offer will expire 3 p.m., Jan. 14, 1944. The company will call for redemption on Feb. 15, 1944, any of the shares of preferred not deposited for exchange at the callable price of 106.50, including equivalent of $1.50 quarterly dividend per share. The underwriters have agreed to purchase any of the 4½% series preferred not issued in exchange for presently outstanding preferred, at a purchase price of $100 per share plus accrued dividends from Nov. 15, 1943; and 90% of the excess, if any, of the initial public offering price per share (exclusive of accrued dividends) over $100 per share on any offering made by the underwriters of such shares prior to the closing date, but such purchase price shall not exceed $104.50 per share and accrued dividends. Underwriting agreement provides for compensation to the underwriters. Public offering price will be named by amendment.

Purpose—To effect exchange and redemption of outstanding preferred stock.

Registration Statement No. 2-5276. Form S-1. (12-21-43.)

Registration statement effective 12 Noon, EWT, on Jan. 8, 1944.

Offering—Unexchanged 25,200 shares offered at $105 per share and div. Jan. 17, 1944, by Harriman Ripley & Co., Inc., Blyth & Co., Inc., Kidder, Peabody & Co., White, Weld & Co., Goldman, Sachs & Co. and Alex. Brown & Sons.

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.

THURSDAY, JAN. 27

NETHERLANDS HOTEL CORP. AND ARTHUR FELS BOND & MORTGAGE CO.

Netherlands Hotel Corp. and Arthur Fels Bond & Mortgage Co. have registered $564,000 10-year income bonds, bearing interest at the rate of not exceeding 3% per annum.

Address—15 West Tenth Street, Kansas City, Mo.

Business—Apartment building.

Underwriting — Arthur Fels Bond & Mortgage Co., Kansas City, Mo., is named agent to make exchange.

Offering—As soon as possible after effective date of registration statement.

Purpose—For exchange of new bonds for the $564,000 face amount of the present bonds outstanding.

Registration Statement No. 2-5288. Form S-1. (1-8-44.)

THURSDAY, FEB. 3

CENTRAL OHIO LIGHT & POWER CO.

Central Ohio Light & Power Co. has filed a registration statement for $4,300,000 first mortgage bonds, series A, 3½%, dated Feb. 1, 1944, due Feb. 1, 1974.

Address—120 North Main Street, Findlay, O.

Business—Public utility operating exclusively in Ohio.

Underwriting—To be supplied by post-effective amendment.

Offering—Price to the public will be supplied by post-effective amendment. Company proposes to ask for bids under the competitive bidding requirements of the Commission's Rule U-50.

Proceeds—Proceeds from sale of the bonds, together with other funds of the company, will be applied to the redemption of $3,981,000 principal amount of first mortgage bonds, 4%, series C, due Aug. 1, 1964, at 106¾%, which will require $4,249,717, and of $394,000 face amount of first mortgage bonds, 3½%, series D, due March 1, 1966, at 103¼%, which will require $406,805, the two redemptions aggregating $4,656,522 exclusive of accrued interest and expenses.

Registration Statement No. 2-5289. Form S-1. (1-15-44.)

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.

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.)

Amendment filed Jan. 14, 1944, 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—To retire bank loans and working capital.

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.

(This list is incomplete this week)

"Our Reporter On Governments"

By S. F. PORTER

For the past fortnight, the market has been exceedingly quiet, disappointingly sluggish and definitely in a "pre-issue" phase. . . . Understandably enough, there has been little buying, either from individuals or institutions. . . . Commercial banks, pressed temporarily by the shortage of funds, have not been active on the buying side. . . . Savings banks, according to best reports, have been getting out of a few 2s of various maturities and especially of 1953/51, in order to pave the way for renewed purchasing during the Fourth War Loan. . . . Other institutions have been holding off, in order to place their orders during the drive and to get credit on the Treasury's books for their subscriptions. . . . As for individuals, rarely do they influence the market noticeably, anyway, and the same reluctance to act prior to the campaign has been dominating their psychology. . . .

Thus, we have been going through a waiting period and prices have been slipping slowly. . . . Support has been constant for the 2½s of December, 1969/64, and for the 2s of September, 1953/51, for the simple reason that these are around their low point and can't go much lower prior to or during a borrowing campaign. . . . The rest of the market has been off a 32nd or so, indicating lack of buying more than any pressure of selling. . . .

But this week, new influences enter the picture. . . . The Fourth War Loan begins and a total of $2,000,000,000 to $4,000,000,000 over the goal is anticipated. . . . Banks won't be able to subscribe to anything but nominal amounts, which means that as their reserve position eases, they'll be pushed into the open market for securities. . . . The obvious purchases for them are the intermediates selling closest to par. . . . Which means the 2s. . . . Excess reserves should pick up as the banks lose private deposits, against which they must maintain reserves and gain public deposits, against which they need not maintain reserves. . . . Reinvestment demand, on a normal scale, should appear. . . . Official support is to be taken for granted. . . . And a generally better market, accompanying the drive and becoming more clear in early February, is looked for. . . .

Adding it up, it might be said that the market has gone through its worst period, for the winter months at least. . . .

WAR BOND SALES

One unusual factor entering the war bond sales figures now is the customary up-to-the-limit buying of large investors at this season. . . . Individuals and private funds, eligible to the war bond lists, ordinarily buy to the permitted maximums during this month and early February. . . . Report is many are buying now and will continue to buy through this drive, to make sure their purchases also count in the subscription figures. . . . This will account for several hundred millions of orders. . . . Sales throughout January and February of war bonds, incidentally, count in the war loan figures, so the drive will be aided considerably by this factor. . . .

FREE RIDING

From informed sources, comes the report that the Treasury will not take any drastic action on free riding during this or subsequent loans. . . . Unless the situation changes to such an extent over the next few months, that additional restrictions are essential. . . . As things stand today, though, the feeling in Washington is that speculators were definitely discouraged by the poor action of the 2s of 1953/51, following the Third War Loan drive. . . . The free riders believe—and rightly so—that freezing their funds for weeks or months in order to get a profit of a few dollars a bond isn't worth the trouble or the anxiety. . . . A large percentage of funds contributed during the September-October drives did represent free riding, by the way. . . . For a period, both Secretary Morgenthau and Undersecretary of the Treasury Daniel Bell were highly disturbed by what they consider "dangerous and annoying interference." . . . But the sluggish market after October has done more to cut free riding than any amount of official limitations, it is believed. . . .

So the pattern is as it was in the fall of 1943. . . . The U.S. Treasury, through its agents, the 12 Reserve Banks, is handling the situation along orthodox lines. . . . The Federal Reserve Banks are sending letter to dealers, brokers and commercial member banks, requesting them to limit subscriptions to bona-fide customers and to limit their own orders to proper amounts they'll be able to retail to their customers after the drive. . . . Loans by banks to individuals are to be limited too, by Reserve Bank director or by individual bank decision. . . . So it means that speculation this time will we minor, less than in the fall, undisturbing to the Treasury. . . .

And while the 2¼s will be the favored bond and will be bought in the billions, there's a good chance that they won't be hurt, as the 2s were, by in-and-out trading. . . .

MUNICIPALS TO GOVERNMENTS

Liquidation of municipal bonds by insurance companies and savings banks, getting set for the fourth drive, was smaller this time than at any period during the war years. . . . For the obvious reason that the institutions have less and less of these securities to sell for exchange into Governments. . . . Selling, however, has been modest. . . . Some transfers of funds reported by dealers, definitely traced to desire of institution to get funds for reinvestment in Governments. . . .

Incidentally, you'll know nothing about institutional purchases of the new securities until after February 1. . . . For one thing, the Treasury is not going to report these until that date, for it wants to play up the buying of little fellows in the E, F and G bonds and prevent any person from thinking that his subscription is unnecessary because big buyers will do the job. . . . And for another, interest on the 2¼s and 2½s will not start until February 1, so there is no impelling reason why institutions should place their big subscriptions until then. . . .

INSIDE THE MARKET

Most dealers optimistic, although a few admit their bewilderment over the sluggish market of the last few pre-loan days. . . . General feeling had been that the price level would pick up nicely in the first few weeks of January with the 2s in the lead and the failure of the market to follow through has been viewed with some alarm. . . . But widespread opinion still is the price level will be higher at this date next month. . . .

Intriguing development is the statement of the Controller of the Currency, Federal Reserve Board and Federal Deposit Insurance Corp. that for the Fourth War Loan, 1944 Series G savings bonds "will be valued at par and not at pre-maturity redemption values" in examination and supervisory policy. . . . In other words, now that the commercial banks will be buying some of these, the supervisory agencies must change the exact wording of the bonds to conform with bank statement policy. . . . And obviously, no bank wants to pay $100 for a bond, have it valued considerably lower the next day. . . . The assumption is, of course, that banks will hold the Gs to maturity, which is a logical one. . . .

President Roosevelt's budget message contained no unusual surprises. . . . In fact, his projection of a $90,000,000,000 war budget for the 18 months ending next July 1, is considered conservative by some. . . . This does carry through the middle of 1945, is based on the idea that the fighting will continue to then. . . . If it does not and if we do win, some of the money requested will not be spent. . . . The President asked again for a $10,500,000,000 tax bill, but it's most unlikely that he'll get his request. . . .

All in all, the budget message had no effect on the Government market, for it does not change either the tax-borrowing ratios or promise anything beyond what already is known to be ahead. . . .

Final Senate Action On Tax Bill Is Delayed By Renegotiation Provisions

(Continued from page 266)

erating a business that had lost $20,000 or more for five consecutive years from deducting more than $20,000 for tax purposes for losses in the sixth year.

In Associated Press Washington accounts, Washington, Jan. 15, it was stated:

Senator Clark (D., Mo.) called it the "Marshall Field" amendment, adding, "I voted for it in committee in the belief it would curb some of his activities."

"Majority Leader Barkley (D., Ky.) complained that the amendment, sponsored by Senator Danaher would apply not only to such individuals as Marshall Field and Joseph Widener, operator of a Kentucky thorough-bred farm, but to 'everybody.'

"He said the amendment would penalize any founder of a new business who might sustain losses the first five years and then, when he made a profit in the sixth year, require a recomputation of his taxes so as to make him liable for the years in which he made no profit.

"Mr. Danaher, denied that the amendment, with a basic deduction limitation of $20,000, was drawn with Mr. Field in mind, adding: 'So far as I'm concerned, he's a department store.' (Field owns a large department store in Chicago)."

On Jan. 15 the Senate also declined to restore the excess profits tax credit on invested capital to the existing rates and approved instead the following revision: the cerdit on invested capital of not over $5,000,000 would be 8% of invested capital; that on capital of over $5,000,000 but not over $10,000,000, $400,000 plus 6% of the excess over $5,000,000; and on capital of over $10,000,000, $700,000, plus 5% of the excess over $10,000,000.

In further action on the bill on Jan. 18 the Senate agreed by a vote of 43 to 34, to retain the provision requiring tax-exempt organizations, including labor unions and farm cooperatives, to file informational returns with the Treasury concerning their financial affairs.

The Senate Finance Committee's bill, which the full Senate has followed almost completely was referred to in these columns Dec. 30, page 2652.

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