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Discount Corp. Of N. Y. Elects Mills, Repp

Celebrating 25th Year

The Board of Directors of the Discount Corporation of New York have elected Dudley H. Mills Chairman of the Board and Herbert N. Repp President.

Dudley H. Mills

Mr. Mills has been a Director of the Discount Corporation for 14 years and President for 10 years. Mr. Repp, who joined the company 21 years ago, has been a director for seven years and a Vice-President for eight years.

The Discount Corporation of New York is now celebrating its 25th anniversary, having begun business at the end of the last war,

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In This Issue

PENNSYLVANIA SECURITIES section containing information and comment pertinent to dealer activities in that State starts on page 506.

"Are We To Foresake Our Traditional System Of Free Enterprise And Adopt A System Of Regimentation And Bureaucracy?"

By Hon. FRED L. CRAWFORD,*
Representative in Congress from Michigan

Holds That Surrender Of Individual Rights And Freedom For Social Security Will Inevitably Result In Loss Of Security And Enslavement Of People To State—Maintains That Production, Not Government Largesse, Is Real Key To Buying Power And Workers' Wealth And That Freedom From Want Can Only Be Attained Through Employment Provided By Industry

I feel peculiarly at home in this gathering which is representative of the party of your very able and very popular Governor, Thomas E. Dewey. I have the honor to represent in the Congress of the United States the Congressional district in which he was born. I know many of his playmates when a boy who have followed his career with great interest and pride. I have frequently talked with his good Mother. No other family in my district is more respected than his. His father was editor of what is now known as the Owosso Argus. He often entertained at his home the Republican leaders of the State of Michigan. His grandfather was one of the founders at Jackson, Michigan in 1854, of the great Republican Party which shortly

F. L. Crawford

*Remarks of Congressman Crawford at Non-partisan Discussions Forum at National Republican Club, New York City, on Jan. 29.

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By Hon. ALBERT W. HAWKES,*
U. S. Senator from New Jersey

Sees Liberty Of People Endangered By Unintentional Acceptance Of System Of Regimentation And Bureaucracy Which Makes It Impossible For Free Enterprise And Individual Freedom To Survive—Warns Against Endowing Government With Uncontrolled Powers And Declares That New Deal Philosophy Of Government Has Fooled People Into Surrendering Basic Responsibilities

I have been asked to discuss the question, "Are We to Foresake Our Traditional System of Free Enterprise and Adopt a System of Regimentation and Bureaucracy?"

Before we attempt to analyze what American free enterprise is, or deal specifically with the problems of regimentation and bureaucracy, I wish to state that in my opinion the American people will not intentionally destroy the free enterprise system, but that unintentionally they can become engulfed in and shackled by a system of regimentation and bureaucracy which

Sen. A. W. Hawkes

*Remarks of Senator Hawkes at Non-partisan Discussions Forum at National Republican Club, New York City, on Jan. 29.

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Will Deposits Decline?

By DR. MELCHIOR PALYI

In the 15 months from the middle of 1942 to the end of October, 1943, total deposits of member banks (not including items in process of collection) have risen by $31,563,194,000. This is, of course, the converse side of the growing volume of U. S. bonds in bank portfolios, which is mainly responsible for the $31.3 billions expansion of total loans and investments of the member banks in the same period. For all banks, and for the entire war period, the bank credit inflation amounts to approximately $45 billions—some $70 billions for the eleven years of the New Deal—raising the total volume of deposits to about $110 billions.

What goes up comes down, says the old adage. Bankers and the public are asking themselves what will happen if and when the priming of the money pump stops. There seems to be general inclination to expect a substantial decline of the deposit volume after the war, without many questions asked as to how that would be brought about.

Dr. Melchior Palyi

A deflation of deposits is not a matter of automatic reaction to its previous inflation. It can be brought about only by one of two procedures: either indirectly, by deflating the bank assets—their voluntary or forced repayment; or directly, by the public's demand to convert into cash its balances held at the banks.

There are no major channels but these two, through which the

(Continued on page 509)

Some Thoughts On Post-War Banking

By LIONEL D. EDIE*

Dr. Edie Expresses Grave Doubt That Government Is Going To Be Willing To Pay Higher Interest Rates To Commercial Banks On Government Securities — Says Payment of $1,200,000,000 Interest Per Year To Banks After War Will Serve As A Balance Wheel On Earnings—Sees 2% Bonds of 8- to 10-Year Maturity Selling At Par Or Above In 1947.

All wars bring revolutionary changes in banking.

The Civil War was significant for inaugurating the national banking system. World War I was significant for broadening and developing the Federal Reserve System.

World War II will be significant for introducing huge portfolios of Government bonds in bank assets and for initiating the principle of Government guarantee of private bank credit through the so-called V and VT loans.

Lionel D. Edie

Will these two contributions made by the present war be permanent? There is every reason to suppose that the huge Government portfolios will remain in the banks for a long time to come. There is, however, uncertainty about the future of guaranteed credit. On Oct. 31, 1943, there were about $1,800,000,000 of such credits actually taken up and $2,600,000,000 in lines of credit additionally available.

Whether the principle of guaranteed credit is retained in peacetime is largely a question for the banks themselves to decide.

If the guarantee is carried over into peace-time, private banking will gradually deteriorate and the spirit of free enterprise will go the way of all flesh. The hand of Government will fall with par-

*An address delivered by Dr. Edie before the Mid-Winter Meeting New York State Bankers Association, Federal Reserve Bank of New York, New York City on Jan. 17, 1944.

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Wm. C. Speers Joins Amott, Baker & Co.

William C. Speers who recently completed 25 years as an active broker with Brown, Wheelock, Harris, Stevens, Inc., is now associated with Amott, Baker & Co., 150 Broadway, New York City, where he will specialize in stocks and bonds secured by New York City real estate.

Blair Adds MacFadden In Municipal Dept.

Blair & Co., Inc., 44 Wall Street, New York City, announces that Donald S. MacFadden is now associated with them in their municipal bond department. Mr. MacFadden was formerly with Goldman, Sachs & Co. and more recently with the War Department in Washington, D. C.

Harris Elected Trustee

At a meeting of the trustees of the United States Trust Company of New York, Basil Harris, President of United States Lines Company, was elected a Trustee.

Basil Harris

F. I. duPont & Co. Inaugurates New Dept.

Francis I. duPont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announces today that their services to investors and institutions have been extended to include an Investment Supervisory Service, which will be under the supervision of Anthony Gaubis, formerly Vice President and Secretary of Investment Counsel, Inc., Detroit. The new service, which will be conducted as a separate department, will be available on an annual fee basis.

Mr. Gaubis, who has specialized in studies of stock selection methods and stock market cycles, is a graduate of the University of Michigan, where he majored in economics. Prior to joining Investment Counsel, Inc., in 1934, he was with Irving Investors Management Company from the time it was formed by the Irving Trust Company in 1929, and during his last three years with that company served as vice president and secretary.

He was on the staff of The Economist of the American Telephone and Telegraph Company from 1924 to 1927.

Boettcher & Co. To Be NYSE Members

DENVER, COLO. — Boettcher and Company, 828 Seventeenth Street, will become members of the New York Stock Exchange on Feb. 10, when E. Warren Willard, a partner, acquires the Exchange membership of John T. Berdan.

Partners in Boettcher and Company are: Claude K. Boettcher, James Q. Newton, E. Warren Willard, J. Fred Brown, J. Franklin Bickmore, and David F. Lawrence.

Interesting Situation

Steady and substantial growth in earnings 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.

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Other Publications
Bank and Quotation Record—Mth. $20 yr.
Monthly Earnings Record—Mth...$20 yr.

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

NASD Profit Limitation Rule Would Close Capital Markets To Small Business

In the "Chronicle" of January 30th we carried an article bearing the caption "Right Is Might" in which we stressed the high handed manner in which the Governors of the National Association of Securities Dealers, Inc., foisted a 5% gross mark-up limitation rule on the members of this quasi-governmental organization contrary to its by-laws and the provisions of the Maloney Act.

In this article we will dwell on not only the stifling effect the rule will have on the small independent dealers in securities but also the tendency it will have as time goes on to close the doors of our capital markets to small business and thereby stimulate monopoly right down the line.

With this in mind it is necessary to again refer to the letter of Oct. 25, 1943 advising the members of the 5% decree. Therein reference was made to the fact that a questionaire [1] had previously been sent to all members requesting that they indicate therein certain particulars which would reflect the gross mark-ups they had taken on fifty consecutive principal transactions during the previous six months—not all tranctions but only fifty it is well to bear in mind.

The letter then goes on to say that the Board has completed its study of the questionnaires (answered by only 82% of the membership) and discovered that 47% of the transactions reported in the questionnaires were effected at a gross spread or mark-up of not over 3%, and 71% at not over 5%.

It is easy to observe that 18% of the members failed to return the questionnaire but further examination reveals what is not so apparent, namely, that in the case of 29% of the tranactions stipulated it was found necessary to go in for mark-ups of more than 5%.

Despite this fact, the Oct. 25, 1943, letter informs all members that District Business Conduct Committees have been instructed to determine whether a dealer has consummated a transaction with a customer at a price not reasonably related to the current market price of the security by having in mind the fact that 71% of the reported transactions were effected at a gross mark-up of not more than 5%. This letter then added, "In the case of certain low price securities, such as those selling below $10, a somewhat higher percentage may sometimes be justified. On the other hand, 5% or even a lower rate is by no means always justified."

While the membership as a whole took this to mean that they would be obliged to refrain from going in for mark-ups of more than 5% for fear of violating the rule, some ques-

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Outlook For The Oil Industry

By HAROLD J. WASSON*

Petroleum Consultant Sees Germany On Hand-To-Mouth Basis So Far As Oil Goes And Wide Disparity In Motor Fuel Potential In Favor Of Our Side Precludes Nazis Standing Up Indefinitely—Declares We Are A Long Way From Running Out Of Oil In This Country But Passing Of Era Of Superabundance May Mean Long-Term Price Trend Is Upward—Looks For Earnings Of Industry As In 1944 To Be Somewhat Better Than In 1943

At this time all of our outlooks concerning the future economic health of any industry are contingent on our outlook with respect to the war. In no direction do the two outlooks merge together so closely as they do when we are thinking about oil.

The war angle of oil is not a new story, but it has such a vital bearing on the validity of all our other economic outlooks at this particular juncture in world history that it bears retelling. As a matter of fact, this war phase is the one segment of the oil outlook horizon that to me, at least, is most clearly defined.

Harold J. Wasson

The oil industry is doing a great job—a monumental job — in helping us to prevail over our enemies. That, I assume, we all know. However, there are some aspects of the close relationship between oil and war that may not, I believe, be so fully appreciated.

Oil itself, that is, liquid fuel that we get from oil, is the one vital and indispensable element of combat striking power that we possess and can expend on the battlefield in vastly greater quantity than our enemies.

This ability of ours to expend unlimited amounts of oil ammunition, so to speak, against an enemy who is severely limited in his supply of this highly important ammunition, constitutes for our side a very great military advantage.

We commonly refer to the present conflict as a mechanical war, and there has been a tendency in certain quarters at least to attempt to measure military force by counting the planes, tanks,

*An address delivered by Mr. Wasson, a petroleum consultant of this city, at a meeting of the Association of Customers' Brokers on Jan. 25, 1944, held in the Board of Governors' Room of the New York Stock Exchange.

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Bankers Trust Co. On Money Market Outlook For 1944

The Bankers Trust Company of New York has issued a pamphlet giving a review of 1943 and its outlook for 1944, for United States Government securities and the money market.

With respect to the outlook for the current year, the survey says:

Outlook for 1944

If the year 1944 witnesses a decline in war production, there will no doubt be a down-turn in government expenditures and deficit financing, and a slower rate of increase in bank deposits and currency in circulation. The extent of these changes will depend upon the course of the war. General Eisenhower has stated his positive belief that Germany will be defeated in 1944. When the European war ends, there will probably be a substantial reduction in government expenditures and in Treasury borrowing. It is estimated that our war expenditures might decline 50% within a year after Germany is defeated, even though the Pacific war continues.

Continuing, the survey has the following to say:

Treasury Borrowing — If the

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Industry Must Consider World Needs In Post-War Period: Keller

President Of Chrysler Corp. Also Urges Business To Cooperate With Government In Formulating Peace-Time Policies And Stresses Importance Of Approaching Problems With Common Interests Of All In Mind

While declaring that "I have always believed in preparedness for war," K. T. Keller, President of the Chrysler Corp., further declared on Jan. 28, "I believe in preparedness for peace. I believe the best preparedness for peace is to concentrate on winning the war—quickly and decisively. If we can shorten the war by as little as one month, it will mean more to the country than any peace-time plan you can work up now." These remarks were contained in a speech delivered by Mr. Keller at the Economic Club of Chicago, in which he further said:


K. T. Keller

"War is grim business. You cannot win it by working at it today and doing something else tomorrow. Our fighting forces, and the service forces and industrial forces supporting them, are doing a magnificent job, but unless there is internal collapse in the enemy countries—and the evidence we have thus far gives little comfort on that score—we have a long, hard way to the victory that surely lies ahead of us.

"The United Nations are right now in the midst of preparations for the biggest land invasion in the history of the world. And in the Pacific we are still on the outer perimeter of Japanese defenses. Perhaps some of you may have seen a motion picture recently completed by the Army which gives some idea of the strength of our enemies and what it will take to beat them. Per-

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Emergency Board Judgments In Rail Disputes Should Be Final During War Period

The failure of the present legislative machinery to effect satisfactory results in mediation efforts in disputes between the railroads and their workers prompts the suggestion by Judge Robert V Fletcher, Vice-President and General Counsel of the Association of American Railroads, that "if the railroads are to be governed in the matter of wage disputes solely by the procedure of the Railway Labor Act, at least for the war's duration, the judgments of the fact-finding board should be final, conclusive and binding on all the parties." "As the law stands now," says Mr. Fletcher, "either party is privileged to ignore the judgments of the Emergency Board." "It seems to me," he adds, "that in time of war, when sacrifice is the watchword of the nation, the legislative body may well provide that the decisions of the arbitral body shall have the force of compulsion."


R. V. Fletcher

Mr. Fletcher's remarks were addressed to members of the Economic Club of New York at a dinner on Jan. 26 attended by its members and guests, at which other speakers were David B. Robertson, President of the Brotherhood of Locomotive Firemen and Enginemen, Joseph B. Eastman, Director of the Office of Defense Transportation, and John J. Pelley, President of the Association of American Railroads.

Before outlining his views, Vice-President Fletcher took occasion to state:

"What I shall say represents my own views and mine alone. I do not, this evening, speak as the organ of the industry or in any representative capacity. I have purposely refrained from consult-

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NSTA Sets Feb. 7 For All Out War Bond Sale

The National Security Traders Association and affiliated groups, representing 2,200 members in 23 of the larger financial centers of the country, have set Feb. 7 as their special day for war bond sales, according to John E. Sullivan Jr., of F. L. Putnam & Co., Boston, chairman of the Association's War Bond Committee. This is in connection with, and supplementary to, the general drive the investment dealer and broker fraternity as a whole is making to insure success of the Fourth War Loan.


John Sullivan

This fraternity of stock and bond men, whose profession deals with the public year in and year out in the marketing of securities, are very proud of their contribution of 400 members to active military service of their country, and indicate a determination to fully support their brothers-in-arms in this department of war work that they know best, Mr. Sullivan said.

"We are enlisting every member of the NSTA who are associated with approximately 1,100 firms in this effort to spread on the record our wholehearted cooperation with the fighting forces. While a continued effort throughout the drive will be maintained by our membership, it is our belief that to crystallize the work of our fraternity in a final day of effort devoted 100% to the sale of war bonds, will score us high percentagewise in this great national drive. I believe the entire investment group are organized as never before to contribute handsomely to this work."

Available On Request

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

Norton Is V.-P. Of Remer, Mitchell Co.

CHICAGO, ILL. — Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, announce the election of Laurence H. Norton as Vice-President in charge of their Lumber and Timber Securities Division, effective as of Feb. 1, 1944. Mr. Norton has been associated with the company in their trading department for the past ten years.

Tomorrow's Markets Walter Whyte Says—

News uncertainties currently reflected in market action. Offerings coming down to bids in many cases. Further irregularities and dullness looked for.

By WALTER WHYTE

During the last six market days prices have again displayed an inability, or refusal, to go through the offerings. And here and there certain stocks began eating into the bid figures in a disturbing fashion. But to offset this appearance of danger other stocks maintained themselves either at last week's levels and in some cases improving on them.

* * *

From a forecasting viewpoint, such action as mentioned above is almost meaningless. Or if it has meaning it indicates one of two things: First, individual stock action contrary to the market; second, a continuance of irregularity superimposed on dullness. Offhand it looks as if the market were waiting for some development, some news, to occur; a something that would either drive it away from present levels or push it through. What that is I don't know. For example, I don't believe the forthcoming invasion of Europe will play an important part in the stock picture. As a matter of fact, anything which has been widely discussed seldom has any bearing on the market trend.

* * *

Naturally, with a war on our hands surprises are usual rather than the other way around. And surprises is one thing that the market cannot guard itself against. The only insurance against being caught by such surprise is, so far as it's practicable, to either recognize stops and use them for all they're worth, or get out of long positions until the air has cleared. If the latter plan is followed there is no point in talking about trends, danger points, or anything else having to do with the market. If the former, and I assume it is the former you are concerned with, then the recognition of certain support levels is almost a necessity.

* * *

The theory on which these support levels is based presupposes that the market reflects all the best knowledge about the business of the industries whose securities are traded on the Exchange. In a large way this is true. For anybody who buys or sells a share of stock is saying in effect that he knows something

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Greatest Fight Ahead—That Against Possible Totalitarian State In U. S.—Robertson

Brotherhood Head Would Combat Increasing Bureaucracy—Sees Rationing, Draft and Governmental International Management of Money Leading to Insolvency Of American Economy—Comments On UNRRA

Declaiming against bureaucracy at Washington and the drift toward a totalitarian State, David B. Robertson, President of the Brotherhood of Locomotive Firemen and Enginemen, told members of the Economic Club of New York at their dinner on Jan. 26 that "disillusioning experience of the recent past in our relation to increasing bureaucracy at Washington has convinced me that many of us perhaps should change the shopworn expression of 'coupon clippers' to that of 'opportunity clippers' as applied to some of those who apparently command the Government trends in our Capital City."

David B. Robertson

"I see this more clearly today than ever before," said Mr. Robertson, who went on to say that "we must change the drift toward the very thing against which we are fighting this horrible war." "Of course," Mr. Robertson averred, "we must and will be victorious against the Axis, but possibly the greater fight we will have ahead is against a drift toward an absolute or totalitarian State in America. We must break up this drift or our fighting abroad will be of no avail." Continuing, Mr. Robertson said:

"While I would favor the greatest possible cooperation between the nations of the world in assisting each of them to help itself, I am primarily desirous of further substantiating and increasing and widening the American standard of living. We are all feeling the impact of taxation and Government finance requirements. Of course, we will continue freely to sacrifice in every possible way to win a complete victory in this great war. However, a time will come when a halt must be called to prodigious and unwise spending of taxpayers' and workmen's earnings which will increase the power and expense of bureaucracy and destroy American living standards. Otherwise, I cannot see where my members, at least, will be able to take home to their families adequate pay envelopes to maintain proper home conditions.

"A few months ago, in an address at Cincinnati, I described data which was the result of lengthy research, supporting pa-

(Continued on page 527)

National Public Relations Men Elect Mayer President

Raymond C. Mayer, of New York City, has been elected President of the National Association of Public Relations Counsel, Inc. This announcement was made on Tuesday, Feb. 1 by the board of directors, following the annual meeting held last night at the Hotel Lexington.

Mr. Mayer, who is well-known in the industrial, engineering and social work public relations fields, succeeds William H. Baldwin. Mr. Mayer has been a member of the National Public Relations Advisory Committee of the Girl Scouts for many years and is also public relations chairman of the National Noise Abatement Council.

Raymond C. Mayer

Samuel D. Fuson, Vice-President of Arthur Kudner, Inc., New York, was elected First Vice-President.

Other officers named were: Second Vice-President, Henry W. von Morpurgo, of the W. A. Bechtel Co., San Francisco, Calif.; Third Vice-President, Daniel C. McCarthy, of the Firestone Tire & Rubber Co., Akron, Ohio; Secretary, A. Schaeffer, Jr., American Society for the Control of Cancer, New York, and Treasurer, Paul Haase, Controllers Institute of America, New York City.

New directors elected were: George P. Oslin, of New York, Western Union Telegraph Co.; Charles N. Fry, of New York, Westinghouse Electric & Manufacturing Co.; K. E. Cook, of New York, Standard Oil Co. of N. J.; Weston Smith, of New York, Guenther Publishing Corp., and Frank J. Price, Jr., of the Prudential Life Insurance Co. of Newark, N. J.

Monetary Economist Sees Need For Joint Currency Action By Principal Nations

From a study of the inter-war experience, Dr. John Parke Young, monetary economist now engaged in post-war economic planning for the State Department, concludes that the world's currencies, particularly the major systems, are so interdependent that without coordination, or at least intergovernmental collaboration, economic difficulties of increasing severity appear likely in the post-war era.

Emphasizing the need for joint action in the field of currency, Dr. Young holds the opinion that the course of economic affairs probably would have run more smoothly had there been in existence following World War I machinery for such collaboration. Dr. Young's views are expressed in a paper published on Jan. 30 by the Monetary Standards Inquiry which is studying post-war monetary problems under the direction of Herbert M. Bratter. The advices made available by the Monetary Standards Inquiry states:

"From the standpoint of conditions in European countries, the economic disintegration and distress during the post-war period was more severe than during the war itself, Dr. Young believes, and he expresses the hope that currency history will not repeat itself.

"The world is now in a position similar in many respects to that of 25 years ago, he says, but there is an important difference. In contrast to the earlier policy of letting events largely take their course, today governments are engaged in studies designed not only to restore, but to improve, the world's currency structure by coordinating national systems in the light of their close international relationships.

"The need for joint currency action by the principal nations of the world is delineated by Dr. Young as the first of seven lessons of the inter-war period.

"The others enumerated are:

"(2) The need of Europe after the armistice for capital for restocking, rehabilitation and reconstruction and with the lack of adequate facilities for supplying necessary funds in sufficient amounts. Disturbed conditions were greatly aggravated by this deficiency.

"(3) The lack of control of exchange rates during transitional period following the armistice. Events during four or five years immediately following war revealed evils of permitting exchange rates to fluctuate at will. Wild gyrations of rates produced chaotic condition which retarded reconstruction and revival of trade and production.

"(4) Unless an exchange rate is one which reflects approximate equilibrium between a country's total foreign payments and receipts and is in reasonable harmony with world price relationships, it cannot be maintained indefinitely and efforts to maintain unrepresentative rates are the source of difficulties.

"(5) Short term capital movements, if uncontrolled, may become so great as to cause a breakdown of exchange rates. 'Hot money' movements were a constant source of difficulty during much of the inter-war period and affected nearly all currencies.

"(6) Currency and exchange developments are closely related to the general level of employment, production and prosperity, and without reasonabl stable and satisfactory currency and exchange conditions in the few major countries, a healthy and sustained level of economic activity and trade throughout the world is unlikely.

"(7) The nationalistic and restrictive commercial policies pursued by much of the world throughout this period. Basic to currency stability and healthy exchange relationships are commercial policies which permit the relatively free movement of goods and service throughout the world on a broad multilateral basis."

Thomas Hickey Heads Bond Brokers Ass'n

Thomas J. Hickey, of Vilas & Hickey, has been elected President of the Association of Bond Brokers of the New York Stock Exchange. W. Stuart Bernard, of Bernard, Winkler & Co., was elected Vice-President, and Roland L. deHaan, of Mabon & Co., was elected Secretary and Treasurer.

Elected members of the Association's board of governors were: Sydney P. Bradshaw, Clark, Dodge & Co.; James H. Carson, Salomon Bros. & Hutzler; Robert D. Danks, Ernst & Co.; Sylvester P. Larkin, Pflugfelder, Bampton & Rust; Howard J. Nammack, Struthers & Dean; Arthur M. Nelson, Cowen & Co.; Kenneth A. Roome, Hardy & Co.; Walter F. Seeholzer, W. S. Sagar & Co., and John Wasserman, Asiel & Co.

The Association also elected a nominating committee for 1944, consisting of Allen A. Pierce, Merrill Lynch, Pierce, Fenner & Beane; Benjamin E. Bampton, Pflugfelder, Bampton & Rust; Samuel L. Hornstein, C. M. Loeb, Rhoades & Co.; George K. Garvin, Garvin Bantel & Co., and Alexander R. Piper, Jr., Paine, Webber, Jackson & Curtis.

Realty Issues Interesting

Hill, Thompson & Co., Inc., 120 Broadway, New York City, have in preparation an interesting memorandum discussing the current situation in U. S. Realty and Improvement 6s and Fuller Building 6s. Copies of this memorandm may be had from the firm upon request.

Public Utility Securities

Engineers Public Service

There has been renewed interest recently in Engineers Public Service because of that company's strategic move in planning to acquire Virginia Public Service common stock from General Gas & Electric (Associated Gas & Electric system) for $1,000,000 cash. Several months ago General Gas, conforming to the mandatory selling order received from the SEC, had planned to dispose of the stock for a nominal amount, while the company was ordered to recapitalize on the basis of a formula apparently unsatisfactory to Associated Gas interests. The last minute proposal for merger with the neighboring company, Virginia Electric & Power in the Engineers system, appeared to be a happy solution for all concerned.

Merger of the two companies is a logical development, though in view of some past quibbling by the SEC over the question of size, the proposal enjoyed unusually smooth sailing. The pro forma income statement for the 12 months ended Nov. 30, 1943, giving estimated effect to the merger plan and refinancing, compares as follows with the actual report of Virginia Electric & Power:

	Virginia Electric	Merged Co. Pro Forma
Operating revenues	$33,243,061	$48,069,569
Operating expenses	12,187,233	17,853,937
Maintenance	2,394,189	3,253,514
Depreciation	2,819,068	3,937,658
Plant amort.	------	1,054,808
Fed. income taxes	6,813,043	8,677,019
Other taxes	2,657,287	3,819,844
Net oper. revs.	$6,372,241	$9,472,789
Other income, net	49,350	64,610
Balance	$6,421,591	$9,537,399
Int. and amort.	1,901,450	2,768,015
Balance	$4,520,141	$6,769,384
Preferred dividend requirements	1,171,602	1,525,960
Balance	$3,348,539	$5,243,424
Surplus frozen	670,000	1,200,000
Balance for common dividends	$2,678,539	$4,043,424

Non-recurring operating expenses and tax savings derived from non-recurring deductions incident to the merger plan are not reflected in the above pro forma income statement. Federal income taxes of Virginia Electric would be reduced and the balance for common dividends increased by approximately $468,000 irrespective of the merger, giving effect to the additional consolidated tax benefit to Vepco arising principally from the sale by Engineers of its investment in common stock of Puget Sound Power & Light Company, not yet completed. The pro forma figures give effect to this saving and also to the tax saving resulting from accelerated amortization of war facilities. The pro forma balance after preferred dividends, $5,243,424, represents an increase over the present earnings of Virginia Electric of nearly $1,900,000. This increase, carried over into the consolidated system earnings of Engineers Public Service, would mean about $1 additional for that company's common stock.

In the 12 months ended November 30th, Engineers reported $1.67, which would increase to $2.67 if the merger works out as anticipated. The system is currently (before merger adjustments) paying out excess profits taxes of $10,266,745, equivalent to $5.38 a share on the common stock. Theoretically about half of this might be saved in the post-war period if the excess profits tax were repealed. Actually, however, such a gain would probably be offset by the loss of present boom business attributable to the war industries in the areas served, particularly Virginia.

The system's status with respect to dissolution remains somewhat unsettled, as the management and the SEC have not yet agreed on a plan and the company is apparently still pushing its court appeal over the constitutionality of the Act. The company won a legal round against the SEC recently when a Federal Court decided that it had had insufficient time to choose which property it would retain under the Utility Act (presumably a choice between Virginia Electric and Gulf States Utilities). The company already has some cash on hand from the sale of properties but thus far has been unable to develop a successful plan for reducing its outstanding preferred stock.

Shaskan & Co. Places Cgo.-Ipls. Rail Bonds

Shaskan & Co., 40 Exchange Place, New York City, member New York Stock Exchange, has distributed privately a block of $700,000 Chicago, Indianapolis and Louisville RR., first and general 5s and 6s due 1966.

Lehmann & Verace Admit

Benjamin R. Nichols has been admitted to partnership in Lehmann & Verace, 1 Wall St., New York City, members of the New York Curb Exchange.

Business Must Lead In Post-War Planning Says Francis Of GF

Industry's greatest challenge in the post-war period is to help fashion an economy which will get into the hands of customers the largest possible amount of goods and services, and thus assure the highest possible employment, Clarence Francis, Chairman of General Foods Corp., told the St. Louis Chamber of Commerce last week.

"We in the business world have special responsibilities for taking leadership in long-range planning," he said. "For example, American industry, which has beaten all records in its efficiency in converting raw materials into finished goods, must step up its technology much further to reduce costs and thereby enable the public to buy more, and thus create jobs.

"Through larger volume of low-priced goods and services, business and its 15,000,000 investors must seek adequate return on capital—not by making a large profit on each item, and selling only a few, but on making a small profit on each item and selling a vast quantity. Under this principle everyone benefits—the consumer, the worker, the investor, and enterpriser."

Among post-war steps which Mr. Francis sees as essential in post-war planning are advances in scientific research, better human relations, the encouragement of small business enterprises, and nation-wide as well as localized preparations to absorb 10,000,000 returned service men and women in gainful employment.

According to Mr. Francis, each business man needs to plan to have useful work for former workers who left to fight for his country, and for present employees who wish to continue at work. Each community must see what it can do collectively. Job-creating programs can be carried out by business associations, and at the same time there should be government plans to take up the slack.

Mr. Francis added that, in addition to the Government's sound disposition of the war industries, there is need for "a tax program which will stimulate rather than stifle, business, and the adoption, before the war ends, of sound national policies affecting government-business relations, under congressional legislation."

He emphasized the problem of post-war shortages and surpluses of raw materials. "It is unthinkable," he said, "that the bottom should be allowed to drop out suddenly from under the prices for millions of farmers, or that thousands of workers should find themselves on the street because of vast Government contract cancellations."

Mr. Francis estimated that 2,170,000 new jobs would be created after the war if the nation's small business establishments found a way to employ only one more worker than each had previously employed. He declared that the profit motive would help after the war to maintain America's world leadership and stimulate, jobs, investments, and purchasing power.

Dr. Max Winkler Discusses Controversy Over U. S. Spending In Latin America

Speaking before the New York Society of Security Analysts at a luncheon Monday, Jan. 31, Dr. Max Winkler, partner of Bernard, Winkler & Co., and special lecturer at the Latin American Institute, contended that "the controversy between Senator Hugh A. Butler from Nebraska and the Administration resulting from the former's criticism of America's policy with respect to Latin America, particularly the manner in which American funds are expended in the Southern republics, is giving Washington a dose of its own medicine."

Dr. Max Winkler

"In the early thirties," Dr. Winkler continued, "the activities of banking houses which were active in the underwriting of loans on behalf of foreign governments, political subdivisions and corporations, was made the subject of a very comprehensive investigation by a Senate Committee on Banking and Currency." "The investigators succeeded in selecting such loans as were characterized by a certain degree of irregularity and abuse," said Mr. Winkler, who went on to say:

"They then proceeded to delve into these irregularities at great length, thereby providing the press of the nation with sensational material for a long time. It is significant that out of a total of about $15 billion of foreign loans floated publicly and privately in the course of the '20s, the investigating committee succeeded in discovering irregularly underwritten issues to the extent of substantially less than 1% of the total. However, since great emphasis was laid upon loans of this category, and since information was conveyed to the public through glaring headlines about irregularities, actual or alleged, without in any way intimating the amount of bonds involved in relation to the total, the impression was created that irregularities and abuse which characterized an infinitesimal part of the total of foreign loans, applied to all foreign issues. The stigma which attached to banking houses in general and those prominently identified with the sale of foreign bonds in particular has not yet been completely removed, although the injustice was obvious to all those who took the trouble to examine in detail and without preconceived bias the general character of foreign loans.

"Although the complete report submitted to Congress by Senator Butler has not been available, it is apparent that the Senator may have emulated the example set by his colleagues who were sitting in judgment over American bankers about a decade ago, and submitted a report criticizing certain of American activities which are deserving of criticism, but failing to state that many, or perhaps most, of the American activities in and on behalf of the republics south of the Rio Grande are highly constructive in character and of marked aid to the war effort. The precise extent to which funds are expended for non-productive purposes is not known at this moment.

"To be sure, in the case of Senator Butler's report, spokesmen for the Administration hastened to stress the extent to which American aid to Latin America has been beneficial. On the other hand, there was no one who came to the aid of banking houses which were condemned by a Senate Committee for the very things of which the Government is presently accused."

Soviet Paper Charges Pope A Pro-Fascist

According to London Associated Press advices, the Moscow radio on Feb. 1 quoted an article from Izvestia, official Soviet Government newspaper, asserting that the servility of the Vatican toward Fascism has not been confined to Italy, but that the Vatican has approved of many Fascist acts of aggression. Continuing, the London account, as given in the New York "Sun," stated:

"The inglorious part played by the Vatican in Hitler's and Mussolini's ventures is common knowledge, while the Vatican maintained silence when Italy attacked France in June, 1940," Moscow said in a broadcast recorded by the Soviet monitor here. "The Vatican has now changed its course and preaches impartial love to all people, but the fact remains that in the great historic battle of freedom-loving people against the enemy of mankind, the Vatican adopted an attitude of direct support of Fascism."

From Moscow, Feb. 1, Associated Press advices as follows were reported in the "Sun":

Writing in the official Soviet newspaper Izvestia, Dmitri Petrov today called Pope Pius XII pro-Fascist and said: "No wonder hate of Hitler and Mussolini now also includes the Vatican.

"Catholics who live in England, America, Spain, Poland and other countries as well as the Italians are becoming convinced of the pro-Fascist character of the Vatican's policy. The Vatican has assumed the position of direct accomplice of Fascism."

In a long article reviewing the American Foreign Policy Association's observations on the Vatican, Petrov continued: "The Pope's declaration of equal love for all people on the fourth anniversary of the war, and on Christmas Day, 1943, does not conform with the Vatican's practical policy which not only has maintained diplomatic relations with Htler, but helped Hitler strangle Catholic groups opposed to Fascism in Germany as well as in Italy."

Petrov declared that there was growing opposition to the Vatican in Italy, and added: "The Vatican is harvesting the fruits of its own policy."

Bayway Interesting

The current situation in Bayway Terminal has interesting possibilities according to Kennedy and Co., Land Title Building, Philadelphia, Pa. Information on this situation may be had from Kennedy and Co. upon request.

Survey Of Nine Pending Railroad Reorganizations

Cowen & Co., 54 Pine St., New York City, members of the New York Stock Exchange, have issued a comprehensive survey of nine pending railroad reorganizations: Chicago, Milwaukee, St. Paul & Pacific; Chicago & North Western; Chicago, Rock Island & Pacific; Denver & Rio Grande Western; Missouri Pacific; New York, New Haven & Hartford; St. Louis-San Francisco; Seaboard Air Line, and Western Pacific. Included in the survey are new capitalizations, new and old charges, allocation of new securities, 1940-43 earnings, other pertinent data and also estimates of values of new and old securities, cash available for debt reduction after reorganization, and post-war earnings prospects.

Copies of this interesting survey may be had from Cowen & Co. upon written request.

Railroad Securities

With few exceptions the December railroad earnings reports which started to appear last week have shown unexpectedly wide declines from a year earlier. Final wage adjustments to reflect the retroactive awards recently awarded employees had an important influence, and in some instances sizable deductions were made in the final month for deferred maintenance. While this item is allowed under ICC ruling because of the present scarcity of materials, it is not allowed as a tax deduction. The retroactive wage increases naturally had the greatest impact on those roads in the most favored tax position which, in general, included a larger proportion of the bankrupt carriers. In many instances the December adjustments resulted in large net operating deficits for roads which a year earlier had reported fairly substantial earnings, completely wiping out cumulative year-to-year earnings gains of the preceding 11 months.

A few of the roads had tax adjustments in the final month of 1943, which also had the effect of distorting earnings estimates made on the basis of 11 months' results. Notable among this group was the Western Pacific, where the December adjustment necessitated an upward revision of the company's earnings for the year in contrast with the downward revision of most roads. Western Pacific in December took an income tax credit of $6,759,886. The management decided that the company had no liability for income taxes or excess profits taxes last year even though they had made substantial accruals in the earlier months. The reasons for the sudden change in opinion as to the company's tax status were not given but presumably they are tied up with elimination in reorganization of the preferred and common stocks of the railroad operating company, which are entirely owned by the holding company, Western Pacific Railroad Corporation.

As a result of the December tax credit net operating income of Western Pacific for the full year 1943 amounted to $18,431,417 compared with $9,108,052 in 1942 and $695,148 in 1941. On the basis of the reorganization capitalization the 1943 earnings would be equivalent to approximately $50 a share on the new common. Obviously, the one year's per share earnings in themselves, with the large distortion due to a favorable tax condition which will presumably be non-recurring, do not alter the fundamental position of any of the road's new securities. The financial implications of the freedom from any tax liability out of 1943 earnings are, however, highly important. The funds previously set aside to meet the tax may now be diverted to other purposes, either reduction of debt after reorganization or for increased dividend disbursements.

The Nov. 30 balance sheet showed cash items of $20,380,160 and $11,430,000 of miscellaneous accounts receivable. Most of the latter represents funds due from the Government for transportation services and may be considered the equivalent of cash. Net current assets aggregated $22,010,574. The current liabilities included United States tax accruals of $8,321,791. Eliminating the income tax credit of $6,759,886 reduces the company's 1944 cash requirements by that amount and increases net working capital to $28,770,460. For interest on the new income bonds, sinking funds, and preferred stock dividend accruals from the effective date of the plan to Jan. 1, 1944, the company will need cash of $10,204,000.

By the time of consummation of the plan the trustees' certificates will be reduced to around $9,000,000. These certificates are allocated new first mortgage bonds par for par in the reorganization, the only fixed debt contemplated with the exception of equipments. The company will obviously be fully able to pay off this new first mortgage immediately on consummation of the plan. Fixed charges will thus be reduced below $100,000 per annum. In adittion to these requirements the company by the time the reorganization is completed should have at least an additional $5,000,000 of free funds available for distribution. This could be applied to purchase of the new income bonds (only $21,219,000 to be outstanding) or for a very substantial distribution on the common stock. There are only 319,441 shares of the latter to be outstanding.

Interesting Textile

Arlington Mills offers an interesting situation according to a memorandum issued by Hornblower & Weeks, 40 Wall St., New York City, members of the New York Stock Exchange and other leading exchanges. Copies of this memorandum may be had from the firm upon request.

W. J. Hoysradt Dead

Warren J. Hoysradt, associated with F. S. Moseley & Co., 14 Wall St., New York City, for a number of years, died at the Lawrence Hospital, Bronxville, N. Y., after an extended illness. Mr. Hoysradt in the past was a Vice-President of the First of Michigan Corp. and was President of the Municipal Bond Club of New York.

Real Estate Securities

Post-War Real Estate And Building Industry

Favorable Effect Of Building On Securities

Indiana Limestone Corporation To Benefit

Lately the newspapers in all parts of the country mention plans for post-war construction of housing projects, public buildings, office buildings, hotels and apartments. When one thinks back over a period of years, you come to the realization that there has been practically no new construction compared with normal years since about 1931. It is also a well-known fact that occupancy ratios today are higher than they have been in many years. The natural conclusion is that as soon as new building is again permitted, there will be a great deal of activity in the construction field.

Many corporations whose main business has come from the building industry will profit and the outstanding securities of such corporations will enjoy the effect of increased earnings. A corporation which we believe will materially benefit is the Indiana Limestone Corp. which in 1930 had net sales of over $10,300,000 and showed an operating profit in that year of $1,289,000 after depletion and depreciation. Since 1930, due to lack of construction, this company has operated at a deficit until 1943, when earnings due to war contracts showed $182,000 available for interest on outstanding funded debt.

The funded debt of the corporation consists of $6,489,500 General Mortgage Income 6s due 1952, **which assumed the status of First Mortgage Fixed Interest 6s due 1952 as of Nov. 1, 1943,** when the obligation under $2,000,000 Prior Lien 6s became fully discharged. Under the indenture securing these bonds, the first fixed interest payment becomes due on these bonds May 1, 1944, and the indications are that earnings from war contracts should be sufficient to cover, and as the balance sheet as of Nov. 30, 1943, showed actual cash of $450,000 in comparison to total liabilities of $153,000, the payment of interest May 1, 1944, is not beyond the realm of possibility.

Whether or not this interest is paid does not to us seem important. The important facts which we consider are first, net current assets of about $1,116,000 are equal to about $170 per $1,000 bond outstanding in comparison to the present market level of about $230 per $1,000 bond, while fixed assets at depreciated book value of about $7,100,000 further secure the bonds and, second, the return to normal net sales of around $10,000,000 producing $1,289,000 income would insure 3¼ times interest coverage of the funded debt.

These securities, in our opinion, have a very definite post-war speculative appeal and are worthy of consideration.

Outlook For The Stock Market For 1944

. . . the outlook for 1944, I think the market is in an intermediate readjustment phase similar to that of 1923-24 and 1934. Technical probabilities favor something approximating a 10% decline in the industrial average during the first half of the year. If Germany should collapse within the next few months and Mr. Roosevelt should decide against seeking a fourth term, the market would probably initiate the second step of its major recovery before the end of 1944. But if Germany holds on through the year and Mr. Roosevelt decides to run again, I would not expect the market to get out of a range represented by 120-150 in the industrial average until some months after Germany is defeated and the market can begin to think in terms of discounting the post-war replacement of consumer durable goods. The beginning of the second step of the major recovery could thus be deferred until the spring of 1945.

I find a number of people are too important to accept a protracted intermediate phase of readjustment. They want to get right on with the interrupted bull market. They want their post-war boom while the war is still continuing. I can understand and be tolerant of their impatience, but from a longer-range New Era viewpoint I think they are wrong. A big bull market during the war, subsidized by Government expenditures of $8,000,000,000 a month, would in all probability produce a major bear market after the war.

Major bear markets wreck the long-range confidence needed for a genuine New Era price structure. To have another 1921-1929 or even another 1932-1937 the delusion must be fostered that major bear markets have been eliminated because we planned it that way. We planned the Federal Reserve System to eliminate money panics and business depressions and got 1929 to 1933. We planned the Securites and Exchange Commission to eliminate another 1929. If the market is patient and plays along slowly with fiscal control of the business cycle, who can tell what we can ultimately get? — *James F. Hughes, Smith, Barney & Co., before the Jan. 19 meeting of the American Statistical Association.*

A Suggested Solution Of The World Trade Problem

Import Duties Reimbursed

By H. R. Whitehead, London, England

As import duties, customs tariffs, taxes on foreign trade, protective duties, or whatever they may be called, are the main bar to fair trade, let the nations of the world—under the leadership of the richest—agree to remove the principal unfair characteristic of all such duties. Let them remain to protect if they are considered to do so, particular industries, and particular interests of the countries that impose them, but as between country and country reverse their credit effect. In other words, let the country which exports the goods have the full value of these goods pertaining in the country that imports them. This could be done, without in any way altering the protective effect of such duties, by the Governments of the United States, Britain, and the British Dominions agreeing that they will credit the Governments of each other (and of all reciprocating countries) with the full amount of all import duties, such credits of course to be in the currencies in which the duties are levied. Thus not only would each participating country know that it would be obtaining the full value for the products of its peoples' labour and machinery, with consequent great accession of all-round goodwill, but, also, and not less important from the economic point of view, every country reciprocating would be obtaining extra credits in the moneys of other countries. In that there would be the promise of increase in the volume of foreign money exchange and concomitantly in the volume, value and velocity of international trade.

Broadly it is evident that the advantages of tremendously increased goodwill between the trading nations, the uplift of international trade and the economic circulation of buying power by the all-round shuttling of the credits, would far outweigh the initial drawback which each nation would have to face in filling the void created by the absence of import duties in its own Budget. Each country would, of course, have the recurring credits on its taxed imports into foreign countries, and they would in due time become converted into its own money currency by way of imports and exchanges.

So that the benefits of the reversed credits from import duties may become of even greater world wide value than already indicated, there should be conditions attached. One such condition must be that no country shall itself subsidise its exports either directly or indirectly through its manufacturers, producers or traders: for that would be taking an unfair advantage of the reversed credits received from the countries importing its goods and would nullify their real purpose. It would be a fine thing if each country undertook to apply the exchange value of all reversed import duty credits to an internationally agreed scheme of Social Security for its peoples, for that would enormously enhance the beneficial effects of the revolution because there would then be an automatic lever on the standards of living of the poorer countries.

Thus briefly outlined is a suggested world-wide departure from an existing bad custom by so-to-speak simply switching over from the debit to the credit side the import duties in the ledger as between country and country. Thus for example, if Britain's import duties on United States goods—motor cars, etc.—amounted to say X million pounds, such X million pounds would be placed by the British Government to the credit of the United States Government and similarly if in the same period United States import duties on goods from Britain (textiles, tinplate, manufactures, etc.) amounted to say X million dollars, that amount would be placed by the U. S. Government to the credit of the British Government. Every accounting period, whatever amounts each collected by duties in imports from the other would be treated similarly. And so it would be as between the Government of every country that became party to the reciprocating agreement. Thus the smaller and poorer countries would constantly receive credits in the richer countries' moneys to the extent of the import duties on their (the poorer countries') goods, and vice versa.

They would of course also be receiving credits in their fellow poorer countries' currencies, and the richer countries would be receiving credits in their fellow richer countries' currencies. Every country charging import duties would, in fact, be holding perpetually accruing credits in favour of the countries on whose imported goods it charged customs duties.

It is understood of course, that the undertaking would be to reciprocate with any country wishing to reciprocate; there would be no question of selection, the purpose being first a surety of trading goodwill, secondly a round-the-world creation of international trade, and thirdly, if this can also be agreed, the provision of funds for set plans of Social Security through the application by each country of the equivalent value of the credits in its own currency.

If Britain and America alone agreed to the scheme as between themselves and any other country wishing to reciprocate, none would find it worth while to stand aloof. Those which might find a little temporary difficulty in immediately replacing import duties by other forms of tax revenue could easily be helped out. The effects of trade expansion, the availability of foreign currency credits, the general goodwill abroad, and, not least, the effects of Social Security benefits on internal as well as external trade through improvement of living standards, would go a long way towards the attainment of the twin aims of so many present-day planners—the abolition of want and the abolition of war.

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

Fourth War Loan Drive For $14 Billions

The Fourth War Loan drive which was formally opened throughout the nation on Jan. 18 with a over-all goal of $14,000,000,000, is emphasizing purchases by individual investors, for which the Treasury Department has set a national quota of $5,500,000,000. For New York State the individual sales quota has been fixed at $911,000,000, of which New York City's quota is $698,500,000.

It was disclosed in the New York "Times" of Jan. 31 that although the current campaign (in the State) is running 12% ahead of both the second and third loans in total sales of all series of bonds its record is even better in sales of Series E bonds, the type favored by small investors." The paper quoted also said: "A review of the current drive showed 1,600,000 sales of bonds to individuals in this State, for a total of $242,000,000 in all series. This is 26.6%, through Friday (Jan. 28), of the State quota of $911,000,000. Treasury officials said they were well satisfied, since in this drive, as in previous ones, the first efforts were toward the sales of bonds to small investors, with the 'heavy money' sales coming during the closing weeks.

"With sales of Series E bonds jumping to $8,000,000 on Friday—a record for a single day—as a result of the disclosure of the mass murder of American war prisoners by the Japanese, War Savings officials predicted last night that eight-million-dollar days in Series E sales would continue 'for some time.'"

Although only reports on individual sales will be made public up to Feb. 1, subscriptions from other non-banking investors will also be accepted during this period. The drive is expected to be concluded on Feb. 15.

In a statement urging support of the drive, President Roosevelt said:

"The Fourth War Loan Drive is an opportunity to demonstrate the power of democracy in action. It is the personal business of every American to see that this drive succeeds.

"Our most difficult military operations are ahead of us—not behind us. Until we have actually occupied Berlin and Toyko we cannot indulge for a moment in the pleasant day dream that the war is almost over.

"Our troops must have overpowering superiority in every kind of weapon and fighting equipment—in the air, on the sea, under the sea, and on land. That is the quickest way to achieve victory—and the least costly in human life and sorrow.

"During the Fourth War Loan Drive all of us will have an opportunity to do our share in shortening the war and causing the unconditional surrender of the enemy. Every dollar invested in war bonds is an addition to our offensive power, a contribution to our future happiness and security. Let's all back the attack!"

On Jan. 15, A. L. M. Wiggins, President of the American Bankers Association and President of the Bank of Hartsville, S. C., urged in a radio address that every surplus dollar of income be invested in war bonds for post-war economic security and as the "best check on inflation." Mr. Wiggins was introduced to the radio audience by Daniel W. Bell, Under Secretary of the Treasury, who paid tribute to the banks and their employees for the 'indispensable services given to the Treasury."

The securities being sold consist of Series E, F and G savings bonds; Series C savings notes; 2½% bonds of 1965-70; 2¼% bonds of 1956-59, and ⅞% certificates of indebtedness.

The Platinum Metals

Year Saw Increased Use of Platinum, Palladium and Ruthenium, Says Charles Engelhard—Future of Platinum Metals Encouraging.

The year 1943 has been one of increasing use of platinum, palladium and ruthenium, Charles Engelhard, President of Baker & Co., Inc., states in his annual review of the platinum metals.

Platinum

With platinum being used almost exclusively in the war effort, a review of its uses is inadvisable at this time.

Palladium


Charles Engelhard

Palladium has experienced a very active demand during the year, principally for jewelry, dental alloys and electrical contacts.

Following the restriction on platinum's use in jewelry, the trade and the public revived interest in white metal for modern jewelry. Palladium has benefited from this trend, he adds.

"While the demand for palladium has been unusual, nevertheless there has been a restriction in jewelry's use of the metal as well as gold because of the Government's desire to conserve manpower and employ precision machinery for war production," Mr. Engelhard continues. "As a result of this curtailment it is reported the supply of wedding and engagement rings may be insufficient. In my opinion, the Government will make adequate provision for additional metal should such a contingency arise.

Ruthenium

"Ruthenium was one of the most interesting of the platinum metals during the past year. It had previously been overshadowed by iridium as a hardener of other platinum metals. With the shortage which developed in the supply of iridium, the properties of ruthenium were investigated by the industry and this metal now fills an important position in the field of precious metal hardeners.

Outlook for Platinum Metals

"The future of all platinum metals is encouraging as a consequence of the great interest in them by science and industry during the present war. Knowledge of these metals indicates their greater usefulness in the chemical and allied industries of the post-war era, for improved processes and new products. It is interesting to note that expanded production of fiberglas, rayon and electronics, three modern developments of science, was made possible by platinum."

Mr. Engelhard feels that "the future of palladium is extremely bright, particularly in jewelry to supplant white gold, in dentistry to replace gold, and in the chemical industry for catalytic purposes. Current stocks of this metal assure ample supplies for all these purposes."

Delisting Trend Emphasized In Shawmut Case

Boston Exchange Counsel Tells SEC of Threat to Regional Exchanges

The Securities and Exchange Commisison was asked Jan. 13 to "give consideration" to the growing trend for delisting of securities on regional exchanges by their issuers, and its ultimate effect on such exchanges, during oral argument on the application of Shawmut Association, of Boston, to remove its common stock from listing and registration on the Boston Stock Exchange.

The request was made by Edmund Brandon, counsel for the Boston Exchange, who joined with Orrin C. Knudsen, counsel for the SEC's trading and exchange division, in asking the Commission to impose certain conditions in granting Shawmut's application.

Pointing out that there is "a definite trend" toward delistings by issuers, particularly in the last twelve months, Mr. Brandon said: "In 1943, alone, 50% of all delistings filed since 1936 came before the Commission. I should like to suggest that the SEC take this situation into consideration on determining the issues here. Otherwise, the time may shortly be at hand when there may be no regional exchanges and the securities industry turned largely over to the over-the-counter market, in which event even the Big Board may feel the pinch."

Shawmut Stand Challenged

The argument was on the report of Trial Examiner Richard Townsend, who recommended that the Commission find that the question of withdrawal from listing should be submitted to Shawmut's stockholders for approval, and that a copy of the Commission's findings and opinion, setting forth the facts developed at the hearing, be furnished each stockholder at or before the solicitation of such consent.

Robert E. Dodge, Jr., counsel for Shawmut, argued that the trust's whole desire in requesting delisting was to increase the market value of its stock through over-the-counter trading sponsorship. He pointed out that trading on the exchange was at $11.75 a share, compared with an asset value of $19.65 a share.

In discussing Shawmut's structure, Mr. Dodge pointed out that it is not a corporation, that its shareholders are merely beneficiaries of a trust and have no voting rights except upon amendments. Under the circumstances, the trust's shareholders are "less entitled" to a vote upon delisting than those of a corporation, he said.

Both Mr. Brandon and Mr. Knudsen took sharp issue with Shawmut management's statement that trading in the over-the-counter market would enhance the value of its stock, terming it "sheer conjecture."

Calls Over-Counter Costlier

"The record shows that the over-the-counter market for the applicant's stock is considerably less efficient and more costly to buyers and sellers than the exchange market," Mr. Knudsen said.

Taking a comparative closed-end company as an illustration, he told the Commisison that Old Colony Trust Associates, securities of which are all traded in the over-the-counter market, shows a different picture.

Taking conditions as of Dec. 31, 1941, Mr. Knudsen said that the market value of Shawmut's shares on the Boston Exchange was 57.4% of asset value. On the same date, Old Colony shares on the over-the-counter market were 43%. On Dec. 31, 1943, Shawmut's shares on the exchange were 59.9% of asset value, compared with 46.8% for Old Colony's shares on the over-the-counter market.

On June 30, 1943, Shawmut's shares on the exchange were 61% of asset value, while Old Colony's were 57% on the over-the-counter markets.

"These figures show that the applicant's claim that there is much too great a discrepancy between the asset value and market value cannot be sustained," Mr. Knudsen said.

Fuller Case Recalled

Mr. Brandon said that in asking for the imposition of terms he was aware that he was asking the Commission to do something which it declined to do in the Fuller Manufacturing Co. decision last month.

In that case the Commission, in granting the delisting application, took the position that because it had neither precedent nor a specific rule for the imposition of a term requiring a stockholders' vote on a question of withdrawal from listing, it would not impose such a term.

"Despite this language we are of the opinion that the instant case is an appropriate one for the imposition of such a term," he said. "The record will disclose—and indeed the applicant concedes—that the applicant is a trust in which the shareholders have no voice in the management and control of the trust's affairs. In our view this makes it imperative that their approval or disapproval on the question of delisting be ascertained after they have been fully informed of all the facts and circumstances surrounding the question of withdrawal from registration.

"We believe that the Commission has ample authority to impose such a term and that if there be any doubt the doubt should be resolved in favor of a shareholders' vote. If the applicant is aggrieved by such a decision it has the opportunity and the right to seek judicial revue of the act of the Commission."

Mr. Brandon argued that it was clear from the historical background to the Securities Exchange Act of 1934 that neither the Congress nor the Commission ever intended a wholesale withdrawal from registration to be the result of control and regulation of the stock exchanges.

"The various regulations, prohibitions, controls and safeguards which the Act and the Commission have placed upon exchange tradings will have been in vain if the exchanges are to dwindle into nothingness through the process of delisting of their registrants," he said. "It is apparent that governmental control and supervision of the over-the-counter market cannot as a practical matter be nearly as effective as control and supervision of the exchanges.

"The Boston Stock Exchange is well aware that in advancing these contentions it is going somewhat afield from the precise issues involved in this case, but it feels that in so doing it is serving a useful purpose in calling to the attention of the Commission a situation which it submits is not a healthy one. It is in effect making a plea for its own survival and that of the other exchanges, all of which are experiencing the same problem. It is not seeking to take anything away from the over-the-counter market, but rather to retain some kind of balance between the two types of trading and keep itself alive as a competitive entity."

Looking Ahead

By FLOYD B. ODLUM

I do not believe there will be any deep or prolonged depression in this country as a consequence of peace. Such dislocation of labor and industry as we have in connection with conversion of factories to peace production and reallocation of labor should not be long sustained.


Floyd B. Odlum

The fact that conversion of industry has already been started, even if in a minor way, plus the probability that the war in the Pacific will outlast the war in Europe, should temper the effects of readjustment to peace by spreading and cushioning the shock.

The people of this country when peace arrives will be greatly understocked with civilian goods and will have a great amount of accumulated savings to spend in stocking up. Also the demand from abroad for our products will be considerable.

All this would seem to indicate a period of business activity.

Home Financing Up In Ill.-Wis. District

The money borrowed to finance homes in Illinois and Wisconsin for the full year 1943 will be probably greater than in 1942, it was pointed out by the Federal Home Loan Bank of Chicago on Dec. 28. In reporting on the home mortgages recorded by all types of lenders through the third quarter of the year, the bank said that a total of 29,144 home loans, amounting to $102,460,000 were made, an increase of 8.2% over the same quarter last year. The number of loans, however, was smaller than last year. demonstrating the increasing size of the new obligations being assumed for home ownership. Beginning with June of this year, A. R. Gardner, President of the Bank said, total volume of new home mortgages in the Illinois-Wisconsin district leaped ahead of last year, month by month.

In its advices the bank also stated:

"Savings, building and loan associations, providing the largest single block of this financing, increased their percentage of the total amount lent each quarter of the current year. In the third quarter they accounted for 38% of the dollar volume, compared with 36.7% the second, and 32.7% the first quarter. Dependence on these community sources of money was conspicuously greater than in 1942 when their percentage was 33% the first three quarters.

"During the third quarter this year the loans made in metropolitan areas rose to a new high of 66% of total dollar volume, as compared with 55% the same period last year."

Burch on N. Y. Banking Bd.

The appointment of Arthur J. Burch, of Troy, N. Y., as a member of the New York State Banking Board has been announced by Gov. Thomas E. Dewey. Mr. Burch, who is President of the Troy Cooperative Savings and Loan Association, was named for the unexpired term of the late Arthur P. Bartholomew, who represented the savings and loan industry on the Banking Board. Mr. Burch has headed the Troy Cooperative for the past 25 years and prior to that time was associated with the Pioneer Building Loan and Savings Association. Mr. Bartholomew's death was reported in these columns Oct. 21, 1943, page 1628.

PHILADELPHIA

Bond Club Of Phila. Committee Chairmen

PHILADELPHIA, PA.—Robert G. Rowe, Stroud & Co., president of the Bond Club of Philadelphia, announces the appointment of the following committee chairmen:

Elective Committee: Orus J. Matthews, Kidder, Peabody & Co.

Arrangements Committee: George L. Morris, Hornblower & Weeks.

Publicity Committee: John M. Flynn, II, E. W. Clark & Co.

Attendance Committee: Norbert W. Markus, Smith, Barney & Co.

Pennsylvania Brevities

Philadelphia Traders Party

Despite wartime restrictions in the victual and liquid refreshment departments, the Philadelphia Investment Traders Association loudly proclaims there is no rationing of good fellowship. The Association's annual Midwinter Dinner will be held Friday, February 11, at the Benjamin Franklin Hotel and advance reservations indicate an attendance of approximately 400.

Chairman Alfred W. Tryder, H. T. Greenwood & Co., who, on occasion, does tricks with points in his daily trading, has laid aside enough to provide a sumptuous table. The "soda bar" presented something more of a problem. Spirits have been strictly rationed in Pennsylvania since November. Allowable per capita purchases, at present amounting to one "fifth" over a five-week period, are, strangely enough, regarded as niggardly. Members of the Association, like good little squirrels, have hoarded sufficient gallonage to stock the premises and challenge the collective thirst of all in attendance. Entertainment, headlined with a plethora of pulchritude, will be customarily lavish.

The dinner will be dedicated to the 43 members of the Association now serving in the armed forces.

Major Herbert H. Blizzard, Herbert H. Blizzard & Co., stationed at Shaw Field, Sumter, South Carolina, keeps in touch with his broker friends by occasional issues of his "Blitz Bulletin." The "Sherbert from Herbert," as he calls his mimeographed news letter, is couched in Herb's well-known trenchant style.

Benjamin Brooks, W. H. Bell & Co., continues to guide and supervise trading activities in the forenoons while rolling with the punches at Keasby & Mattison, Ambler, Pa., manufacturers of asbestos pipe, from 3 to 11 p.m. daily. Ben lost a debate with his local draft board lately. Until his next birthday, in May, it was a question of G.I. or else. On the nervous seat in the same office are Edward J. Caughlin and Randolph Fernon. Safely over the hill is collaborator Almon L. ("Old Hutch") Hutchinson of Buckley Brothers, who celebrated an advanced natal day last week.

Effective the first of the year: appointment of Charles L. Wallingford as co-manager, with Henry B. Warner, of trading department of E. H. Rollins & Sons.

Edmund J. Davis, vice-president and manager of the trading department of Rambo, Keen, Close & Kerner, has signed up for a series of blood donations. "I've got too much 'pep'," says Eddie. Informed observers believe he is running high pressure over a Certain Party.

Corporation Notes

Although gross revenues of Pennsylvania Railroad for 1943 established a new record of $979,773,155, against $838,474,623 in 1942 and $614,041,163 in 1941, net income for the year was some $16,000,000 less than in 1942. Common stock earned $6.49 per share in 1943 against $7.07 in the preceding year. Increased tax liability and an accrual of $20,000,000 for back pay under the retroactive wage awards brought about the lower net income figure.

The Pennsylvania, which has turned in an outstanding performance in handling wartime traffic, both passsenger and freight, reports 41,101 employes in the armed services, 92 of whom are goldstarred.

York Corporation common stock, a popular favorite and a heavy trader in the unlisted market for the last eight months, made its debut on the New York Stock Exchange January 31. Opening at 11¾, it was up ¼ from the last over-the-counter transaction.

Earnings of Muskogee Company, Philadelphai - managed railroad holding company, are expected to approximate $1.50 per share on the 202,182 common shares outstanding. This will compare with the $0.96 reported in 1942. Common stock has paid dividends without interruption since 1928 and at the present rate of $0.75 since 1940. It is tax free in Pennsylvania.

Stockholders of Lukens Steel Co. have been advised that the annual meeting, scheduled for Feb. 8, has been postponed until Feb. 23, to allow more time for the preparation of the annual report.

Bankers Securities Corp. reports net profit of $681,936 for 1943, after deducting $201,248 for adjustment of securities values. This compares with profit of $223,679, after deductions of $352,331, in 1942.

Assets of $896,963,356 as of December 31, highest in company's history and an increase of $48,270,665 for the year, were reported by John A. Stevenson, President of Penn Mutual Life Insurance Co., in his annual report to the board of trustees.

(Continued on page 507)

Carter Elected Pres. Of Securities Ass'n

PHILADELPHIA, PA.—Harold F. Carter, Hornblower & Weeks, has been elected president of the Philadelphia Securities Association, composed mostly of retail salesmen. Other officers elected: William V. McKenzie, Paine, Webber, Jackson & Curtis, vice president; George K. Dorsey, Reynolds & Co., treasurer, and Henry R. Hallowell, Eastman, Dillon & Co., secretary. Elected to the board of governors: Herbert F. Gretz, Fidelity-Philadelphia Trust Co., William B. Ingersoll, Stroud & Co., Harry B. Snyder, Yarnall & Co., Harold J. Williams, Boenning & Co., and H. Clifton Neff, Schmidt, Poole & Co.

City Of Philadelphia Bonds

INVESTMENT RATING RAISED

In the past few years the financial condition of the city of Philadelphia has shown an outstanding improvement. Because of the astute financial management of the city and the definitely improved financial structure which now exists, one of the outstanding investment services recently realized that the investment quality rating should be raised. This took place a few weeks ago when Moody's changed the rating from Baa to A.

With this higher rating the bonds of the city of Philadelphia will no doubt find their way into new accounts. It definitely opens the door to the portfolios which were restricted from investment therein due to the investment services credit rating.

Let us take a look at the record and see why this higher quality rating is justified.

Philadelphia, the third largest of American cities, is an important seaport and distributing center, being located on the highly navigable Delaware River. The city is one of the world's greatest workshops. It contains over 4,500 separate manufacturing places, employing hundreds of thousands. Manufacturing is the chief industry and includes textiles, metals, electrical supplies, chemicals, locomotives, airplanes, shipbuilding and various other industries. Because her industries cover a range of several hundred lines of employment, the city's prosperity does not depend upon mass production of a limited number of products, as in most great manufacturing centers. This fact alone should be very helpful during the period of transition after the war.

The city owns and operates its water works system, sewage disposal plant, public markets, shipping piers and airport. It also owns certain street railways and its gas works which are operated under lease agreements.

For many years the city was forced to operate under an unbalanced budget. To rectify this condition it was necessary to take drastic economic measures.

In May, 1939, the rentals of the city's gas works were assigned by the city to a trust for an initial period of 18 years. Against this $41,000,000 gas revenue trust certificates were issued. These funds enabled the city to balance the budget for the first time in many years.

To keep this budget balanced it was necessary to find additional annual revenues. The angel this time came in the form of a gross income (wage) tax. On Jan. 1, 1940, a 1½% tax on wages, salaries and commissions became effective. The levy is specifically on earned income, exempting income from investments. The tax is collectible at the source and employers are required to make payments monthly. The tax has netted city as follows:

1940	$16,283,820
1941	18,377,900
1942	24,762,041
1943	20,761,883

This wage tax in 1942 was 27.76% of total current receipts. In December, 1942, City Council realized that it was not necessary to have a 1½% rate and so it was reduced to 1%, effective Jan. 1, 1943. The wage tax in 1943 was 24.23% of total current receipts even after the 33⅓% reduction in rate.

The next outstanding economic measure taken was the large reduction in future debt service requirements. This was made possible by the unique voluntary refunding plans of 1941 and 1942.

Under the 1941 refunding plan operation there was a $131,064,000 refunding authorization. $83,389,200, or 63.6%, had been exchanged at the termination of the refunding agreement on June 15, 1942. The approximate saving to the city by the 1941 refunding plan is estimated to be $18,100,000.

Under the 1942 refunding plan operation there was a $162,296,000 refunding authorization. $99,991,400, or 61.5%, had been exchanged at the termination of the refunding agreement on Oct. 31, 1943. The approximate saving to the city by the 1942 refunding plan was estimated to be $27,710,000.

These two successful refunding operations should effect a saving to the city of approximately $45,800,000.

Philadelphia's Sinking Fund Commission closed the year of 1943 with assets totaling $140,970,697, which included $134,393,100 in investments and $4,523,011 in cash. During the year of 1943 the city's gross debt was reduced $10,480,700,

(Continued on page 507)

Phila. Traders Ass'n To Hold Winter Dinner

PHILADELPHIA, PA.—The Investment Traders Association of Philadelphia will hold its annual Mid-Winter dinner on Friday, February 11th at the Benjamin Franklin Hotel. The dinner will be dedicated to the forty-three members of the Association in the armed forces. Alfred Tryder of H. T. Greenwood & Co. is chairman of the dinner.

Advance reservations indicate an attendance of approximately four hundred.

Phila. Cashiers Name New Officers For '44

PHILADELPHIA, PA. — The Cashiers Association of Philadelphia announces the election of the following officers:

President: Norman W. Godshall, J. W. Sparks & Co.

Vice-President: J. J. Trueman, Jr., Harriman, Ripley & Co.

Treasurer: Howard Umstead, Stroud & Co.

Secretary: George Purvis, Jr., Drexel & Co.

Executive Committee: Harry Eisenhaus, Biddle, Whelen & Co.; Thomas Brennan, C. C. Collings & Co.; and Allen Hunter, Hopper, Soliday & Co.

City Of Philadelphia Bonds

(Continued from page 506)

the total as of Dec. 31 being $476,514,800. The Sinking Fund Commission owns $125,818,900 city of Philadelphia bonds or slightly more than 26% of the outstanding city debt. It also owns $8,574,200 in Federal Government securities.

Interest paid on the city debt during 1943 amounted to $19,987,294, a reduction of $704,528 from the preceding year.

FUNDED DEBT OUTSTANDING

	12-31-1939	12-31-1940	12-31-1941	12-31-1942	12-31-1943
Total outstanding not yet due	$533,450,600	$517,469,600	$506,660,600	$486,990,600	$476,509,900
Unclaimed matured loans overdue	18,700	7,700	12,400	4,900	4,900
	$533,469,300	$517,477,300	$506,673,000	$486,995,500	$476,514,800
City loans held by sinking funds	147,784,200	141,879,500	136,428,200	134,210,800	125,818,900
Net funded debt	$385,685,100	$375,597,800	$370,244,800	$352,784,700	$350,695,900

	12-31-1942	12-31-1943
Cash	$1,196,918.31	$4,523,011.14
Net debt	351,587,781.69	346,172,888.88
Government bonds held	-----	8,574,200.00

Collections of city revenue for 1943 were very good, receipts being $85,690,392, or $4,125,996 over the budget estimate. The principal increases were in current real estate taxes, wage taxes and the Philadelphia Transportation Co.

On Jan. 28, 1944, the city of Philadelphia celebrated its 259th birthday as a municipal government. A "go forward pledge" was given by all the city officials. It is more than likely the city will go forward as the City Planning Commission of Philadelphia is composed of the most competent men of the city. They have already performed admirably and their work in the future will be even better.

STATISTICS OF THE CITY OF PHILADELPHIA

September 30—	1943	1938	1933	1928	1923	1918
			(000 omitted)			
Funded debt unissued	$15,989	$4,989	$22,343	*$88,499	*$132,823	*$85,100
Funded debt outstanding	480,825	537,097	568,800	472,559	241,896	167,500
Held in sinking fund	139,049	141,919	127,796	101,482	56,940	33,781
Assessed valua. (real & per.)	3,070,557	3,456,332	4,162,012	4,454,559	3,044,231	2,490,409
Population	1,987	1,935	1,945	1,925	1,862	1,769

*Transit debt authorized, but not issued.

Pennsylvania Brevities

(Continued from page 506)

The Pennsylvania personal property tax has been reduced from 8 to 4 mills, with residents required to pay only the 4-mill county tax.

Evan Randolph, President of Philadelphia National Bank, reports for 1943 the largest net earnings from current operations in the bank's history, amounting to $5,870,116 against $4,548,608 in 1942.

Local interest has developed in the "when issued" common stock of Southern Colorado Power Co., which will presently be available through the exchange of Southern Colorado preferred stock in the ratio of 10 shares of new common for each share of old preferred. The refunding, last December, of $6,763,400 1st mortgage 6s through the issuance of $5,500,000 3½% bonds and $1,200,000 notes will provide savings in fixed charges of about $250,000 annually.

The distribution of Delaware Power & Light common stock to the stockholders of United Gas Improvement Co., in ratio of 1 share Delaware for each 20 shares U. G. I., was approved by the SEC on Dec. 28, 1943. Directors of U. G. I. have called a special meeting of the stockholders for Feb. 29 to act on the distribution. It is expected that physical deliveries will be made about May 22. With Delaware actively traded on a when issued basis around 14½ the indicated value of the distribution would be about 70-75 cents per share of the U. G. I. On this basis, and when issued market for U. G. I., "ex-Delaware," is already quoted 1¾ to 2. A third market for U. G. I. common shares, based on the proposed 1 for 10 reverse split-up, may be expected at any time. A present indicated market would be 23 bid, 25 asked.

Securities of Pittsburgh Railways Co. system have broadened in demand and strengthened in price with the publication of the Associated Press dispatch January 27 (see page 62, The Commercial & Financial Chronicle, January 6) that creditors had proposed termination of the bankruptcy proceedings originated in 1938.

The next step to be expected is a reply from the Philadelphia Company, parent of the Railways, indicating a willingness to proceed with a discussion of ways and means of accomplishing this purpose.

General Steel Castings Corp. has announced that, in 1943, the company purchased and retired $2,000,000 first mortgage 5½s, leaving a total of $12,280,000 outstanding, of which $3,323,000 are held in the treasury.

OUR REPORTER'S REPORT

Underwriting people, when they find time out for pushing the the Fourth War Loan Drive these days, are inclined to look with hopeful anticipation past the middle of the current month when they will be free once again to pursue their regular business.

While not encountering too much free time just now they are able to visualize, judging from sporadic discussion, the promise of a fairly vigorous period of activity in the corporate issue market.

Just now when the occasion affords, there is considerable discussion of several undertakings which are looked upon as likely to materialize soon after the Treasury withdraws from the money market.

Largest of such issues immediately in sight, now that the vast Niagara Hudson Power Corp. refinancing has received a setback, is the prospective refinancing by Armour & Co., which is expected to entail new securities running up around $75,000,000.

Much of the preliminary work looking toward the accomplishment of this big job was carried through last Fall when the company absorbed its major subsidiary, Armour & Co. of Delaware.

The latter firm had outstanding $62,268,000 of 4 per cent sinking fund bonds in two series due in 1955 and 1957. In addition it had $15,000,000 of five-year 3 per cent notes held in the portfolios of a group of insurance companies.

Port Authority Vs. Treasury

The long litigation between the Port of New York Authority and the United States Treasury, growing out of the efforts of the latter to have interest on the Authority's bonds held subject to federal taxation, moved nearer to final showdown last week when the United States Tax Court ruled against the Treasury.

But in handing down its decision, the sixteen-judge court split 10 to 5 with one Judge not participating, and, what was more important, the court gingerly sidestepped the element of constitutionality of the Treasury's claim.

The ruling in favor of the Authority was based on a clause in the Revenue Act with the majority opinion holding "We take the view that the interest in the question is free from tax because it falls within the express exemption contained in the applicable Revenue Acts."

Consequently, it is the consensus in bond circles that the Treasury will now carry its case to the Supreme Court in due course.

Big Industrial Issue

Another sizeable piece of prospective new business was added to the futures list of underwriters with the announcement by the Phillips Petroleum Co. of its intention to file necessary registration for $40,000,000 of new securities.

The company proposes to issue and sell $40,000,000 of new 2¾ per cent debentures to mature 1964 and the registration is scheduled to go through some time this week.

Looming up as an early market operation to follow the current War Loan Drive, this undertaking will provide the company with funds for repayment of outstanding bank loans to replenish its working capital.

Florida Power Corp.

Sale of Florida Power Corporation's $16,500,000 new first mortgage bonds promises to bring out lively competition when the bids are opened on February 21.

Unless the proposed schedule is upset in the meantime, it now appears that this company's refinancing will be among the first, if not the first, to reach market in the wake of the Treasury's operation.

Four separate banking groups are known to be working up their bids, and since the issue is of dimensions which can be readily handled it would not be surprising to find the field much larger as the time comes for bankers to breast the tape.

Finland Redeems Bonds

Holders of 22-year 6% external loan sinking fund gold bonds due September 1, 1945 of the Republic of Finland are being notified that $380,000 principal amount of these bonds will be redeemed on March 1, 1944 at par and accrued interest. Redemption will be made at the head office of the National City Bank of New York, 55 Wall Street.

Want FHA And FHLBS Made Separate Units

More than three-fourths of the members of the Mortgage Bankers Association of America, participating in a fact-finding poll just completed, believe that both the Federal Housing Administration and the Federal Home Loan Bank System would better serve the purposes which Congress intended they should if they were separate agencies and not a part of the National Housing Agency.

Advices from the Association added:

"The study shows that 80% of the MBA members in 100 cities in 40 States, whose opinions are represented in the findings, believe that FHA should be a separate agency as it was when organized. Seventy-eight per cent think the same way about the Federal Home Loan Bank System. Dissenting opinions reflect the general view that centralization of housing, housing financing, and insurance of housing loans is preferable. Members favoring separation say that both agencies have specific functions to perform in the housing and financing field and can best perform them as independent units and not as part of NHA, according to Charles A. Mullenix, Cleveland, Chairman of the Association's Washington Committee.

Wool Associates Elect

Frank J. Knell, President of the Wool Associates of the New York Cotton Exchange, Inc., announces the election of Arthur N. Gorham to membership in Wool Associates. Mr. Gorham is Treasurer of the firm of Greene & Gorham, Inc., Boston.

Some Thoughts On Post-War Banking

(Continued from page 498)

alyzing effect on the freedom and initiative of banking and bureaucracy will flourish.

Guaranteed credits will mean in effect a guarantee of suicide for private banking. This seductive device for taking the risk out of loans leads automatically to taking away the justification for the existence of the banker.

Guaranteed credits in peacetime point the way to socialized banking.

Total Loans And Investments

Banking is the only major industry which will increase its volume two and one-half times during the war and hold all of the gain in volume after the war.

Volume is measured by loans and investments. For the system as a whole (that is, excluding savings banks) commercial bank loans and investments are estimated as follows:

Pre-war 1939:	
June 30	$39,274,000,000
Today 1943:	
June 30	76,634,000,000
Dec. 31 (est.)	87,000,000,000
Post-war 1947:	
(Est.)	105,000,000,000

Upstate banks, that is, all New York State commercial banks outside New York City, had loans and investments pre-war, June 30, 1939, of $2,731,000,000; (Dec. 31, 1943 is estimated at $4,000,000,000) and will have post-war of about $5,500,000,000. During the war, up-State New York banks have increased loans and investments only about 50%, as against more than twice that percentage for all banks of the nation. They have shared poorly in the increase, but by the same token they will probably make up for this in the post-war period when the return flow of population occurs.

In 1939, up-State New York banks had 7% of loans and investments of all banks. Today they have only 4.5%. After the war they are likely to rebound to about 5.5%, perhaps a little higher, but not to the full 7%.

War with all its horrors is a blessing in disguise in one sense, namely, that it creates a volume—loans and investments — under which private banking has a chance to earn enough to survive with cheap money.

For banks, the war makes two or three blades of grass grow where one grew before. The increase is thrust upon you. You did not create it; war was the creator. Nothing can take it away from you except politics, and today the political trend is strongly to the right, which means not only that the war saved the banks from the New Deal but also that free enterprise and private management are the correct assumptions to make for the coming peace.

I am talking volume, volume showered upon you by war, volume not at all of your asking, volume that you really did not want, but now that it is yours anyway, it is here for keeps and the only question is: Can you use it to help create jobs throughout your local communities for the men, now fighting and dying on the battlefronts of the world, when they come home?

Government Portfolio

The true purpose and function of Government portfolio in the years ahead will be to act as a great stabilizer of bank earnings.

After the war, the Government will be paying the commercial banks as a whole about $1,200,000,000 per annum in interest on governments held by the banks. Continuation of that source of income is a balance wheel on bank earnings. It assures bread and butter earnings year in and year out and eliminates the violent fluctuations of the past.

Once this point is grasped, it becomes possible to go from negative to positive in thinking about Government portfolio. By negative, I mean the currently popular notion that Government portfolio is to be looked on as a fire hazard, a grave risk because of a possible tightening of interest rates. By positive, I mean a philosophy of putting to constructive use this new tool of banking.

Government portfolio looming up as a major part of total assets is a new product due to the war. Its very newness causes tension and nervousness. But as time goes on the pilot becomes accustomed to his new power and feels at home at the controls. So must it be as the banker becomes habituated to Government portfolio. He will ask: What is the function of this new instrument? And he will answer: It is a great stabilizer of earning power.

There are widespread groups of financial authorities who spend most of their time worrying about higher interest rates and worrying about the effect on market value of portfolio. I am not here to predict interest rates; I do not know of anybody who can truly predict them, but I gravely doubt whether the Government is going to be willing to pay the commercial banking system more than about a $1,000,000,000 a year for banking services in connection with the debt.

In the post-war world, what will a Government portfolio look like? To sharpen the question let us pick a particular year, say 1947.

In a typical well-run bank, outside a few of the largest cities, the average of maturities will be slightly longer than now and will be in the neighborhood of a little over five years. The proportion in longer maturities will have increased slightly.

The average rate of return on total investment will be about 1.75%. If the actual yield on a five-year obligation is 1.5%, the return on a portfolio averaging five-year maturities will be not 1.5 but about 1.75%. This automatically has to be true for a bank which adheres to revolving maturities in the present pattern of interest rates. In other words, with interest rates standing still, rate of return on portfolio will increase considerably in a spaced maturity program.

Will presently outstanding 2% bonds of 8- to 10-year maturity be above or below par in 1947? I think they will be at par or above, because five-year money would have to tighten to above 2% as against 1.5% now in order to put them below par. That much tightening is unlikely.

Commercial Loan Demand

Seven billion dollars is the increase in commercial loans above pre-war needed to finance post-war recovery and re-employment of labor.

The comparisons with other years are as follows:*

Total Outstanding

1939	$10,400,000,000
1943	12,300,000,000
Post-War (1947?)	17,000,000,000

*As used here, commercial loans include all loans except those classed as security loans and "other" loans. The figures relate to all banks, excluding mutual savings.

Thus the post-war level of commercial loans is expected to be about 70% above pre-war and about 40% above the present level. This target should be reached within one to two years after the war is over with Japan as well as with Germany.

The country is flooded with post-war planning. Everybody is telling industry what it must do in order to provide full employment after the war. I am merely saying that the bankers of the country will have done their part in meeting the post-war challenge by supplying loans of $5,000,000,000 in addition to the amount now outstanding, which means bringing them to a level of 70% above the pre-war level of 1939. This is the job expected of banks.

More than a third of the increase will take the form of consumer credits, either as direct loans to customers or as loans to credit companies.

In the popular thought of the day on this subject there are two extreme schools of thought. The first stresses the sharp increase in cash balances of corporations, the report that corporations own 70% of the increased demand deposits and in general the cash-rich position of industry. This line of thought leads to the theory that corporations will have no need for additional loans after the war.

The second school of thought goes to the opposite extreme. It uses the working capital shortages of war businesses, such as aviation and shipbuilding companies. It points to the problems of termination of contracts and to the fact that some companies will have working capital equal to only two or three weeks' payroll. It sees all of the marginal and submarginal situations in industry. As a result, this school envisions tremendous demands on the banks and worryingly asks: Where is the money going to come from? Suggested needs run into fantastic figures.

It is my belief that neither of these extreme schools of thought is on the right track. They single out one feature of the whole problem and push it too far. The truth is somewhere in between such extremes, and therefore I trust that the calculations herein submitted are down-to-earth and realistic.

Of what practical value are such calculations to an individual bank? I realize the difficulties in trying to answer this question. Greatest of these is the differences between individual banks. Obviously the small country bank up-State is in a position very unlike that of a big New York City institution. Banks in some of these highly stimulated war centers face problems different from those confronting banks in towns and cities which have actually lost population during the war. In the main, New York State has in this respect a far less serious problem than has California. Also, there are sharp differences between individual banks in initiative in going after loans.

Nevertheless, I suggest an approach: Set up a target to shoot at—loans to commerce, industry, agriculture, and consumers in the second post-war year 70% above December, 1939. Regard this as the bogey, the objective. Then adapt and modify this general target by study of local conditions. In making such a study don't exaggerate your individual departure from the average. There is a temptation to make excuses for an individual's failure to come up to the average, to develop an alibi for not being able to set up an objective as high as the other fellow's.

This temptation is especially easy to accept if you are a country bank. A great many country banks have had loans paid off during the war. People have tried to get out of debt. With farm prices high, many borrowers have for the first time seen a chance to pay off their obligations. The loans paid off bore a much better rate of interest than can be obtained from Government bonds. In many cases competition of Government-subsidized credit agencies have been serious. But why enumerate further?

As soon as farmers can buy again, without restriction, trucks, tractors and equipment of all kinds, they will be eager to take advantage of the opportunity. Many returning soldiers will want to start in normal life again by going back to the farm, and they will seek financial aid. Thus there are dynamic possibilities ahead.

Moreover, every rural community is sure to be a center of unprecedented activity in durable consumer goods. There will be a period in which new automobiles will be produced at the rate of about 6,500,000 cars per year. Electrical appliances of all kinds will be turned out on a similar scale. Local dealer organizations will have to be rebuilt. Demobilized soldiers will want to reopen their little shops and small businesses of one kind or another. All of this spells potential bank accommodation. The situation looks far more dead today than it really is, and it will come to life with a bang when the war is over.

Loans and Employment

A study of history shows that most post-war periods have found bank credit used to finance speculation. The coming post-war period will be judged by the degree to which bank credit is used to finance employment.

After World War I substantial amounts of bank credit were used to finance speculation in commodities, in farm lands, and in foreign loans. In later stages of that post-war period bank credit was used to finance speculation in common stocks.

If history repeats itself there will be strong temptation after this war to extend bank credit in directions which feed speculative appetites. The lines of speculation may be different from those in previous post-war periods. The temptation should be resisted at all costs.

In the coming peace banking will be judged by the extent to which it aids in the creation of jobs for men returning from the armed services and for men returning from war plants. Directly banks cannot contribute a great deal to reemployment of labor because the number of persons on their own payrolls will be limited. Indirectly the banks can contribute a great deal to employment throughout all industry by making credit available where it is most needed for an employment purpose.

The acid test of post-war loans will be whether they help to avert the threat of a great wave of unemployment. The banks should advertise to the public that they are doing everything in their power to meet this test. The emphasis in public relations should be that loans help to create jobs. If this idea is properly presented to the public there will be a strong public opinion in support of private banking.

There is some danger that such a program may result in the financing, not of true employment but of inflated wage rates and inflated labor costs. If that were to be the result, bank credit would again be serving the purpose of financing speculation, this time speculation in high wage rates rather than high commodity prices or high common stock prices. The protection against this danger in the coming post-war period would seem to be careful discrimination by banks between high-cost and low-cost borrowers. Loan accommodation should favor producers and merchants who are trying to lower the cost of living.

Ins. Stocks Interesting

The Mackubin, Legg Casualty Index registered an increase of 2.3 points for the month of December and 16.6 for the year. Copies of this interesting Index, containing a comparative chart of the action of fire and casualty stocks, with a table of high, low and closing bids for 1943 and net year end changes 1942-1943 for 82 insurance companies, may be had upon request from the Insurance Stocks Department of Mackubin, Legg & Co., 22 Light Street, Baltimore, Md., members of the New York and Baltimore Stock Exchanges.

Lt.-Gen. Vandegrift At NYSE Bond Rally

Lieutenant - General Alexander A. Vandegrift, Commandant of the United States Marine Corps, recently returned from the Southwest Pacific where he led the Marines in the Bougainville invasion, was the guest of honor at a Fourth War Loan rally on the floor of the New York Stock Exchange on Tuesday, Feb. 1, at 3 o'clock. Arrangements for the rally were made in cooperation with the War Finance Committee of the State of New York.

General Vandegrift told those who attended the rally that "We are moving into position to converge on Japan from all directions; the actions we have taken —and are taking at this very moment — are preliminary to the main operation; the actual converging is far from being in full swing."

Emil Schram, President of the Exchange, reported that in the eight business hours up to 5 p. m., $104,000,000 of Fourth War Loan bonds had been sold by the Stock Exchange community. Total sales by the community for the drive to date, he added, exceeded $500,000,000. The day had been set aside as New York Stock Exchange War Loan Day. On the occasion of a similar rally in the Third War Loan, the Stock Exchange community turned in sales of $55,338,870; for that drive its sales aggregated $1,040,037,518. Also participating in the rally were Joseph A. Bower, Director of the Banking and Investment Division, War Finance Committee of New York State, and Wm. Randolph Burgess, Chairman, War Finance Committee of the State of New York.

The floor of the Stock Exchange was appropriately decorated for the rally, featuring a 50-foot American Flag suspended from its lofty ceiling and music was provided by the U. S. Army Band from Fort Jay. Conrad Thibault sang the National Anthem, which commenced the rally at 3:05 o'clock, and The Marine Hymn. The Creed of the Rifle was delivered by Marine Sergeant Dana N. Babcock.

Preceding the rally on the Exchange floor, the 786th Military Police Battalion from Governor's Island presented a precision drill in Broad Street. The highlight of this colorful drill was the presentation of the colors to the battalion by Julette Foster, a Stock Exchange page girl, whose father, Col. Valentine P. Foster, U. S. Army, in command of Fort Hughes, Fort Drumm and Fort Frank at Corregidor, was captured by the Japanese.

FDR Urges Cities Plan Public Works

President Roosevelt in a message to the United States Conference of Mayors in Chicago, urged on Jan. 19 that planning be undertaken now by State and municipal authorities to supplement the national program of post-war public works.

The President's message said:

"The Federal Government can and will plan great national programs to aid veterans, to create employment for those leaving war industries and to meet the new problems of the post-war world.

"We must get as many worthwhile projects as possible fully planned from initial study to final blueprints so that as war production ends these projects can be activated to take up the inevitable slack in the industrial field as manufacturers change over from war to civilian production. To supplement the national program, special work must be provided where possible by State and municipal authorities."

Will Deposits Decline?

(Continued from first page)

deflation might take place (unless by handing the money back to the depositor so as to liquidate the banking busines, or through the sale of bank stocks by tne billions). Are they likely to be operative after the "duration"?

Voluntary Liquidation

A voluntary liquidation of **loans** on any major scale is most unlikely to happen. Why should the banks want to get rid of their loans unless to exchange them for other and more lucrative assets? "Slow loans" were eliminated some time ago, and the commercial portfolios are supposed to be on the whole in excellent shape. The banker has no interest in losing earning assets which are reasonably liquid and of good quality. As a matter of fact, an expansion of the credit business rather than a retrenchment is to be expected.

To some extent, the same holds for bond portfolios as well. The banks will keep at all times a considerable part of their assets in the form of short-term government paper as a quick asset, and of medium or long-term certificates as an investment. True, bond portfolios totalling almost $70 billions—more to come!—are disproportionately large from the point of view of rational banking policy. The desire to reduce them is most likely to arise, if it has not arisen already. But could the liquidation of bonds take such dimensions as to affect seriously the deposit volume? Inasmuch as the banks would rid themselves of bonds and use the proceeds to lend money on commercial accounts, the change in the composition of assets would leave the deposit volume unaffected. The same holds for a shifting of portfolios from one bank to another. In other words, a reduction of the deposit volume can be expected only if the proceeds from the liquidation of bonds are kept in cash.

But who would give the banks the cash in exchange for their portfolios? Could they be sold (without losses which might wreck the banks) to the public? After the war the public will be pretty well saturated with savings bonds and similar paper. As it is, up to 20% of the currently subscribed war bonds flow back to the Treasury. All indications are that after the war, the investor will be inclined to cash in on them rather than to buy more. By that time, it will take a very **substantial raising of the interest rate** to make large issues of bonds palatable to the investing public. Disregarding minor changes in the make-up of the national debt, it is most unlikely that tens of billions will be converted, in the visible future, into obligations of a considerably higher yield, so as to permit their shifting from the banks to the public. But any attempt to do so would not only greatly increase the Treasury's burden in servicing the debt. It may actually compel it to convert the total national debt to higher rates, and to create critical disturbances in the capital market.

Forced Liquidation

Nor is it possible that either the Treasury itself or the Federal Reserve System would be able to absorb the shock of a major bond liquidation. Treasury deposits, large as they may be at the close of bond campaigns, will not be available for debt retirement. How much more tax revenues can be squeezed out of individuals and corporations, so as to permit the repurchase of bank-owned bonds in measurable quantities? It is even doubtful, in view of the vast post-war commitments at home and abroad, and in the face of the growing pressure toward reduction of tax rates, whether an early balancing of the federal budget will be accomplished.

As to the Reserve System's ability and willingness to take over the bonds from the banks, the shock might turn into a financial earthquake if the central bank embarks on "money printing" on such a vast scale as would be necessary for the purpose. Already, its portfolio has been inflated to $11 billions, and its reserve ratio reduced to little over 60%.

Theoretically, the authorities could force the banks to unload, such as by raising the reserve requirements. In practice, they can neither force liquidation, nor even permit it to happen. With little prospect of an early balancing of the budget, with an over-strained tax machinery, and with an overloaded Reserve System that needs unloading itself—bank portfolios as a whole have to stay after the war where they are. That means that bank deposits will remain where they are, too, unless the public asks for their conversion into cash, and is permitted to do so.

Paying Out Deposits

Deposits may vanish into cash if the depositor so wishes. The unprecedented hoarding of legal tender during the war has slowed down, by many billions, the rate of increase of bank deposits, and the question is whether this hoarding of cash will continue after the duration.

Of course, the public propensity to hoard and dishoard is unpredictable. But there are some fundamental factors at play which it is reasonably safe to gauge. In the first place, the record volume of cash in circulation (increased in 4½ years from $6 billions to well over $20 billions) is functionally related to the doubling of the national income in the same period. The higher the paid-out national income, the larger percentage of it is "saved," especially in war-time; the less money is being spent, the more is likely to "stick" to the pocketbooks. As soon as we stop inflating the national income, there should be no further automatic increase in the volume of cash hoarded.

Moreover, war-psychology is inducive to cash hoarding, for motives as irrational as ancient. With the ending of the war, such motives are bound to subside, with at least some amount of dishoarding to follow. The dishoarding may be further enhanced by the back-flow of dollar notes held in foreign countries, unless runaway inflations abroad should cause more export-demand for dollars.

Other elements influencing the magnitude of hoarding, such as the shifting of the working population from and to industrial areas, the increased use of cash due to the growth of illegal (black) markets and to inheritance tax-evasion, etc., may or may not change, but they are not likely to be more effective after than during the war.

War, revolution, run-away currency inflation, and financial panic are the four conditions under which great changes in the hoarding habits occur. It should be axiomatic that all four are ruled out for post-war America. A run on the banks, in particular, is ruled out under circumstances when their assets consist overwhelmingly of cash and of government paper that is eligible for rediscount. In short, there is good reason to assume that cash in circulation—outside the banks—will not continue to increase once the national income stops rising. A decline of the national income, on the other hand, need not affect the deposit volume at all, while it is likely to bring about some dishoarding.

Deposits To Stay

All of which adds up to the conclusion that, by and large, the **total** deposit volume is likely to maintain the high level which it will have attained by the end of the war period, or more precisely, by the end of the era of deposit-inflation. (Presumably, it will be a much higher level than the present one.) This future stability presupposes two things: that the national budget will then be balanced, and that the vast amount of purchasing power in process of being accumulated will be kept more or less under control. Otherwise, the deposit volume would continue rising.

The long-run stability of deposits refers to their total quantity, not to their distribution between regions and localities. Obviously, the reshuffling of the national economy into peace-time occupations, and the consequent geographic dislocations, cannot fail to alter the relative position of individual banking centers. New York is likely to gain corporate as well as individual deposits, but might lose bankers balances. With the return to economic normalcy, the West Coast and similar areas of wartime prosperity will lose financially as well as industrially.

The banking system as a whole stands to benefit by the stabilization of a greatly magnified deposit structure. But the price it will have to pay for it will consist in **holding the government bonds,** short or long paper, **in a practically permanent fashion.** That does not mean necessarily an administrative "freezing" of the institutional portfolios. It all may work in a more or less voluntary fashion, under the guidance (and pressure) of the central bank. Whenever the banks will be called upon to pay out, the facilities of the Reserve Banks may be made available. Bonds will be paid on maturity, provided the institutions repurchase new ones. The technical liquidity of the system need not be affected, nor its solvency. But it will have to be "co-operative," by avoiding every major attempt to liquidate bonds, and by restricting commercial credit activities so as to avoid the need for the liquidation of bonds. In other words, the functional change in banking that developed since the great depression, changing the banks from overwhelmingly commercial to predominantly investing (bond-holding) institutions, is likely to stay with us "for good."

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

Attractive RR. Situation

The current situation in Minneapolis & St. Louis Railway Co. (a new company) offers interesting possibilities according to a circular issued by A. A. Bennett & Company, 105 South La Salle Street, Chicago, Ill. Copies of their study of the situation may be had upon request from A. A. Bennett & Co.

Mutual Funds

A Misnomer

For years this column has been written under the heading, "Investment Trusts." That is a misnomer. The companies with which this column is mainly concerned are open-end funds with redeemable shares. They are the "mutuals" of the investment company field.

Mutual investment funds operate on the same principle as mutual savings banks and mutual life insurance companies in that they provide the facilities for a large number of people to join together in a MUTUAL enterprise for the attainment of specific investment objectives. Because of the "public" nature of these funds and their growing importance in the investment field, they have understandably become subject to increasingly careful State and Federal regulation.

While it is too early for the mutual funds as a group to have achieved the state of venerability and public confidence now enjoyed by the mutual savings banks and mutual life insurance companies, it is not too much to hope that a further period of seasoning will win for them such recognition. A continuing purpose of this column is to make whatever contribution it can toward the achievement of that goal. In the interest of clarity therefore, the heading has been changed from "INVESTMENT TRUST" to "MUTUAL FUNDS."

* * *

Before leaving the subject of mutual funds, as differentiated from the heterogeneous group of companies known as investment trusts, we should like to make reference to an article which appeared in the "Chronicle" three weeks ago under the heading "Are Investment Trusts Asleep?"

While we do not feel either qualified or obligated to answer the thesis of that article with respect to the closed-end investment trusts, we would like to emphasize the point that it had no application whatever so far as mutual funds are concerned. And we might add that, far from being asleep, no segment of the American financial community is more aggressively wide awake than are the managements of the leading mutual funds.

* * *

Tenth Anniversary

On Jan. 12, 1944, **Group Securities, Inc.** completed its tenth year of operation. **Distributors Group, Incorporated,** the sponsor of this fund, reports that Group Securities, Inc. now has assets of over $20,000,000 and shareholders numbering more than 10,500.

Last year was the best in the company's history. "Total sales of all classes of Group Securities last year amounted to $12,348,402. This volume was achieved by 299 investment dealers and brokers. For this job of distribution they received a total compensation of $750,619.

"Sales were over three times as great last year as in 1942 and approximately twice as many dealers participated in the distribution of shares."

The record of Group Securities, Inc., particularly the rapid growth last year, adds another sterling performance to the growing list in the mutual fund field. We take this occasion to congratulate Group Securities, Inc. and

(Continued on page 513)

Subsidies And Price Control

By C. NUGENT WEDDING*

The highly controversial subject of subsidies is a question which should be of great interest to Americans at the present time because of the possible far reaching effects of the use or misuse of these monetary outlays.

The purpose of this brief discussion of this pertinent subject is (1) to show what subsidies have been and are now being used in the United States; (2) to present the most frequently heard statements in favor of and objections to the use of subsidies; (3) to attempt to evaluate these points in the light of our present wartime emergency.

Present Uses of Subsidies

Subsidies have been used in the price control programs of Great Britain, Canada, Australia, New Zealand, and Germany with a success which, according to officials of these governments, justifies their continued use. And in spite of Congressional debate on the subject and general opposition to a subsidy program, subsidies have also been and are being widely used in our own country. According to "Business Week," 16 wartime subsidies amounting to an annual expenditure of $720,000,000 a year were in effect by May, 1943.[1] These direct payments and absorptions by the Government include expenditures for increased transportation costs on sugar, coal, and gasoline; insurance premiums on transportation of coffee; premiums paid for production of high-cost copper, lead, and zinc; subsidies on cheese production, oilseed crushing and processing.[2]

The first subsidy to compensate for proposed wage increases was authorized June 11, 1943, by the Office of Economic Stabilization.[3] This was a subsidy granted to vegetable packers of four vegetables: canned green peas, snap beans, sweet corn and tomatoes. Previously ordered subsidies had been based on increased costs of materials or transportation, or the encouragement of production. These war subsidies are being paid for principally from funds of the Commodity Credit Corporation at a cost of approximately $5,000,000 a year. In describing the action Vinson says: "The program will maintain fair and equitable returns for the canning industry, at the same time preventing increases in the consumer prices of essential cost-of-living items."[4]

In regard to the subsidy paid to producers of copper, lead and zinc, this subsidy is not an across-the-board payment to all mining companies producing these ores; it is paid only to those marginal producers whose output is necessary to provide an adequate supply of these minerals for war production. The alternative to these subsidy payments, if these mines are to continue production, is to permit the price level of these essential minerals to rise to a point sufficiently high to enable all necessary producers to operate at a profit. This premium price plan for copper, lead and zinc has been operating since February, 1942. According to Office of Price Administration estimates, the Government saves at least $28 for every dollar spent through the use of the copper subsidy.[5]

Needless to say, most of those individuals objecting to a subsidy program are not referring to this type of subsidy when they voice their protests. The subsidies discussed thus far have been accepted with little or no opposition. The use of subsidies as a principal device to "hold the line" with respect to the cost of living is a subject of much greater controversy.

In Support of Subsidies

The advocates of the use of subsidies on food and other cost of living items maintain that, in addition to incentives to farmers to increase their production, to produce certain much-needed items in preference to others, this method is less inflationary and more equitable than if a general price rise were permitted with the consequent demands for higher wages; and payment of subsidies is less costly to the Government, largest consumer in wartime, than a general price rise would be.

In a statement comparing the costs of price rises and subsidies to the consuming public, Leon Henderson, former Price Administrator, said: "It (a price rise) will cost two or three times as much as subsidies, but the big item is that since it adds to the cost of living then that will become a claim on the part of wage earners for an increase in their wages, and that will in turn lead, unless it is restrained, to a demand for an increase in price, and we would be in the inflationary spiral."[6]

Also, in support of subsidies: "The great advantage of incentive payments is that they encourage production of needed farm products without an accompanying price rise of those products. The marginal farmer whose costs are high and the farmer who, lacking a monetary inducement, would grow some less essential crop, can be brought into a Government's production program by a relatively small outlay of public funds."[7]

In a radio debate on food subsidies Richard V. Gilbert, Economic Advisor to the Office of Price Administration, pointed out that the Government will spend $100,000,000,000 in the fiscal year 1944 and that the prevention of a 1% rise will mean an annual saving of $1,000,000,000 to the taxpayers. It takes much less than a billion dollars in subsidies to prevent a 1% price rise.[8]

In Opposition to Subsidy Program

The opponents of the cost-of-living subsidy contend that it is inflationary. If the subsidy accomplishes its purpose and actually does reduce the cost of living by a billion dollars, for an example, at a cost to the Government of one or two hundred million, have they not directly contributed to widening the inflationary gap by giving consumers $1,000,000,000 additional purchasing power?

They also contend that because of the high level of employment and the greatly increased purchasing power, consumers are well able to stand rises in the price level.

Dr. Lewis Haney, Professor of Economics at New York University, in favoring price rises and opposing subsidies, has stated: "In the first place, note that subsidies do not help prevent inflation. They merely change the form of inflation. Instead of paying higher prices for, say, clothing, we pay higher prices for the Government activities in subsidizing the clothing manufacturer. In one case, the prise rises enough to cover the increased costs of production, and you and I pay when we buy a suit or a coat. In the other case, our taxes are raised, and we are forced to give or lend more money to the Government so that it can pay large subsidies to producers who can't make money at lower fixed prices. In the second place, the subsidy does not 'hit the spot' as the price rise does. Everybody who is a taxpayer or bondholder has to bear the cost of the subsidy. Only those who are buying the particular product bear the rise in its price."[9]

Eric Johnston, President of the United States Chamber of Commerce, who has been one of the most outspoken critics of the subsidy program, says: "I have always been a strong advocate of parity for farmers in the nation's price structure. On the other hand, I am just as firmly opposed to Government subsidy for farmers — or for businessmen or for labor—for a string is attached to subsidies by the Government. . . . The string is State domination of the business which accepts subsidies, including very definitely the business of farming."[10]

Their danger to free enterprise is pointed out by Paul S. Willis, President of the Associated Grocery Manufacturers of America:

"The food industry is unalterably opposed to subsidies. There are many cogent reasons why we don't want subsidies. The most important is that subsidies are in direct conflict with the American system of free enterprise. They are a hidden method of collecting money through taxation which Mrs. Housewife pays anyway. They are no saving to the public. On the contrary, they involve the enormous added expense of administration. Subsidies involve long and uncertain delays in handling by Government bureaus. They open the door to favoritism and inequities, and they stifle individual initiative and efficiency."[11]

Evaluation of Subsidy Program

In an attempt to appraise the value of subsidies in a program of wartime price control, it may be well to begin by looking briefly at the Canadian experience with subsidies. The Canadian experience is more comparable to our own situation than is that of Great Britain, as Lend-Lease food shipments to Great Britain have been of great aid in stabilizing the British cost-of-living and reducing the annual subsidy cost.[12] The Canadian Wartime Prices and Trade Board spent $65,161,507 in import and domestic subsidies between its inception on Sept. 3, 1939, and March 31, 1943.[13] Subsidies are paid, "In the interests of the consumer—when there is no other way of ensuring adequate supplies of a particular product for the consumer at prices permitted by the price ceiling," Finance Minister Ilsley told the House of Commons on April 23, 1942.[14] In the absence of subsidies to reduce food prices the cost of living would have risen, and under the Canadian system, a cost-of-living bonus to wage earners would have become necessary.

While we have no such cost-of-living bonus in the United States, the threat of demands for increased wages is likewise closely linked with the price level. If prices are permitted to rise, wages and other incomes will have to be adjusted to the increased cost of living—labor unions will see to that. It is generally realized and admitted that the greatest labor crisis will come between now and the end of the year. The recent coal mine crisis and its settlement, through a wage increase, bears this out. The American Federation of Labor, the Congress of Industrial Organizations, and the Railroad Brotherhoods jointly demanded on last April 29 that there be, "Immediately put into effect, without qualification, compromise or exception, a vigorous price policy to the end that the cost-of-living be rolled back to May 15, 1942."[15] This joint demand was in reality an attack on the "Little Steel" formula.[16] The Congress of Industrial Organizations continued this attack in their recent convention at Philadelphia where, on Nov. 3, they passed a resolution demanding the scrapping of this wage restriction. The resolution said that a rollback of prices had not been fulfilled and that, "It has become necessary to eliminate the so-called 'Little Steel' formula which, particularly in view of the rise in the cost of living and the added burdens on the workers, is no longer in accord with reality."[17]

In addition to these demands that the War Labor Board lift the restrictions on wage increases, the rise in parity prices would require an increase of ceilings on farm prices and this would result in an increase of farm income. The increase of incomes resulting from these adjustments would give consumers far greater purchasing power than would be absorbed by the higher prices themselves and would be far more inflationary than would be the additional purchasing power left in the hands of consumers by the use of a cost-of-living stabilization subsidy. Nor, obviously, would this "round" of general increases stop of its own accord. An increase in one factor leads to increases in every other factor involved and would give an immense impetus to the inflationary spiral, already started, leading toward runaway inflation. This is in direct contrast to those opponents of a subsidy program who say that subsidies do not help prevent inflation—they merely change its form. Subsidies help in preventing inflation if they prevent a rise in the general price level and forestall demands for wage, salary and farm parity price increases.

Nor, as is intimated by some writers, has the increased national income been distributed equitably among all classes of people. An Office of War Information release states that there are approximately 20,000,000 people in the low and fixed income groups already hurt by rising living costs. Of these, 9,000,000 are dependents of men now serving in the armed forces of the United States; 2,200,000 are aged persons on State public assistance rolls; and another million are disabled veterans drawing pensions or disability compensation; or widows and dependent children of veterans.[18]

The "Christian Science Monitor" gave warning last February of this danger. "The cost of food even now seems pretty high to those workers who haven't benefited by wartime wage increases and who have to pay more in taxes. There are many non-defense workers and persons living on limited incomes who find the price increases deemed fair by farmers a real hardship. Government has to think about them before it lifts ceilings as the opponents of subsidy desire."[19]

Less frequently voiced but worthy of consideration is the contention that subsidies can be used to prevent a pushing through of price ceilings when used in conjunction with other adequate methods of price control, wage control and rationing. And if a real price "line" can be established and maintained by these methods, the whole anti-inflation program would be strengthened and enforcement simplified, as the average housewife would then know that the price of a certain article of food in a retail store of Group No. 2 is, and will be indefinitely, for example, 25 cents.

There are certain fundamental criticisms of the subsidy program which should be given due consideration both by Congress and the Administration. It is contended that it will be difficult to get rid of subsidies once we have them; that they will be subject to political abuse; and that they will lead to centralized power and political control. Since there is a tendency for them to destroy initiative and promote inefficiency, they are also characterized as un-American.

A further distinction between the types of subsidies arises in connection with the statement above that subsidies once installed may be difficult to remove. In the case of the cost-of-living stabilization subsidy, political groups or blocs may bring pressure to continue certain of these subsidies far beyond the time when there is any actual need for these payments. In this respect they resemble another type of subsidy, namely the tariff, imposed originally to protect infant industries; these industries, after tasting the benefits of this protection, showed a reluctance to develop beyond the infant stage. They have been perpetuated and seem to have become a permanent part of our economic system. This criticism may not hold in the case of the subsidy on copper, zinc and lead, or the payments to cover the higher insurance costs on shipping coffee. We may assume that these subsidies will cease automatically of their own accord when the need for them ceases with the end of the war.

There is also another important difference between these two types of subsidies, as to the difficulties of administration of the copper subsidy, for example, and the subsidy on butter and cheese. In the one instance the payments are made to a relatively few large mining companies which can be dealt with on a personal and individual basis; in the latter examples the payments must eventually find their way to thousands of independent dairy farmers. Doubtless a great many objections ostensibly aimed at other points in a consumer subsidy program have as their real foundation these administrative difficulties.

Conclusions

We are, considering all factors, looking for the most effective method of price control during a war period. We are not working out a permanent pattern for future economic policy. The use of subsidies can be amply justified, purely as a wartime emergency measure, if they enable us to establish and maintain a price "line," forestall demands for wage and salary increases and rises in farm parity prices, prevent undue hardship on the fixed income group, and reduce the cost of Governmental purchasing. These objectives can be accomplished with the aid of an efficiently administered subsidy program. However, it should be fully realized and emphasized that subsidies in themselves are not a complete solution to the problem of inflation. They are merely a valuable adjunct to other direct and functional price controls and should be used in connection with and to complement rationing and the use of ceiling prices; and certain functional controls aimed at reducing and absorbing excess purchasing power such as a strong taxing program, Governmental borrowing through the sale of war bonds or some form of compulsory savings; stabilization of salaries, wages and farm prices; and stronger controls and restrictions on consumer credit than those now in effect under Regulation W of the Federal Reserve System. If these other controls are not carefully and effectively enforced, subsidy payments can be a definite inflationary force, as subsidy payments would increase progressively as time goes on.

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1 "Business Week," May 22, 1943, p. 16.
2 "Commercial and Financial Chronicle," June 17, 1943, p. 2204.
3 "Commercial and Financial Chronicle," June 17, 1943, p. 2294.
4 "Ibid," p. 2295.
5 "Role of Subsidies in a Stabilization Program," OPA Release, June, 1943, p. 6
6 Henderson, Leon in U. S. Congress. Senate Committee on Appropriations. First Supplemental National Defense Appropria-

Bradford Smith Sees 'Unparalleled' Future For Fire Business

Unparalleled opportunities are ahead for insurance agents in the fire insurance field, according to Bradford Smith, Jr., Vice President of the Insurance Company of North America. In a forecast of the future, published in the January issue of "The North America Fieldman", Mr. Smith writes:

Bradford Smith, Jr.

"The tremendous backlog of demand for new homes, new automobiles, new refrigerators and all types of durable consumer goods will create unparalleled opportunities for the insurance agent. Money for the replacement of these requisites of living will be harder to accumulate and their owners will realize the value of insurance to protect their possessions.

"Not until every existing piece of property—either real or personal—is fully covered against all hazards can we say that opportunity in the property insurance field has been fully exhausted. Not until the future needs of an expanding economy give no promise of further development! Not until every want of every family has been satisfied and scientists have ceased to create new devices, new luxuries, new treasures that people want to possess and have the means to buy, can we consider the job done. And, remember, new devices create new hazards.

"The public will absorb all you can find time to sell. Individual customers whose property has been properly protected may no longer be prospects during the term of their policies—but, the market for insurance will never be satisfied as long as men and women marry, have children, buy homes and fill them with furniture which retailers must stock and manufacturers must make.

"The present offers many opportunities for the sale of fire insurance. The future will expand that opportunity to unprecedented proportions. You are in a business that is not curtailed, rationed or restricted by the war except in so far as the manpower shortage affects your ability to see prospects. Efficient organization of time and hard work will overcome that obstacle.

"The year 1944 offers Fire Insurance producers an unlimited opportunity for new business and new premiums. All you need to do is to grasp it!"

FHA Adopts Anti-Inflationary Policy In Insuring Mortgages On Existing Homes

With real estate prices rising sharply in many areas because of wartime market conditions, the Federal Housing Administration emphasized on Jan. 8 that it is refusing to recognize inflated market prices in insuring mortgages on existing home properties.

"The FHA's long-standng policy has been to base its valuation of existing homes on long-term stabilized values, without regard to short-term fluctuations in market price," FHA Commissioner Abner H. Ferguson said. "This valuation in turn is one of the factors determining the maximum amount of mortgage which the FHA will insure on such properties," Mr. Ferguson added.

"In accord with this policy, FHA field offices are not accepting current price increases in their valuation of existing home properties in localities where real estate prices are now rising rapidly, and FHA valuations are not exceeding estimated market prices during the last period of stabilized price levels."

He pointed out that despite the FHA's refusal to recognize current price increases in its valuations, the FHA's volume of insurance on existing homes during 1943 showed little or no change from 1942 levels. This reflects widespread confidence in the soundness of the FHA insured mortgage plan on the part of home buyers and lending institutions, he said.

The FHA's valuation procedure is essential to the economic soundness of the insurance of long-term mortgages under Title II of the National Housing Act, Mr. Ferguson said, and also affords protection to buyers financing home purchases under the FHA plan against assuming a mortgage debt out of line with the long-term value of the property and hence subject to possible deflation when more normal market conditions return.

Mr. Ferguson emphasized that the FHA's valuation policy is not frozen to any fixed level of prices and recognizes long-term adjustments in the general price level. He further stated:

"However, our position is that sound mortgage practice by lending institutions and sound mortgage insurance practice by the FHA must be geared to the long-term nature of the commitments made. If mortgage financing is made available on the basis of valuations keyed to short-term price increases, the result will not only countenance but also encourage unduly high prices and the development of a runaway market."

Another anti-inflationary safeguard in the FHA's insurance procedures, Mr. Ferguson said, is the rule that where no change in ownership of an existing property is involved, an insured mortgage to refinance the owner's existing debts shall be limited approximately to the amount necessary for the refinancing of existing liens, other obligations contracted in connection with the property, repairs, alterations, and additions to the real estate, and cost incident to the refunding operation such as title search, recording fees, and similar items. The advices from the FHA further state:

"In 1943, the FHA insured Title II mortgage loans of approximately $202,000,000 on close to 45,000 existing home properties. Since the start of the FHA program in 1934, the FHA has insured mortgages of close to $1,700,000,000 on more than 400,000 existing homes. These are in addition to mortgages of approximately $2,800,000,000 insured on new homes under Title II prior to the wartime shifting of new home mortgage insurance to the Title VI war housing program.

"Congress recently extended the FHA's authority to insure mortgages on existing homes under Title II to July 1, 1946, from the previous expiration date of July 1, 1944, thereby enabling the FHA to continue operations in this important phase of the home mortgage market and to help stabilize values in this field," Mr. Ferguson pointed out.

"Insured mortgages on existing properties may cover up to 80% of the FHA valuation and may run for a long as 20 years. As is the case with all Title II home mortgages, interest charges may not exceed 4½% of reducing balances, plus the FHA insurance premium of ½ of 1%, and the mortgages are retired by equal monthly payments, covering interest, amortization of principal, taxes, hazard insurance and FHA premiums."

tion Bill for 1943, Hearings— on H. R. 7319 (77th Congress, 2nd Session), p. 27-28.

7 "Washington Post" (Editorial) April 19, 1943, p. 10.

8 "Washington Post," June 7, 1943, p. 7.

9 "Commercial and Financial Chronicle," July 16, 1942, p. 186.

10 "Nation's Agriculture," January, 1943, "The Future for the Farmer."

11 "Business Week," Aug. 1, 1942, p. 50.

12 The British Food Ministry sells this food at current market prices through the regular food distribution channels and applies the proceeds to subsidy expenditures.

13 "Canada at War" (Canadian Gov't Release), June 1943, p. 9.

14 "Ibid."

15 National City Bank (Letter), June, 1943.

16 The "Little Steel" wage stabilization formula limits wage rate increases to 15% above January, 1941, levels.

17 "New York Times," Nov. 3, 1943, p. 33.

18 "Commercial and Financial Chronicle," Aug. 19, 1943, p. 696.

19 "Christian Science Monitor," Feb. 10, 1943, p. 3.

Asks Lighter Weight Papers Be Duty-Free

A proposal to permit newsprint of lighter weight to be imported duty-free for the duration of the war is contained in the new tax bill now pending in conference.

This amendment, approved by the Senate on Jan. 12, was sponsored by Senator Vandenberg (Rep., Mich.) who said it was a conservation proposal to permit newspapers "to print on paper slightly lighter in weight, perhaps from a roll of narrower width, and thus maintain a larger measure of public information service in spite of the necesary limitation upon the over-all supply of necessary paper." He explained that the Tariff Act of 1930 permits importation, free of duty, of "standard newsprint paper", which under the Treasury's regulation makes paper dutiable if lighter than 32 pounds per technical unit, and, in the case of rolls, less than 16 inches wide. Mr. Vandenberg said in this event newsprint "is subject to a prohibitive duty." The amendment would reduce to 25 pounds the minimum weight of duty-free newsprint rolls and cuts the width to 14 inches. The Senator said the amendment was sought by the American Newspaper Publishers' Association and had the approval of the War Production Board.

N. Y. Stock Exchange Weekly Firm Changes

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

Carl G. Freese retired from partnership in R. L. Day & Co. of Boston on Feb. 1. Mr. Freese made his headquarters at the firm's New Haven, Conn., office.

John C. Stewart withdrew from partnership in Hicks & Price, Chicago, on Jan. 31.

Frank A. Shea, member of the Exchange, retired from partnership in McMannus & Mackey, New York City, on Jan. 31. The firm continues as an Exchange member.

N Y Bank Stocks Compared

An interesting tabulation of comparative figures for leading New York banks and trust companies as of Dec. 30, 1943, has been prepared by the New York Hanseatic Corporation, 120 Broadway, New York City. Copies of this interesting table may be had upon request from the New York Hanseatic Corporation.

Canadian Securities

It is decidedly encouraging to learn that the New York group of savings banks has appointed a committee, which after studying the law which governs savings banks in their purchase of securities, has brought in a report recommending the abolition of the legal list and the substitution of new legislation which would enable the savings banks to act as freely in the management of their bond portfolios as the life insurance and trust companies.

Such action has been long overdue. The legal list system is archaic, it cramps the initiative of the competent bond man and encourages blind reliance on the infallibility of the legal list. There are many bonds in the list which, on close examination, would doubtlessly be removed. On the other hand, there are many others outside the list which should certainly be included in the favored category. Among these are Canadian bonds, and should the present laudable attempt to enable the boards of trustees of savings banks to shoulder their proper responsibilities fail, the legal list should at least be drastically revised and the higher grade Canadian bonds should certainly be included.

A further encouraging development is the evidence of increasing interest in Canadian securities among the commercial banks. The recent private refunding operation of the Province of Manitoba resulted in three commercial banks in the Middle West taking up the entire issue.

It is understood also that banks in New York will actively participate in a forthcoming New Brunswick financing. In this case it is believed that the issue will be registered, which is a wise step, a the policy followed for many years by the various Canadian provinces of placing issues privately in this country has restricted the market here for their securities. On the other hand, public offerings would bring about a broadening of interest and, from the psychological point of view, there is no doubt that the commercial banks would seriously consider any new public issues of a suitable type and, in most cases, completely ignore private offerings.

With regard to the market, the constantly expressed confidence during a prolonged dull period has been fully justified. There has recently developed a steady buying interest and blocks of bonds of any size which appear for sale now are readily absorbed. During the past week there were important sales from Canada of Ontario and Manitoba issues, which were placed above the quoted markets.

Direct Dominions were firmer, with sizable bids appearing for the longer issues. Nationals were strong throughout the list, with the demand far in excess of the supply. Ontarios and Quebecs also showed improvement with a fair volume of trading. British Columbias, Nova Scotias and New Brunswicks were quiet but firm.

Following increasing confidence in the early settlement of the Montreal and Alberta debt situations, there was a steady demand for these issues at higher prices. Canadian Pacifics were also strong on the rumor of an imminent call for redemption of the 5s of 1954. Internal issues continued in steady demand and the Canadian dollar in the "free" exchange market hardened in consequence to 10¼% discount.

Looking at possible future developments, it can now be more confidently anticipated that the market as a whole will do better. There is increasing evidence that many investors and dealers who had kept to the sidelines during the recent dull period are now *beginning* to show renewed interest on the buying side of the market.

Van Vleck of Guaranty Heads NY Corp. Fiduciaries

A. Nye Van Vleck, Vice-President of Guaranty Trust Company of New York, on Jan. 24, was elected President of Corporate Fiduciaries Association of New York City. Mr. Van Vleck was formerly Vice-President of the Association. James M. Trenary, Vice-President of United States Trust Company of New York, was elected Vice-President of the Association, and E. W. Berry, Trust Officer of Manufacturers Trust Company, was reelected Secretary and Treasurer. The following were elected members of the Executive Committee: Boyd G. Curts, Vice-President, The New York Trust Company; Robert C. Effinger, Vice-President, The Irving Trust Company, and Longstreet Hinton, Vice-President, J. P. Morgan & Co., Inc.

"Our Reporter On Governments"

By JOHN H. RUMBAUGH

The Public Debt, Past—Present—Future

Henry Morgenthau, Jr. succeeded the late William H. Woodin as Secretary of the Treasury ten years ago. . . . Prior to that he had been Under Secretary of the Treasury from Nov. 17, 1933, to Dec. 31, 1933, and on Jan. 1, 1934, became Secretary. . . .

He was Acting Secretary on Dec. 5, 1933 when the Treasury issued the 3¼% Treasury bonds of 1945/43 for cash and in exchange for called Fourth Liberty Loan bonds. . . . This issue was retired on its first optional date, Oct. 15, 1943. . . . The second refunding issue for retirement of Fourth Liberty Loan bonds was offered April 4, 1934, and known as the 3⅛s of 1946/44. . . . This issue has just recently been called for payment on April 15, 1944. . . .

On Jan. 1, 1934, when Secretary Morgenthau took office, the interest bearing debt of the United States was $24,719,894,150, with a computed annual interest charge of $797,099,559. The average rate of interest was 3.225%. . . . However, in March of 1933, when William Woodin became Secretary of the Treasury, the interest bearing debt was $18,189,798,090, with an annual interest charge of $663,038,425 . . . The average rate of interest was 3.646%.

Just ten years from the date Henry Morgenthau, Jr. became Secretary of the Treasury the interest bearing debt was $170,805,115,907. . . . The interest on the debt for the fiscal year of 1943 was $1,808,160,000 and the average interest rate less than 2%. The decline in the average interest rate from 3.646% in March, 1933, to less than 2% by Dec. 31, 1943, was due to the exercise of interest rate controls and market support of Government securities through the Open Market Committee of the Federal Reserve Banks. . . .

THEN AND NOW

This control machinery was perfected under the regime of Henry Morgenthau, Jr. in spite of his vehement refusal during his role as head of the Federal Farm Loan Bureau to aid the market in Federal Land Bank bonds in the summer of 1933. . . . Our then very righteous Mr. Morgenthau is quoted as saying, "I'll have you know that this is not the Hoover Administration. . . . We are not interested in putting the market up on anything.". . . . It was not very long afterward that he became Secretary of the Treasury and was instrumental in the purchase of hundreds of millions of Government securities through the Federal Reserve banks, certainly for no other purpose than to manipulate the market. . . . And today, the Secretary, the Under Secretary and more recently the President in his budget message have all proudly remarked about the manner in which the Treasury has financed its expenditures and the low average cost of the money borrowed.

On Jan. 13, 1944, the President predicted a public debt of $258,000,000,000 by June 30, 1945. . . . With a debt of that amount every ¼ of 1% advance in the borrowing rate creates additional interest charges of $645,000,000 per annum. . . . We can be thankful that the one time amateurs investigated Wall Street ten years ago and learned how to manipulte markets. . . . Give them credit, they are now masters of the art. . . . How else could the rate of 4¼% in the First World War be reduced to an average of less than 2% in this war and with a debt rapidly approaching ten times the amount of the First War.

CONTROLS NECESSARY

It is not the intent of the foregoing to criticize or condemn what has been accomplished. . . . The market and interest rate controls were facilitated by action such as making virtually any conceivable type of bank asset rediscountable at the Federal Reserve banks, removing payment of interest on demand deposits, lowering reserve requirements, removing reserve requirements entirely on depositary bank balances and eliminating Federal Deposit Insurance premiums on the same depositary bank balances, not to mention the power to create currency against Government securities. . . . Then, too, the Treasury is justified in its assertion that it should not pay more than current rates to borrow the money that it is actually creating. . . . Furthermore, it would be an impossible task to borrow upwards of $250,000,000,000 in a chaotic and uncontrolled money market. . . . To know that the power to control exists, even though necessary to demonstrate that power occasionally, lends confidence in our Government security market.

Banks of United States with 40% to 60% of all deposits invested in Government securities, feel entitled to know whether it is the intent of the "Managers" to indefinitely continue current rate objectives. . . . That question might be answered by almost anyone who is willing to analyze the composition of our present debt and without need of venturing whether or not there will be a change of administration next November. . . .

There has been wide-spread criticism of the Treasury issuing billions of savings bonds which represent demand obligations shortly after their issuance. . . . However, if you look at it from a market standpoint, there is very little diffence between Treasury and Federal Reserve willingness to buy in the open market unlimited amounts of Government securities to maintain rate objectives, and actual redemption directly from holders of these demand obligations. . . . Under Secretary Bell made a very good explanation of the Treasury's attitude toward these demand obligations in his speech Dec. 16th at Worcester, Mass. . . . In short he explained that redemption by the Treasury of these demand obligations would be concurrently taken care of by Treasury offerings in the market of the type of security that would meet proper market response. . . . It is true that in 1920 the market wanted short term paper rather than Liberty Loan bonds which at that time were considered long term paper. . . . As a result we saw Fourth Liberty Loan bonds sell as low as $82.54 per hundred May 20, 1920.

The Treasury should not overlook the necessity of putting on a real publicity campaign to have holders of war savings bonds keep them to maturity. . . . Many reasons, selfish or not, can be used to advantage in selling these bonds for permanent investment which are now admittedly being sold as a temporary mop-up of surplus buying power. . . . Of course these war savings bonds become a redemption threat the moment the Treasury pays higher than 2½% for its financing and refunding. . . . Upwards of $60,000,000,000 of such demand obligations are not an idle threat and that is the amount that quite probably will be outstanding late in 1945.

DEBT SERVICE BURDEN

Another and most potential argument for perpetuation of the existing rate structure lies within the economic possibilities of servicing the debt. . . . It is all very interesting to be told by the President that a $258,000,000,000 debt at an average rate of 2% interest thereon will not be an oppressive burden with a $125,000,000,000 national income. But should that national income be maintained and the rate structure get out of control, one must bear in mind that every ¼ of 1% advance in the service charge of that $258,000,000,000 debt is $645,000,000, just about the total debt service charge in January of 1933—ten years ago. . . . That in itself confirms how fatal it would be to abandon current rate objectives. . . . It also takes the convictions of a confirmed optimist to believe that a national income of at least $125,000,000,000 will remain with us until a substantial amount of our public debt is retired. . . .

The Treasury officials and many so-called economists have rated liquidity of banks by the maturity distribution of the Government security portfolio. . . . This was mentioned recently by Under Secretary Bell when he said that the Treasury borrowing policy has resulted in the maintenance of the liquidity of the banking system because such policy gave commercial banks no Treasury securities maturing beyond ten years for investment of demand deposits, in fact the great majority sold to commercial banks have had maturities far shorter than ten years. . . .

In final analysis, a bank cannot be any more liquid with a Government security portfolio of one to five year maturities than is its neighbor with 10 to 20-year maturities. . . . Liquidity is the ability to pay depositors legal tender to the full extent of the bank's deposit liability. . . . If 10 to 20 year or any maturity bonds of our Government are not convertible into legal tender on a moment's notice and as readily so as one to five-year obligations, either by actual sale of the securities in the open market or by borrowing against them at the Federal Reserve Bank, then our banking system will fail us again as it did about ten years ago. . . . As a matter of fact the 12 Federal Reserve banks, depositaries of its member banks' reserves, had about 10% of their $11,614,889,000 portfolio of Government securities as of Dec. 29, 1943, in maturities running longer than five years. . . . It dare not be said that owing to those maturities, member banks' reserves are frozen. . . .

NEED FOR FLEXIBILITY

It is not only possible but quite probable that it is the desire of the "authorities" to keep the larger commercial banks in a more or less self liquidating position in order to have a higher degree of flexibility when the Treasury can no longer depend upon the public to provide cash for its expenditures. . . . The time must come when large amounts of the debt will be siphoned out of public hands into the banks. . . . Then also there will be a time when the larger Central Reserve City banks may wish to anticipate a demand for loans from their customers. . . . At such times in the past it has been customary for the securities representing the highest degree of market exposure to be sold first. . . . It is not difficult to see the position in which this would place the Open Market Committee of the Federal Reserve System in the desire to maintain markets and rate objectives. Long term bonds by the billions would come pouring into the market from less than 100 banks if they were loaded up with them. . . . If it is a question of needed market support it no doubt will be there, but it is natural for the Federal Reserve and Treasury to prefer buying those billions of securities from 14,000 banks rather than 100. . . .

It may be fortunate for the authorities that most of the larger banks run close to two-thirds of their Government securities in one to five-year maturities. . . . That definitely is not the measure of any degree of liquidity in those banks. . . . It may be a measure of flexibility.

Nat'l Service Life Insurance At $100 Billion

The United States now has the best insured army in all history, with total applications from members of all branches of the armed forces for National Service Life Insurance passing the $100,000,000,000 mark this month, the Institute of Life Insurance said on Jan. 26. This aggregate, says the Institute representing nearly 14,000,000 applications, does not include either the regular civilian life insurance owned by service men, nor the U. S. government life insurance owned by veterans of the last war who are again in service. It is also stated in the Institute's announcement that members of the U. S. armed forces now own more life insurance than all people throughout the world other than the United States, on the basis of the best available information. From the announcement we also quote:

"The Veterans' Administration, under the direction of Brig. Gen. Frank T. Hines, which administers the National Service Life Insurance, has handled as many as 250,000 applications a week, more than one every working second. Benefits under this insurance are beginning to be felt nationally, total claims approved up to the opening of this year by the Veterans Administration amounting to $232,000,000, under 41,165 claims.

"Of the $100,000,000,000 service life insurance, the greatest single block is naturally that covering army men. Under the direction of the Adjutant General of the Army, Major-General James A. Ulio, approximately $80,000,000,000 of National Service Life Insurance has been applied for by Army personnel, the greater part of this in the past year, the result of Army expansion and a special drive to increase ownership to 100% of personnel and the amount owned to the maximum $10,000 available.

"A recent check of men going overseas showed them to be insured to the extent of 98.4% of enlisted men and 99% of officers. In the case of the enlisted men, 90% own the $10,000 maximum, and the average per soldier, including the uninsured, is $9,500. Officers reported 98% own the $10,000 maximum and the average per officer is $9,864.

"From the beginning of the war, the armed forces have made every effort to have every man protected for the full amount. Earliest illustration was the epic insurance story of Bataan, now released by the Army for the first time. In the last days of the stand in the Philippines, the Army cleared all radio facilities for the exclusive use of transmitting applications for life insurance from those trapped in the islands. Col. Royal G. Jenks undertook the job of securing and transmitting them via radio and approximately 30,000 applications were thus filed in Washington. This effort to establish maximum life insurance protection for the Bataan army's families was the last official act of the Army via radio. Furthermore, Col. Jenks, now retired, was one of those who escaped from Corregidor and returned to this country; and his files were the only official Army records brought back from the Philippines.

* * *

"As service men are beginning to be returned to civilian life in considerable numbers, continuance of National Service Life Insurance by those mustered out is becoming a matter of special interest to the Veterans' Administration. A definite campaign is just being launched to conserve this insurance and a special offer of reinstatement is being made to all those previously discharged who have lapsed their policies. Anyone, regardless of lapse date, may reinstate his National Service Life Insurance policy up to Feb. 24th and after that any policy which lapses after being mustered out can be reinstated within six months of lapse.

"The return of millions of service men to civilian life is going to have an important educational effect on the public, just as did war risk insurance after the last war," the Institute continued. "It will also have a beneficial effect in developing the idea of setting up all life insurance on an income basis, as all National Service policies are on that basis. . . . Every policy in force, except for those written on aviation students and cadets in flying courses at Government expense while taking the course, represents a voluntary purchase, under the system of freedom of choice, with the Army, Navy and other service branches acting as sales units."

New Orleans Dealers War Loan Committee

NEW ORLEANS, LA.—During the 4th War Loan Drive, Irving K. Weil of Weil & Company Inc. will serve as Chairman of the Investment Dealers & Brokers Committee. Others on the Committee are B. S. D'Antoni of B. S. D'Antoni & Co., Walter D. Kingston of Lamar, Kingston & Labouisse, Ernest C. Villere of St. Denis J. Villere & Co., Robert M. Woolfolk of Woolfolk, Huggins & Shober and George Williams of Beer & Company.

The Investment Dealers & Brokers Committee of New Orleans have been organized to solicit the subscriptions from customers, institutions, State and City funds, corporations and others. An intensive selling campaign is planned with the entire sales organization of every investment dealer and broker participating.

The Committee believes that the Investment Dealers and Brokers of New Orleans will be most helpful in the success of the campaign and that the work which all of the Investment Dealers & Brokers in New Orleans will do during the campaign will be of great assistance in New Orleans and to the Nation.

A War Producer With Peace-Time Prospects

Robbins & Myers, Inc. is a war producer with excellent peace-time prospects according to an interesting circular issued by Doyle, O'Connor & Co., 135 South La Salle Street, Chicago, Ill. Copies of this circular discussing the situation in some detail may be had from Doyle, O'Connor & Co. upon request.

Interesting Review Of N. Y., Phila. Realty Bonds

Lilley & Co., Packard Building, Philadelphia, Pa., have just issued a most interesting illustrated review of New York City and Philadelphia real estate bonds. Copies of this attractive brochure may be had upon request from Lilley & Co.—write for Booklet C-1.

Interesting Situation

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading Exchanges, have issued an interesting circular discussing the current situation in Buffalo, Niagara & Eastern Power Corporation. Copies of this circular, discussing the possibilities of the situation, may be had upon request from Ira Haupt & Co.

N. Y. S. E. Amends Margin Requirements On Valuation Of Securities Selling Under 5

A change in the margin requirements of the New York Stock Exchange was approved by the Board of Governors at a meeting on Jan. 20 and the amendment to Rule 550 went into effect on Feb. 1. In a notice to members sent out on Jan. 26, the Department of Member Firms explains that "the rule remains unchanged as to new transactions; in other words, as heretofore, in determining the margin in an account which has made a new transaction, no value may be given to securities selling at less than 5. However, only the margin required on the new transaction need be obtained, assuming the account has the required maintenance margin." In the notice to members Edward C. Gray, Director of the Department of Member Firms, further said:

"The change in the rule permits securities selling at less than 5 to be valued when computing the margin required to be maintained in an account.

"The deposit of securities selling below 5 will not satisfy a margin call resulting from a new transaction.

"In connection with the making of withdrawals of cash or securities selling at 5 and above, no value may be given to securities selling under 5.

"On the other hand, securities selling under 5 may be withdrawn, whether or not there is an outstanding margin call due to a new transaction, provided the account contains the minimum maintenance margin valuing all securities in the account, in accordance with the other requirements of the rule.

"This rule does not prohibit the acceptance of an account from another member firm, if there is no outstanding margin call due to a new securities transaction.

"Members are reminded that the change in the margin requirements of the Exchange does not affect the provisions of Regulation T of the Board of Governors of the Federal Reserve System."

The amended paragraph of Rule 550 reads as follows:

"(o) Determination of Value for Margin Purposes

"Active securities dealt in on a recognized exchange shall, for margin purposes, be valued at the current market price. Other securities shall be valued conservatively in the light of the current market price and the amount which might be realized upon liquidation. Substantial additional margin must be required in all cases where the securities carried are subject to unusually rapid or violent changes in value, or do not have an active market on a recognized exchange, or where the amount carried is such that it cannot be liquidated promptly.

"For the purposes of effecting
"(i) new securities transactions and commitments,
"(ii) withdrawals of cash,
"(iii) withdrawals of any stock having a market value of $5 or more per share, or any bond having a market value of 5% or more of its principal amount 'long' in the account,

no value shall be allowed on any stock having a market value of less than $5 per share or on any bond having a market value of less than 5% of its principal amount 'long' or thereafter deposited in the account, unless:

"(1) the 'long' securities positions are in the account of a specialist on a national securities exchange and the transactions and securities therein are confined exclusively to those securities in which he is registered as a specialist, or

"(2) the 'long' securities positions are in a special omnibus account of a member firm maintained in accordance with Section 4 (b) of Regulation T of the Board of Governors of the Federal Reserve System."

Mutual Funds

(Continued from page 509)

its sponsor on the tenth anniversary of the fund.

Keystone Corporation devotes a recent issue of **Keynotes** to the Fourth War Loan drive. Under a striking map of Europe in which the likely invasion points are emphasized is a short bit of text entitled "This Is It." The theme—"For our soldier boys and girls . . . this is it." For us at home this is the opportunity to back them up with the material they need. An inspiring presentation of a duty regarding which no urging should be necessary.

Keystone has published revised editions of its folders on "High Grade Stocks" (S-1), "Income Common Stocks" (S-2), "Fast Moving Stocks" (S-3) and "Inflation Hedge Stocks" (S-4). For clarity, readability and typographical attractiveness, these folders are simply tops.

* * *

Lord, Abbett has announced the approval of the SEC to refund the $10,000,000 par value of currently outstanding 4% Debentures of **Affiliated Fund.** The plan, although not yet final, is to refund these 4% Debentures with a 2½% bank loan in the same amount and with the same maturities. The purpose of the refunding is to "effect an economy which will be of direct benefit to shareholders." Savings are shown at $137,500 per year after pro rata deduction of estimated expenses. This saving amounts to 3.6 cents per share per year on the present common stock outstanding.

It is further stated that: "No underwriting commission or other fee will accrue to Lord, Abbett & Co., Inc., nor will the managing company receive any extra compensation for the substantial work which has been going on for more than eight months to make this operation possible."

The current issue of **Abstracts** shows the distribution of the portfolio of **Affiliated Fund** in terms of a $10,000 investment and gives brief comments on the post-war outlook for the various industries represented. Revised folders on Affiliated Fund and Union Common Stock Fund "B" have also been released by Lord, Abbett.

* * *

"The $500,000 Order We **Didn't** Get" is the title of a new folder prepared by **Hugh W. Long & Co.** for **Fundamental Investors.** It is an actual case history of an order which the sponsor solicited but which was finally placed in individual common stocks after consultation with a large Eastern bank.

The reason Fundamental Investors lost this order was because of the distribution charge. Yet after three years of actual performance the estate involved would have been $96,295.80 better off on its $500,000 investment had it purchased Fundamental Investors instead of the 20 "Blue Chip" common stocks recommended by the bank.

The folder contains an itemized performance comparison of the actual $500,000 investment as made in the 20 "Blue Chip" stocks with the results of a like investment in Fundamental Investors. The moral is clear. The large investor who shies at the modest distribution charge involved in the purchase of Fundamental Investors is, as a general thing, "cutting off his nose to spite his face."

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

In the January 6th issue of the "Chronicle" this column pointed to the marked differences which exist between fire insurance companies in regard to relative efficiency and economy of operation, as measured by recognized statistical ratios, etc. The operations of a group of 21 "old line" stock companies were studied for the five-year period ending with 1942, and comparisons made of combined loss and expense ratios, net underwriting profits on earned premiums, net investment income on capital funds, and total net operating profits on capital funds.

It was found that Continental Insurance Co. showed the best "combined loss and expense ratio" of 93.3%, Hartford came second with 94.0% and Fidelity-Phenix third with 94.5%, compared with an average of 96.8% for the 21 and the worst ratio of 100.1% for Hanover. Continental was also first place in percent earned by underwriting profits on "earned premiums" with 6.7%, while Hartford and Fidelity-Phenix were third, each with 5.5%, compared with 3.2% average and the lowest of 0.47% for Hanover.

With regard to the percent earned on capital funds by invested assets, Franklin Fire showed highest with 8.3%, against an average of 5.3%, and the lowest of 3.6% by Phoenix. Continental and Fidelity-Phenix, however, were respectively fifth and fourth in rank out of the 21, with 6.2% and 6.5%, which are substantially above the average. The rate earned on capital funds by total net operating profits, i.e., net investment income plus net underwriting profits, averaged 7.0% for the 21 companies. Franklin and Home were highest with 9.3% and Phoenix lowest with 4.6%. Continental ranked third with 8.3%, while Fidelity-Phenix and Hartford each ranked fourth with 8.2%.

These ratios and comparisons are significant, for careful study of them will frequently provide a clue to probable market performance and investment gain over medium to long-term periods. The accompanying tabulation shows the market appreciation and total investment gain of each of the 21 fire insurance stocks over the five-year period, arranged in the order of relative gain.

	ASKED PRICE Dec. 31, 1937	Dec. 31, 1942	Market Apprec.	Total Cash Dividends	Total Investm't Gain
Fidelity-Phenix	$28	$44¼	58.0%	$10.20	94.5%
Continental Insurance	29	42	44.8	10.00	79.3
Hartford	59¾	93	55.6	12.00	75.7
St. Paul	188	268	42.6	43.50	65.7
Security	28	37¼	33.0	7.00	58.0
Insurance Co. of North America	55	71¾	30.5	13.25	54.5
Great American	22¼	27¾	24.7	6.00	51.7
Aetna	40¾	51½	26.4	6.80	47.9
Prov. Washington	27¾	33⅛	19.4	7.00	44.6
Average	----	----	19.4%	----	43.7%
Franklin	$25¼	$28⅝	13.4%	$7.00	41.1%
Agricultural	61	69½	13.9	16.25	40.6
Springfield F. & M.	105½	124½	18.0	23.75	40.5
Home	27	29⅜	8.8	8.00	38.4
Phoenix	74¾	86	15.1	14.50	34.5
National Fire	50¾	56¼	10.8	10.00	30.5
New Hampshire	41½	42½	2.4	9.00	24.1
Hanover	25½	24⅝	— 3.4	6.40	21.7
United States Fire	48¾	49¼	1.0	10.00	21.5
Fire Association	55½	54¼	— 2.3	12.50	20.3
Boston	540	537	— 0.6	105.00	18.9
North River	24¾	23½	— 5.1	5.00	15.2

It will be noted that Fidelity-Phenix and Continental head the list with gains of 94.5% and 79.3%, respectively, while Hartford comes third with 75.7%. In all, there are nine stocks which show a total investment gain better than the average of 43.7%. It is interesting and significant to note that the average "combined loss and expense" ratio of these nine stocks is 95.7%, compared with 97.6% for the 12 "under the average" stocks and 96.8% for the 21 stocks. It is also worth noting that the average underwriting profit on "earned premiums" was 4.22% for the nine stocks, compared with 2.42% for the 12, and 3.20% for the 21.

It has already been pointed out that Hanover had the poorest loss and expense ratio and the lowest underwriting profit on "earned premiums," it also had a lower-than-average return on capital funds; it is not surprising, therefore, to find its stock close to the bottom of the list as regards market performance and investment gain. Phoenix also, which showed the lowest return on capital funds for the period, is rather far down on the list, although its underwriting experience has been better than average. North River, last on the list, was below average both in underwriting experience and in return on capital funds.

With regard to net investment income and total net operating

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Dr. Anderson's New Study Of Exchange Stabilization Discussed

Additional comments are in hand concerning Dr. Benjamin Anderson's renewed discussion of the British and American proposals for post-war foreign exchange stabilization, which appeared in the "Chronicle" of Dec. 16, bearing the caption "Post-War Foreign Exchange Stabilization Further Considered." In this article, Dr. Anderson examined the subject in light of the revised plan issued by the Treasury in July, 1943, and the plan for an international investment bank which was promulgated in October, 1943, and also elaborated on his own constructive proposals for financial and currency stabilization in the war-stricken countries. Dr. Anderson is Professor of Economics at the University of California, Los Angeles, and was formerly economist of the Chase National Bank of New York City.

Some of the additional letters received in connection with the article in question are given herewith:

HON. PAT McCARRAN
United States Senator from Nevada

I find Professor Anderson's article interesting, instructive and a fair criticism of the revised White Stabilization Fund plan.

Sen. Pat McCarran

The provision which empowers the Fund to change the gold content of the Unitas would not in my opinion meet with the approval of Congress. That is strictly Congressional pregrogative Only a few months ago Congress declined to extend further the President's authority to reduce the gold content of the dollar and pegged the devaluation at the currently authorized 41%.

It appears that too much centralized control may be vested in the Fund under the provision (VII. 4) which is designed to regulate the movements of capital from one country to another. It may be feasible to earmark through the Fund the allocation of American capital with the approval of Congress. There has already been, and there still exists, too much disposition on the part of the Administration to usurp the prerogatives of Congress in matters affecting our foreign policy, both political and economic. Therefore, I am very much inclined to feel that Congress will in the future not only restore but also retain the powers delegated under the Constitution in respect of foreign policies. Certainly the Senate of the United States will, in my judgment, be so inclined.

The Fund must be so constituted as to promote world trade and the stabilization of currencies in an equitable manner with respect to all participating nations. As is pointed out in Dr. Anderson's treatise, on July 16, 1943, the blocked sterling balances of Great Britain in India amounted to 500 million pounds. It would greatly benefit Great Britain if the Fund could place in cold storage this enormous sum of blocked sterling; but if the Fund could not readily dispose of such a large sum, together with other large amounts of blocked exchange of Great Britain and other countries, they would constitute so much dead weight. Furthermore, as the blocked exchange of debtor countries expands, the Fund would be further burdened if required to absorb it.

Professor Anderson states that the proposed World Bank would be "internationally controlled and not American controlled even though America would be the chief lender," and that, "If we are going to lend let us do our own lending." I quite agree with this observation. Why should the country with the soundest credit and the only country able to finance this war-stricken world jeopardize its financial position to such an extent? Congress will weigh this proposal with great care and caution.

Unfortunately the majority of commentaries that have come to my attention with respect to the establishment of an International Stabilization Fund and a World Bank have failed to recognize the full value, significance, and need for metallic backing (gold and silver) for currencies. Its importance cannot be over-emphasized. In the establishment of any International Stabilization Fund there must also be provided a means whereby both of the precious money metals (gold and silver) will be accepted and utilized at a fixed ratio in order to facilitate the settlement of international balances, give more substance to the effort to stabilize exchange, and to encourage an expansion of world trade, especially among the weaker and struggling countries. Silver and gold are held in high esteem as money metals throughout the world. Of course some countries which have no control over the production of either of these metals must either transfer capital or export goods to other countries willing to part with these precious metals.

There is ample supply of silver and gold, once their values are adjusted on a fair and unbiased basis, to furnish adequate coin and backing for the currencies of all nations. Both metals should circulate freely and flexible paper money should be supported adequately by gold and silver reserves.

Another point that is insufficiently covered in criticisms that I have read is that a proper readjustment of exchange values of currencies must be made before stabilization can be effected. The economy of all nations, belligerent and neutral, has been badly distorted by reason of war conditions, and any attempt to establish sound exchange values must be given extremely sympathetic treatment. The devastating effect of war on the Axis and satellite nations and the invaded countries, together with the highly efficient industrialization and economic cooperation of the United States and other United Nations, will result in such further economic disequilibrium among nations in the post-war world as to make this task extremely difficult. It may be well to approach this problem with a view to fixing the exchange rates of the weaker nations on a considerably higher level than would at first appear appropriate. This would give those nations an advantage in making purchases abroad and greatly facilitate their recuperation.

Another aspect of the readjustment of exchange rates should be taken into consideration. During the days of high tariff and other devices designed to control international trade following World War I it was discovered that in order to offset the effect of high tariff in other countries, particularly in Latin America, the exporting countries resorted to a depreciation of their currency exchange values. Many of these currencies are still considerably below parity, and this condition should be corrected. The prosperity enjoyed and to be further enhanced by Latin American countries in the immediate post-war period offers ample justification for the adjustment of their currencies upwards in terms of dollars.

Several outstanding economists and bankers have voiced a note of distrust in criticizing the procedure followed by representatives of the United States Department of the United States and of the British Government in conducting secret conferences on this important matter prior to the presentation of their views to and consultation with Members of Congress. This is indeed regrettable especially in view of the constitutional authority vested in Congress "To coin Money, regulate the Value thereof, and of foreign Coin," (Art. I, Sec. 8), also "No State shall *** coin Money;***, make any Thing but gold and silver Coin a Tender in Payment of Debts ***," (Art. I. Sec. 10.)

While I have not had an opportunity to give Professor Anderson's article the analysis and critical study to which it is entitled, I am happy to submit these few observations to you in accordance with your very kind request.

I hope you will pardon my having gone into this matter at some length. At the same time, I am sure you will appreciate the fact that in making a study of this all-important matter, one necessarily directs his attention to such a multitude of essential details that it is very difficult to isolate any given proposition and discuss it in the abstract.

WILLFORD I. KING
New York University School of Commerce, Accounts, and Finance

I agree most heartily with Dr. Anderson's general line of argument. He makes an especially strong point when he states that "It was the rigidity of British wages and prices in the 1920's and in 1930 - 31 which made Britain lose disproportionately in the world's export markets as world prices and costs receded in the great depression.

Willford I. King

He is also on firm ground when he states that this Nation ought to give much help to stricken countries in Europe after the war ends, "but that we should be under no illusions as to getting this money back."

He is certainly correct when he opposes the establishing of an international investment institution so designed as to siphon off American capital for the benefit of indigent nations.

In one respect I go further than Dr. Anderson. Our experience after the last World War seems to prove conclusively, that there is no such thing as a sound investment in any foreign country which we can not easily dominate by force of arms. Foreign nations are all too ready to borrow, but when Uncle Sam seeks repayment he becomes Uncle Shylock. Investing money abroad results both in making Americans unpopular and in the loss of their investments. I would prefer to see no credits for terms of more than 90 days extended to any foreign countries. If we wish to give them money let's do it with a grand gesture and then forget it.

Dr. HENRY CHEN,

Professor Anderson's present article as a contemporary economic problem has excited great interest and elicited wide discussion in financial circles recently. Many prominent economists and financiers have commented on it and the general public must have by now a pretty good idea as to the bones and meat contained therein. Nevertheless, however thorough the content of the article may have been combed, I am still grateful for this opportunity to pick up some of the crumbs, as it were, as there are several points, which, in my opinion, could be further elaborated upon and to which I would like, with the permission of my readers, to add, even at the risk of being accused of deliberately finding flaws, a few words here.

Henry C. Chen

To begin with, Professor Anderson seems to have a great deal to worry about when he says the he is opposed to an international investment institution such as is proposed in the Treasury statement of October 8, 1943, for the simple reason that "the control of it would be an international control and not an American control, even though America would be the chief lender." What he wants is that this country should be free to negotiate with other countries regarding conditions of lending its own money. In other words, he wants national action and not international cooperation concerning matters of international financial rehabilitation.

Professor Anderson certainly has the perfect right to be realistic on matters of international cooperation. His apprehension is perhaps justified in the light of what happened to America in the '20's when power politics was played often at the expense of this country by England, France and the other European countries. Nevertheless, while admitting Professor Anderson's right to be suspicious of the policy of international control or cooperation, so far as regards the lending of money abroad, it may do well to bear in mind that to insist on absolute control by America alone, in my opinion, is a bit unrealistic. Thus, as far as the Treasury plan of October 8, 1943, is concerned, it is not true that this country will be the **only** lender, in which case I would not hesitate to join Professor Anderson to deny other nations the right to have any say in it. But since this country is only one of the countries that would be expected to put up the entire capital in the Treasury plan, it seems more appropriate, therefore, that international control and concerted action are necessary for its management. Indeed, after the final victory is won, the more international cooperation along constructive channels, the better are the chances of solving the myriad of problems faced by the nations of the world. For just as it is absolutely necessary to resort to international action in order to win the war at the present moment, so it is equally essential that recourse is made to international cooperation, as far as possible, in order to **win the peace.** America alone cannot win the peace. In order to bring about a new era of human civilization, the efforts, both spiritual and material, of all peace-loving nations must be enlisted to the fullest extent. The result ought to be better understanding and mutual confidence, which the Allied nations need so badly even under present conditions of war.

Secondly, I do not quite agree with Professor Anderson on the idea that stabilization loans, however moderate, should be made by private investors through investment banking houses rather than by the government. Stabilization loans, as I see them, are more or less in the nature of political loans; and I wonder if it is not more appropriate for private investors to keep out of this sort of "official business" and let the government take care of it, thus confining themselves, the private investors, mainly to the task of financing industrial enterprises, which, other things being equal, would tend to increase the physical productivity of the borrowing nation and thus continue to absorb private capital. It is axiomatic that private capital will not venture into any kind of business enterprise unless it is certain that there is a good prospect for the investor to receive a fair and reasonable rate of return on his investments. This is true in the home country and it is even more so in a foreign land where the investor is often exposed to greater risks. Indeed, stabilization loans are not productive loans and as such should not be classified with those investments which would be conducive to productivity and private investors therefore should not be encouraged to make committments under any set of circumstances. For so long as they are political loans and so long as they are used not for direct and immediate production of economic goods, so long it is senseless to talk about a fair rate of return and it is better for private investors to keep out of the scene and let the government do the job. I believe governments know better how to deal with governments.

It may be argued that many private investments abroad likewise are often made in industries designated as state-owned-and-operated enterprises, such as the so - called heavy industries in China. While granting the "political" affiliation of this sort of business, its economic characteristics, however, should not be considered as different from those of ordinary business undertakings owned and operated by private individuals. Here, as elsewhere, the government operator must also pay due consideration to the concept of **cost**, if he is to run the plant efficiently as an economic unit and not merely as a technical project. Politicians, who usually are managers of stabilization funds or loans, do not even have to pay their lip service to cost.

Finally, I should like to add, if I may, that there is one particular point which is so well taken by Professor Anderson in his article that I should like to take this occasion to congratulate him on his far-sightedness and liberal thinking. At the end of the article concerned Professor Anderson states that America "can do nothing financially sound to help Europe unless we lower our tariffs, and make it easily possible for Europe to repay with goods." The soundness of this statement lies in the fact that any attempt to bring about world wide economic recovery and hence the return of an international gold standard—a hope which is no doubt shared equally by Professor Anderson—America must make some compromise with the debtor nations by lowering her tariffs so as to facilitate the repayment of her loans made abroad. It may be recalled, in this connection, that there were several reasons for the inflow of gold into this country in the pre-war years, and the principal of these was the existence of a continued favorable balance of trade on the part of the United States and her unwillingness to accept payments other than gold. The return to an international monetary standard based on gold, therefore, must be predicated upon the hope that this country will be realistic enough to appreciate the impossibility of the debtor countries to repay in gold. As the **Statist** put it, "It becomes increasingly evident that even the most elaborate currency clearing union cannot be viewed in isolation but at most can only amount to a part, an indispensable part, of a much wider economic **entente.**" (See The **Statist**, vol. CXL, No. 3432, December 4, 1942.) The lowering of tariffs by the United States may well be considered as one of the surest steps toward the organization of this economic **entente.**

Nevertheless, the road toward a more liberal economic world is still thorny and the obstacles to be overcome are many and great. It is true, existing trade treaties of the principal nations are largely held in abeyance under wartime conditions of lend-lease and other forms of mutual aid, but it is by no means safe to assume that these very treaties of trade have already been written off the international statute book. Indeed, the vested interests for whose protection they have been set up are still there and certainly will need a great deal of convincing before complete freedom of trade can become a reality in the postwar economic policy of all nations and before the 19th century liberalism can be brought back alive. Professor Anderson is, I believe, a great believer of economic liberalism. His stand for freer international trade should deserve the support of all.

***Editor's Note* — Although Dr. Henry C. Chen is associated with the New York Agency of the Bank of China, only he is responsible for the opinions expressed above.**

Bank & Insurance Stocks

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profits on capital funds, these measures of relative efficiency, when taken alone, do not seem to be so significant or conclusive. For example, Franklin and Home, which show below-average market performance and investment gain, achieve a high return on capital funds. The investor pays for this, however, through a high ratio of market to liquidating value and hence, in the end, does not necessarily profit from Franklin's and Home's higher return on capital funds. On the other hand, Insurance of North America shows a lower-than-average return on capital funds from net investment income and net operating profits, but since its stock can be bought at a discount from liquidating value, the investor can enjoy an end profit better than in the case of Home, and other stocks.

The main purpose of this discussion is to call attention to the necessity for careful study of the comparative characteristics and significant ratios of individual fire insurance stocks, if one is to achieve average or better-than-average investment results. Studious selection combined with a reasonable degree of diversification appear to be prerequisites to successful investment, even in such time-tested securities as "old line" fire insurance stocks.

Muskogee Co. Interesting

The Muskogee Co., which is tax-free in Pennsylvania, offers interesting possibilities for appreciation, according to a circular discussing the situation issued by Buckley Bros., 1529 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of the circular, which also contains interesting yield tables for the preferred and common stocks, may be had upon request from Buckley Bros.

The Securities Salesman's Corner

Personal Interest Plus Well Selected Special Situations Build Clientele

Radiation from one satisfied customer which results in new accounts is more difficult of achievement in the Securities business than in many other lines of commercial endeavor. A good salesman in the insurance business automatically secures a large percentage of new clients through the recommendations of his customers. Doctors and most professional people depend upon recommendation to increase their clientele. Although there are some securities buyers who will cooperate with their dealer or salesman in helping them secure new accounts there seems to be less inclination for this group to advocate investment services than other things which they need and use from day to day.

The reason for this attitude is simple. Most people assume that if a friend's investments turn out advantageously they will never receive any appreciation—if they don't, they will more than likely get the blame. Naturally, they would rather not assume any responsibility directly or indirectly. Investments seem to be in a class by themselves—most people when they make a profit like to take all the credit for their financial acumen—losses are the other fellow's fault.

But radiation can be secured from satisfied clients. The basis of customer satisfaction is always a good record of performance. In addition, personal interest must be shown in the welfare of the client.

We know of an investor who several years ago came to a certain dealer through the recommendation of one of his clients. This lady was having a very difficult time with her investments. She had led a sheltered life until her husband died and left her with just about enough of an estate to get along comfortably. Instead of investing in conservative, income-paying securities she was carrying a margin account with a member firm and was trying to make a success of the extremely hazardous venture of increasing her principal through speculation.

After two years of constant reeducation, which took endless tact and patience, this salesman finally accomplished the liquidation of her speculative account. Instead of trying to play the market on a day-to-day, or week-to-week basis, he educated this investor on the efficacy of a planned investment program. He broke up her holdings into two classes. About 75% of the list was placed in a diversified group of income payers; 25% was invested in growth securities or specially analyzed situations. As the process of education went along, this salesman actually conducted a private course in investment for this client's special benefit. In time the special situations began to show profits far exceeding the former ventures in the stock market. Income also was increased. This customer received far more from this salesman's advice than she ever knew could come from the ordinary relationship which had existed when she had her margin account with the brokerage firm that had been handling her trading account.

In addition to the excellent record of investment success that was accomplished this salesman also made a friend of this customer. Christmas time he sent her a remembrance; income-tax time he helped her with her report; several occasions during the year he invited her to join both himself and his wife at concerts and plays; he made it a policy to telephone at least once every two weeks whether or not there was any immediate business reason for doing so; in other words, he built a solid customer relationship which was certain to pay off in dividends.

And pay off it did. From this one account he has opened up a dozen more—some large and some small. The reason for his success is as plain as day—sound business ethics, good investment technique, good recommendations, personal interest. These are things which a customer buys from a securities dealer, AND NO ARBITRARY RULING OF ANY BOARD OF GOVERNORS OF ANY NASD AS TO STANDARD GROSS MARKUPS WILL EVER BE A SOUND PRINCIPLE UPON WHICH TO LIMIT A DEALER'S PROFITS WHEN THE SERVICE AND ADVICE THAT ARE RENDERED BY SOME DEALERS IS SO MUCH MORE PROFITABLE AND EFFECTIVE THAN THAT WHICH IS GIVEN BY OTHERS.

Risk Taking Indispensable Factor In Private Enterprise, Says First National Of Boston

"Without risks there would be no progress," says the First National Bank of Boston which observes that, "in glancing back over the centuries, it is found that the epochs characterized by risk taking were the most progressive, while periods in which the people clutched at security stood still or stagnated. It is also recorded that when freemen retreat from risk, they march toward serfdom." In its New England Letter, dated Jan. 31, the bank makes the statement that "private enterprise and free Government are on trial, and their fate will be determined by the ability and willingness of the risk takers to resume their normal functions, and of the various groups to solve their own problems without leaning on Governmental crutches." It is pointed out by the bank that "in our own country every step in the forward advance was marked by risk taking. The Pilgrim Fathers left sheltered homes to brave the unknown. No one guaranteed them security or liberty. During the first winter in Plymouth one-half of the entire colony died of starvation. Yet when the Mayflower left for England in the next spring, not one of the Pilgrims returned to what would have been a life of comparative comfort and security. They were willing to pay the price for freedom." Continuing, the bank says:

"This same spirit dominated the pioneers who converted the wilderness into a mighty industrial empire in a comparatively short period of time. Technological progress has been attended by great risks and a high mortality rate of business enterprise. But society has benefited by the machines that have lifted the burdens from the backs of workers, that have brought forth an abundance and variety of products, and that at the same time have made possible increased leisure to enjoy the fruits of labor. The constant scrapping of the old for the new that has characterized American industry has paved the way for more and better goods at less cost. The acid test for survival of business is in the consumers' market place.

"Competition in pre-war days was on a broad front. Coal, gas and oil vied with one another in the heating of homes. Fabrics, rubber and wood, in addition to leather, were used in the manufacture of footwear. In the building industry, cement, brick, steel, copper, glass, plastics, and many other products were offered as substitutes for lumber. Not only was there keen rivalry among commodities for the same uses, but in a larger sense all commodities were competing with one another for the consumer dollar. Competition was illusive, it resolved itself into a mighty strife for consumers' preference. No business can escape this type of competition in the future, and the best insurance is industrial research that makes possible adjustments to the dynamic forces at work.

"Since risks are inherent in the very nature of business enterprise, rewards should be commensurate with the hazards involved. The investment of capital always involves the possibility of loss, and no one can afford for long to incur risks without the prospect of profit. Certain forms of risk occur with such regularity that they can be protected by insurance, such as fire and theft. But the usual business hazards are uninsurable. They cover a broad range and are not susceptible to accurate measurement. Through knowledge and ability to evaluate the various factors in a situation, the elements of uncertainty can be reduced. This selective process calls for sound judgment, courage and decision. For the past two decades, the average net return on capital invested in American industry has averaged around 3%. This is small compensation for the use of capital and of services for directing the business affairs of the nation.

"For about 150 years, business enterprisers took their chances because of the prospect of liberal rewards for contributions made. Then came the Great Depression, and amid the confusion and anxiety of the times there developed a defeatist theory that there was no further outlet for business capital since the country had reached its maturity. Hence it was held by the proponents of this new school of thought that the Government should obtain money from taxation and borrowing, and distribute it through the spending channels. In line with this policy, deficits mounted, corporate taxes increased sharply, Governmental regulations multiplied, and the rules of the game were frequently changed. In other words, new and extraordinary hazards were injected. The net result was that venture capital went into hiding and large-scale unemployment prevailed.

"Then came war, and with the urgent and prodigious demand for goods, business was lifted out of the depression, with industrial production in 1943 more than double the pre-war period. American industrial performance was so outstanding as to win unstinted praise in all quarters. But since war business is primarily for destruction, it is non-productive. About 70% of the industrial production is for one customer, the Government, in consequence of which marketing, salesmanship and costs have become of secondary importance. Practically all firms on the surface appear to be assured of profit during the war period, with risks reduced to a minimum.

"The business hazards of wartime, however, may find expression in the post-war period. Inventories may depreciate in value. Reserves for depreciation of machinery and equipment may prove to be inadequate and involve losses. Reconversion of plant and facilities, as well as the reestablishment of markets may be costly. Unless liberal provisions are made for these contingencies, war profits will likely prove illusory.

"The nation will emerge from the war with a staggering debt and with a Federal budget for the post-war period at least twice as high as the pre-war period. The load will be all the Government can carry. Uncle Sam cannot become the burden bearer of private interests by providing subsidies, doles and guaranteed loans.

"The granting of loans by Government agencies to those who cannot meet the established credit standards is unsound in theory, except in emergency periods, and penalizes the competent and the taxpayers. The extension of unwarranted credit interferes with the necessary correctives, and maladjustments accumulate.

"Socialized credit and other forms of Governmental subsidies are narcotics that dull personal intiative, stifle enterprise and becloud the vision. When members of any society reach the stage where they turn to the Government for handouts, in the course of time they surrender their freedom and become vassals of the State ruled by the iron hand of bureaucracy.

"So when people shy away from risks they are taking the greatest gamble of all, for this results in the loss of freedom and is accompanied by business stagnation, lower living standards, and eventually the bogging down of the whole economy. Such a situation in time might invite a war of aggression to detract from domestic troubles, as has frequently happened in the course of history.

"The primary consideration for post-war blueprints should be to make risk taking so attractive that the great creative forces of the nation will be released. To make such an objective possible will call for reasonable and equitable taxes, special incentives for projects that have promise of providing jobs, sound Federal financial policies, favorable business climate, flexible wage policies, and the like.

"With favorable conditions provided for risk taking, it is up to all groups to take their chance, without the nursing aid of Government. Dollars should be placed in overalls and put to work, for a dynamic and expansive economy demands a constant supply of fresh capital to keep it ticking. When this flow is shut off from business sources, the only recourse is artificial respiration through pump-priming, which, if long continued, makes inevitable the Government's becoming the chief reservoir of credit and capital."

House Votes $1.3 Billion For UNRRA

By a vote off 338 to 54, the House approved on Jan. 25 a bill setting up the machinery for financial participation by this country in the United Nations Relief and Rehabilitation Administration, authorizing the appropriation of $1,350,000,000. This amount is on the basis of the UNRRA agreement that each country's share shall not exceed 1% of its national income for 1943. Two attempts to reduce the limit on the appropriation to $1,000,000,000 and $675,000,000 were defeated.

Before completing action on the measure, the House rescinded its action of the day before by voting 217 to 175 to leave the control of the funds in the President's hands instead of under the State Department. The House had voted on Jan. 24, by 116 to 102, to have the State Department handle the UNRRA appropriations, as proposed by Representative Vorys (Rep., Ohio).

Two amendments were included in the final bill—one places Congress on record as favoring the use of UNRRA funds in countries where famine is threatened, as well as in countries liberated by the Allies, and the second stipulates that the legislation expire two years after the cessation of hostilities.

Municipal News & Notes

Last week's decision of the Tax Court of the United States in the Port of New York Authority case constituted an important victory for the inter-State agency, also the Triborough Bridge Authority and all similar bodies, and may possibly prove of equal import to all of the States and their local subdivisions. The Tax Court, in its decision of Jan. 28, rejected the Treasury's contention that the bonds issued by such enterprises as the Port Authority should be subject to Federal taxation, in a ruling which held that the quasi-municipal body is a political subdivision within the language of the Internal Revenue Code. The Bureau of Internal Revenue, which brought the action in behalf of the Treasury, had contended that since the Port Authority did not exercise sovereign police powers of the State (such as the right of taxation), it was not a political unit per se and its bonds could not therefore be immune from Federal Taxation. A similar action was filed against the Triborough Bridge Authority on the same grounds.

The Tax Court, by a 10 to 5 decision, held that the Port Authority "is a political subdivision of a State—the State of New York—and also the political subdivision of another State—the State of New Jersey", and declared that the agency in "its relationship to those States in severalty lacks none of the attributes which the foregoing definitions prescribe." This latter was in reference to the court's previous remarks "that the attribute of taxation is but one of the many tests by which Congress intended a political subdivision to be identified and that there could have been no more intention to exclude the public authority with its manifold influence in the whole field of local public improvement than the special assessment district."

The decision calls attention to developments of the great "motor age" of the past quarter century and the necessity for highway construction and the prospect for future expansion of such facilities. It then states that "It is hard to conceive that a statute tending to encourage and assist in the contribution of public improvements by debt-burdened localities should have been intended to stop short merely because the method selected for financing such accommodations to current needs is the issuance of obligations secured by facility revenues, as opposed to the levy of special assessments upon benefited properties."

The opinion of the Tax Court, which was written by Judge Clarence V. Opper, dealt only with the statutory question of whether such agencies as the Port Authority are political subdivisions and interest on their bonds exempt from Federal taxes by the Revenue Act of 1938 and the Internal Revenue Code. In ruling in favor of the Port Authority on this important point, the court, however, declined to pass judgment on the infinitely broader question of the constitutional immunity of all State and municipal bonds from Federal taxation.

This matter will presumably be pressed by the Treasury for ultimate adjudication by the United States Supreme Court. The Treasury has already announced that it will appeal the ruling in the instant case to the Circuit Court of Appeals. The judgment of the Tax Court, however, gains added significance in light of the fact that it marked another victory for the States and their municipalities in resisting the efforts of the national administration to subject the interest on their bond issues to Federal taxes.

Attempts to have Congress enact legislation of that character have been entirely unsuccessful and such abortive effects were highlighted by the refusal of the Senate, in September 1942,—despite strong pressure from the Administration, to approve a bill providing for termination of tax exemption on local government securities.

With regard to the Treasury's appeal of the Tax Court's decision in the Port Authority case to the Circuit Court of Appeals, various sources feel very strongly that the ruling is not likely to be reversed. Mention is made in this connection of the respect in which decisions of the Tax Court are held by other courts, including the Supreme Court. Reference to this fact was made, for example, by Frank C. Ferguson, Chairman of the Port of New York Authority, in commenting on the recent ruling, as follows:

"In light of the respect with which decisions of the U. S. Tax Court are treated by the Supreme Court of the United States, we trust that this decision will mark an end to efforts to interfere with fiscal affairs of the States and their cities. The municipalities should now be able to go forward with their plans for post-war development without the fear of Federal interference with local financing."

Mr. Ferguson also declared that the decision of the Tax Court upholds the Port Authority's long-standing contention that its bonds "are on the same plane as the direct obligations of the States and their cities * * * and (this position) has been accepted as one of the attributes of Port Authority bonds in the market." The Port Authority, he said, has for many years played a leading role in the efforts of the States and cities to combat Federal attempts to tax their obligations and declared that the authority "participated in the organization of the Conference on State Defense", which for over five years has successfully maintained the position of local governments on the "fundamental issue" of the tax-exempt status of their bonds.

Julius Henry Cohen, for many years the Port Authority's general counsel and who acted as chief counsel in the current case, reportedly expressed the opinion that the Tax Court's ruling will be upheld by the Circuit Court of Appeals and that the Supreme Court will find in the case no constitutional question of sufficient import to justify a review of the lower court's findings.

Port Of N. Y. Authority 1943 Revenues Over $13,000,000

During 1943, the first full year of gasoline rationing, traffic on bridges and tunnels operated by the Port of New York Authority was 28% less than the peak year of 1941, and 12% under 1942, which included less than eight months of gas rationing, it was announced earlier in the week by Frank C. Ferguson, Chairman of the Port Authority. A total of 21,987,000 vehicles used the crossings in the past year and, according to a preliminary financial statement, revenues from tolls aggregated $13,239,000, a drop of 22% from 1941 and 8% from 1942. The comparatively high level at which revenues were maintained is attributed to the larger proportion of buses and trucks utilizing the crossings in comparison with peacetime. Another significant factor was the collection of tolls from military vehicles during the last six months of the year.

"Traffic during the past year did not fall to as low a level as might have been expected in view of the continuing gasoline shortage," Mr. Ferguson said. "This we believe is an indication of the fact that the vast majority of the vehicles now rolling represent war transport. Seven-day-a-week operation of war plants has brought even a large proportion of Saturday, Sunday and holiday travel into the category of essential travel."

In the early months of 1943 the Port Authority crossings were used by an average of 326,000 vehicles a week. It was during this period than an extreme gasoline drought occurred. During the last four months of the year approximately 511,000 vehicles a week used the crossings.

The two crossings most intensively used by war workers, the Lincoln Tunnel and the Bayonne Bridge, showed traffic gains over 1942. During November and December both facilities established all-time traffic records. The Lincoln Tunnel was used by 4,553,000 vehicles during the year, and has virtually attained its full capacity as a one-tube facility. The heavy traffic at this tunnel reflects its extensive usage by motor trucks, buses and automobiles carrying war workers. Similarly, the Bayonne Bridge, which is strategically located in relation to important war industries, handled more traffic than in 1941.

As in 1942 the George Washington Bridge suffered the greatest decline, handling 5,620,000 vehicles in 1943 as compared with 7,382,000 in 1942. Hard hit also was the Holland Tunnel, at which traffic dropped to 9,741,000 compared to 11,286,000 in the preceding year. Both these crossings in peacetime carried a substantial volume of pleasure travel destined for resorts in New Jersey and upstate New York.

The Port Authority's net income after operating expenses and interest will approximate $6,540,000, a decrease of 8.8% from 1942. Preliminary figures indicate that during the year the Authority cut its operating expenses $415,500, or 10.4% as compared to the preceding year. This saving was effected in spite of a war adjustment payment made to all employees earning $6,000 or less, and resulted principally from a rigid curtailment of maintenance work which was deferred.

Looking ahead to the coming year, Mr. Ferguson stressed the increasingly severe shortage of tires, automotive replacement parts and manpower.

"The principal problem facing all those concerned with highway transport," Mr. Ferguson said, "is no longer the establishment of new restrictions; rather the accent must be upon keeping vital equipment rolling. It has been demonstrated that over-the-road transport of essential materials and workers is vital to our war economy and to victory itself. Unless an effective conservation and replacement program is effectuated, the coming year may see a drastic curtailment in the use of buses and trucks which might seriously handicap the war effort."

N. Y. City Buys $40,300,000 Fourth War Loan Bonds; Investments Now Exeed $150,000,000

City of New York investments in war bonds now total approximately $150,000,000, according to Joseph D. McGoldrick, Comptroller, who announced on Jan. 31 the purchase of $40,300,000 2½% bonds of the fourth loan offering. The check to cover the additional purchase was presented to W. Randolph Burgess, Chairman of the War Finance Committee for the State of New York. The city's grand holdings of $149,746,000 includes purchase of $51,946,000 for the various sinking funds and $50,000,000 for account of pension funds. Comptroller McGoldrick is sole trustee of the sinking funds and the pension funds have separate Boards of Trustees, of which the Comptroller is a member and for which he acts as custodian.

Mr. McGoldrick made the recent purchase at the Bond Booth in the Sub-Treasury Building at Wall and Nassau Streets. He selected the place of purchase as the Sub-Treasury booth because it is located on the site of the building erected in 1700 which served as the City Hall of New York until the present City Hall was built in 1812. The original Municipal Hall also served as the Federal capitol from 1785 until 1791.

Also taking part in the brief purchase ceremony were Joseph A. Bower, Director of the Banking and Investment Division of the War Finance Committee; H. Donald Campbell, President of The Chase National Bank of the City of New York; Wm. Gage Brady, Jr., President of The National City Bank of New York; Leon Fraser, President of The First National Bank of the City of New York; S. Sloan Colt, President of Bankers Trust Company, and Russell C. Leffingwell, Chairman of the Executive Committee, J. P. Morgan & Co., Incorporated.

State and Local Debt Reduced $1,000,000,000, Census Bureau Reports; Federal Debt Up $64,201,000,000

States and local subdivisions reduced their outstanding indebtedness in the amount of approximately $1,000,000,000 during the year ended June 30, 1943. The actual reduction was $997,000,000, of which $301,000,000 was accounted for by the various States and the remainder by cities, counties, villages, etc., according to a report issued by the Governments Division of the Bureau of the Census, Department of Commerce. This report, captioned "Governmental Debt in the United States: 1943," also reveals that during the same period there was a rise in the Federal debt burden of $64,201,000,000, bringing the grand aggregate on the June 30 date to $136,969,000,000. This figure does not include indebtedness of corporations and agencies of the United States.

As stated in the report, the huge increase in Federal indebtedness — "a natural consequence of the gigantic cost of global warfare"—dwarfed into insignificance the sizable slash in their indebtedness by the various levels of local government. Although minute on a comparable basis, the report states, the $997,000,000 cut accomplished by States and municipalities assumes major stature when Federal debt is excluded from the overall debt picture. Furthermore, the 5.1% decrease for the year "clearly indicates the greater economic and financial strength of States and local governments in 1943."

In addition to the above-mentioned report, the Governments Division of the Census Bureau has also released two additional debt studies, one being devoted to the volume and character of State debt outstanding at June 30, 1943, and the other containing similar data with respect to indebtedness of the 410 cities having populations in excess of 25,000.

The three studies are very timely and represent an important addition to existing data on debt status of all levels of government, Federal, State and local. The reports dealing with the debts of States and cities are particularly informative as they contain a variety of data pertaining to the debt structures of the individual States and respective cities. No less valuable is the report on overall governmental debt, an outstanding feature being a review of the history of State and local debt, with particular reference to the sharp reduction that has been effected in such obligations during the present war period.

The gross indebtedness of the States and local subdivisions at June 30, 1943, is reported at $18,645,000,000, as compared with $19,642,000,000 in 1942, $20,182,000,000 in 1941, $20,225,000,000 in 1940 and $19,562,000,000 in 1932. On June 30, 1943, however, gross Federal debt was $136,696,000,000 (exclusive of indebtedness of corporations and agencies of the Federal Government), having increased $64,201,000,000 during the year from the 1942 aggregate of $72,495,000,000. Comparable figures on gross Federal debt for earlier years are shown as follows: 1941, $48,979,000,000; 1940, $42,971,000,000; 1932, $19,487,000,000.

As indicated in the figures shown above, the $18,645,000,000 gross debt of States and local taxing units on June 30, 1943, is the smallest aggregate since 1940. The reduction in debt also served to sharply lower the amount required for interest charges, the total of $681,000,000 in the 1943 period being the lowest in the past decade, according to the report.

In addition to sharply reducing their outstanding gross indebtedness during 1943, the States and local subdivisions also made substantial additions, in that period, to sinking fund assets applicable to the retirement of their obligations. These offsets, the report says, totaled $2,095,000,000 on June 30, 1943, an increase of $125,000,000 over 1942. Practically all of the total, it is said, is held as a reserve against $15,193,000,000 of outstanding general obligations, thereby reducing this burden to $13,171,000,000.

All States and local units combined reduced their gross debt less sinking fund assets by 6.3% to $16,399,000,000 in 1943, and as in the case of gross debt, counties and States experienced the most marked contraction of all of the various levels of local government. The sharpest decline in the past decade characterized the State debt picture for the year ending June 30, last. On that date gross debt totaled $2,909,000,000, this being 9% less than the $3,211,000,000 on the same date in 1942. A similar percentage decrease was made in the volume of outstanding net general obligation State debt, the 1943 total of $1,849,000,000 comparing with the previous year's figure of $2,033,000,000. The year 1943, it is said, continued a trend of declining State debt which began in 1941, the first of recent years to show a reduction.

Gross debt of the 410 cities with populations of 25,000 or more decreased $269,000,000 during the 1943 year, accentuating the trend started in 1942. Recent year's reduction amounted to 3.3%, as compared with only 2.1% in the earlier period. As a result of this decline, city debt of $8,002,000,000 was well below the peak reached in 1941 and was less than in any year since 1932, it was said. Of the grand total, 54% represented obligations of the five cities having populations over 1,000,000: New York, Chicago, Philadelphia, Detroit and Los Angeles. The City of New York alone was indebted for 38% of the gross debt of the 410 cities.

N. Dak. Supreme Court To Reconsider Warrant Funding Decision

Alvin C. Strutz, State Attorney General, advises us that the North Dakota Supreme Court has agreed to reconsider, at its February term, a previous ruling holding that refunding bonds issued by local taxing units in exchange for special assessment improvement warrants issued prior to 1929 are invalid. Mr. Strutz states that no copy of the court's previous decision has as yet been published and will not be until the court passes on the matters raised at the rehearing.

Outlook For The Oil Industry

(Continued from page 499)

ships, etc. that a belligenent can muster. Of course, this is very superficial measurement.

Trained manpower, indeed manpower in general, along with industrial potentialities, food supplies, strategic materials, etc. are of course, the basically important components that must be considered in any intelligent appraisal of the situation. However, throughout the long period of time required to translate all these components into the thing we call our war effort, the consumption of oil plays an important part at every step of the road. We see it every day on the home front and know of its importance on the marine transportation front and in the battle areas themselves. Therefore, in my opinion, the best, or at least, the most convenient unit of measurement for gauging the military force of a belligerent these days is simply the amount of oil he can allocate to his war effort over an extended period—that is, over a period long enough to win whether the time required be one year or ten.

In other words, oil consumption may be thought of as the common denominator of measurement in terms of which all military power potentialities can be expressed—and expressed much more significantly than by an enumeration of the war machines themselves. Military force in its most realistic meaning is only being applied when the war machines are moving, and when they are moving they are consuming fuel.

Leaving out the Japanese angle, or postponing discussion of it until say about this time next January, the European phase of the war boils down to a very simple formula. The Nazis at most can burn up no more than a hundred million barrels of oil a year in their war effort since that is approximately all their sources of supply can provide, and I think we can dismiss the possibility that they still have any prewar storage accumulations to throw in. In my best judgment our European enemy is now on a hand to mouth basis so far as oil goes.

Of course, he is building up synthetic oil plants as fast as he can, but the bombers are working just as hard in the other direction. It seems to me that the resultant of these two forces—that is, construction on the one hand and destruction on the other—is likely to be a standoff. Anyway I am convinced that Hitler is held reasonably close to that hundred million barrels a year limit on his war show.

During 1944 our war effort will absorb about five times that amount from domestic wells alone. Russia, the Middle East, and South America will certainly contribute as much again.

Thus in 1944 we will be in a position to motivate several times the volume of striking power that Germany can. As a matter of fact we are now poised after long preparation to throw a billion barrel a year combat punch at our enemies. This year the Japs may be honored to the extent of a couple of hundred million barrels thrown by us in their direction, but Hitler, with his hundred million barrels war machine is right at this very moment looking down the muzzle of a five hundred million barrel calibre gun—it may even be much larger, and certainly will be if the war goes very far into 1945.

This wide disparity in motor fuel potential between our side and the Nazis is, in my opinion, among the most important advantages we have in this conflict. It means simply this,—that for every plane, tank or ship that Germany can throw against us we can counter with five, or thereabouts. No army, even one as superlatively good as the Reichswehr can stand up to such uneven odds indefinitely.

Were it not for this fuel disadvantage, Germany might stand us off for a long time—several years possibly. As it is, Germany appears to this observer to be a mathematically certain loser within a year.

So much for the outlook for the part oil will play in helping us win the war—the war we must win, or else.

Now on the industrial front, which is the subject I suppose I should have stuck to, the outlook for the current year at least can be summed up in a few words.

Let us first look at that old standby—supply and demand—which will give us the best clue to our oil outlook as it generally does with every other industry.

On the supply side of this equation it can be said with assurance that we will have no serious problems this year, or for several years to come. We will have adjustments to be sure, since, as our domestic reserves become strained to supply our needs, we will probably import more oil. Some day in the distant future we will be making part, and eventually all, of our motor fuel out of other hydro-carbons such as coal, oil shale and possibly even corn stalks. Natural gas, of which there is a great reserve in the country, is also a potential source of gasoline at a cost not much more than the present cost of gasoline to the oil refiners. We may have to pay a little more for motor fuel in future years, but it will never be necessary to ration us between wars—that is certain.

Now it so happens that this question of oil reserves, which is the long term phase of the supply side of our equation is presently receiving widespread attention in the press, various periodicals, and by sundry radio commentators. We have had in recent months a veritable epidemic of articles warning us of the crisis we are facing in what is referred to as the alarmingly dangerous position of the Nation's oil reserves at this time. The thesis developed by these articles is that we are now drawing on our oil reserve at the limit of its capacity to produce efficiently; that we are not finding new oil reserves as fast as this present rate of withdrawal, and that consequently we are losing our reserve position at a rate which is described as an alarming or critical threat to our national economy and safety.

Now, I don's pretend to say that such articles as for example the ones that appeared recently in Colliers and the Saturday Evening Post are harmful. They contain a lot of worthwhile information, but these articles are in popular style which is very much concerned with reader appeal, and not too compunctious about headlining the possibilities of calamity while keeping in very small print, or just forgetting to mention entirely the more plausible probability that the dire calamities of which they warn us will never materialize—at least within the lifetime of the grandchildren.

Anyway, I know that much of the popular literature on oil reserves has created some very erroneous impressions in the minds of many, and concern about the national oil reserve is widespread. I know this because of the almost daily calls on the telephone from some agitated friend who wants to know just how serious this oil shortage is going to be. I regret to say that a high proportion of my inquirers seem to be more worried about the outlook for their gas coupons than the broader implications of a national catastrophe.

It would be impracticable to attempt in the time available to go into all the factors of quantity, time, technological skill, etc. that enter into a complete elucidation of the national oil reserve outlook, but you can take my word for it that—the important fact to bear in mind despite these somewhat confusing writings and utterances to which I have just alluded, is that we are a long way from running out of oil in this country. Wallace Pratt, a Vice President of the Jersey Company, and an eminent student of petroleum economy, expressed the belief that there is another forty billion barrels of oil awaiting discovery within the continental limits of the United States. The consensus of well informed opinion supports this view.

It is generally agreed by competent estimators, that apart from this to-be-discovered reserve, we now have in sight a proved reserve in this country of some twenty billion barrels.

By simple arithmetic these two kinds of reserves add up to sixty billion barrels, of which twenty billion is proved, and forty billion reasonably probable, even though not actually spotted on the map.

Since our present production—now at its all time peak—is running around one and a half billion barrels a year, it is evident that this sixty billion barrels of domestic oil reserve is going to be a big factor in this country for at least another fifty years, and probably will not disappear completely from the picture for a much longer time.

Of course, the rate at which the presently undiscovered reserves become located by the oil explorer, or wildcatter, as he is generally called, will have an important bearing on short term phases of the supply outlook from time to time. Presently we are not finding the oil as fast as we should to be smugly comfortable. Some one has estimated that in the last five years we discovered a volume of new reserve equivalent to only three years consumption at present rate.

It is getting harder to find oil—the industry knows this full well—and by harder I also mean costlier. However, if the forty billion barrels of unfound oil is really there, the most elementary reasoning will demonstrate that it will be found if we work hard enough at it. In other words, if three thousand wildcat wells a year—our 1943 rate— won't maintain a sufficient reserve of producible oil to balance annual consumption demand, then maybe five thousand or ten thousand will.

Bear in mind there is practically no limitation on the drilling of these exploratory wells so far as geography goes. This forty billion barrels of to-be-discovered oil reserve is scattered around under approximately a million square miles of posible oil territory, distributed over some twenty or thirty states. This is a lot of wide open spaces and a few thousand more wildcat wells a year wouldn't be noticed by anyone but the statisticians. Except for possibly a litle incentive to work harder—to speak frankly, a little more dough for their oil—there is no reason whatsoever for believing the industry won't be able to find oil fast enough to avert any shortage that cannot be made up easily—first by imports, and ultimately by the synthetic oil industry, which industry will develop in this country as domestic oil becomes increasingly scarce.

Throughout the entire history of the oil industry the reserves of producible oil in sight have been kept in some sort of balance with demand by the activities of exploration which expanded and contracted through the years as oil became scarce or abundant. When oil looked scarce the price went up and with it the incentive to drill more wildcat wells. Exploration tapered off, as would be expected, whenever oil began to look like a drug on the market.

It so happens that for the last fifteen years or so we have been sitting on a very comfortable sized reserve. In fact, it was too big for comfort during much of that period. Wildcatting didn't stop during these years, of course, but it very definitely slowed up relative to the expansion in demand. It would have slowed up more if prices had followed the historic pattern of going down as reserves built up. However, the regulation of oil production by State law, known as proration, evolved during these lush years, and the price of oil except for brief periods during the early days of the East Texas field never got low enough to discourage exploration altogether. At the same time price during this period was never high enough to encourage a volume of exploration that was anywhere near the volume that the industry as a whole was financially capable of maintaining, and would have maintained had it looked like good business.

Now the first signals of approaching scarcity have made their appearance, and while some of us are viewing this with alarm in the public prints, the industry is merely waiting for the price signal and, incidentally, some more steel and labor that will provide the incentive and make it possible for it to step up its wildcatting activities.

Just by way of rounding out this story of exploration accomplishment, it should be noted that the weak showing over the last five years is partly responsible to lack of tools to work with. Forgetting the lack of price improvement which had always been a major influence before, this time the industry for a part of the five year period had O. P. A. to deal with, loss of skilled labor and sundry other obstacles occasioned by the war. These workers against the speed-up in drilling that would ordinarily have taken place in normal times. Considering the handicaps of the period, maybe it is fair to say that the industry did rather well to turn in even three years' new supply for the last five years of exploration.

While it is true that the domestic oil situation seemingly has passed through the era of superabundance, oil will become scarce in this country at a rather slow rate. The price of oil, therefore, based on the scarcity factor alone is not likely to skyrocket, though it is entirely reasonable to believe that the long term trend will be upward.

However, there will be a ceiling, at possibly double the current price, beyond which this upward trend can never pass. This ceiling will be the cost of motor fuel derived from hydrocarbons other than petroleum—so-called synthetic fuels—which cost even now would not make driving a car too much of a luxury. Of course these hydrocarbons other than petroleum include coal and oil shale which are measured in trillions of tons. I suppose a few thousand years hence when this supply begins to show signs of depletion, the commentators of that day and age will be exhorting their readers to be careful of their gasoline consumption as the atomic energy motor which, theoretically, will some day solve all our power problems, may not be perfected even in that far distant time.

As for demand—we have just witnessed the peak year of all time.

Production in the United States in 1943 was 1,500,000,000 barrels. It has been estimated that 27%, or 405,000,000 barrels was military consumption.

This year military use is likely to go up—non-military probably will hold about the same.

If the war in Europe goes beyond mid-year, the overall demand will almost certainly be as great in 1944 as in 1943. If the war lasts through the year, I look for a considerably higher demand on domestic production in 1944 than 1943. This could be as much as 10% more this year than last. My guess at this time is that demand this year, which is presently running about 7.5% above 1943 rate, will be at least somewhat higher than it was last year, as I do not look for Nazi capitulation before the latter part of the year.

When the war on both fronts ends there will be a considerable contraction in military use, and it is a question whether this contraction will be sharper than the buildup of the normal civilian demand.

Many factors enter this question and, in my opinion, a satisfactory answer cannot be formulated at this time. We know, for instance, that motor vehicle registration is presently back down to the 1938 level and that obsolescence is carrying it on down steadily. If the war should end sooner than most of us think, and demobilization should be very rapid, as I, personally, do not think it will be, we could experience a material drop in demand,—a drop that would not be arrested until the automotive industry tooled up and got a few million more cars back on the roads.

The whole question is further complicated by the rubber situation.

The one thing to bear in mind is that unlike so many industries, the effect of the war on oil has not been so much a matter of building up new business that will disappear after the war, but rather an internal shift within the industry itself from civilian to military consumption. The overall demand for oil is probably not running very much higher than it would had there been no war. That is, the normal peace-time growth in consumption probably would have brought the demand up to somewhere near the present level.

The post-war adjustment back to peace-time demand therefore doesn't involve a serious loss of revenue for the industry in the long term viewpoint. The worst that can happen, in my opinion, is a temporary drop of a few months—possibly a year, during the time required to adjust ourselves out of war and back into a 100% peace-time economy.

If there is no change in price, it is evident from the foregoing remarks that earnings of the industry in 1944 are likely to run about the same or a little higher than in 1943.

You all know about the Disney bill now pending before the Senate, which bill seeks to raise the price of oil on an average of 35 cents a barrel. Your guess as to whether this bill becomes a law is as good, or better, than mine. If it does become the law of the land, earnings in 1944 will be better than in 1943 for most companies. However, much of the new net that would result from such price increase for oil would be absorbed by excess profits taxes.

To sum up—I look for another year of good demand like that experienced in the year just passed. If we get an increase in price individual companies will show increases in earnings up to 25% or more. Others will show 10 to 15% improvement. If refined products prices do not move in parallel with crude oil some companies might be pinched and show earnings declines.

All in all, I look for the year 1944 to show earnings for the industry as a whole somewhat better than in 1943. If the price increase materializes the overall improvement might be of the order of 15%.

Industry Must Consider World Needs In Post-War Period, Says K. T. Keller

(Continued from page 500)

haps some of you may have read a recently published summary of what the Army's Intelligence Service finds about the enemy's military might.

"The gist of both of these documents is that there is nothing in the military or economic situations of our enemies to justify confidence in their early downfall, except at the cost of much greater losses of men and materials than this country has experienced thus far.

"Complacency here now would be as dangerous to our cause as complacency at the front. No matter what our political, social or economic views may be, it is up to us to continue to do everything we can to win the war fast."

"Some day, and I pray soon," said Mr. Keller, "the need for weapons of war will be interrupted, and I hope interrupted for many years." Remarking that "peace-time needs will again become important," he warned that "we will have to adjust to a peace-time economy," adding that "this is going to be very urgent business when the time arrives. We shall have problems that are real, actual and inescapable. They will call for more than paper planning."

He cited the demands which would be made on industry, as to which he said it "will have to think internationally as well as nationally," that it should make clear "certain elementary things about jobs," that it "needs to cooperate with representatives in Government in their efforts to formulate policies that are good for the American people," etc. His remarks follow:

"Getting into peace production will again bring industry under close public scrutiny. Many people will, and should, pass from industry to other occupations. Many who have now experienced factory employment will desire to remain. The level of industry employment will adjust itself to the volume of consumption our peace-time economy will support.

"Because so many people will be affected by the cessation of war manufacture and because time will again be needed to make the changes necessary before we can take up peace-time manufacture, it will be the job of reconversion that will then try the patience of all of us.

"The physical rearrangement of our production facilities will again call for the finest skills and the greatest ingenuity of experienced production engineers. Will this change be retarded by unfair criticism and officious bungling? Or will it be facilitated by realistic handling of our economic problems?

"Industry itself can do much to lead in a return to a normal and healthy peace-time economy.

"(1) A great demand will exist immediately for known goods and services. Efficient production of these goods, and economic rendering of these services must be industry's goal if our economy is to be sound.

"(2) New devices and new services, in keeping with our broadened knowledge and experience, will be offered to enliven and expand our desires, and the benefits thereof should give us all the urge to work harder to have more.

"(3) While competitive in its business enterprise, industry will have many common problems related to our national economy. We shall get nowhere in the long run if every one deals with the little segment that represents his own special interest, instead of looking at things broadly, with the common interest of industry at large in mind. Equality of opportunity, which is a keystone of our free competitive enterprise, cannot be maintained against the pressure of blocs, pushing other people around for their own temporary advantage.

"(4) Industry will have to think internationally, as well as nationally. We live, economically speaking, by the exchange of goods and services. The needs and wants of people do not recognize State lines, whatever may be their political and social philosophies. Dissemination of knowledge, scientific as well as cultural, is world wide. It encourages men all over the world to seek opportunities and to develop new resources, new methods and new markets. All of this and its possibilities should be in industry's vision.

"(5) Industry recognizes and should make clear certain elementary things about jobs, that are simple but stubborn facts. Manufacturers do not provide jobs. Jobs are made by the customers who buy the things the manufacturer produces. Jobs beget jobs. We employ each other through the processes of purchase, production, distribution and service. This is merely primer economics, but primer economics need to become fashionable.

"(6) Industry needs to cooperate with representatives in Government in their efforts to formulate policies that are good for the American people. Businessmen should constructively advise and counsel with Government groups in the problems of transition to peace. I believe, that by and large, our Congressmen and Senators will take the time to analyze thoroughly the problems of industry, if industry will take the trouble to give them the facts, and to help them arrive at sound conclusions.

"This is my own observation as to the problem of terminating war contracts in such a way as to enable industry to reconvert quickly to peacetime production. I personally have found a very intelligent and realistic approach to this situation. It involves many things that can be done now without in any way interfering with our primary job of winning the war.

"This problem, it seems to me, is as much a physical as a financial one. Reduced to simple terms, it involves principally a few decisions on the part of the armed forces which can be readily made, at least for this purpose, without diverting the attention of the manufacturers from their war jobs. In fact, if these decisions would be made now, the result from an industry morale standpoint would aid rather than hinder the war effort.

"The country has converted most of its manufacturing facilities from peacetime operations to production of war goods. At least 1,500 additional plants have been built and equipped for war preparations. Now more than one-half the nation's total industrial output is war production. That offers one reason why we can build at least 9,000 airplanes a month, five ocean-going ships a day, tanks and cannon at whatever quantity is desired, ammunition in astronomical amounts, and about everything else that war requires.

"Thus, over $50,000,000,000 of pre-war, privately owned manufacturing plant and equipment has been increased by about $15,000,000,000 worth of government-owned plant and equipment. Visualize all of this in terms of building and machinery, and add to it the stockpiles of all sorts of supplies owned by the Government, which it is estimated will amount to about $50,000,000,000 when the war ends. You will then have some idea of the physical size of the job.

"Now bear in mind that what is privately owned, and what is Government-owned, is not nicely separated one from the other. Government-owned machine tools, for example, are scattered all through privately-owned plants and vice versa. And about the same thing can be said for materials. That will give you some idea of the physical nature of the job.

"The decisions that I believe can be made now, without interfering with war production, relate to such obvious considerations as these:

"To determine what the Government is going to ask industry to maintain, in the form of physical facilities, to support the armed forces in preserving peace after the war, and about this I will have more to say later.

"To decide which of these industrial units shall be retained in operating condition by the present custodians and operators.

"To decide what facilities the Government will wish to retain itself for the protection and maintenance of peace.

"To decide what Government equipment and materials in its own or privately owned plants the Government will wish to dispose of.

"To enlist them and earmark them for sale, under a sensible pricing and disposal procedure, then sell them now under conditions that will let them stay where they are as long as the war needs them.

"Finally, to arrange for the prompt removal of machines and materials that will be in the way of peacetime production when the war ends.

"It seems altogether sensible to me that these decisions should be made now. That would be post-war planning of a most effective and practical kind. It would not take industrial executives off their war jobs, and, more than anything else that either the Government or industry could do now, it would expedite getting back to peacetime production.

"Opportunity for steady employment for the generation now arising, whether in ownership, in management, or in labor, — and mass distribution, to match mass production of goods, — are all tied up in the way in which we get free from this war.

"The physical change-over will be a difficult part. As I have already pointed out, people got very impatient right after Pearl Harbor when industry cleared out its plants, set its own machinery in the yard, and nothing much seemed to happen for a while. Real activity actually was going on. New machines and the usable machines we had, were getting set up, with the necessary tools and fixtures for making war goods, and we were getting some pieces run off, preparatory to production itself. Even that was a simple situation as compared with reconversoin.

"Here, it seems to me, is a fine opportunity for the kind of intelligent cooperation between industry and Government, which I think is essential if the jobs that our fighting men will want, when they return, are going to be available to them as quickly as possible. It is the kind of cooperation which will help to get war industries back working for their customers, the people, when their present customer, the Government, turns them loose.

"After all, what is the America we wish to live in when this world struggle ends? I should like to give you, in closing, some of the broad strokes of the picture as it appears to me from an industrial point of view:

"I should like a realistic approach to world security. Many important new war devices have come from closely coordinated Government, industry and science.

"We should continue this research and development of war machines and materials by coordinating the knowledge of our physicists and scientists with the manufacturing skills of our engineering and production industrialists. This country should be willing, in the interests of world peace, to spend a great deal of money to assure ourselves the best weapons obtainable.

"World security, which means our own security, cannot be based on the number of tanks and cannon and other war machines that we have left over from World War II. It will be based on the supremacy of the weapons of the future. It is no idle thought, for example, to imagine an airplane with a range of 15,000 to 20,000 miles, flying at an altitude of 40,000 feet, carrying bomb loads 10 times as destructive as our most modern present-day explosives. And when such a weapon comes it should be America's weapon, the product of American science and industry, and its secrecy of design protected.

"There is a very effective channel through which we can focus attention on the importance of continuing this development work. that channel is the Army Ordnance Association, of which there is a Chicago post right here. I have no hesitancy in urging you to join it. Continuance in active being of the Ordnance-Industry team that is giving our Army today its superior weapons, if backed up by hundreds of thousands of Americans, would be a powerful influence in seeing to it that we do not again sink to the depths of unpreparedness in which Pearl Harbor found us.

"Through the channel of the Army Ordnance Association, the research, the designing, the proving and perfecting of weapons, which are necessary before their manufacture in quantity can be undertaken, can be stimulated and this important necessity kept before the American people.

"I should like to see the United States always so modernly prepared in its own industrial plants that nobody at any future time will dare to upset the peace of the world without reckoning deliberately on America's influence to determine the outcome.

"Let us make sure that the great forward strides we have made in the science of machine tool development for war purposes are riveted in our domestic peace-time economy. We have not been stripped of our industrial ability. We have been enhanced in it. Termination of the war should terminate the use of machine tools driven from line shafts. Industries that use machine tools should be completely modernized out of the surplus of machines made available when war production ceases.

"We should see to it that America's shops and plants are equipped to produce the highest standards of quality and at high productive levels. And to the extent that our surplus machines are needed here to replace the 10-, 20- and 30-year-old machines with which we went into this war, they should be left at home and utilized. It has been demonstrated in this war that the manufacture of large quantities of the latest weapons can be quickly accomplished when America's industrial plants are filled with the highest quality of machine-toool equipment.

"I should like to see the United States protect and guarantee its ability to produce its own needs in such basic commodities as alloy steels, synthetic rubber and other strategic items.

"Let us find some way to maintain, at least in standby condition, the plants we have built to assure America's position in such commodities. Before we decide to pick these plants up bodily and ship them abroad, let us make sure that America, in its desirable efforts to rehabilitate the world, shall continue to be equipped itself with the best facilities for producing these essentials.

"I should like to see the United States come out of this war with the American way of life and free enterprise on a sound footing.

"Let us build out future on the basis of encouraging the honest, the thrifty, the industrious and the able. We want our boys to come back to opportunities which encouragement of risk capital opens up to those who are willing to earn as well as to work—to opportunities that reward individual effort—and recognize individual merit. It is our sacred trust to see to it that those liberties inherent in the worth and dignity of the individual, the basis of the freedom they are fighting for, are preserved for them at home.

"I should like to see the United States, in its social, economic, political and spiritual life, set such a fine pattern that other peoples of the world and other nations, instead of regarding us as seeking to inflict our ways upon them, will wish to emulate our ways themselves.

"If such a picture is worth realizing, it is up to us now to make sure that our public policies, as well as our own individual activities, lead in that direction."

WFA Takes Over Some Of CCC's Power

Marvin Jones, War Food Administrator, on Jan. 22 stripped the $3,000,000,000 Commodity Credit Corporation and its President, J. B. Hutson, of important policy-making powers over the WFA's food production program, according to Associated Press Washington advices on Jan. 22, which went on to say:

"The control taken from the CCC and its chief was divided between a new Office of Distribution, set up in place of the Food Distribution Administration and a new Office of Price, with the latter getting important farm price policy functions.

"Under the previous WFA set-up the CCC and Mr. Hutson had become the top ranking agency and official in food production aspects of the war food program. Mr. Hutson, as director of the Food Production Administration, and as head of the CCC, had control over the Agricultural Adjustment Agency, the Farm Security Administration and the Soil Conservation Service as well as supervision over price support programs for agricultural commodities.

"In today's order, the AAA, the FSA and the SCS regained the status of independent agencies, responsible only to Mr. Jones or his immediate assistants. Mr. Jones, in announcing the changes, said they were merely designed to speed up WFA operations, through more clearly defining administrative responsibilities and procedures, and eliminating duplication."

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.

Interesting Situation

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting bulletin discussing the attractions of issues of the Chase National Bank. Copies of this bulletin may be had from Laird, Bissell & Meeds upon request.

Increased Pay For "White Collar" Workers Necessary Senate Subcommittee Told

Murray Appeals For Increase

Hearings to consider the situation facing "white collar" workers handicapped in meeting higher living costs by reason of the failure of this group to receive wage increases accorded those in other lines of work were begun in Washington on Jan. 25 before a special sub-committee of the Senate's Education and Labor Committee and were concluded on Jan. 29.

The plight of this class of workers, and others living largely on fixed incomes—estimated it is said at 15,000,000—as made known by six witnesses at the first day's hearing, is said to have developed sympathetic interest by three members of the sub-Committee present at the hearing. This was indicated in special Washington advices Jan. 25 by Frederick R. Barkley to the New York "Times," in which it is stated that the sub-Committee has no bill before it, and apparently has not approached any answer to the problem. According to Mr. Barkley's advices to the "Times," the complaints came chiefly from Philip Murray, President of the Congress of Industrial Organizations, who said steel workers' living costs had increased 50% since 1941; and Abraham Flaxer, President of the CIO's State, County and Municipal Workers Union, who held that such workers needed at least a 25% pay increase to raise them above the level of barest subsistence.

From the same advices we take the following:

"The only differences of opinion which arose in the day's testimony came between Mr. Murray and A. F. Hinrichs, Acting Commissioner of the Bureau of Labor Statistics, over how much living costs had increased.

"The Bureau's figure of 23.5% since January, 1941, might well be subject to some questioning, Mr. Hinrichs admitted, but he held that Mr. Murray's 50% estimate for a 'typical' steel worker was a 'very daring' one for anyone to present as typical. The Committee asked Mr. Hinrichs to come back later in the week after making a detailed study of Mr. Murray's figures.

"Mr. Murray, speaking extemporaneously, submitted budgets of what he called two 'typical' steel workers in his CIO Union to make his point about the 50% increase in living costs. The two examples, he said, were selected from a scientific study of 1,500 steel workers chosen at random in accordance with instructions from the Bureau of Labor Statistics on how to do the job.

"He asked that the sub-Committee investigate whether the Bureau's index really reflected the rise in food prices, quality deterioration and upgrading, disappearance of cheaper goods, rent increases and price increases and black market operations.

* * *

"Mr. Flaxer held that the health of the country's communities and their publicly employed workers had been endangered by substandard economic conditions created mainly by the war. . . .

Mr. Flaxer dwelt on employment in New York. Many public employees, he said, were continually "in hock" because of inadequate salaries.

Mr. Flaxer summarized his recommendations as follows:

"Upward adjustment of the Little Steel formula, raising pay standards in the local government service by 25%, time-and-a-half for overtime, and establishment of boards of arbitration and review on Federal and/or State and local government levels, where they may obtain redress of their grievances on wages, hours and working conditions."

Advices to insurance executives bearing on the hearings were addressed on Jan. 20 by the Insurance Department of the U. S. Chamber of Commerce in which it was noted that certain information has been requested by the Commissioner of Labor Statistics in behalf of the Special Senate sub-Committee from life, fire and casualty companies relative to home, office and branch office employees, with a view to learning whether salary scales were increased or supplemented since 1914. Paul L. Hardesty, Manager of the Chamber's Insurance Department, advised the insurance executives that "we are informed the object and purpose of these hearings (before the Senate sub-Committee) is to determine to what extent white-collar workers have suffered because of inability to secure wage increases to meet increased costs of living, and further to show what effect various Government orders have had in preventing companies from granting increases to this group." Mr. Hardesty went on to say that "the study, we are informed, also is assumed to show whther or not white-collar workers have been forced to surrender savings plans, insurance plans, etc."

Mr. Hardesty further said:

"The Special sub-Committee on Wartime Health and Education of the Senate's Education and Labor Committee is composed of Senators Pepper of Florida, Chairman; Thomas of Utah, Wherry of Nebraska, Tunnell of Delaware, LaFollette of Wisconsin. The Committee in the Department of Labor is not calling on insurance exclusively in its study of white-collar workers, but their investigation also includes such allied industries as banking, building and loan, utilities and all other groups employing large numbers of white-collar workers. Similar studies to this have been made in other industries during the past year by the Department of Labor."

Investors Syndicate Elects Directors

Court Dismisses SEC Action

MINNEAPOLIS, MINN.—Paul E. Von Kuster, President of the David C. Bell Investment Company of Minneapolis; John M. Harrison, Vice President of Marsh and McLennan, Minneapolis; and The Honorable Henry M. Gallagher, Ex-Chief Justice of The Minnesota Supreme Court, Waseca, Minnesota, were elected directors of Investors Syndicate by the stockholders of the corporation.

E. E. Crabb, President, and E. M. Richardson, Vice President and Treasurer, were re-elected to the Board of Directors.

Mr. Von Kuster, in addition to heading the firm of David C. Bell and Company, is a director of The Midland National Bank of Minneapolis and a director of the Real Estate Title Insurance Company of Minneapolis. He is prominently identified with the civic and business life of Minneapolis and has served as a member of the Charter Commission for the City of Minneapolis.

Mr. Harrison, actively engaged in the insurance business since 1900, has long been prominent in civic and business affairs in Minneapolis. He is also Chairman of the Hennepin County Chapter of the American Red Cross.

Justice Gallagher was appointed Chief Justice of the Minnesota Supreme Court in 1937, resigning that office on January 2, 1944, to resume the private practice of law.

Upon motion of Edward H. Cashion, Counsel for the Securities and Exchange Commission, Judge Gunnar H. Nordbye, of the District Court of the United States for the District of Minnesota, on Jan. 17 dismissed the two remaining counts in the action of the Securities and Exchange Commission against Investors Syndicate and its affiliated companies, Investors Syndicate of America, Inc., and Investors Mutual, Inc.

Conferences working toward settlement of the action have been under way, both in Minneapolis and Philadelphia, for several weeks.

The other fourteen counts were disposed of on Oct. 18, 1943, by a Consent Decree enjoining the companies from engaging in certain sales practices — practices which Investors Syndicate denied it or its affiliated companies ever had or intended to engage in.

Judge Nordbye's order thus brings to a termination the action brought against the Syndicate group of companies by the Securities and Exchange Commission last July, and described by the SEC at that time as "the biggest case it ever handled."

W. H. Oppenheimer, Counsel for the corporations, stated to the Court, "This settlement in no way involves any admission on the part of the defendants or any of them of any wrongdoing, but has been actuated by a desire to avoid protracted litigation which it was felt would, regardless of the outcome, be harmful to all concerned; and of assuring the Securities and Exchange Commission of the desire of the defendants to comply with all applicable statutes and the rules, regulations, and orders of the Commission."

Earl E. Crabb, Chairman of the Board of Directors of Investors Syndicate, said, "We believe that, in the interest of the companies and their many security holders residing in all parts of the United States, that the thing to do was to arrive at a settlement of this case on a fair and constructive basis, rather than to proceed with a lawsuit which at best would have been prolonged, expensive to the companies and disturbing to the security holders.

"We have entered into a voting trust agreement which names three independent trustees of Investors Syndicate, men of the highest standing in this community. These trustees who have been elected directors of Investors Syndicate are Henry M. Gallagher, until January 1 Chief Justice of the Supreme Court of the State of Minnesota; John M. Harrison, Executive Vice-President of Marsh & McLennan of Minneapolis; and Paul E. von Kuster, President of the David C. Bell Investment Co. of Minneapolis.

"The solvency of our companies was not questioned in this action."

Internal Revenue Commissioner Clarifies Policy As To Salesmen's Commissions, Etc.

The New York Stock Exchange has been advised by the Treasury Department of the following statement issued by Robert E. Hannegan, Commissioner of Internal Revenue, under date of Jan. 20:

"Robert E. Hannegan, Commissioner of Internal Revenue, clarified today the new salary stabilization policy which governs payments by employers of commissions, bonuses and other percentage-type compensation to employees, and extended the policy to cover 1943 as well as 1944 and subsequent years.

"The new policy for 1944 was announced by the Director of Economic Stabilization on Dec. 30, 1943. Commissioner Hannegan has since requested and received authority to harmonize the 1943 regulations with the 1944 policy in order to prevent discrimination and hardship. Formal regulations embodying the changes are being drafted, but the new policy is effective immediately.

"Since most 1943 payments already have been made, Commissioner Hannegan advised employers they may make supplementary payments to adjust 1943 payments to the new policy.

"The new policy permits employers to pay—without the formality of obtaining approval—any percentage-type compensation earned by employees under a contract or established policy of the employer, provided no change has been made in the percentage, method of computation, or the employee's base salary (if any) since the beginning of the salary stabilization program (Oct. 3, 1942, in the case of salaries over $5,000 per year; Oct. 27, 1942, in the case of salaries under $5,000 which are under the Commissioner's jurisdiction).

"These percentage types of compensation include commissions, bonuses and similar types of payments which are based on a percentage of sales, salary, profits, volume, new business or similar factors.

"Under the above conditions, the new policy permits payment of the percentages without regard to the dollar amount. The new policy rescinds former provisions which limited the dollar amounts to the level of 1941-42.

"Commissioner Hannegan explained that the effect of the new policy on 1943 payments is as follows:

"1. **Salesmen Earning Commissions Based on Their Own Individual Sales**—As a practical matter, the new policy makes no change in the compensation status of these employees since the former dollar-limit rule was suspended in these cases. However, these employees will now be reassured that the dollar limit has been formally revoked, as to employees whose rate of commission and base salary has not been changed.

"2. **Executives, Branch Managers and Others Earning Overriding Commissions or Percentage Bonuses**—Employers are authorized to adjust any 1943 payments in accord with the new policy. For example, if an employee in 1943 was entitled by contract or established policy to receive a percentage bonus amounting to $1,000 but was paid only $900 because of the former regulations, he may now be paid the remaining $100 without formal approval provided that no change has been made in the percentage, method of computation, or base salary. If the percentage, method of computation or base salary has changed and the employer believes an adjustment is warranted, he may apply for a ruling to the field office of the Salary Stabilization Unit of the Bureau of Internal Revenue, in the region in which the employer has his principal place of business."

Previous items in the matter approved in these columns Nov. 18, 1943, page 2019; Nov. 4, page 1798, and Oct. 14, page 1506.

Corporation Income Tax And Stockholders

Editor, Commercial & Financial Chronicle:

American stockholders are subject to double taxation. British stockholders are not. Yet Britain had balanced budgets and high employment before 1939. Our corporation income tax penalizes risk taking. Its other evils are cited in the attached brief and letters. What is the remedy? We can apply the experience in improving the capital gains tax.

In 1938, purely as a public service, I initiated a move to relax the capital gains tax, and urged it repeatedly before the Senate and House Committees, and in 1942 enlisted the aid of the American Taxpayers Association, Mr. Godfrey N. Nelson of the New York "Times," and Mr. Emil Schram of the New York Stock Exchange. As a result the 1942 Revenue Act cut the holding period to six months, as urged in my 1938 brief. Copies are available.

Thereafter, again as a public service, in 1942 and 1943 before both Senate and House Committees I pleaded against any further rise in the corporation income tax during the war, and favored a shift to the British basis after the war. On my advice the American Taxpayers Association and the Investors Fairplay League issued summaries of these briefs to their members. But wider public interest seems desirable to obtain legislative relief.

The corporation income tax yielded about $5,000,000,000 of revenue in 1943 and thereby reduced the market value of shares of American corporations by about $80,000,000,000. The Treasury's loss of revenue in eliminating the corporation income tax would be largely recouped. Higher dividends would increase revenue from individual income taxes. The corresponding recovery in stock prices would increase revenue from estate taxes.

If the corporation income tax were eliminated after the war what would happen? Confidence in stocks would grow. Stock yields would fall. New stock issues would increase. Business would expand. Employment would rise. Transition to peace would be smoother. Private enterprise would function more freely. Besides, taxes are an item of cost. For railroads and utilities, with regulated rates and limited returns, the tax in some cases is confiscatory and may be unconstitutional. Elimination of the tax would lower costs, expand volume, benefit consumers, and permit the legally authorized return.

What can be done now? Stockholders must be educated. They number about 9,000,000, according to the TNEC. Corporations should present the facts, through the forthcoming annual report, quarterly statements and notices accompanying dividend checks. The combined burden on each stockholder of both individual income tax and corporate income tax should be shown for typical small, medium and large stockholders owning varying number of shares and also having varying typical "other income." The enclosed Treasury analysis shows that our burden on the small stockholder is much greater than the British. Each stockholder could also figure his own "double tax" burden. My Brief may be quoted.

If these facts are clearly stated and widely disseminated, public opinion should support legislative proposals not to increase our corporation income tax during the war, and after the war to abolish it and shift to the British basis of taxing stockholders once only.

ELISHA M. FRIEDMAN.

40 Wall Street,
New York City,
Jan. 18, 1944.

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.

Emergency Board Judgments In Rail Disputes Should Be Final During War Period

(Continued from page 500)

ing anybody as to the purport of the views I shall here endeavor to express. I am not at all sure that my sentiments and opinions would be endorsed by anyone prominent in the domain of either management or labor. But, despite these considerations, I have concluded to express my individual opinion as to how these labor disputes should be handled for the balance of the war period."

In presenting his suggestions he said:

For years the press has teemed with references to the Railway Labor Act and its admirable machinery for settling controversies as to rates of pay and working conditions. Reference is made constantly to the fact that as a result of its beneficent operation there has been no serious interruption of traffic as a result of strikes for nearly 22 years, the last serious difficulty of this nature being in 1922, when a nationwide strike occurred among the mechanical forces on the roads. That strike resulted from dissatisfaction with the decision of the old Labor Board, created by the legislation of 1920.

That Board, composed of representatives of the public, management and labor, passed out of existence in 1926 with the enactment of the Railway Labor Act, amended in important particulars in 1934. The 1920 Act proved satisfactory to neither labor nor management. Its conclusions were rejected by a large segment of labor, resulting in the shop strike of 1922. One of its decisions was sharply challenged in court by an important railroad, resulting in a Supreme Court decision in 1923, holding that the decisions of the Board were not enforcible by legal process and that they had no force except as an appeal to public opinion.

Here then was a Board with an anomalous status, neither flesh nor fowl. It was something more than an advisory board, clothed only with power to recommend. It purported actually to fix wages and determine working conditions. And yet there were no sanctions in the Act that compelled obedience. It was just a voice crying in the wilderness to which angry and excited partisans paid little heed. I may be justified in saying also that the public members, in whom resided the power of decision, were not always selected solely by reason of their demonstrated competency to pass upon the technical niceties that attend labor disputes.

And so it came about that when the futility of this Board had been amply demonstrated the railroads and their employees, after protracted consideration and as a result of many conferences, agreed upon the provisions of the 1926 Railway Labor Act, and the agreed measure was promptly ratified by Congress. Over the protest of management the Act was amended in important particulars in 1934, but we need not concern ourselves at this moment with the details of the amendments. We are concerned, rather, with the operation of the original Act and the Act as amended.

The theory of the Railway Labor Act is that there should be no provision for decisions that either party is legally bound to accept. It provides for conference, mediation, arbitration and fact-finding. The law prohibits strikes or lock-outs until the procedures prescribed in the Act have been followed through. If negotiations on the properties fail, as they nearly always do, the Mediation Board steps in and endeavors to compose the differences by friendly negotiation. In no major dispute in recent years have these mediating efforts been successful. When the futility of further mediation efforts becomes apparent it is the duty of the Mediation Board to endeavor to bring about an agreement to arbitrate by a board of three or six, composed of neutral and partisan arbitrators. Neither party is obliged to agree to arbitration, but if there is an agreement to arbitrate the decision of such a board is binding upon both parties to the dispute. It is interesting to note that in every nationwide labor dispute that has arisen in recent years management has invariably agreed to arbitrate and labor has just as consistently refused. It is my understanding that this attitude on the part of labor is due to the fact that it is the settled policy of the unions to agree to no type of procedure that will prevent it from exercising its economic power, which is an euphonious reference to the privilege of striking. If arbitration is not accepted by the parties and the Mediation Board, looking at the picture as a while, believes there is danger of an interruption of traffic the President is notified and he appoints an Emergency Board, charged with the duty of ascertaining the facts and making recommendations to the President as to the right of the matters in controversy.

This is the Board which has always functioned in the case of major labor disputes arising since the passage of the Railway Labor Act. As I have pointed out, the conclusions of this Board are not binding upon the parties. As a matter of fact, the conclusions have not always been accepted. In 1938 the carriers proposed a reduction in rates of pay which the Emergency Board dissapproved; the carriers acquiesced. But in 1941, when an Emergency Board recommended increases which were unsatisfactory to the employees and a strike was called by the leaders of labor to enforce their demands, the strike was averted only as a result of an agreement by management to pay more than the Emergency Board thought justified, which agreement grew out of the mediatorial efforts of the President of the United States and the members of the Emergency Board functioning as mediators.

In the latest dispute, coming to a climax late in 1943, the award of the Emergency Board as to the wages of the non-operating brotherhoods was, after some delay, accepted by both men and management, only to be rejected by the Director of Economic Stabilization as being, in his opinion, not in accord with the standards of the Stabilization Act as interpreted by the War Labor Board. In the case of the operating unions the award of the Emergency Board was rejected by the unions and accepted by the carriers. But in justice to the unions involved it should be stated that this decision reflected the views of the Stabilization Director rather than the independent views of the members of the Emergency Board. It is safe to say that the machinery of the Act would have been sufficient to settle the controversy amicably if the Stabilization Director had not intervened.

This is by no means to say that his action was necessarily unjustified. If the Stabilization Act called for his intervention unquestionably it was his duty to act. Whether the Stabilization Act actually applied to railroads may be the subject of a lively lawyers' debate.

To me it is clear that a recurrence of what lately happened should not be permitted and that it should be prevented at all costs, even if legislation is necessary. In fact, the non-operating brotherhoods, after there had been an agreement between employers and employees, asked Congress to approve the settlement by special enactment. A bill to that effect passed the Senate but has been delayed in the House. That body has under consideration a bill to prohibit interference by the Stabilization Director. Or, in other words, the suggestion is that all railroad labor controversies should be worked out under the machinery of the Railway Labor Act, without reference to provisions of the Stabilization Act.

There is something to be said for this point of view. Certainly the entrance of the Stabilization Director into the theater of action did not result favorably, either from the viewpoint of good labor relations or in relation to the problem of inflation. For a long time the legislative tendency has been to regard transportation, and particularly the railroads, as deserving of treatment other than that accorded to industry generally. Thus railroads have their separate systems of retirement and unemployment allowances; they compensate for injuries without reference to the ordinary Workmen's Compensation Acts; they have this special plan for disposing of labor controversies about which we have been talking. It may be plausibly argued, therefore, that this historical difference in treatment justifies the proposal.

But if the railroads are to be governed in the matter of wage disputes soley by the procedure of the Railway Labor Act, at least for the war's duration, the judgments of the fact-finding board should be final, conclusive and binding on all the parties. As the law stands now, neither party is privileged to ignore the judgments of the Emergency Board. Without raising any question as to the fairness and adequacy of such an arrangement in normal times, and realizing the force of objections to any law that arbitrarily controls either individual or collective action, it seems to me that in time of war, when sacrifice is the watchword of the nation, the legislative body may well provide that the decisions of the arbitral body shall have the force of compulsion.

Nor do I believe that the nation's policy of stabilization in the interest of avoiding inflation would be grievously wounded by leaving all matters at issue to the judgment of a board organized under the Railway Labor Act. If competent and patriotic men are selected to make the decisions it cannot be assumed that they will disregard the interests of the nation in this very important matter of price control. Indeed, the board that gave the eight cent award in the recent case of the non-operating unions expressly recited in its judgment that due consideration had been given to the provisions of the Stabilization Act and the Executive Orders interpreting and applying it. If it should be concluded that an expert in stabilization should participate in the hearings and decisions it may very well be provided that the Stabilization Director or his selected representative should sit upon the arbitral board, with power to vote, though not to veto.

If it be thought that such authority is inconsistent with the general theory as to the function of a Presidential Emergency Board, consideration might be given to making arbitration compulsory, with the Stabilization Office represented as an additional arbitrator. In this connection all who are interested in the question may profit by reading the unanimous opinion of the Supreme Court of the United States in the Toledo Peoria and Western case in which the Court, only ten days ago, refused to allow a court of equity to enjoin acts of violence by striking employees solely on the ground that the railroad had refused to arbitrate.

Whether the views I have expressed are sound or not, something should be done to prevent another like Comedy of Errors, which but for good luck and the good sense and cool judgment of some of the participants might well have become a Tragedy of Errors.

J. P. Morgan & Co., Inc. Earnings $4,332,020

In his report to stockholders at the annual meeting on Jan. 19, George Whitney, President of J. P. Morgan & Co., Inc., New York, pointed out that operations during 1943 had "naturally been shaped largely by the nation's war effort." Mr. Whitney's report showed that net earnings for 1943 were $4,332,020 against $3,251,131 in 1942. The bank's net earnings before security profits of $987,302 were $3,344,718, compared with $2,998,428 in 1942, when security profits were $252,703.

The report also says:

"A post-war adjustment reserve has been established and there has been credited thereto $140,000 charged to expenses in 1943, in addition to $100,000 which was similarly charged in 1942.

"The net earnings for 1943 amounting to $4,332,020 as above, were credited to undivided profits, from which account $1,200,000 has been disbursed to the stockholders in dividends, and $1,847,904 transferred to general reserve, leaving a net balance in undivided profits of $3,101,624 on Dec. 31, 1943, an increase during the year of $1,284,116."

Mr. Whitney said that, in general, deposits have stood at higher levels. He added that loans connected with the war effort, especially Regulation V loans, which are partly guaranteed by the U. S. Government, have increased, while loans for normal commercial purposes have remained at low levels. He also stated that participation in the financing program of the Government has continued and its holdings of United States Government securities have increased.

Capital funds and general reserves of company totaled $50,333,924 on Dec. 31, 1943, and consisted of capital, $20,000,000; surplus, $20,000,000; undivided profits, $3,101,624, and general reserves, $7,232,300.

The bank's holdings of U. S. Government securities of $487,615,089 amounted to about 64% of the total assets compared with about 60% at the close of 1942. Mr. Whitney said they averaged about five and one-half years to maturity or about three years and one month to earlier call date.

From Mr. Whitney's report we also quote:

"The company's investment in Morgan Grenfell & Co., Ltd., was reduced and somewhat changed in character during the year. The investment formerly consisted of £267,600 4½% preference shares and £1,000,000 "A" ordinary shares. As the result of a recapitalization and reclassification of shares by Morgan Grenfell & Co., Ltd., and of disposals by the company of preference shares, the company's holdings were reduced to £183,000 4% preference shares and £250,000 ordinary shares, and the company received £801,140 in cash which, being subject to the restrictions of the British finance regulations, has been invested in relatively short-term sterling securities. The voting trust, mentioned in the last report to stockholders, relating to the company's holdings of ordinary shares of Morgan Grenfell & Co., Ltd., was terminated during the year."

Reference is made in the report to the admission of the company as a member of the Clearing House Association, on Oct. 29, 1943, which has previously been noted in these columns. Likewise the report makes mention of the death of Mr. J. P. Morgan, Chairman of the Board, on March 13 of last year (also referred to by us at the time) after more than 50 years of continuous service in the business, and observes that "prior to becoming Chairman of the Board upon the incorporation of the company, he had been the senior partner in the firm of J. P. Morgan & Co. since the death of his father in 1913. His loss is irreparable. But the uncompromising standards of business integrity for which he stood will continue to guide those whom he has left behind."

Following Mr. Morgan's death, Thomas W. Lamont became Chairman of the Board of Directors, and R. C. Leffingwell became Chairman of the Executive Committee. The offices of Vice-Chairman of the Board and Vice-Chairman of the Executive Committee were abolished.

Result Of Treasury Bill Offerings

Secretary of the Treasury Morgenthau announced on Feb. 1 that the tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills to be dated Feb. 3 and to mature May 4, 1944, which were offered on Jan. 28, were opened at the Federal Reserve Banks on Jan. 31.

The details of this issue are as follows:

Total applied for, $2,459,243,000; total accepted, $1,003,742,000 (includes $71,527,000 entered on a fixed-price basis at 99.905 and accepted in full).

Average price, 99.906; equivalent rate of discount approximately 0.374% per annum.

Range of accepted competitive bids:

High, 99.920; equivalent rate of discount approximately 0.316% per annum.

Low, 99.905; equivalent rate of discount approximately 0.376% per annum.

(23% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Feb. 3 in the amount of $1,002,630,000.

With respect to the previous week's offering of $1,000,000,000 of 91-day bills dated Jan. 27 and maturing April 27, the Treasury disclosed the following results on Jan. 24:

Total applied for, $2,290,465,000; total accepted, $1,015,849,000 (includes $66,702,000 entered on a fixed-price basis at 99.905 and accepted in full).

Average price, 99.905; equivalent rate of discount approximately 0.374% per annum.

Range of accepted competitive bids:

High, 99.925; equivalent rate of discount approximately 0.297% per annum.

Low, 99.905; equivalent rate of discount approximately 0.376% per annum.

(32% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Jan. 27 in amount of $1,008,065,000.

With respect to the offering of two weeks ago of $1,000,000,000 of 91-day bills, dated Jan. 20 and maturing April 20, the Treasury disclosed the following results on Jan. 17:

Total applied for, $2,273,537,000; total accepted, $1,017,180,000 (includes $59,463,000 entered on a fixed-price basis at 99.905 and accepted in full).

Average price, 99.905; equivalent rate of discount approximately 0.374% per annum.

Range of accepted competitive bids:

High, 99.925; equivalent rate of discount approximately 0.297% per annum.

Low, 99.905; equivalent rate of discount approximately 0.376% per annum.

(33% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Jan. 20 in amount of $1,000,766,000.

SEC Asks To Vacate Order Permitting Department Intervention In NASD Case

The filing by the National Association of Securities Dealers Inc. of a motion and supporting brief, with the Securities and Exchange Commission requesting that the Department of Justice's appearance be vacated in the proceedings before the Commission involving the NASD and certain of the Underwriters of the $38,000,000 Bond issue of the Public Service Company of Indiana that was sold in 1938, was made known by the SEC on Jan. 29. The latter in its announcement stated that the NASD asserts "among other things that the Department of Justice has no interest in the proceedings which entitles it to intervention, that the rule does not apply to proceedings of this type, and that it is invalid." Accordingly, says the SEC "the Commission will consider the briefs filed by the NASD and to be filed by the Department of Justice with respect to the motion of the NASD, will afford an opportunity for oral argument before the Commission if requested by either of the parties, and will render its decision upon the question of participation in these proceedings by the Department of Justice."

Reference to the granting of permission to the Department of Justice to intervene was made in these columns Jan. 13, page 168. In calling upon the Commission to set aside its order, the NASD declared that the concept of fair play had been clearly violated, it was reported in Philadelphia advices Jan. 26 to the New York "Times" which pointed out that the Commission in its action of Jan. 5 had indicated that the Department was interested in whether or not underwriting agreements, one of the factors involved in the Public Service of Indiana case, were in violation of the Sherman Anti-Trust Act. From the Jan. 26 account from Philadelphia to the "Times" we also quote:

The NASD not only challenged the right of the department to intervene, but criticized the SEC for its failure to notify the Association that the Department had applied for such intervention until after the application had been granted.

The NASD charged that the right to intervene had been granted on Dec. 27, but that it was not served with a copy of the petition to intervene until it had requested one in writing on Jan. 14. In the meantime the NASD said it had been served with a copy of the order granting a leave to intervene to the Department.

The Department did not, the NASD charged, fulfill the requirement of Rule XVII (A) of the commission, regarding intervention by governmental representatives and agencies, by showing legitimate interest in the case.

"We are familiar with no statute which authorizes the Department of Justice to appear as a party in any proceeding or in any forum. Where the Department of Justice may invoke intervention in appropriate forum, it is only on behalf, in the interest and in the name of the United States * * * (not) as some sort of an anomalous legal entity quite distinct from the United States" the NASD charged.

Nothing the SEC could determine regarding whether there had been a violation of the anti-trust laws could affect the Department's power to enforce those laws, the NASD continued, declaring that circumstance "deprives the Department of Justice of those extra-legal arguments of alleged necessity which are sometimes sought to be made the justification of extra-legal action."

The NASD said that the proceeding begun in 1941 had been a matter of public record since March, 1942, and that the Department was, or should have been, on notice of it ever since.

"Now, after briefs have been submitted by both interested parties in the controversy and after the proceedings would have been submitted on oral argument but for, first, other commitments of the commission, and second, the subsequent illness of counsel, the Department of Justice seeks leave to intervene."

An application merely to file a brief as a friend of the court would have been "altogether too late" at that stage, the NASD said.

The NASD complained that the Department of Justice was attempting with SEC approval to make the Public Service of Indiana case "the vehicle of some enlarged inquiry," and said that nothing in the legislative history of the Maloney act, under which the Association was established, carried any suggestion or implication that such could be the case.

"Needless to say, if any such possibility had been considered to exist, however remotely, no securities association could ever have been organized for registration or would ever have been registered under the Maloney act; and the Congressional purpose to encourage self-regulation of the securities business would have been nullified at the outset," the NASD said.

The case involves the right of the NASD to punish members who violate the agreed offering price of a security. In this instance the association fined about 70 of the underwriters of the 1938 issue for alleged failure to hold to the agreed offering price of 102.

In its announcement of Jan. 29 the SEC in indicating the basis of its action in support of intervention by the Department of Justice said:

"On December 28, 1943, the Department of Justice filed with the Commission a document requesting intervention in the proceedings before the Commission under the Securities Exchange Act of 1934 to review the disciplinary action taken by the National Association of Securities Dealers, Inc., against certain of its members for violation of the price-maintenance provisions of the syndicate agreement used in connection with an offering of bonds of Public Service Company of Indiana. Rule XVII (a) of the Commission's Rules of Practice provides, in part: "Any interested . . . agency . . . of the United States . . . shall become a party to any proceeding upon the filing of a written notice of appearance therein." The Commission raised no question as to the form of the application and granted intervention.

Rottenberg With Noyes

CHICAGO, ILL.—Arthur I. Rottenberg has become associated with David A. Noyes & Co., 208 South La Salle St., members of the New York and Chicago Stock Exchanges. Mr. Rottenberg was previously connected with Brailsford & Co., Webber, Darch & Co. and other La Salle St. firms.

STANY Appoints 1944 Standing Committees

The following standing committees for 1944 have been appointed by The Security Traders Association of New York, Inc.:

Arrangement Committee—Michael J. Heaney, Chairman, Joseph McManus & Co.; Frank A. Pavis, Chas. E. Quincey & Co.; William T. Schmidt, Laird, Bissell & Meeds; Stanley C. Eaton, Bendix, Luitweiler & Co.; C. Jerome Aal, Abraham & Company; William H. Pflugfelder, Pflugfelder, Bampton & Rust; Allison W. Marsland, Wood, Gundy & Co.; Stanley M. Waldron, Wertheim & Co.; Gustave J. Schlosser, Union Securities Corp; John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane.

Tax and Legislation Committee—P. Fred Fox, Chairman, P. F. Fox & Co.; E. Everett Van Tuyl, Van Tuyl & Abbe; Wellington Hunter, Hunter & Company; William K. Porter, Hemphill, Noyes & Co.; Walter F. Saunders, Dominion Securities Corp.

Municipal Committee—Harry J. Peiser, Chairman, Ira Haupt & Co.; John M. Gertler, Gertler, Stearns & Co.; J. William Roos, MacBride, Miller & Co.; T. Geoffrey Horsfield, Wm. J. Mericka & Co., Inc.; Roald Morton, The Blue List.

Auditing Committee—David R. Mitchell, Chairman, Blair F. Claybaugh & Co.; Walter Mewing, D'Assern & Co.; John Butler, Huff, Geyer & Hecht.

Reception Committee — John Kassebaum, Chairman, Ingalls & Snyder; Harold B. Smith, Collin, Norton & Co.; Benjamin Van Keegan, Frank C. Masterson & Co.; Wilbur R. Wittich, Wyeth & Co.; Walter F. Saunders, Dominion Securities Corp.; Stanley Roggenburg, Roggenburg & Co.; B. Winthrop Pizzini, B. W. Pizzini & Co.; T. Frank Mackessy, Abbott, Proctor & Paine; William K. Porter, Hemphill, Noyes & Co.; Joseph Janarelli, Freeman & Co.; John J. O'Kane Jr., John J. O'Kane Jr. & Co.

Bowling Committee — Arthur Burian, Chairman, Strauss Bros.; George Leone, Frank C. Masterson & Co.; Joseph Colandro, White, Weld & Co.

Publicity Committee—Herbert Allen, Chairman, Allen & Co.

Employment Committee—Wilbur R. Wittich, Chairman, Wyeth & Co.; T. Frank Mackessy, Abbott, Proctor & Paine.

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.

NASD Profit Limitation Rule Would Close Capital Markets To Small Business

(Continued from page 499)

tioned this. In any event, they were no longer in doubt on this score when they received a copy of a letter dated Nov. 9, 1943, which had been previously sent to all members of the District Business Conduct Committees, and read the following paragraph: "In the final analysis, the Business Conduct Committee must be impelled to act where a member sells securities at a price which bears no reasonable relationship to the current market. Isolated transactions, where the spread or mark-up is in excess of 5%, may warrant only informal inquiry or a precautionary letter but where *practice* is established, formal complaint procedure is the recommended course."

When the rule was first promulgated the contention was advanced that since large Wall Street firms doing a volume business and those not having a retail sales force can operate on a smaller mark-up basis they, therefore, should have been excluded from the survey. Other objections to the official implications drawn from the survey were made in articles in the "Chronicle" and in letters received from its readers.

Wholly aside from this phase of the subject, the fact of the matter is that if this rule is not rescinded or abrogated and is enforced, it will have the effect of changing the entire custom of the securities business [2] regarding mark-ups since the survey in question shows that a large percentage of the members do not comply with the 5% gross mark-up rule. In this event, the result will be that at least 30% of the small dealers will be obliged to close their doors and seek employment in another line of business or become salesmen for one of the large investment firms. It must be remembered, too, that the Rule does not take expenses into consideration. It does not limit a dealer's net profits but his gross mark-ups. And since the "powers that be" in this association do not have the power to fix rents, fix wages, fix wire service fees and all other costs pertaining to maintaining a business, who is to say what the effect of this Rule will be a year or two, or more from now? What will be its effect if dealers are confronted with a few years of sluggish, inactive business? The answer, of course, is that only large dealer organizations with enough capital to live through a long period of high costs and a small volume of business will survive.

To the rank and file of large dealers 5% seems like a very large gross charge and many of them will, on reflection, observe that their profits would have been quite satisfactory in recent years if they had applied the 5% maximum charge rule. Despite the fact that this rule did not exist, it is observed that a large percent of the membership charged less than 5% and, in fact, it appears that a large volume of business is done at 3% or less. The principle itself is unsound, undemocratic, unfair and is just another rule toward the regimentation of the capital markets on the road to bureaucratic control and totalitarianism.

If the NASD Governing Board wishes to engage in the realm of *philosophy*, suppose we ask the simple question, Why was a large percent of the business done at a gross of 3% or less as indicated by the survey? (And keep in mind very definitely that these charges and these business practices developed without any rules or regulations handed down from the inner sanctum at Philadelphia.) It seems clear that the reason is the cost of doing business, the competitive efforts of dealers to get and hold business and that strong underlying desire of every business that wishes to build up and live to deal fairly with its customers and make a good impression of dependability, honesty and fair practice.

The fact, however, that some dealers have found it necessary to charge 5%, and some even more, is no indictment of these dealers until each case is examined. The volume of business, the costs of doing business, the costs of running offices in different places, and a great variety of factors in each particular transaction must determine the costs and the fair charge for performing such services.

The 5% Rule and Small Business

If the 5% rule stands and is enforced many dealers will, as previously pointed out, cease selling the securities of the smaller, little known companies and will handle the stocks and bonds of large, well known corporations only, as these can be placed with only a fraction of the time and effort. This policy will have an adverse effect on the securities of the smaller corporations now on the market and as time goes on it will consequently make it more and more difficult for small corporations to raise funds through our capital markets as heretofore.

It seems difficult for any public official to make an announcement these days without adding his sympathy for small businesses and praising their valuable service and necessity in post-war employment and production. These same public officials point out from time to time the necessity for risk capital. Even some of them go so far as to advocate that the Government or the Federal Reserve banks make loans to these small businesses and be prepared to absorb the losses.

Recently, the Secretary of Commerce, Mr. Jesse H. Jones, in speaking of that largest segment of our so-called free enterprise system, said in part,

> "**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 ail 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.
>
> "**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."

Perhaps no one in this country has better reason to know the problems of business than Mr. Jones. But his excellent recommendations cannot be carried out unless small businesses can have free access to the capital markets. If the capital markets are strangled with control and regulations which make it impossible to serve this risky and speculative field of small enterprise, our system of free enterprise and private initiative will be undermined and destroyed in the cradle of its mainspring.

Another matter concerning this principle of a gross fixed charge which should be borne in mind by the security dealers and by all others concerned is the fact that a fixed charge or fixed rate of any kind, whether it be a minimum or a maximum, has always tended to become the flat charge because it is legal. This fact is well known by labor. One of their most difficult fights has been the conflict between a minimum wage and a wage which should be paid to employees on their merits. The strong tendency has been for the minimum wage to become the wage. This wage has been more than some employees have been worth, often, but more often it has established the wage at which many deserving employees work because it was the legal wage. Similar statements might be made about attempts to fix prices of products and to fix rates for services. The gross charge or the maximum charge has always tended to become the charge, and the efficient entrepreneurs who could do business at lower charges are always well within the law by making the maximum charge, and thus they have a sheltered monopoly profit.

If the NASD Board would extend its vague thinking into the realm of "philosophy" and express a clear interpretation of this principle in words that the trade could understand, it would undoubtedly make clear the fact that while 71% of the transactions reported by those who answered their questionnaire involved a gross charge of 5% or less, with this rule established the tendency will be for the gross charge to be 5%. (The Board fears this and cautions members against raising their usual mark-up.) This will be the legal charge. It will be the charge within the rules of the association. It will be the charge that every clerk and every partner can immediately levy in each trade and save valuable time and discussion and, this charge being legal, most customers will accept it. Competition in the business will go out the window with the rising costs which most dealers expect and almost everyone else expects in the next few years. The small independent dealers will be driven out of business and a few large dealer organizations will monopolize this trade to the detriment of not only the small dealers that are forced out, but to the detriment of the public who are seeking investment service in the over-the-counter business, and to the detriment of the many small businesses who need capital, as well as add to the stagnation of business with reduced production and employment.

No one would question the need for ethics in this business, or in any other business, for that matter, but law and rules in violation of sound business principles have never yet created honest individuals and have maintained honest business practices only on the surface. It is just as unethical for a dealer to do business at substantially less than cost, which will sooner or later force him out of business and deprive him and his family of satisfactory living conditions, as it is to do business at an unfair charge above costs which is unjust to the buyer or seller.

The 5% gross mark-up rule is unfortunate and unsound in principle and should not be permitted to stand.

(1) No inkling as to the use the information was to be put to was given in the letter accompanying the questionnaire. In fact, a reading of it would have led the recipient of it to

New Tax Bill Agreed To In Conference

Agreement was reached on Jan. 31 on the new tax bill by the Senate and House conferees, who undertook to adjust the differing provisions of the revenue-raising legislation proposed by both branches of Congress. As approved by the conferees, it is estimated that the bill will yield $2,315,800,000 in new revenue, which compares with $2,139,300,000 as the bill passed the House on Nov. 24, and $2,275,600,000 as adopted by the Senate on Jan. 21. It falls considerably short of the Administration request for $10,500,000,000, but is expected to increase the Government's total annual income to more than $43,500,000,000 a year. On Jan. 28 the House conferees agreed to accept the Senate's proposal to freeze social security taxes for old age and survivors' benefits at 1% for 1944, instead of permitting the rates to double on March 1, as provided under existing law; the conferees in their concluding action agreed to retain the 1% rate. One of the final acts of the conferees was the acceptance of a series of amendments to the War Contracts Renegotiation Act whereby the Government recovers allegedly excessive payments for war material. Also, it was noted in the Associated Press accounts, the conferees before disposing of the bill rejected a House amendment which would have taxed pari-mutuel betting at race tracks 5%. Senator Barkley (D.-Ky.), one of the Senate conferees, had fought the tax, it was stated, declaring that the expense of regulating race tracks was borne by the States and that it would be unfair for the Federal Government to step in and levy its own tax.

The Associated Press advices from Washington, Jan. 31, further stated:

Individuals will be called upon to bear an additional $664,900,000 a year in income taxes.

The additional income tax receipts will come largely from abolition of the earned income credit and from disallowance of deductions for Federal excise taxes paid.

House plans to integrate the victory tax with the income tax were abandoned on the ground the resultant system would be too cumbersome. However, the victory levy was made a flat 3% rate on all income over $624 a year, in place of the present 5% gross tax with varying adjustments for family status.

The income and victory tax changes do not affect 1943 taxes, returns on which are due March 15.

More than a billion dollars of the increased revenue will come from new and higher excise taxes on articles and services.

The stiffest new rate is 30%, levied on patrons' checks at cabarets and night clubs.

The rate on cosmetics and toilet articles rises from 10% to 20%. Admissions to movies and other places of entertainment will be taxed 1% on each five cents of charge—double the current rate.

Liquor will bear a tax of $9 per 100-proof gallon in place of the present $6. The tax on beer rises from $7 a barrel to $8, and the rates on wine also go up.

Furs, jewelry and luggage take a new 20% rate. The tax on railroad, bus, boat and airplane tickets rises from 10% to 15%. A similar boost was voted against local telephone service.

The new excise rates take effect March 1, provided the bill becomes law by Feb. 19.

Postal rate increases total $96,900,000 a year, and include a rise from six to eight cents in the air mail rate, application of the full three-cent rate for locally delivered letters, and higher C. O. D., registration, insured mail and money order charges. Third class postage rates were left unchanged.

Washington advices, Jan. 31, to the New York "Times" stated:

The individual income tax rates were not changed, both Senator George and Representative Doughton, Chairman of the Ways and Means Committee, agreeing that the average person had about as big a tax load as he could carry. . . .

The change in the Victory tax will help single taxpayers who, because they are allowed less credit for insurance, debts and other payments than married persons, are now paying a Victory tax rate of 3.75. Most taxpayers, however, taking into account the repeal of earned income credit and the disallowance of excise tax deductions, will pay more in 1944, if they earn the same amount, than they did on 1943 income.

Estimates have been made that a married person, with two dependents, earning $2,500, would pay about $19.60 more in 1944 than in 1943, and one earning $10,000 about $80.87 more. On the other hand, a single person, without dependents, earning $2,500 would pay about $1.16 less, and one earning $10,000 about $18.65 less. The total increase in income taxes under the new bill is estimated at $664,900,000.

The excess profits tax on corporations is raised from 90% to 95%, and the credit on invested capital is reduced slightly. Otherwise the corporation tax schedule remains as it is. The total resulting from the changes is estimated at $502,700,000 in additional revenue.

The dispute over renegotiation involved primarily the scope of court review and the definition of sub-contracts, said the Washington "Times" advices, Jan. 31, which further stated:

The Senate had approved renegotiation provisions which, in the opinion of the Administraton, emasculated the Renegotiation Act. After a strong protest by Secretary Morgenthau and other Administration spokesmen, the Senate rewrote the renegotiation sections and, in the opinion of some House conferees, went too far.

The House had provided for review by the Court of Tax Appeals of all contracts that had been renegotiated, whether there was a voluntary agreement or whether the Government decided upon the amount to be repaid in war profits without the consent of the contractor. The Senate definition of sub-contract also was almost as broad as it is in the Renegotiation Act, but the House redefined subcontracts in a way which sharply limited the application of renegotiation.

As the bill stood tonight, court review was limited to contracts in which a unilateral decision was made, and the redefinition of subcontract is just about as broad as it is now, with the exception that an amendment was added to exclude office supplies.

The conferees also struck out a provision in the Senate bill which would have exempted most machine tool contracts from renegotiation, and provisions in both bills which were intended to exempt processed foods and dairy products.

The Senate had inserted provisions that problems arising in connection with post-war reconversion should be taken into account in renegotiation, as well as the question of whether profits remaining after payment of taxes were excessive. The conferees struck these out also.

The Administration had some objections to an amendment inserted by the conferees to the effect that profits accruing by reason of an increase in the value of large inventories, accumulated to fill war contracts, should be exempted from renegotiation. Nor does the White House favor the termination date of Dec. 31, 1944, written into the bill, although the President may extend this period for six months.

The five Federal agencies with powers to renegotiate war contracts, the Army, Navy, Treasury, Reconstruction Finance Corporation and Maritime Commission, are expected to recommend, however, that the bill be signed. One of the conferees said after the meeting that while Congress had its way on taxes, the Administration had its way on renegotiation.

Recent items on the tax measure appeared in our Jan. 27 issue, page 400, and Jan. 20, page 266.

believe that the report was intended to supplant examinations by field inspectors.

(2) In the Charles Hughes & Co. case the SEC, in an attempt to prove to the U. S. Circuit Court of Appeals in this District that it was justified in revoking the firm's dealer-broker registration for marking up securities on the average by 25%, pointed out that an NASD Business Conduct Committee had fined a member dealer $500 for making a practice of marking up securities by only approximately 10%.

The Commission contended that when the Hughes firm sold securities substantially above the prevailing market price without disclosure of the mark-up to the customer, such practice constituted fraud and deceit upon the customer. Now the way the SEC is attempting to show that a dealer's mark-up practices do not have a reasonable relationship to the current market price is to establish the fact that the "custom of the trade" is to go in for smaller mark-ups. Hence the Commission's citation of the disciplinary action of an NASD Committee in a 10% mark-up case. The Court affirmed the Commission's order revoking Hughes & Co.'s dealer-broker registration and in its opinion made reference to this citation.

Bond Club Of Chicago To Hold Annual Dinner

Slate Of Officers

CHICAGO, ILL.—The 33rd annual dinner and meeting of the members of The Bond Club of Chicago will be held in the Crystal Ballroom of the Blackstone Hotel on Friday, Feb. 4, 1944.

The nominating committee, consisting of T. Weller Kimball, Chairman, S. E. Johanigman and F. F. Patton, will submit for approval the following nominations for officers and directors for the coming year:

President: George F. Spaulding, The Northern Trust Company.

Secretary: James P. Feeley, The First National Bank of Chicago.

Treasurer: William A. Fuller, William A. Fuller & Co.

For directors to serve for one year, the officers and Milton S. Emrich, Harris, Hall & Company; Hardin H. Hawes, Harris Trust & Savings Bank; Eugene Hotchkiss, Lee Higginson Corporation; D. Dean McCormick, Kebbon, McCormick & Co.; Paul L. Mullaney, Mullaney, Ross & Company; and Alfred S. Wiltberger, Blyth & Co., Inc.

NASD Business Conduct Finance Committees

The National Association of Securities Dealers, Inc. announces appointment of the following committees to serve in 1944:

Finance Committee: Harry W. Beebe, Chairman, Harriman, Ripley & Co., Inc., New York; Ralph Chapman, Farwell, Chapman & Co., Chicago; R. Winfield Ellis, Lee Higginson Corporation, Chicago; Albert Theis, Jr., Albert Theis & Sons, Inc., St. Louis; Wallace H. Fulton (ex officio), Philadelphia.

National Business Conduct Committee: Ralph E. Phillips, Chairman, Dean Witter & Co., Los Angeles; Peter Ball, Ball, Coons & Co., Cleveland; John H. Barret, Stern Brothers & Co., Kansas City; Hagood Clarke, Johnson, Lane, Space and Co., Inc., Atlanta; Samuel K. Cunningham, S. K. Cunningham & Co., Inc., Pittsburgh; Robert S. Morris, Robert S. Morris & Co., Hartford; Norman Nelson, Piper, Jaffray & Hopwood, Minneapolis.

Bankers Trust Co. On Money Market Outlook For 1944

(Continued from page 499)

Fourth War Loan Drive succeeds as well as previous drives, the Treasury will not need to borrow directly from the commercial banks during the remainder of this fiscal year ending June 30, 1944, and, if the European war is over in 1944, perhaps not for the duration. The government deficit for this fiscal year will probably not be over $53 billion, including net expenditures of government corporations and agencies, and the Treasury had already borrowed $29 billion by Dec. 31, leaving $24 billion to be financed. Probably $6 billion of that wil be raised through savings bonds, savings notes, and special issues during the period not covered by the next war loan. If the Fourth War Loan Drive should succeed in raising $18 billion, the Treasury, without any further borrowing, could end the fiscal year with about the same working balance it had on June 30, 1943—nearly $9 billion.

The Secretary of the Treasury has stated, however, that he anticipated another war loan drive in May with about the same goal as the fourth drive—$14 billion. A drive at that time would avoid the necessity for a campaign during the summer months. It may also indicate a policy on the part of the Treasury of endeavoring to maintain a larger working balance. If sales should aggregate $16 billion in the May drive, the Treasury might end the fiscal year on June 30, 1944 with a working balance of nearly $25 billion. The policy of carrying a larger working balance will put the Treasury in better position to meet any possible extraordinary expenditures after the end of the war, such as mustering-out pay or outlays in connection with the termination of war contracts.

Even though the banks may not be asked to subscribe directly to further Treasury issues, they may continue to purchase government securities in the open market in connection with future war loan drives, as they have in previous drives. It is impossible to say how much such purchases may be in 1944, but they might aggregate five or ten billion dollars.

Bank Deposits—The growth in bank deposits will probably follow about the same trend as bank holdings of government securities. Changes in the volume of loans one way or the other will probably not be large enough to affect total deposits materially. It is conceivable, therefore, that deposits in 1944 might increase only one-half or one-third as much as in 1943.

While it is impossible to predict with any certainty what the actual post-war changes in deposits will be, there is little reason to anticipate a major decline. The recent growth has been based on the expansion in bank holdings of government securities, rather than on business loans that might be liquidated in a period of depression. About the only way that deposits could be reduced substantially would be through debt retirement or the sale to the public of securities now held by the banks, neither of which is likely to materialize in the period immediately following the war.

In fact, there is a possibility that deposits might expand somewhat further in the post-war period, especially if continued deficit financing and the redemption of securities held by the public should make it essential for the Treasury to borrow from the banks after the war. Even a decline in deposits as a result of debt retirement might be offset by other factors such as business loans, security loans, or the purchase by banks of municipal and corporate securities. The probabilities are that we will have a high level of deposits for many years and the general trend may be slowly upward rather than downward.

There may be important shifts in deposits after the war, however. The uneven growth in the various parts of the country during the war period has been indicated in a previous section. The reconversion from war production to civilian enterprise may bring important shifts in both population and deposits. Some communities that have had a mushroom growth as a result of war industries may lose deposits; others whose industries are still predominantly civilian may gain. The older communities, with a tradition for saving, may gain deposits, while some of the newer ones may lose. Communities whose war industries cannot be converted to civilian production will probably face the biggest problems. The agricultural communities may continue quite prosperous during the first year or so after the war when we are helping to feed Europe. But if demands for agricultural products should fall off materially after that, some of the agricultural districts might lose deposits on balance.

Money in Circulation—The volume of money in circulation may reach a peak in 1944. Payrolls and national income have about reached maximum levels, barring a sharp rise in wages and prices, and there is already some indication that the rate of increase in money in circulation may be slackening. The increase over the corresponding month of the previous year was slighhtly less at the end of December than it was in August.

How much the return flow of currency will be after the war depends largely on general business conditions. Incomes of many war workers will be lower and there may be some unemployment. A lower volume of business will require less currency, and some of the currency that has been saved may be spent when more goods become available.

The return of currency from circulation will increase bank reserves and help to offset the effect of any further increase in deposits. In fact, it is possible that the Federal Reserve System may find it necessary to reduce its holdings of government securities in order to absorb excess reserves if the return flow of currency should prove to be too rapid.

Future of Interest Rates

The present pattern of interest rates will no doubt be maintained for the duration of the war. Mr. Daniel W. Bell, the Under-Secretary of the Treasury, in an address at Worcester, Mass., on Dec. 16, 1943, said: "Interest rates have remained stable during the war-time period, and confidence in the continuation of this stability has been and is widespread and well justified, and has caused investors to subscribe to new issues of Government securities in successive war loans without any sign of holding back in anticipation of hgher rates."

The Federal Reserve System will probably continue to supply, through open market operations and by the purchase of Treasury bills offered by member banks, any reserves needed during the war period. The Reserve authorities have been reluctant to reduce reserve requirements, believing that post-war adjustments can be met more easily by selling securities than by raising reserve requirements again. Reducing reserve requirements, moreover, might not be the most effective method for providing reserves under prevailing conditions, because it would not place all the released reserves in the market where they would be needed most, *i.e.*, in the central reserve cities. It might leave New York and Chicago still in need of funds, while some other communities would be accumulating more excess reserves.

In view of the probable changes in 1944, such as the reduced rate of increase in bank deposits and money in circulation, and the possibility that later on money in circulation may actually begin to decline, it is reasonable to assume that reserve requirements will not be reduced in 1944. In the December, 1943, issue of the Federal Reserve Bulletin, the Board of Governors said: "Under existing Federal Reserve policies . . . the large amounts of certificates, as well as of bills, now held by banks provide the means for obtaining at low rates any amount of additional reserves that banks may need."

Post-War Rates—There is little doubt that the Government and the Federal Reserve System will attempt to maintain substantial stability in long-term rates for some years after the war. The exact structure of rates and security prices, of course, may not be maintained, but it seems highly improbable that the Government would permit any material decline in the prices of its securities during the period af adjustment when the refunding problem is great and the necessity for maintaining a high degree of confidence is so essential. Costs to the Government and risks involved for both the Government and the banking system would be too great. In their own interests the banks will probably give full support and cooperation to the Government in its efforts to maintain stability in the prices of its securities.

In Apri, 1943, Sir Kingsley Wood, the late Chancellor of the British Exchequer, in commenting on post-war financial policy, said it was the Government's intention to maintain its present policy of cheap money after the war. He sad further: ". . . we have revolutionized public opinion as to what are fair rates for Government war borrowing." In commenting on the latter statement the Under-Secretary of the U. S. Treasury, in his address referred to above, said: "I believe that this revolution in my opinion has a sound basis in underlying economic realities, and is applicable to the coming times of peace also. I hope that the policies of the Government will be directed to this end."

The question may be raised as to whether some or all of the following factors might not tend to push rates upward in the post-war period regardless of present policies and intentions; further deficit financing, redemptions of bonds held by the public, increasing bank loans, large security issues by municipalities and corporations, substantial foreign lending, possible outflow of gold, and public reaction against Government controls.

It will take a year or so after the end of the war for the Government to reduce expenditures to the level of receipts. It is entirely possible that this continued deficit financing, together with the redemptions of savings bonds held by the people and the reduction of Government security holdings by corporations, might make some further borrowing from banks essential. The revival of private industry may result in an increase in bank loans, and greater activity in the capital issues market may also lead to substantial demands for more credit and investment funds. Foreign lending may add to the demands, but will probably not reach very large proportions, at least not for a few years. All these possible demands added together, however, will probably not bulk large in comparison with the borrowings now necessary for financing the war. Furthermore, it would be easy to exaggerate the possible credit and capital demands that may arise. Redemptions of savings bonds may be more modest than is sometimes supposed, and bank loans may not rise very rapidly.

The large volume of available investment funds that undoubtedly exists in the country will probably be an important offsetting factor to the demands listed above. Furthermore, if a high level of business activity is maintained in the post-war period, savings will no doubt rise correspondingly to met capital demands. There are some who believe that savings will outrun capital demands and tend to maintain low interest rates even without money market controls.

If, as is anticipated, there should be a substantial return flow of currency, it might build up bank reserves fast enough to prevent, for a period at least, any particular upward pressure on interest rates. In fact, as pointed out above, the Federal Reserve System may be faced at times with the problem of absorbing excess reserves rather than supplying additional reserves.

It is not anticipated that there will be any important outflow of gold for the first few years after the war. Some countries may want to take home a part of their earmarked gold or convert some of their dollar assets into gold, which could be supplied by the stabilization fund.

The probabilities are, however, that for a few years after the war the United States may gain gold on balance. Most foreign countries need our goods more than our gold. They may spend or invest in this country substantial amounts of their funds already here, perhaps to the extent of releasing some of their earmarked gold, and some of them may ship new gold in exchange for buying power in this country. Most countries of the world have some gold, and many have substantial gold reserves. It is estimated that about $13 billion of gold is owned outside the United States. Furthermore, the world production of gold will probably rise again to over a billion dollars per year after the war.

The public may react against many kinds of government controls after the war, but there is no reason to suppose that this will apply to money market controls designed to maintain low and stable interest rates.

Maintaining stability of long-term rates over a period of years does not necessarily mean that all rates will continue to be pegged at exactly present levels. Some changes may occur, especially in short-term rates. The very fact that rates are stabilized works against the present structure because it gradually removes the fear of price fluctuations in longer-term securities and lessens the inducement for concentrating so heavily in short-term obligations. As the debt gets into more manageable shape, short-term rates could be allowed to rise somewhat, and the spread between short and long rates reduced.

Extensive corporate financing after the war might tend to increase somewhat the spread between rates on Government securities and rates on corporate securities. The small amount of corporate financing in recent years has tended to depress corporate yields and to reduce unduly the spread between corporates and Governments. The maintenance of low rates for Governments, however, would mean comparatively low rates all along the line. Money market controls and other factors which stabilize rates on Government securities at low levels will necessarily have a similar effect on other very high-grade securities.

By maintaining a reserve position that will preserve substantial stability in interest rates and Government securty prices, it necessarily follows that banks will have sufficient funds to take care of loan demands. It would defeat the whole purpose of market management to leave banks in a position where they are forced to sell substantial amounts of securities in order to make necessary loans. The commercial banks of the country increased their holdings of Government securities by $19 billion in 1943, and this was done without any difficulty because the Federal Reserve banks supplied the reserves. It will be just as essential for the Federal to supply the reserves in the case of business borrowing as in the case of Government borrowing, if stability of interest rates and security prices is to be maintained.

Unlisted Trading Plea of N. Y. Curb Opposed

Four-fold opposition to the applications of the New York Curb Exchange to extend unlisted trading privileges to the common stocks of six corporations developed as hearings before Willis R. Monty, SEC trial examiner, opened at Philadelphia, Jan. 26.

Three of the companies involved — Merck & Co., Lukens Steel Co. and Warner & Swasey Co.—are opposing the applications and thus supporting the cause of the National Association of Securities Dealers, Inc., which has taken the position that the applications of the Curb Exchange are a "raid" on its membership.

The Association is contending that since several of the companies involved are closely-held organizations, whose securities are heavily owned by families, the over-the-counter market is the logical one for the limited number of shares available for trading.

Over-Counter Favored

Edward H. Green, Chairman of the Finance Committee of Merck & Co., Inc., testified that his company would prefer to continue over-the-counter trading in its $1-par-value common stock until such time as it was in a position to list the stock on the New York Stock Exchange, thus entering exchange trading "through the front door."

Mr. Green explained that more than 500,000 of the 1,000,000 outstanding shares of Merck & Co.'s common are held by the Merck and Rosengarten families, and that other large blocks are owned by Harvard University, Smithsonian Institute and other large institutions. Because of this there is little trading at present, he said, and any trading on the Curb "would not reflect the true market value of the securities."

Curb's Position Stated

Under questioning by Orrin Knudsen, counsel for the SEC's trading and exchange division, Mr. Green stated that listing of the company's stock on the Curb Exchange would not cure the "spread" of from 2 to 2¾ points in the stock which is said to exist in the over-the-counter markets in some sections of the country.

The advantages of trading on the Curb Exchange were listed by Fred E. Moffatt, President pro tem of the exchange. These he enumerated as the open competitive method of doing business, the active supervision by the exchange and its staff and committees, and the fact that the securities traded in are available for use as collateral.

Other securities which the Curb Exchange has applied for permission to extend unlisted trading privileges are the common stocks of Puget Sound Power & Light Co., Northern Natural Gas Co., and Public Service Co., of Indiana.

"Are We To Foresake Our Traditional System Of Free Enterprise And Adopt A System Of Regimentation And Bureaucracy?"

By Hon. FRED L. CRAWFORD

(Continued from first page)

thereafter nominated Abraham Lincoln for the Presidency and saved the Union. Your Governor is a graduate of the University of Michigan and came here to study and practice law.

I do not know how you feel about it. But in Michigan, we are hopeful that the Republican Party in 1944 will nominate a candidate for the Presidency who will meet the real issue which is very concretely stated in the subject that we are discussing today. I do not wish to mention any names because your Governor is not a candidate. But it is in order to observe that your Governor's home state is as proud of him as you are, and I know of no one more fitted to present this issue successfully to the country than he.

Supporting the sound and fundamental observations just made by Senator Hawkes, permit me to submit some statistical data which will in more detail impress upon your minds the value of our traditional system of free enterprise.

Do you know that here in the United States our people enjoy a level of individual possessions so much higher than that enjoyed by any other people on earth that it is rather academic to even make a comparison? However, let me emphasize the fact in this manner: A standard of living is one of the four freedoms so often referred to. Now, let us make some comparisons of relative *national* standards of living.

With sufficient information available to enable us to determine broad international ranking, and through a series of indicators of differences in the per capita quantum of goods and services utilized annually in given countries, let us proceed. We shall use for comparison the leading 14 nations and apply our indicators thereto. We find our death rate is only 11.5 people per 1,000 inhabitants, while the average is 13.5. Our percentage of occupational population engaged in professional service amounts to little over 5% against slightly less than 4% for the average. We have over 61% of our population aged 5 to 20 years attending elementary and secondary schools, while the average is only 45%. And we all enjoy receiving mail amounting to 207 pieces per capita against an average of only 124 pieces.

And do you ever use the telephone? Why, certainly—and such instant service. We have over 148 telephone instruments per 1,000 population, but the average is just over 52. Telegrams transmitted per capita are more than two times the average.

Those big railway locomotives we have 52 per 1,000 inhabitants, but the average for all the countries (and you have seen some of their very small ones) amounts to only 31. In motor vehicles we so far excel in ownership per 1,000 inhabitants that we have six to one.

Take our luxury food consumption: In peace-time we were consuming about 108 pounds of sugar per capita, but the average was less than 70 pounds. And in coffee, tea, and cacao, with practically all imports, we were using over 16 pounds per capita with an average of about 13 pounds. Citrus fruits and bananas 2½ pounds to one pound average.

Now let us measure our economic blessings with another yardstick. In terms of national income in the United States, as compared to that of foreign countries, using 1937 as a fairly normal year, we have in total national income for the United States $71.5 billion; Germany, 32.4; United Kingdom, 28.5; France, 9.5; Japan, 5.9; Canada, 4.3; Australia, 3.1; with the Netherlands, Sweden, Denmark, Norway and New Zealand all each ranging under $3 billion national income. The per capita national income in dollars in the United States was 536; Australia, 446; Canada, 374; France, 234; Germany (under heavy war stimulation), 421; Japan, 73; New Zealand, 408; United Kingdom (moving into war), 500.

Another popular illustration which we might use is that we find in the radio world. Radio receiving sets owned by our people number over 59 million. These represent over 53% of all sets in the world. This compares to Germany's 13 million, or 12%; Great Britain's 9 million, or 8%; with France's 5 million; Japan's 4 million, and Russia's 4 million, or less than 5% each; and with Sweden, Australia, Belgium, the Netherlands, Italy, and Argentina owning sets of less than 1,500,000 each, while the other countries each owned less than 1% of the total.

Everyone is interested in food. The less food in the stomach, the less patriotism. Starvation produces mob psychology and action. With more than 125 relief agencies soliciting funds from our people, for foreign relief, still just this week the Congress approved an authorization of $1,350,000,000 to cover our opening contribution for the purchase of foodstuffs for hungry people abroad, and to provide other types of relief.

Our farm population has decreased steadily since 1935, where it stood at slightly over 32 million people. But while in 1910 there were on the farms of this country only 1,000 tractors, 50,000 automobiles, and no motor trucks, in 1940 the farmers were enjoying the use of over 1.5 million tractors, over 4 million automobiles, and more than 1 million motor trucks. These individual farm equipment possessions rank far above those owned by any other farm group in the world. And to so great a degree, one stands aghast when calculations are made to cover the necessity for tools in the hands of other nationals required to bring foodstuffs production up to the point of a reasonable standard of living for all people.

This war, as no other conflict of all history, has demonstrated government desperately needs management, industrial power, and efficiency and confidence of the people in government worse than it needs soldiers. Any government rule or law which interferes with production impedes the war effort.

We mobilize *for* war, we *de*mobilize *from* war, but we must *re*mobilize for peace. Only from employment in private enterprise are we to obtain the goods and services emphatically necessary to remove our peoples' fear from want.

Certain groups of people constantly preach we must have the government distribute *more money* to the people to serve as buying power—this group promotes dollars as *buying power*, as *the key*.

This, of course, is a highly destructive fallacy. Money *unspent* brings no material benefit. There must be goods and services to buy. The role of production is to provide these goods and services. A worker's wealth is represented by the goods and services at his command. Without goods and services he is a materially *poor* creature.

The founding fathers recognized all of this, and thus the enunciations set forth in the Declaration of Independence, in our State and Federal Constitutions, and in the decisions of the Supreme and lower courts down through our history. All of which support the private enterprise concept.

Dred Scott, his wife Harriet, and his two daughters Eliza and Lizzie, were slaves. Their masters had the power to determine their *material* status. It might be reasoned that therein their masters had the power to really determine whether or not *they were to be*.

Henry Wriston points out that "if you accept the postulate that there is no absolute except power, Hitler is justified; so also are Mussolini and the Japanese jingoes. Unless there is a moral absolute the totalitarians are right. If Machiavelli was correct in asserting that after conquest succeeds "the means will always be considered honest," our nation was launched on the wrong basis.

But it was not launched on the wrong basis, as history has demonstrated.

Our concept of government, among other things, postulates that individuals are of infinite worth. We assert an individual citizen of this Republic has rights which tower above that of the State.

And these we must not forfeit. Our citizens have enjoyed a maximum of freedom, a minimum of restraint. We further assert the State shall not rule by plan or enforcement.

Those who advocate that we forsake our traditional system of free enterprise and adopt a system of regimentation and bureaucracy, reflect moral decay.

To surrender freedom for social security only means that shortly, but surely, the security would soon pass.

Our moral decay has strengthened the power of the State. Individuals have and practice morals. Individuals attain and preserve freedom. But will you define for me State freedom or State morals? From day to day the State will exercise more and more power until the people again revolt against such.

For our people to reverse their history; to forsake their traditions; to forfeit the right to acquire, own, and manage, and dispose of property as private individuals and citizens would place the State in a position to practically determine the *material status* of our citizens. The citizens would then be *permitted* to own, to produce, and to consume only according to the plans of the State. The latter would measure out *according to its concept*, what the citizen was to have or enjoy. The citizen would through this procedure, be largely influenced to "sit and wait," unless he was *driven* by the State to produce. That would, of course, mean a less production and a lower standard of living for all.

To forsake our traditional system of free enterprise and adopt a system of regimentation and bureaucracy would simply be to surrender *our ideals* and institutions of freedom. This would bring a great people to total State slavery under the direction of the State which would allow its citizens to live only by *permission*.

CGO Tractions Interesting

Cruttenden & Co., 209 South La Salle St., Chicago, Ill., have issued an interesting memorandum discussing the current situation in Chicago traction securities in view of the Chicago City Council offer to purchase the Chicago Surface Lines and the Chicago Rapid Transit properties. Copies of this memorandum may be had upon request from Cruttenden & Co.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 501)

that will affect the price of the stock. The sum total of these transactions can be translated into an overall picture.

* * *

The only thing it cannot anticipate or guard against is the unexpected, hence the stops.

* * *

I admit that the professional seldom uses actual stops as insurance. Being closer to the action he often decides before whether a certain point will hold and acts accordingly. But even the professional, if he doesn't use actual stops, uses mental ones. The one danger of stops in thin markets lies in the possibility that there may be so much stock for sale at a certain point that if the stock does hit there it may bring about a wide-open break. Obviously everybody can't get out at one price. So if the stop price is broken, stop orders automatically become "sell at market" orders, resulting in larger losses than first envisaged. But with all its drawbacks it is the only long-distance method of protection available to the rank and file. Of course there is another way, too, the selling, or buying, of options against positions. But the latter is too complicated for the average trader to follow.

* * *

You now hold the following stocks: American Steel Foundry at 25. It runs into offerings from 26½ to 28. Hold with stop at 23½. Borg-Warner at 36, hits offerings from 38 to 39. Stop it at 34. National Gypsum at 9½ runs into stock at 10½. Stop at 8½. Lockheed bought at 16 doesn't seem to be getting anywhere. I suggest stepping out. Curtiss-Wright "A" bought at 16¾ just about holds its own. Hold on for the time being with a stop at 15. Western Union bought at 43½ broke its stop at 42. You took a loss. Stocks recommended here last week, Armstrong Cork, 37-38; Kroger Grocery, 31-32, and Pullman, 37-38, are repeated.

* * *

A few weeks ago Bethlehem Steel and Ex-Cell-O were advised here for purchase. Neither got down to buying levels. If you still have any orders for these two I suggest cancelling.

* * *

For an out-and-out speculation, Case Threshing looks attractive. Buy Case at 34 but don't carry it under 33.

* * *

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.]

Twin City Federal Elects Officers

MINNEAPOLIS, MINN.—At a meeting held Jan. 24, the following were elected officers of Twin City Federal Savings and Loan Association of Minneapolis and St. Paul, it was announced by Roy W. Larsen, President: Charles I. Welch, Harry E. Myers, and Russell M. Johnson as assistant secretaries; Martin L. Jordan, assistant treasurer; and Walter W. Erbes, cashier.

Other officials of the organization and their offices are: A. M. Blaisdell, Chairman of the Board; Roy W. Larsen, President; Henry Rines, Vice-President; and B. N. Bell, Secretary-Treasurer.

Twin City Federal Savings and Loan Association was established in 1923, and today is the largest insured savings and loan institution in the Northwest, with resources of $26,000,000. On Dec. 31, 1943, it paid its 42nd consecutive semi-annual dividend to all members on record.

Illinois Dealers Form New Association

CHICAGO, ILL.—The Illinois Securities Dealers Association, a new organization of investment firms, was formed at a meeting held at the offices of Sills, Minton & Co. and attended by representatives of about forty dealer firms.

Henry T. Berblinger of Sills, Minton & Co. presided at the meeting as he did at a preliminary gathering in December. No officers were chosen but by-laws were read and referred to an organizing committee for revisions.

Members of the organization committee are: Henry D. McFarlane, Alfred O'Gara & Co., Chairman; W. A. Gorman, Link Gorman & Co., Inc.; Walter R. Brailsford, Brailsford & Co.; Owen V. Van Camp, Enyart, Van Camp & Co., Inc.; and W. W. Sims, Sills-Minton & Co.

One of the principal aims of the new association is to work for revision of the Illinois securities law, which members state is antiquated and unnecessarily hampers the business of state dealers.

"Are We To Foresake Our Traditional System Of Free Enterprise And Adopt A System Of Regimentation And Bureaucracy?"

By Hon. ALBERT W. HAWKES

(Continued from first page)

will make it impossible for free enterprise and freedom of the individual to survive.

Strange as it may seem, the people throughout the world, and even the people of this great country of ours, fail to learn the lessons of life from the experience written on the wall of history by the hand of time.

The price of liberty is not only eternal vigilance, but eternal vigilance must be coupled with the understanding and the continual performance of our duty in protecting it against those who would offer panaceas and cure-alls which are not compatible with freedom of the individual. Liberty is freedom, but freedom is not free. Freedom is the highest-priced possession in the world, and the reason people have been willing to pay the price of freedom is that its value is far in excess of the value of any other earthly human possession.

The foundation of the American system of human relationship is the belief of our people in two great principles which were responsible for the Declaration of Independence and the Constitution of the United States. The Declaration of Independence expresses the philosophy of the American system. The Constitution is the machinery through which we have made these principles effective in practical everyday life for approximately 155 years.

The first principle is faith in the dignity, worth and nobility of the individual, separated from the mass of individuals. By the individual's very nature and creation he is the source of government and endowed with individual rights.

The second principle is the equally strong and practical belief that the individual is the dynamo of social progress—the source of creative energy which, allowed to go into action in the form of individual initiative and stimulated by the desire to better his own condition and that of others dependent upon him, he becomes the mainspring in our free enterprise system which offers fair reward for accomplishment.

All the proposals of socialism have met their fate and will continue to do so wherever the individual is permitted to exercise these rights and is willing to pay the price of protecting that government which represents the things the individual must have to successfully perform.

Perform through the use of the God-given powers and qualities recognized by our forefathers when they wrote the Declaration of Independence and established the Constitution of the United States. These documents came out of the experiences of centuries of effort born in sweat, blood, toil and tragedy—efforts of the human family to throw off the yoke of restraint and subjugation.

The test of the value of this American creed is found in what has been accomplished by the American people who guarded, protected and lived up to it for a century and a half. "By their fruits ye shall know them, for a good tree bringeth forth good fruit and a bad tree, bad fruit." No system ever established in the world has given to its people so much of the necessities of life, to say nothing of the luxuries of life, and there is no reason to believe, from any example before the world, that our great system has outlived its usefulness.

American liberty is not freedom from restraint. That is anarchy. Liberty under law means the greatest freedom for each individual compatible with like freedom for others. The exercising of creative energy, the variable results obtained by different individual capacities and talents rests upon freedom to exercise such qualities and the desire of human beings to excel and improve themselves.

The difference between a free people and a people dominated by a ruler or an administrator of government, is that free people impose restraints upon themselves through their representatives and they thus control the limits within which they may exercise their freedoms. The controlled people have restraint imposed upon them from someone without or someone who has seized the power and imposes unfair and unnecessary restraints against the will of the people. The test of restraint under our constitutional government is determined by three considerations:

First: Is it necessary? Under our system freedom was presumed to be the rule—restraint the exception—therefore, the first inquiry of the people should be —is the proposed restraint necessary in the public interest?

Second: Is the restraint established in such a way as to accomplish the objective desired by the people?

Third: Is the restraint forbidden by our Constitution? If so, is it not a fact that the future welfare of the people dictates that they should change the Constitution before adopting the restraint, and in their own protection make the change by the provision so wisely established for amendment in the Constitution itself.

Let us understand that in our system the people, in establishing our government, imposed certain restraints upon it for the purpose of protecting their own fundamental liberties. When we say a thing is unconstitutional, what we mean is that it is against liberty as established in our form of government, which was and must be the tool and servant of the people in the fair interest of all if we are to expect the people to give it the support and protection necessary to preserve it.

The voice of the people is still more powerful than any document or system ever devised. That, in itself, should cause those who speak to weigh well their words, lest they unknowingly destroy the very form of government required to preserve freedom of the individual.

I warn those who think lightly with reference to circumvention of the constitutional prohibitions to make it their business to understand the importance of these prohibitions — their business to understand that they come from the crucible of human experience and tragedy. The very difficulty in bringing about proper and lawful constitutional changes is probably the greatest protection of human liberty in that great document.

Under our great constitutional system the restraints upon action by government are more numerous than the grants of power to that government. The reason for this is the desire to protect individual liberty and initiative. Individual liberty and initiative, restrained only insofar as is necessary to give equal rights and opportunity to others is the foundation of our free enterprise system.

The New Deal, which, in name, is being abandoned by some and continued by others of the so-called "New Dealers," has knowingly or unknowingly fooled the people. Many people have been made to think that the accomplishments of the human race can be regulated and directed by government, which will relieve the people of their responsibilities and provide all of their needs without demanding a full measure of work and the use of genius in producing those things which the people need. Let us remember—government never had any money and the only way it has of doing things for the people is to use the power to tax, and there is nothing to tax unless it is created through individual effort and genius.

Let us pay government a fair price for doing its job as the servant of the people, rather than have government possessed of power and over-ridden with bureaucracies and administrative bodies which consume the wealth of the Nation and return to the people only a small part of what they have created and what rightfully belongs to them under our American free enterprise system. Let us not break the free enterprise mainspring and crush the spirit of the people in this Nation who have, under our constitutional guarantees, produced the foundation upon which practically all of our individual liberties rest.

Our hope for the future lies in the fact that government is presumed to be permanent, whereas the administration of government is only temporary. Whenever the temporary does things that are inimical to or destructive of the permanent thing—government— then it is the duty of each of our American citizens to speak and act on time in such a way as to choose an administration whose purpose is to preserve the permanent thing—government.

Again referring to free enterprise, it is what this nation established and maintained, under its creed, for individual and social progress. It is personal liberty in action. It is the individual and cooperative effort of free men to better their personal and social position through the release and use of all their varying capacities and energies. Under it they are stimulated to greater opportunity by fair reward as an incentive to accomplishment. It cannot survive unless that reward is fairly and honestly protected in the hands of those who earned it, nor can this free enterprise system survive if the restraints put upon it are unreasonable and unnecessary and come as the result of bureaucratic decree or administrative directives, having the effect of law, which supplants or unjustly expands the laws established by the representatives of the people themselves.

Constitutional representative government rests upon rules which the people themselves may alter through the ballot but which they have not authorized others to alter for them. The great threat to a representative system like ours rises chiefly from two dangers. First, a popular ruler who loves power may gain it in excess of his authority because of his very popularity. Thomas Jefferson said: "Speak not to me of trusting officials—let them be bound by the chains of the Constitution. We have no other effective protection."

The second great danger comes from the enormous amount of business being transacted by the government under existing conditions. There is a temptation to create unnecessary agencies which administer important activities dealng with the rights of property of the citizen and those agencies have no electoral responsibility. Those whom we elect we can condemn and consign to private life if they fail in service, but we cannot protect ourselves against anonymous officials who cannot be identified —who are appointed—not elected —but whose rules and regulations in a vast numbber of matters have all the effect of law and whose actions are subject only to a minimum of judicial review. The result of this has created the monstrous bureaucracy which exercises ever-increasing authority over the affairs of the individual, and he is no longer a free agent to conduct his own business and private affairs.

We all know there is an appropriate place for an administrative law, and that certain powers and administrative agencies must exist, but they have grown by such leaps and bounds that even one of the wisest men in Washington issued a challenge the other day that there was not a man in Washington who was familiar with the names of half the bureaus or knew what their authority or objective was.

The result in this country is that we, to a greater extent than ever before in our history, are threatened with a government of personal inclination and attitude rather than a government under rule of law. This is a condition crying for reform if our people wish to get back to the fair and normal pursuit of their own business and free themselves from personal rule. Americans understand that our way of life is one where the individual must be free to make failures no less than success. The individual takes risks in accordance with his judgment. Ours is a business system of not only profit, but profit and loss. We must be free to fail as well as to succeed, for a system of liberty is a system of risk. Americans have always wanted an economy in which men formed their own judgments, not one in which a board, a commission, or a system does it for him. The very essence of freedom is the right to learn individually by trial and error. Whenever any form of government substitutes its judgment for that of its citizens and has the power to determine what is good for them—whether they think so or not, and regardless of the fact they have not been represented in forming the conclusion—then you are approaching the same kind of a government which has destroyed the freedom of the individual throughout the world and throughout history.

Americans do not wish a ruler —they wish public servants. It matters not to them whether the ruler be benevolent or not, because when any individual accumulates the power to act outside the scope of authority established by the people themselves through their electoral power, then freedom dies and the individual loses his right to determine the details of his own life and the acceptance of the risks that go with liberty.

American liberty and opportunity will last just so long as its people believe in the faith of its founders and act to protect and preserve that faith.

Popular government is in danger today, not only here but throughout the world, and for us that danger rises not so much from our enemies in this war as from the ideology that made those enemies prepare to attack us. Our duty is to see that the inalienable rights of the American people to govern themselves are held sacred. It is ironical that while we send millions of our finest men to battle—while we spend billions of dollars to fight a system that would take from us our Bill of Rights and all our freedoms—there are those who would plunge us headlong into an American version of a system where the people are subordinate to the State—where free enterprise is replaced by government-operated or excessively-controlled private activities and where the fundamentals of the freedoms of the American people are strangled by bureaucracy.

What I have said means that it is up to the people as to whether we forsake our traditional system of free enterprise for a system of regimentation and bureaucracy. The two things cannot survive together. I, for one, choose free enterprise on a sound basis that takes into consideration justice and fair consideration for the rights and accomplishments of all engaged in its processes. Fair consideration from capital and management to labor and fair consideration from labor to capital and management. A free enterprise in which no group grows to be as strong as or stronger than the government and thus imposes its will upon the people. A free enterprise under which all have respect for the spirit as well as the letter of the law. A free enterprise system which recognizes its obligation to the people and understands that its tenure of life is at the will of the people—who, in the last analysis, are and always will be all-powerful— notwithstanding temporary usurpation of their rights by those who would seek power rather than render service.

It is my opinion that neither capital nor labor wishes to destroy free enterprise. Each of them have the same vital interest in its preservation. There is evidence during the past year that large numbers are awakening to the necessity of protecting and preserving it, and doing those things which are necessary to make its preservation possible. Enlightened self-interest seems to be raising its head from the ground. I urge you to accept your full responsibilities, determined to do everything necessary to win complete victory in this war and, therefore, determined to preserve the home front and the free enterprise system so that we, and our boys when they return, will have the privilege of looking forward to opportunity and advancement rather than to standardized government employment.

Discount Corp. Of N. Y. Elects Mills, Repp

(Continued from first page)

shortly after the Armistice was signed in 1918.

Herbert N. Repp

Throughout its existence, it has been one of the chief factors in the New York money market and a leading dealer in U. S. Government obligations. At present its activities are largely concerned with financing the war effort.

When the Federal Reserve Act became law in 1913, it contained provisions aimed at creating a money market comparable to the money market of London. After the last war a group of New York banks organized the Discount Corporation, as a step in this direction, to deal in bankers' acceptances, an instrument which the Federal Reserve Act brought into existence. The corporation's capital funds consisted originally of $5,000,000 capital and $1,000,000 surplus. The corporation in the early 1920's began to deal actively in Government securities.

Its original directors were:—

Francis L. Hine, President First National Bank
Edwin S. Marston, President Farmers Loan & Trust Company
Gates W. McGarrah, President Mechanics & Metals National Bank
John McHugh, President
J. P. Morgan, J. P. Morgan & Company
Seward Prosser, President Bankers Trust Company
Charles H. Sabin, President Guaranty Trust Company

Greatest Fight Ahead—That Against Possible Totalitarian State In U. S.—Robertson

(Continued from page 501)

pers of which are in my possession. I stated then that the United States had 6% of the world's population and 36% of the world's income. By dividing population into income, six units of average per capita income measured the American standard of living. On the other hand, the average per capita income of all the peoples of the world, outside of the United States, gave each individual ⅔ of a unit of income. If the operation of post-war planning syphons away American income to such a degree as to increase the average standard for the rest of the world at the expense of substantially reducing our average of such units then I say we will bring ruin upon themselves; we will then be incapacitated to maintain any lasting constructive influence on the rest of the world.

"We must not utilize devices put into effect for winning the war, such as rationing, the draft, Government international management of money and credit, and relief and rehabilitation, which will only end in the insolvency of the American economy. American workingmen are watching their pay checks and today they find a substantial and growing difference between their rate of pay and what is taken home. We wonder if such Government procedure will eventually give a rate of pay of $60 a week to a man in the cab of a locomotive and permit him to take home only $10 a week! It may for a time serve to increase 50% the average per capita standard of living income of the world outside the United States from ⅔ of a unit to 1 unit by such distribution of the American income, but in the final analysis it could bring about world economic and social collapse.

"I have observed recently the plan of United Nations Relief and Rehabilitation, which as yet has not been approved by Congress, wherein many billions of American dollars are to be used to saturate the world. Now, don't misunderstand me, I think it is to the eventual benefit of the United States that we give aid and comfort to the distressed nations of the world following the war. However, the approach must be to promote and preserve the individual responsibility of the peoples of the world as we would demand that such responsibility be preserved for ourselves.

"Without question, we should give these peoples every assistance that is wise, honest, and practicable. They should have the right to care for themselves in their own ways. This they can do infinitely better than we can provide for them. There are plenty of substandard conditions in American living which need correction or improvement. It seems to me that this is our first responsibility. However, should we yield to a world policy which would result in making our standards generally sub-standard, there is only one ultimate result,—we would be incapable of serving the world as well as incapable of serving our own people.

"In conclusion, I am for a plan which is based on an ever-growing economic security, the greatest chance to secure employment that is productive and profitable; equal economic justice for all, an increasing standard of living and the highest obtainable freedom for the individual, consistent with our very great economic and social potentialities, and under private ownership and operation of our industries.

James A. Stillman, Chairman National City Bank
Eugene V. R. Thayer, President Chase National Bank
James N. Wallace, President Central Union Trust Company

In 1934, Mr. Mills, who was one of the first employees of the corporation, became President, and has now been elevated to Chairman.

By 1940, the capital funds of the corporation had increased through earnings to about $12,000,000. Because of disturbed world conditions, bankers' acceptances had practically disappeared, and it was accordingly decided to return $6,000,000 from earnings to the stockholders, a step which was taken in that year. Capital funds now stand at $2,000,000 capital, $2,000,000 surplus, and about $2,000,000 in undivided profits and reserves. The Directors today are:

Winthrop W. Aldrich, Chairman Chase National Bank
John E. Bierwirth, President New York Trust Company
S. Sloan Colt, President Bankers Trust Company
William S. Gray, Jr., President Central Hanover Bank & Trust Company
Percy H. Johnston, Chairman Chemical Bank & Trust Company
Dudley H. Mills, Chairman
George Whitney, President J. P. Morgan & Company Incorporated
William C, Potter, Chairman of the Executive Committee Guaranty Trust Company
Gordon S. Rentschler, Chairman National City Bank
Herbert N. Repp, President
Lynde Selden, Vice-Chairman The American Express Company
Dunham B. Sherer, Chairman Corn Exchange Bank & Trust Company

The corporation has made known that it will reenter the bankers' bill market after the war, when normal foreign trade is resumed.

Calendar Of New Security Flotations

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, 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.)

WEDNESDAY, FEB. 9

NORTHERN STATES POWER CO. (MINNESOTA)

Northern States Power Co. (Minnesota) has filed a registration statement for $5,000,000 first mortgage bonds, series due Feb. 1, 1974.

Address—15 South Fifth Street, Minneapolis, Minn.

Business—Operating public utility company and is also a registered public utility holding company.

Underwriting—To be filed by post-effective amendment.

Offering—Price to the public to be filed by amendment. Company proposes to offer the bonds for sale pursuant to the competitive bidding requirements of Commission's Rule U-50. Company also proposes to issue and sell to banks $4,000,000 face amount of its serial notes.

Proceeds—Will be used to pay the $4,999,000 face amount of St. Paul Gas Light Co. general mortgage gold bonds, 5% assumed by Northern States which mature on March 1, 1944, and the $4,000,000 face amount of promissory notes of the company dated June 14, 1943, which mature on Feb. 28, 1944.

Registration Statement No. 2-5290. Form A-2. (1-21-44.)

THE SOUTH COAST CORPORATION

The South Coast Corporation has filed a registration statement for $1,500,000 first mortgage 5% bonds due Dec. 31, 1955.

Address—Carondelet Building, New Orleans, La.

Business—Consists primarily of the cultivation of sugar cane and the manufacture and sale of products and by-products resulting from the processing of sugar cane, including raw and refined sugars, syrups, black strap molasses and bagasse.

Underwriting—To be named by amendment.

Offering—To be named by amendment.

Proceeds—Will be applied to the redemption, at the principal amount thereof plus annual interest, of the $998,405 in principal amount of general mortgage 15-year 6% income bonds, due Sept. 1, 1950, and balance added to working capital and may be applied to the reduction of current bank loans and the purchase of supplies and raw materials.

Registration Statement No. 2-5291. Form S-1. (1-21-43.)

THURSDAY, FEB. 10

DANIEL P. ABERCROMBIE ET AL

Daniel P. Abercrombie, Philip C. Gifford and Charles W. Greenough, voting trustees, have filed a registration statement for voting trust certificates for 40,000 shares of common stock, par $5 per share, of Wolverine Power Corp.

Address — Of corporation, Bay City, Mich.

Business—Generation of electricity.

Underwriting—None.

Offering—Immediately following the effective date of the registration statement.

Purpose—To form a voting trust for five years from Jan. 20, 1944, with the right in a majority of the trustees and holders of voting trust certificates representing a majority of the securities to extend the termination to a date not later than March 1, 1959, the maturity date of the outstanding first mortgage bonds of the corporation.

Registration Statement No. 2-5292. Form F-1. (1-22-44.)

SATURDAY, FEB. 12

FLORIDA POWER CORP.

Florida Power Corp. has registered $16,500,000 first mortgage bonds series due Jan. 1, 1974. Interest rate will be supplied by amendment.

Address—101 Fifth Street, South, St. Petersburg, Fla.

Business—Public utility operating wholly within the State of Florida, except for transmission line connecting with the transmission facilities of Georgia Power Co.

Underwriting—To be supplied by post-effective amendment.

Offering—Price to the public to be supplied by amendment. Company will invite bids for the purchase of bonds from it under the competitive bidding requirements of the Commission's Rule U-50. Successful bidder will name the interest rate.

Proceeds—Company also proposes to sell privately to John Hancock Mutual Life Insurance Co. of Boston $4,000,000 face amount of 3¼% serial debentures. Proceeds from sale of bonds and serial debentures, together with other funds of the company to the extent required, will be applied as follows: To the redemption of the following securities: $11,000,000 Florida Power Corp. first mortgage 4s, Series C, due Dec. 1, 1966, at 104%; $5,148,400 Florida Public Service Co. first mortgage 4s, Series C, due 1955, at 102.90; $1,622,000 Florida Power 3½% serial debentures and $2,300,000 Florida Public Service 4½% serial debentures and for other purposes $730,451. On Jan. 14, 1944, Florida Public Service Co. and Sanford Gas Co., affiliated companies, and Sante Fe Land Co., a subsidiary, were merged into Florida Power Corp. as the continuing corporation. Company is controlled by General Gas & Electric Corp., which is part of the Associated Gas & Electric Corp. system.

Registration Statement No. 2-5293. Form A-2 (1-24-44).

MONDAY, FEB. 14

ELFUN TRUSTS

Elfun Trusts registered 20,000 units of trustees certificates representing a proposed maximum aggregate offering price to the public of $2,100,000.

Address—570 Lexington Avenue, New York City.

Business—Investment company.

Underwriting—None named.

Offering — Participation in the Elfun Trusts will, in general, be limited to the list of executives, officials, leading employes and former employes of the General Electric Co. and its subsidiary or controlled companies and to the trustees of certain profit-sharing trusts heretofore and hereafter created by the General Electric Co. The General Electric Co. is not a party to the trust agreement, and has no responsibility whatever for the administration of the trust funds. Offering price is determined in the agreement. In calculating the price, no "service" or "loading" charge is included.

Proceeds—For investment.

Registration Statement No. 2-5294. Form S-5. (1-26-44).

WEDNESDAY, FEB. 16

HOOKER ELECTROCHEMICAL COMPANY

Hooker Electrochemical Company has registered 50,000 shares of $4.25 cumulative preferred stock.

Address—Niagara Falls, N. Y.

Business — Principal operations involve the decomposition of salt solution in electrolytic cells resulting in the production of caustic soda, chlorine and hydrogen.

Underwriting—Smith, Barney & Co. head the underwriting group. Others will be named by amendment.

Offering—To be supplied by amendment.

Proceeds—Of the net proceeds, $2,349,705 will be applied to the redemption of the company's first mortgage bonds, due 1952, outstanding in the principal amount of $2,298,000, at 102¼%, and $1,048,215 to the redemption on March 31, 1944 of the outstanding 9,983 shares of 6% cumulative preferred stock at $105 per share. The balance of the net proceeds will be added to working capital.

Registration Statement No. 2-5295. Form S-1. (1-28-44).

SATURDAY, FEB. 19

ABBOTT LABORATORIES

Abbott Laboratories has filed a registration statement for 94,439 common shares, without par value.

Address—Fourteenth Street and Sheridan Road, North Chicago, Ill.

Business—Engaged in the manufacture, distribution and sale of pharamaceutical, medicinal, chemical, biological and vitamin products.

Underwriting—The names of the underwriters and the percentages of the unsubscribed common shares to be purchased by each of them, are as follows: A. G. Becker & Co., Inc., 50%; F. S. Moseley & Co., and Shields & Co., 25% each, all firms of Chicago.

Offering—The 94,439 shares are being offered by the company to the holders of its common shares, for subscription at $45 a share, at the rate of one share for each eight common shares held of record at the close of business on Feb. 17, 1944. Subscription warrants will be exerciseable beginning Feb. 18, 1944, will be transferable and will expire at 3 p.m. on March 1, 1944.

Proceeds—Will be available for general corporate purposes pending specific allocation of such funds. Some of the funds may be used to carry additional receivables and inventories, to pay current liabilities, and to increase bank balances. Some of the funds may be used at some future time to provide for expansion of the company's manufacturing facilities. One of the purposes of this financing is to provide the company with funds with which to meet post-war opportunities which may present themselves for the expansion of the company's business.

Registration Statement No. 2-5296. Form S-1. (1-31-44).

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. 28, 1944, to defer effective date.

BONWIT TELLER, INC.

Bonwit Teller, Inc., has filed a registration statement for 35,565 shares of 5½% cumulative convertible preferred stock, $50 par value, and 108,913 shares of common stock, par $1 per share. The latter includes 88,913 shares of common reserved for issuance upon the conversion of the 5½% cumulative convertible preferred stock registered, at the present rate of conversion, which may vary from time to time in the event of certain contingencies. The shares are issued and outstanding and the offering does not represent new financing by the company.

Address—721 Fifth Avenue, New York City.

Business—Owns and operates one of the outstanding large specialty stores in the United States.

Underwriting—Allen & Co., New York City, is named principal underwriter for both the preferred and common stock.

Offering—The offering price to the public of both the preferred and common stock will be supplied by amendment. The prospectus offers the 35,565 shares of 5½% preferred and 20,000 shares of common stock. The shares are presently issued and outstanding and are being purchased by the underwriters from Atlas Corporation and its subsidiary Rotary Electric Steel Co. Atlas Corporation, directly and indirectly, has been the controlling stockholder of the company since its organization.

Proceeds—Proceeds will go to the selling stockholders.

Registration Statement No. 2-5245. Form A-2. (10-29-43).

Amendment to defer effective date filed Jan, 17, 1944.

EASTERN COOPERATIVE WHOLESALE, INC.

Eastern Cooperative Wholesale, Inc., has filed a registration statement for $100,000 4% registered debenture bonds authorized issue of 1943.

Address—44 West 143rd Street, New York City.

Business—Wholesale dealer in groceries and allied products, including, among other related activities, warehousing and packaging.

Underwriting—None.

Offering—The price of the bonds is $25 for each $25 principal amount thereof. The securities are being sold by the cooperative directly to its stockholders and friends interested in the cooperative movement without the interposition of any underwriter, dealer, broker or salesman. No commission is being paid to anyone in conjunction with such sale.

Proceeds—Proceeds are to be used to finance the purchase of the new warehouse and office building purchased in July, 1943, in New York, the purchase price of which was $50,000 cash on taking title and $12,000 in the form of a purchase money mortgage payable in installments over a period of seven years.

Registration Statement No. 2-5283. Form S-1. (12-31-43.)

Amendment filed Jan. 14, 1944, to defer effective date.

FOOD FAIR STORES, INC.

Food Fair Stores, Inc., filed a registration statement for $3,500,000 15-year 3½% sinking fund debentures, due Feb. 1, 1959.

Address—2223 East Allegheny Avenue, Philadelphia, Pa.

Business—Operates supermarkets engaged in the retail sale of groceries, meats, meat products, vegetables, etc.

Underwriting—Eastman, Dillon & Co., New York, head the underwriting group, with names of others to be supplied by amendment.

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

Proceeds — To the payment of outstanding bank notes of $3,150,000, with prepayment premium and accrued interest, and to increase working capital.

Registration Statement No. 2-5280. Form S-1. (12-24-43.)

Amendment filed Jan. 28, 1944, to defer effective date.

KRUPP-FLAHERTY OIL CORP.

Krupp-Flaherty Oil Corporation has filed a registration statement for 20,000 shares of common stock.

Address—Caples Building, El Paso, Texas.

Business—Corporation was organized on March 11, 1940, under the laws of the State of Delaware for the purpose of, and has been engaged in the drilling of wells for oil and gas and the operation thereof.

Underwriting—None named.

Offering—Price $35 per share.

Proceeds—All proceeds go to issuer, subject to cost of sale of issue. Proceeds will be used for drilling expenses and payment of all or part of the obligations of the company incurred in development work.

Registration Statement No. 2-5256. Form S-2. (11-18-43).

Registration statement withdrawn Dec. 29, 1943.

(This list is incomplete this week)

Three New Partners For Kidder, Peabody

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange and other exchanges, announces that three new partners have been admitted to the firm. They are Walter V. Moffitt and Harry C. Clifford, both of the New York office, and Alfred Rauch of Philadelphia.

Harry C. Clifford Walter V. Moffitt

Mr. Mofitt, who has been with the firm since 1935, has recently been in charge of the buying and statistical departments. Before joining the firm, he had been, since 1928, with the Guaranty Trust Co. and its affiliate, the Guaranty Company. Mr. Moffitt is a director and member of the executive committee of Penn Worsted Co., Philadelphia, and a director in the Lincoln Mortgage Co. and the Commerce Management Co., both of Newark, N. J. He entered business after completing graduate work in economics and finance at both Duke University and Columbia University.

Mr. Clifford has been connected with the firm since 1936. Two years ago he was made sales and syndicate manager to succeed Amyas Ames, who has taken a leave of absence to serve the War Shipping Administration.

Mr. Rauch has been associated with the Philadelphia office of Kidder, Peabody & Co. since the establishment of the office in 1934. He has been actively engaged in the security business since his graduation from Cornell University in 1924. Before joining Kidder, Peabody he was identified for a number of years with the Philadelphia office of Harris, Forbes & Co. and subsequently became Vice-President of the Philadelphia National Co., investment affiliate of the Philadelphia National Bank.

Admission of these new partners was previously reported in the "Financial Chronicle" of January 20th.

China-American Council of Commerce & Industry Is Formed for Post-War Development of China

It was announced on Jan. 31, in New York City that the China-American Council of Commerce and Industry had been formed to interest American business in the post-war development of China. The following concerning the new council has been taken from the New York "Herald Tribune" of Feb. 1.

Heading the Council are Thomas J. Watson, President of International Business Machines Corp., chairman, and Richard C. Patterson Jr., former Assistant Secretary of Commerce, president.

Pointing out that this is the first major co-operative effort by American business to build our trade in China on the basis of organization, study and planning, the announcement pointed out that the future economic development of China is one of the most vital phases of world reconstruction.

The projected services of the council, some of which are already being developed, include analyses of China's natural resources and commercial possibilities, co-operation with the governments of the United States and China and also with Chinese private enterprise in co-ordinating thd two nations' economid programs.

It is also planned to make appraisals of China's commercial law and economic organization; the protection of the equitable interests of American business and the rendering of various commercial services here and in China, such as reports on conditions affecting trade with China and information about commercial opportunities.

Ten months of preliminary study of American-Chinese economic relations preceded the launching of the new organization, which now seeks the participation of large and small American concerns which have a potential interest in Chinese trade.

Offices are being established at Seattle and San Francisco and others will be opened shortly at Washington and Chungking. Julean Arnold, former United States commercial attache to China, is director of the council's activities on the west coast.

Other officers besides Messrs. Watson and Patterson are: Charles R. Hook, President of American Rolling Mills Co., and Walter S. Mack Jr., President of Pepsi-Cola Co., Vice-Presidents; James G. Blaine, President of Marine Midland Trust Co., Treasurer; Wayne Johnson, attorney, Chairman of the Executive Committee, and Mildred B. Hughes, Executive Secretary.

Urge Conscription For Military Service For Women

The women's division of the American Labor Party at a meeting in New York City, on Jan. 29, adopted a resolution proposing conscription for military service of women between the ages of 20 and 31 who are without dependents, said the New York "Herald Tribune" of Jan. 30, which added:

"The resolution noted that voluntary recruiting of women for the armed forces has not succeeded and stated that women performing non-combatant duties 'can speed victory by releasing combat-trained men and conserving skilled workers for war production and at the same time prevent family dislocation by reducing the need for inducting men with dependents.' It was presented by Mrs. Pearl L. Willen, Chairman of the women's division."

Post-War Governmental Controls Needed To Restore Free Enterprises, Richberg Declares

Outlines Free Competition Program

Donald R. Richberg, Washington attorney and co-author of the railway labor act and the National Industrial Recovery Act, speaking at a forum, in New York City, sponsored by its Sales Executive Club of New York and the Committee for Economic Development, said:

If free enterprise is to be restored in the post-war world and the freedom of business management protected, "there must be such government control of labor relations as will insure freedom of labor and management, and also such ernment control of labor relations governmental control of production and price policies as will insure the freedom of competition and the preservation of free markets for the protection of consumers."

The New York "Herald-Tribune" of Feb. 2 from which these remarks of Mr. Richberg are quoted also indicated his further remarks as follows:

"This does not mean that the government should favor one type of labor organization or support labor control of business management. This does not mean that the government should fix the amount and quality and prices of industrial products.

"It simply means that the government should make sure that the economic powers of organized money or organized labor are exercised to promote, and not to impede a peaceful cooperation among, and a free competition between, workers, managers, and capitalists to advance their private interests by serving the public interests."

Explaining his philosophy, Mr. Richberg gave a short outline of what he termed a "labor-peace program" and a "free competition program." The labor-peace program, he explained, is founded on the establishment of two legal obligations—first, the duty of every citizen to make his services available whenever and wherever most needed, something, however, which should not be continued as a legal duty in times of peace; second, the duty of every citizen to utilize all available means for peaceful and prompt settlement of economic disputes, which duty should be continued in times of peace.

"We should require by law," he said, "the peaceful maintenance and revision of labor contracts between cnosen representatives of labor and management, aided by government mediators, with all parties obligated to submit unsettled disputes to impartial arbitration under government supervision."

"The worker, should be protected by law, Mr. Richberg said, in his freedom to choose his own livelihood and own employer, free from coercion by either organized management or organized labor.

"We should preserve and protect the right of collective bargaining and for justifiable causes the right to strike, subject to such governmental controls as will prevent abuses of power by labor organizations," he said.

Unless free competition is preserved, Mr. Richberg warned, it is inevitable that there will be more and more political regulation that will make free enterprise impractical. Outlining his free competition program, Mr. Richberg asserted that we need constructive regulation of competitive practices in order to prevent (1) fraud and coercion, (2) monopoly controls of prices, production or wages, and (3) unfair competition in labor conditions.

Also, Mr. Richberg said, we need constructive regulation of competitive practices in order to permit (1) socially desirable cooperation between competitors, and (2) long-range planning by industrial managers with the aid of government.

J. Arthur Warner Is Nashua Mfg. Director

J. Arthur Warner, senior partner of the investment firm of J. Arthur Warner & Co., has been elected a director and member of the executive committe of the Nashua Manufacturing Co., of Nashua, N. H., nationally known textile manufacturers.

J. Arthur Warner

Established in 1823, the company is one of the oldest industrial enterprises in the United States. It operates dova, Ala.; mills in Corlewiston, Me. and Nashua, N. H., and does an annual volume of business in excess of $36,000,000.

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