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Canada's Future

By D. C. COLEMAN, Chairman and President, Canadian Pacific Railway

Looking towards the future, I see no indication of a slowing down of Canada's industrial activity. For some time to come any employment slack resulting here and there from cessation of work in war lines will be taken up quickly by renewed activities in peacetime occupations.

D. C. Coleman

Canadian Pacific plans plans for the future are not based upon a presumption that this country's progress will come to a halt when the stimulus of war has ceased to exist. I doubt if we yet realize the extent of the industrial advances Canada has made over the past four years or the vast new resources that have been tapped as a part of the war effort. These, together with the greatly increased skill of our workers, remain with us and will play an important part in future development.

In This Issue

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

For Illinois see page 602; Wisconsin, page 604.

General index on page 616.

A Post-War Tax Program

By HARLEY L. LUTZ

Professor of Public Finance, Princeton University

The problem of the post-war tax structure may be approached from several angles. There is, for instance, the question of assuring volume and steadiness in the Federal receipts; there is the issue of assuring to the states revenues sufficient to preserve their fiscal independence and enable them to resist both the administrative encroachments of a rapacious Federal bureaucracy and the financial seductiveness of a wasteful Federal grant system; there is the great need of simplification which is so essential to the preservation of taxpayer morale; and finally, without attempting to exhaust the list, there is the problem of setting bounds to the purposes and burden of taxation.

Dr. Harley Lutz

Perhaps all of these objectives can be blended and realized jointly in some master plan for a post-war tax system. Already, many suggestions about post-war tax reform have been made. In fact, there appears to be developing a remarkable degree of general agreement on many points. The left bank is being rapidly depopulated, and even the erstwhile rabid left-wingers are now following the new party line in favor of the capitalist system and free enterprise. If the trend continues, the Republican Party is likely to find the New Deal appropriating its platform in 1944, reversing the situation in the last two national elections when Republican candidates tried to preempt the New Deal platform.

Consequently, there is, at the moment, general agreement on such matters as the repeal of the excess profits tax, reduction of normal corporation tax rates, elimination of double taxation of dividends, revision of capital

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International Currency
Gold Versus Bancor And Unitas

By BENJAMIN M. ANDERSON, Ph.D.*

(Dr. Anderson is Professor of Economics at the University of California, Los Angeles. He was formerly Economist of The Chase National Bank of the City of New York. He is Consulting Economist of the Capital Research Co., Los Angeles; is a member of the Executive Committee of the Economists' National Committee on Monetary Policy, and is a member of the Post-War Committee of the California Commission on Interstate Cooperation.—Editor.)

Mr. President, Gentlemen and Friends of the Chamber: I remember one thing with pleasure about the time when I became a member of this Chamber. That was the sponsorship. I was at that time the Economist of the old National Bank of Commerce. James S. Alexander, President of that institution, sponsored my membership here and A. Barton Hepburn of the Chase Bank seconded the nomination. I feel proud today of that sponsorship in this Chamber.

Benj. M. Anderson

It was before I went to the Chase Bank—but, by the way, there was an inadvertence in your statement which I want to correct. I was with the Chase Bank from 1920 to 1939—19 years—before that two years with the Bank of Commerce.

I began this study of post-war foreign exchange stabilization

*An address delivered by Dr. Anderson at the monthly meeting of the Chamber of Commerce of the State of New York on Feb. 3, 1944.

(Continued on page 612)

Banker Prescribes For Our Economic Ills

Henry A. Theis Recalls Warning of Jerome Frank, Former SEC Commissioner, That Powers Of SEC Are Potential "Menace" To Citizens And Antidote Is God-Fearing Administrative Officers Who Detest Absolutism. Declares Pioneering And Expansion Must Take Place Of Defeatism And Philosophy Of Matured Economy. Affirms Belief In Free International Gold Standard Even Though Dislocations May Temporarily Necessitate Some Countries Establishing Gold Exchange Standard By Tieing Their Currencies To Those Based On Gold.

Henry A. Theis

"We are told that we are in the midst of a great social and economic change that is spreading all over the world. If this change is evolutionary, let us not make the mistake made by so many and assume that evolution necessarily implies progress. Certainly the record of the past doesn't justify that sort of fatalistic

(Continued on page 614)

The Freedom Of The Press

By Hon. JOHN W. BRICKER*

Governor Bricker Condemns Calculated Attempt Of Administration To Discredit Press And Bureaucratic Efforts To Control Radio—Declares A Free Press Can Make A Free World But A Controlled One Means Autocracy And Slavery At Home, And Wars and Destruction Everywhere

One hundred and fifty years ago William Maxwell established the first newspaper of the Northwest Territory, "The Centinel of the North-Western Territory." It was located on the banks of the Ohio River where the great city of Cincinnati now stands. The editor was a legislator and jurist—a strong, self-reliant pioneer. He did much to fix the patterns of journalism throughout this territory.

John W. Bricker

Those assembled here tonight are the descendants in profession and spirit of that sturdy ancestor. Your field has produced citizens who can think and who have something to think about. During this generation radio has joined with you in the great program of formulating sound public opinion and the dissemination of news. The maintenance of self-government by free people is utterly dependent upon the preservation of a free press and free speech.

When the mind of man is free, truth will conquer error in his reasoning. But truth must be revealed to men. People, like an army, cannot move forward without communication services, cannot progress without an open line of communication. Truth must be revealed through a free press, an untrammeled radio and the right to speak without restraint. Without open lines of communication our fighting forces would become a mob and civilization would be in jeopardy. Without knowledge and revealed truth, people are guided by their fears of the unknown and a distorted perspective of the known.

The desire of people for information is unceasing and their yearning for truth imperishable. The peoples of Europe brave death to keep underground channels of information open. As the

*An address delivered by Governor Bricker before the Ohio Newspaper Association in Columbus, Ohio, Feb. 4, 1944.

(Continued on page 610)

Macrery Wheeler With Merrill Lynch Firm

(Special to The Financial Chronicle)

NEW ORLEANS, LA. — Macrery B. Wheeler has become associated with Merrill Lynch, Pierce, Fenner & Beane, 818 Gravier Street. Mr. Wheeler was formerly vice-president and manager of the trading department for Wheeler & Woolfolk, Inc. In the past he was manager of the investment division of the New Orleans office of Fenner & Beane.

Investment Policies For 1944

Following the practice of Hugh W. Long & Co. for the past two years, they have presented in the current number of "The New York Letter," issued fortnightly by them, a digest of the report and forecast which Mr. Philip W. K. Sweet, President of Investors Management Company, Inc. and of Fundamental Investors, Inc., presents each year to the Directors of Investors Management Company and the investment companies which it serves.

"Naturally, the Editor of 'The Letter' says, "any forecast is subject both to human error and to the unpredictable developments which must be expected at all times, and particularly when the uncertainties of a World War are present. Nevertheless, Mr. Sweet's annual forecasts in the past have had an unusually good record for accuracy.'

"The report itself is a lengthy document and the editor of 'The Letter' must assume responsibility for the following digest which is presented without quotation marks since the necessity for condensation requires some changes of exact language."

ECONOMIC CONSIDERATIONS

Our Position in the Cycle and the War Economy

Industrial production as measured by the FRB Index averaged at 239 for 1943, a 10% increase over 1942. This was, of course, the highest year on record, and the fourth quarter rate (247) was the highest of the year. Since industrial production has met war requirements in most categories and accumulated a surplus in some, it is not believed that the 247 figure will be exceeded significantly, if at all. If the European phase of the war ends in the summer of 1944, as we expect, the average of the FRB Index for the year as a whole is estimated at approximately 232, or a 3% decline from the 1943 average.

Prices

Price indices in 1943 were kept relatively well in hand through the combination of price controls, some increase in the supply of goods and a disposition on the part of many of our citizens to save a substantial portion of their increased earnings. Thus, raw material prices advanced only 4.9% during the year, wholesale prices 1.9% and retail prices were relatively stationary. The cost of living index of the National Industrial Conference Board advanced 2.7%. It should be understood that these figures do not include black market prices or uncontrolled luxury items, in which substantial advances did take place.

(Continued on page 606)

N. Y. Security Dealers Dinner February 17th

The annual dinner of the New York Security Dealers Association will be held on Thursday evening, Feb. 17, at 7:00 o'clock at the Waldorf-Astoria Hotel. Subscription is $7.50; dress optional.

E. Lee Talman, executive vice-president of T. W. A., will address the meeting; his speech is to be broadcast over Station WHN.

Members of the committee in charge of the dinner are Herbert Allen of Allen & Company, Chairman; John J. O'Kane, Jr., John J. O'Kane, Jr. & Co., and James Currie, Troster, Currie & Summers.

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

How NASD Profit Limitation Rule Will Handicap Small Business

By A. M. SAKOLSKI, City College, New York
Formerly an Economist of the Federal Trade Commission

During the last decade, there has been a great hue and cry in political circles over the handicap of "small business." But in the many discussions of the problem that have taken place, the chief difficulty of small business concerns have been overlooked. Small business in competition with large undertakings suffers chiefly from its relative inability to obtain capital through the ordinary channels of public investment. The greater ease with which large firms can borrow money in the open market is a prime factor that has led in many cases to the creation of mergers in industries and the absorption of medium-sized and local concerns by their larger competitors. Investment banking houses and security dealers ordinarily find that the handling and distribution of the securities of relatively small and moderate-sized business units more expensive, more risky and less profitable than those of larger and better known concerns. Yet, many local security dealers have played an important role in establishing markets for small and inactive issues of thriving concerns, and have thereby given these concerns access to the capital markets. In this way they have benefited both investors and small business concerns that desire to maintain their independent status. Now, if, as Secretary of Commerce, Jesse Jones, has pointed out, small business concerns "must be maintained because they are of the essence of democracy" and "without them, private initiative


A. M. Sakolski

(Continued on page 616)

N. Y. Dealers Association Asks SEC To Nullify NASD 5% Rule

In Absence Of Such Action Requests Commission Hold Public Hearing On Subject

Frank Dunne of Dunne & Co., President of the New York Security Dealers Association, in a statement made on Tuesday, Feb. 8, concerning the "5% Rule" of the National Association of Securities Dealers, Inc., said:


Frank Dunne

"The majority of the members of the New York Security Dealers Association have approved the action of their Board of Governors in adopting the recent resolution (given in full in the "Chronicle" of Feb. 3—Editor) regarding the '5% Rule' of the National Association of Securities Dealers, Inc. In accordance with the resolution, the New York Security Dealers Association is today requesting the Securities & Exchange Commission to direct the NASD to submit the 'rule' to its membership as required in its by-laws, and in the absence of such action by the Commission that it order a hearing be held on the matter."

Mr. Dume further said he wished to emphasize that the New York Security Dealers Association does not approve nor disapprove the principle of the ceiling or mark-up, but takes exception to the methods employed by the Board of Governors of the NASD in the adoption and promulgation of the "rule."

He also expressed the hope that the matter would be disposed of promptly in order to eliminate the disunity and confusion now prevailing throughout the over-the-counter industry caused by the rule.

A copy of the letter sent to the SEC follows:

February 8, 1944

Securities & Exchange Commission
Philadelphia, Pennsylvania.

RE: 5% "Rule" of National Association of Securities Dealers, Inc. Referred to in Letters of its Board of Governors Dated Oct. 25, 1943 and Jan. 18, 1944

Gentlemen:

Enclosed herewith is a copy of a resolution adopted by the Board of Governors of the New York Security Dealers Association on Jan. 26, 1944. Also enclosed is a copy of Notice No. 119-L dated Jan. 26, 1944 which was mailed to all members of this Association.

The majority of the members of this Association have approved of the action of our Board of Governors as embodied in the resolution.

In accordance therewith, we now respectfully request you, to direct the National Association of Securities Dealers, Inc. to submit the matter to its membership as required in Article IV, Section 2, of the by-laws of that Association, or in the absence of such action by you, that a hearing on the matter be held before you, and an opportunity given a representative of this Association to present our point of view.

Very truly yours,
PHILIP L. CARRET,
Secretary.

Sidney Hook Joins Dean Witter & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Sidney B. Hook has become associated with Dean Witter & Co., 634 South Spring Street. Mr. Hook was formerly connected with Morgan & Co. Prior thereto he was in charge of the municipal department of the Los Angeles office of Merrill Lynch, Pierce, Fenner & Beane.

Charles Hughes Mark-Up Case Appealed To U. S. Supreme Court

Charles Hughes & Co., Inc., has appealed the decision handed down on Dec. 10, 1943, by the U. S. Circuit Court of Appeals in this District wherein the Court upheld the action of the Securities & Exchange Commission in revoking their dealer-broker registration, to the Supreme Court of the United States. A petition for the writ of certiorari was filed in Washington yesterday. Charles Hughes & Co., Inc., who are continuing in business as fully registered dealers pending the appeal, are represented by David V. Cahill and Murray Robert Spies, members of the New York Bar.

It was in the Charles Hughes & Co. case that 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 dealer-broker registration of this firm for marking up securities on the average by 25%, pointed out in their brief that a Business Conduct Committee of the National Association of Securities Dealers, Inc., had fined a member-dealer $500 for making it a practice of marking up securities by 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.

The way the SEC attempts to show that a dealer's mark-

(Continued on page 611)

Surplus Property Board Proposed

Patman Bill Amending RFC Act Creating Surplus Property Board—Would Govern Sale Or Other Disposition Of Such Property And Provide For Strengthening of Small Business

In a bill recently introduced by Wright Patman, with the unanimous endorsement of the entire membership of the House Committee on Small Business, of which he is Chairman, the establishment of a Surplus Property Board is provided, whose duties will consist in determining and prescribing "the methods to be used by governmental agencies in making and maintaining inventories of surplus property" of the United States, and also to determine the surplus property that should be sold or leased, as to which the Board would be called upon to inform the Reconstruction Finance Corporation regarding such determination.

It is stipulated in the bill among other things that "the sale or lease of such property should take into consideration the need for facilitating and encouraging the establishment in the various communities in the several States by members of the armed forces of the United States upon their discharge or release from active duty, as well as by others, of small business enterprises and with a view to strengthening small business enterprises."

The text of the bill which was introduced by Rep. Patman on Dec. 18, and was referred to the Committee on Banking and Currency, follows:

H. R. 3873—A bill to amend the Reconstruction Finance Corporation Act by adding a new title thereto relating to the sale or other disposition of surplus property of the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Reconstruction Finance Corporation Act, as amended, is amended by inserting "TITLE I," immediately before the first section thereof, by striking out the word "Act" wherever it appears therein as a reference to such Act (except in the short title of such Act), and inserting in lieu thereof the word "title," and by adding at the end of such Act, as amended, the following new title:

(Continued on page 604)

N. Y. Cotton Exchange Elects Two New Officers

Eric Alliot, President of the New York Cotton Exchange, announced on Feb. 5 the election of Travis M. Fewell and Fred S. Whitlock to membership in the Exchange. Mr. Fewell is a member of the firm of E. F. Hutton & Co. and Mr. Whitlock is a member of Farr & Co. and a member of the New York Stock Exchange.

J. A. Rippel Named Outstanding Citizen

Julius A. Rippel, president of Julius A. Rippel, Inc., 744 Broad Street, Newark, N. J., was chosen as Newark's Outstanding Citizen for 1943, it was announced by Herbert I. Segal, chairman of the awards committee of the Advertising Club of Newark. Mr. Rippel took a leading part in the Newark War Fund Drive and, Mr. Segal said, sixty health and welfare organizations and seventeen national war agencies benefited from the efforts of volunteers directed by Mr. Rippel.

Julius A. Rippel

Mr. Rippel is a former president of the Bond Club of New Jersey, a member of the special committees of the Investment Bankers Association and of the directing committee of the National Association of Securities Dealers for District No. 13. He is a trustee of the Morris County Trust Fund.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first 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.

Pittsburgh Rys. Look Good

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

Tomorrow's Markets Walter Whyte Says—

Market as a unit beginning to dribble away from offerings —In the meanwhile bids show no tendency to increase —Possibility of move down before any up puts stocks in questionable zone.

By WALTER WHYTE

Whatever the reason, bids in most stocks have been coming down and offerings are following suit. There are exceptions, but whatever they are, the general market no longer shows the quality of buying which makes for a rally.

* * *

There are probably plenty of reasons to account for the current reversal, reasons which will be known sometime in the future. Right now reasons don't concern us. What is important, is that a purchase of most stocks at present will either result in tying up one's account in one of those long-pull situations or may even result in a loss. True, the possibility of severe losses are not discernable at this writing. But markets are seldom kind enough to sound off with warning bells telling us about it. There are exceptions; these are at the end of this column.

* * *

A few weeks ago I recommended a number of stocks which I thought showed enough get-up-and-go to result in profits. Up to this writing the potential profits remain potential. This doesn't mean that they won't go up some time in the future, but sitting with stocks when the most they can do is add fractions to a buy price isn't my idea of trading. I have no objections in telling you to hold on when there is a backlog of black ink to work against. I don't believe in gritting one's teeth and holding on just because a statistical position is promising.

* * *

The news which may be said to effect the market continues good from the war fronts. But good war news has yet to get our market anywhere on the up side. At least, it hasn't up to now. It might, however, have an effect if the news turned bad. So much for the war news.

* * *

On the home front the tax bill just passed by both Houses is the immediate bone of contention. Long ago, the market knew such a bill would pass and discounted it. It doesn't discount the same thing twice. But now another facet to this tax problem has come up.

(Continued on page 600)

Baltimore Traders Elect New Officers

BALTIMORE, MD.—The Baltimore Security Traders Association have elected the following officers for 1944:

President: Preston A. Taylor, Mead, Irvine & Co.

Vice-President: R. Emmet Bradley, Mackubin, Legg & Co.

Secretary: John G. Chenoweth, Jr., Baker, Watts & Co.

Treasurer: Leo Kriegel, H. L. Davies.

Governors (three year terms): John M. O'Neill, Stein Bros. & Boyce, and Robert A. Warren, Baker, Watts & Co.

Governor (two year term): Harry M. Sheely, Harry M. Sheely & Co.

Hirsch, Lilienthal Opens In Cleveland

Hirsch, Lilienthal & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other exchanges, announce the opening of sales headquarters at Union Commerce Building, Cleveland Ohio, in charge of Carl E. Dyas.

Mr. Dyas was formerly in the sales department of the Cleveland office of Blyth & Co., Inc.

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.

RR. Situation Attractive

Common stock of the Minneapolis & St. Louis Railroad offers interesting possibilities according to a circular issued by Adams & Peck, 63 Wall St., New York City. Copies of this circular discussing the situation may be had upon request from Adams & Peck.

Proposes Central Reconstruction Fund For Rehabilitation And Currency Stabilization

Hearings Expected To Start Soon On Measure Drafted By Representative Dewey

On Feb. 1, Representative Dewey (Rep. Ill.) introduced in the House a resolution (H. J. Res. 223) which he terms a rewrite of a resolution he previously introduced, providing for a central reconstruction fund to be used in joint account with foreign governments for rehabilitation, stabilization of currencies and reconstruction, etc. His original resolution (H. J. Res. 207) was introduced on Dec. 16 last, and a reference to it appeared in our issue of Dec. 30, page 2669, wherein it was reported testimony by Mr. Dewey regarding the proposed legislation given before the House Foreign Affairs Committee on Dec. 17, at which time he urged adoption of his new international plan. We learn from Representative Dewey, who was an Assistant Secretary of the Treasury in the Coolidge Administration, and United States Financial Adviser to Poland on currency stabilization from 1927 to 1930, that it is his belief that hearings on the new legislation will be held by the House Foreign Affairs Committee as soon as the UNRRA bill has passed Congress; it is now before the Senate.

The text of the bill just introduced by Rep. Dewey follows:

H. J. RES. 226

JOINT RESOLUTION

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

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

NECESSITY FOR LEGISLATION

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

DEFINITIONS

Sec. 2. As used in this joint resolution—

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

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

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

CENTRAL RECONSTRUCTION FUND

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

(1) A revolving fund account to which it is hereby authorized to be appropriated not in excess of $500,000,000.

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

PARTICIPATION IN JOINT ACCOUNT UNDERTAKING

Sec. 4. (a) Despite the provisions of any other law, the Board of Governors of the fund, established by section 6 of this joint resolution, through its Chairman, may use the amounts in the revolving fund account to participate, (1) in joint account, to the extent of not more than 50 per centum of the total cost in the case of any one risk, with any other government or governments (or with any duly authorized agent or agents thereof) and/or (2) to the limit of 50 per centum

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Wisconsin Co. Adds Dahlman

(Special to The Financial Chronicle)

MILWAUKEE, WIS. — Jerome H. Dahlman has become connected with The Wisconsin Company, 110 East Wisconsin Avenue.

Real Estate Securities

Commercial Buildings in the Foreground

You will recall that in this column, on Dec. 3, 1942, we called your attention to the bonds on the Broadway Motors Building and suggested that the bonds seemed attractive in view of a backlog of a lease of about one half of the space in the building to the General Motors Corp. at a rental of approximately $750,000 per annum until April 30, 1948.

We were surprised to read an article in one of the newspapers this week that the management recently sought to have this entire lease cancelled! According to the article the court action was brought because the General Motors Corporation attempted to sublease one of their floors. The Court denied the motion and the lease remains in effect. The article went on to say that two years ago landlords were vigorously fighting to prevent the Courts from declaring leases invalid and here we have a turning point in our midwar business cycle where a landlord is trying to terminate a lease . . . One significant portion of the article is worthwhile quoting: "Economic factors do not appear in law reports, but the underlying cause of the dispute is probably the shortage of loft space in New York City".

It would seem to us that the writer is probably on the right track. We cannot imagine any landlord wanting to cancel a three-quarter of a million dollar a year lease with such a responsible tenant as the General Motors Corporation, unless he was sure of getting a larger rental from some other tenant.

We hear from many sources that the rental for loft and office space is continually improving in New York City and believe this will be a factor in increasing the value of the bonds secured by this type of real estate. There is no ceiling on the price landlords may demand for this type of space . . . we may yet see rentals of the early 1930's.

Take 61 Broadway for example—rate per square foot received in 1943 averaged $2.18 against $4.45 a square foot in 1932. There is no doubt that this fluctuation was caused by supply and demand. If it is true that the demand for office space is greater than the current supply, it is reasonable to suppose that much higher rentals will be secured. Dollar and cents difference to 61 Broadway for the above two years were as follows:

In 1932 at the $4.45 rate, the rental income was $2,320,000. Total operating income was $2,371,000; Operating expenses were $330,000.; Real Estate taxes $303,000., leaving a net operating income of $1,738,000. Percentage of occupancy was 94.46%.

In 1943 at the $2.18 rate, the rental income was $737,000. Total operating income was $796,000.; Operating expenses were $403,000.; Real estate taxes $242,000., leaving a net operating income of only $151,000. Percentage of occupancy was 78.98%.

The 1932 fiscal year ended December 31st, while the 1943 fiscal year ended September 30th. As of October 15th, 1943, the gross income of the property already substantially improved and amounted to $822,000., indicating a net income before executive, management or reorganization expenses, interest and depreciation of $272,100, or over 3% on the first mortgage bonds.

The bonds currently selling at about 27% seem very cheap even on this income, and if rentals do increase, should be a bargain. To illustrate how really cheap the bonds are, let us multiply the issue by their selling price—$7,927,000. X 27 equals $2,140,290 for the entire issue. There are 451,000 square feet of rentable area in the building which means that you are actually buying into the property at less than $4.75 a square foot. You will notice they received almost as much as this in rental per square foot in 1932!

61 Broadway is only one example of real estate bonds in the Financial section of New York. We feel that this section holds a very promising future. The Atlas Corporation and the French National Committee of Liberation just entered into leases for large amounts of space in this section. It is also rumored that the United Corporation contemplates moving back to New York and will in all probability locate in this section. Shipping concerns, steamship lines and foreign diplomatic offices should also consume a large amount of space here after the war.

P. R. Gertz In Seattle

(Special to The Financial Chronicle)

SEATTLE, WASH.—Paul Raymond Gertz is engaging in a general investment business from offices at 8040 Fifteenth Avenue, N. W.

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Benjamin A. Bailey** is with **Dayton Haigney & Co.**, 75 Federal Street.

(Special to The Financial Chronicle)

CLEVELAND, OHIO — **Stacey L. McNary** has become associated with **McDonald-Coolidge & Co.**, Union Commerce Building.

(Special to The Financial Chronicle)

COLUMBUS, OHIO — **William McKnight** has rejoined the staff of **Clarence O'Brien**, 52 West Gay Street. Mr. McKnight has recently been engaged in Government service.

(Special to The Financial Chronicle)

DENVER, COLO.—**Wilson D. Flugstad** has become affiliated with **Coughlin & Co.**, Security Building. Mr. Flugstad for a number of years was with Halsey, Stuart & Co., Inc.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—**John Latshaw** has been added to the staff of **Harris, Upham & Co.**, 912 Baltimore Avenue.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—**Frank Hamilton** is now with **Barrett Herrick & Co., Inc.**, 1012 Baltimore Avenue.

(Special to The Financial Chronicle)

LONG BEACH, CALIF.—**Archie F. Patterson** has become connected with **Bankamerica Company**, Security Building. Mr. Patterson was formerly with R. D. Bayly & Co., Crowell, Weedon & Co., and Barbour, Smith & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Raoul Marlo** has joined the staff of **Russell M. Anderson**, 559 South Figueroa Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Homer W. Wessenford**, previously with Crowell, Weedon & Co., has become affiliated with **Fewel & Co.**, 453 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**James C. Kennedy**, formerly with J. A. Hogle & Co., is now with **Harris, Upham & Co.**, 523 West Sixth Street.

(Special to The Financial Chronicle)

OAKLAND, CALIF.—**Walter H. Atkinson** has been added to the staff of **George H. Grant & Co.**, Central Bank Building.

(Special to The Financial Chronicle)

PASADENA, CALIF.—**Frederic H. Starr** is now with **John M. Barbour & Co.**, 16 North Marengo Avenue. Mr. Starr formerly was with Lester & Co. and Mitchum, Tully & Co.

(Special to The Financial Chronicle)

PORTLAND, MAINE—**George C. Dow** and **F. W. Hardwick**, both previously with Townsend, Dabney & Tyson, are now with **Bond & Goodwin, Inc.**, 20 Exchange Street.

(Special to The Financial Chronicle)

SAN DIEGO, CALIF.—**Clifford P. Thomas** has become affiliated with **H. R. Baker & Co.**, 625 Broadway. Mr. Thomas was formerly with Bankamerica Company and Wheaton & Roberts.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**Farnham Rehfisch** has been added to the staff of **Blyth & Co., Inc.**, Russ Building.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**Henry A. Stecher**, formerly with Stewart, Scanlon & Co., has become connected with **Kaiser & Co.**, Russ Building.

(Special to The Financial Chronicle)

SAN JOSE, CALIF.—**V. McLeod Taylor** is now with **H. Irving Lee & Co.**, First National Bank Building.

Municipal News & Notes

Graphic evidence of strong investor confidence in State and municipal credit during 1943 is seen in the 10th Annual Price and Yield Survey of more than 200 state and municipal bonds being released by the Chemical Bank & Trust Company, New York City.

The almost uninterrupted uptrend in prices for state and local government bonds by the end of 1943 had carried them to new record tops. At the close of 1943 average prices, based on quotations of twenty selected issues, stood at 127⅛, and average yield, moving inversely to price, stood at 1.55%, down from 1.88% in December, 1942. In 1933 similar issues were selling at 92¼, to provide an average yield of 5.18%.

Included in the survey are two supplemental tabulations showing 1933-43 prices of twenty geographically selected issues ranging in quality from AAA to BAA and a running average of all issues in the study with maturities from 10 to 25 years.

The tabulation shows many individual issues, such as obligations of Detroit, Cleveland, Elizabeth and Atlantic City, as having gained from 65 to 75 points during the period. Last year's advance, participated in by virtually all issues included in the survey, was particularly marked for top quality liens in the longer maturity ranges. Previously depressed issues such as State of Arkansas, Port of New York Authority and Triborough Bridge Authority, registered marked recoveries.

The entire price study is unique in that it is the only tabulation of its type in existence and should be especially valuable to portfolio managers and others in the determination of past price movements of varying quality municipal issues.

Recent Prices Impressive

Specific evidence of the exceptionally high prices currently commanded by State and municipal bonds generally was presented in the results of the recent liquidation of approximately $10,000,000 of its holdings by the Metropolitan Life Insurance Co., New York, and a previous operation carried out by the United States Trust Co., New York, which involved about $2,000,000. In each instance, incidentally, the company invited bids on the offering from various dealers, rather than to publicize the list generally. This procedure apparently proved extremely satisfactory to the sellers, judging from the nature of the prices received for the offerings. The trust company, for example, received a price of 172.505 for a block of $10,000 New York State 5s of 1970; 140.587 for Massachusetts 4s of 1960; 120.008 for North Carolina 4¼s of 1950; 116.17 for Detroit street railway 4¼s of 1949, and 120.826 for New Jersey 3¾s of 1951.

Equally impressive were the terms obtained by the Metropolitan Life, as witness the following: 156.9041 for Rhode Island 4s of 1977; 150.523 for Denver refunding 4¼s of 1967; 150.928 for Louisville 5s of 1962 and 152.4149 for that city's 4½s of 1969; 139.3378 for East Bay Municipal Utility District, Calif., water 5s, due serially from 1950 to 1967; 133.385 for Nashville 4s of 1950-1963; 146.3499 for California highway 4½s, maturing 1963-1965, and 165.084 for New York State barge canal 5s, due in 1957, 1963 and 1968.

Mississippi Earmarks $21,000,000 For Payment Of Bonded Debt

Both houses of the Mississippi State Legislature recently approved a bill appropriating $21,450,000 of the State's current surplus of approximately $25,000,000 for redemption of full faith and credit bonds outstanding as of July 1, 1944. The bill authorizes creation of a State Bond Retirement Commission, to consist of various State officials, which will administer the fund, which is "irrevocably pledged to ultimate retirement of presently outstanding full faith and credit bonds of the State of Missisippi." Following legislative approval, the measure was forwarded to Governor Tom Bailey for signature and his endorsement was a foregone conclusion in view of the fact that he had strongly advocated its adoption.

Columbus, Ohio, Restrained From Issuing Light Plant Bonds

The Court of Appeals, in a recent unanimous decision, ruled that the City of Columbus, Ohio, cannot issue $824,000 bonds to finance improvements to the municipal light plant. The case was before the court on an appeal taken by the city from a Common Pleas Court decision, which had previously been upheld by John H. Summers, Special Master Commissioner. Mr. Summers held that the city was without authority to issue the bonds on the ground that it has exceeded its bond issue capacity. The city is expected to carry the case to the State Supreme Court for final judgment.

Halsey Stuart Syndicate Offers Boston District Issue

A banking group headed by Halsey, Stuart & Co., Inc., offered yesterday an issue of $2,600,000 Boston Metropolitan District, Mass., 1¼% bonds, due serially March 1, 1945-1969, inclusive. The bonds are being offered subject to the approval of interest rate and maturities by the Massachusetts Department of Public Utilities at yields ranging from 0.35% for the 1945 maturity to a price of 99¾ for the 1969 maturity. The bonds, in the opinion of the bankers, are legal investment for savings banks in New York and Massachusetts.

The bonds are to be issued to provide funds for the purchase by the District of $2,600,000 of bonds of the Boston Elevated Railway Company and they will constitute, in the opinion of counsel, valid, direct and general obligations of the District for the payment of which its full faith and credit are pledged.

Associated in the offering are Lehman Brothers, Blair & Co., Inc., Shields & Co., Coffin & Burr, Inc.; Otis & Co., Incorporated, Newburger, Loeb & Co., R. S. Dickson & Co., Inc., Mullaney, Ross & Co. and William R. Compton & Co., Inc.

Attractive Possibilities

Indiana Limestone offers interesting possibilities according to a report on the situation issued by Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York City. Copies of this report may be had from the firm upon request.

Paul Babson Sees Business Shrinking In 1944

Predicts 3,000,000 Unemployed By End of Year

After predicting the defeat of Germany early in 1944, Paul Babson, president of the United Business Service, declared that total volume of business will probably decline from 10 to 12 percent below 1943. He said that this will be due to the fact that war output will shrink faster than civilian production can expand.

In Mr. Babson's opinion, the reconversion process will not be seriously hampered by lack of labor, scarcity of materials, or of capital funds. He pointed out that the manpower shortage will begin to ease early in the spring, and by the end of the year unemployment is likely to reach 3,000,000.

Lack of equipment and delays in reorganizing production facilities and restoring the channels of distribution will be the majority difficulties, he continued.

On the home front, civilians face the most severe shortages in the next six months, he said. No more than a moderate easing of rationing, credit restrictions, and other retail curbs are looked for until late in the year.

While total retail dollar sales should equal the 1943 volume, physical turnover will probably be from 8 to 10% lower, Mr. Babson stated.

Commodity prices will move generally upward during the year, he predicted, though considerable unsettlement is expected when the war in Europe ends. Resumption of the advance in most civilian goods quotations is looked for in the second half.

Although the period of conversion is sure to be one of uncertainty and confusion, nevertheless, Mr. Babson concluded, the year 1944, as measured by peacetime standards, will be a year of business prosperity.

Du Mont Lab. Attractive

The current situation in Du Mont Laboratories offers attractive possibilities according to a memorandum issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of this interesting memorandum may be had from the firm upon request.

Railroad Securities

Atlantic Coast Line stock has been active and considerably stronger in the past few weeks, apparently in somewhat belated recognition of its double stake in the improvement taking place in the railroad industry. Not only is the company itself engaged in a systematic debt retirement program but, also, the controlled Louisville & Nashville has made significant progress in recent years and is considered as among the railroads having better-than-average post-war prospects.

Coast Line owns 596,700 shares of the Louisville & Nashville stock representing 51% control. For each share of its own stock outstanding Coast Line owns a little more than seven tenths of a share of the subsidiary's stock. The stock is pledged behind the Collateral 4s, 1952 but that is the issue on which Coast Line concentrated a large proportion of its 1943 debt retirement and there is a feeling in many quarters that by the time the railroad boom is over the stock may represent a free asset. Louisville & Nashville has, with a single exception (1933), paid dividends regularly since the beginning of the century. In recent years the disbursement has been at the rate of $7.00 a share and even with the lapse in 1933 the dividend has averaged $4.86 a share in the eleven years 1933 through 1943.

Atlantic Coast Line itself has been far more erratic in the matter of dividend payments but whenever earnings have been available the management has followed a policy of passing along at least a portion thereof to the stockholders. Last year $3.00 a share was paid, out of the earnings of about $21.00, compared with $2.00 in 1942 and $1.00 in 1941. It is considered likely that at least the last year's rate will be maintained in 1944, affording a return of about 10% at recent price levels. The dividend is obviously not liberal in relation to what the company is earning but the use to which the company is putting the balance of its income has highly favorable long term implications.

It is indicated that net income last year amounted to about $17,500,000 of which only $2,470,200 or less than 15% was paid out in dividends. The balance went towards strengthening finances and reducing debt, or towards property improvements. Factors affecting the railroad industry as a whole together with particular factors influencing the specific territory served, such as curtailment of activity in training camps, will have an adverse influence on year-to-year earnings comparisons in 1944. Nevertheless, there is little question but that net results will remain at a high level over the visible future. Certainly net after all charges and taxes should remain above the satisfactory 1941 level when $11,100,000 was earned. It should be feasible to divert virtually all of net that is not paid out in dividends to debt retirement.

Coast Line has five divisional liens maturing in the period through 1948 but they are small in size, aggregating only $5,400,000, and do not present any problem. Also none of them are callable. Therefore, it is inevitable that the company will continue to focus its attention on retirement of the longer term bonds which are available at discounts. Last year the largest reduction was in the Louisville & Nashville Collateral 4s and the same is apt to be true in 1944.

Through this debt retirement, fixed charges have now been reduced to an indicated level of below $5,500,000 and by the end of this year they should be below $5,000,000. This would represent a reduction of about $1,800,000 (27%) from the level supported ten years ago and a saving equivalent to approximately $2.20 a share on the Coast Line common. At the same time, Louisville & Nashville has reduced its fixed charges the equivalent of about $2.00 a share on its common. Coast Line's equity in this saving in interest requirements of its subsidiary is equivalent to around $1.40 a share on its own stock. Many rail men point out that this basic improvement in earnings, and the potentialities for further improvement during the rest of the high earnings period, have so far found relatively little reflection in the price of the stock.

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.

W. L. Batt To Address Bond Club Of New York

William L. Batt, Vice-Chairman of the War Production Board, will address a luncheon meeting of the Bond Club of New York to be held on February 23 at the Bankers Club, Richard de La Chapelle, President of the club announced. Mr. Batt will discuss "Peace and Foreign Trade."

Public Utility Securities

Important Utility Financing Ahead

Utility financing in 1943 dropped below the 1942 level, and was principally for refunding purposes. The industry has now largely completed its wartime program for expansion of plant, which was financed very largely out of earnings and cash made available by depreciation and amortization charges. The year 1944 appears likely to follow a similar pattern.

There has always been some tendency for refunding issues to reach the market "in bunches" rather than being nicely spaced apart, because of the natural inclination to take advantage of favorable institutional demand when it appears. This is now accentuated by the Federal war loan drives (which will doubtless continue two or three times a year), during which there is little or no effort to sell corporate issues. Last summer several issues came just before the drive, and others after it was over. This time the big Florida Power & Light issues came in January before the drive, and a number of smaller issues have been deferred until late February or March, with others scheduled for the more indefinite future.

The first offering will probably be the $4,300,000 Central Ohio Light & Power 1st 3½s 1974, on which bids are to be opened February 14th. The $5,000,000 Northern States Power (Minnesota) 1st Mortgage Bonds 1974 are expected around February 21st. The offering of $6,600,000 Public Service of Oklahoma 1st 3¼s due 1971 has not been definitely scheduled as yet.

Florida Power Corporation on January 27th registered $16,500,000 1st Mortgage Bonds due 1974 and also plans to sell $4,000,000 3¼% Debentures privately. This marks another step in the rehabilitation program of the Associated Gas System (the Florida subsidiaries of General Gas & Electric have been merged and are now carrying out a refunding program, somewhat similar to the earlier merger-recapitaliaztion of the South Carolina properties).

Oklahoma Natural Gas is reported at work on an important refinancing program, to include bonds and preferred stock, but the exact offering date is not known.

Dillon, Read & Co. has done a considerable amount of spadework on a large refunding issue for Michigan Consolidated Gas, which last November registered $38,000,000 1st 3½s 1968 and 40,000 shares of 4¾% preferred stock. Just as the issue was being set up, however, the City Council in Detroit imposed a very heavy franchise tax on gross revenues—the outgrowth of an earlier unsuccessful attempt to impose a heavy rate cut (denied by the State Commission). While a substantial part of the tax is absorbed by Federal taxes, and the issue has been appealed to the Courts, this development resulted in postponing of the financing.

Another piece of financing which has been held up is the Laclede Gas bond refunding which was anticipated early last fall. The company has had a number of difficulties with its recapitalization plans and whle approval of the Mssouri Commission was finally obtained, the SEC has kept the company waiting for some months. A hearing date was recently fixed, however, which indicates that the issue may again get a place on the active list.

Illinois Power Company (formerly Illinois Iowa Power Company) has also been having some difficulties with its big $65,000,000 refunding issue, which apparently failed to meet SEC standards for competitive bidding—doubtless because of the high debt ratio to plant valuation. However, the Commission granted permission to the company to sell its bonds privately, and negotiations with a group of insurance companies are reported to be progressing favorably.

Other bond issues which may appear during the summer or fall are the refunding operations by five southern subsidiaries of Electric Power & Light, including the big United Gas refunding, held up for several years by difficulties with the SEC. Cities Service Power & Light has some plans under way to conform to the SEC dissolution order and these may involve refunding operations, it is thought. Commonwealth & Southern is studying a refunding program for Ohio Edison, according to press reports.

Several common stock offerings appear likely in the next few weeks or months—Central Illinois Electric & Gas, Carolina Power & Light and Birmingham Electric—while others may follow later in the year if market conditions remain favorable. These offerings do not represent "new money" financing, but are merely sales by holding companies to conform to the Utility Act.

Senate And House Adopt Tax Bill As Finally Perfected In Conference

The new $2,315,800,000 tax bill, on which the conferees reached agreement on Jan. 31, was put into the hands of legislative drafting experts on Feb. 1 for final touching up before submission to the House and Senate for ratification; a final check by the Congressional tax experts was made on Feb. 5, and action by Congress on the conference report, as filed last week, was taken on Feb. 7, both the Senate and House adopting it on that day; regarding the disposition of the bill by Congress, Associated Press accounts from Washington, Feb. 7, said:

"A Senate-House conference report, embodying the final draft of the measure, slid through the Senate quietly, on a unanimous voice vote, but it encountered considerable opposition before it was approved by the House, on a roll call vote of 238 to 101.

"Representative Crawford (R.-Mich.) and Representative Voorhis (D.-Cal.) questioned whether the measure would deal adequately with war-time financing necessities. Representative Izac (D.-Cal.) said provisions of the bill altering the war contract renegotiation statutes would permit some contractors to make excessive profits.

"Representative Knutson (R.-Minn.) said the tax laws must be simplified before any more revenue measures are passed.

"'Congress,' he said, 'should enable our citizens to understand and compute the tax burden imposed on them.'

"Piled on top of existing revenue laws, the new bill will increase the Government's annual income to an estimated $42,239,200,000, without taking into account such nonrecurring receipts as payments of the unforgiven portions of 1942 income taxes.

"With the Government planning to spend approximately $100,000,000,000 in the year ahead—provided the war continues—this means that somewhat less less than half the expenditures will be met out of current income."

Summarizing additional taxes imposed under the bill the advices cited:

Individual income and Victory tax payers, $664,900,000.

Corporations, $502,100,000.

Higher excise tax rates, $1,051,300,000.

Postal rate increases, $96,900,000.

It was also noted that Congress took its final action on the bill by adopting, first in the House, then in the Senate, a joint conference committee's recommendations on the perfected form of the measure.

An earlier item on the conferee's action appeared in our issue of Feb. 3, page 523.

Interesting Situation

Securities of Consolidated Electric and Gas Company represent an attractive opportunity for price appreciation according to a detailed study of the situation issued by New York Hanseatic Corporation, 120 Broadway, New York City. Copies of this interesting study may be had upon request from New York Hanseatic Corporation.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request:

Du Mont Laboratories "A;" Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory; General Instrument; Hartford Empire Co.; Long Bell Lumber Co.; Southwest Lumber Mills; Great American Industries; Kellett Aircraft; Mid-Continent Airlines; Richards, Haskelite; Doyle Machine Tool; Metal & Thermit; A. E. Staley; Central Electric & Tel.; Massachusetts Power & Light $2 preferred.

M. K. Rauch Associated With Paine Webber Co.

GRAND RAPIDS, MICH.—Montgomery K. Rauch, formerly with E. H. Rollins & Sons Incorporated, has become associated with Paine, Webber, Jackson & Curtis, Peoples National Bank Building, as assistant manager and trader.

N. Y. Analysts To Hear

The New York Society of Security Analysts, Inc. will hear Ralph Sterling of Merrill Lynch, Pierce, Fenner & Beane discuss the implications of the Hope Natural Gas decision at the meeting to be held on Friday, February 11th. This will be, as usual, at 56 Broad Street, at 12:30 p. m.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 597)

The possibility of the bill not becoming a law and being sent back for upward revision has suddenly become more than a possibility.

* * *

We all know the President thought the $2 billion Congress voted was too small. He wanted $10 billion. But with Congress being in the mood it is it was reasonable to suppose that the President would accept its figure on the theory that half a loaf is better than none. Last week, however, Wendell Willkie in a speech said that instead of asking for $10 billion he would have asked for something like $16 billion. With the leading Republican candidate (so far) on record on tax demands it would seem an easy out for FDR to veto the whole thing and throw it back in Congressional laps. I believe such a thing is now highly probable. I also believe part of the decline is attributable to this possibility.

* * *

But whatever it is the end result is that since last week's column was written the market has deteriorated. And I for one have no desire to sit still and watch it deteriorate any further. So, based on the six days' market action, my advice is as follows:

* * *

American Steel Foundries, held at 25, should not be carried under 24. If it rallies, the 27-28 range will be a stumbling block.

* * *

Armstrong Cork, bought last week at 38, and now fractionally under that price, should be stopped at 37. If, before it breaks that level, it rallies to between 39 and 40, I advise getting out.

* * *

National Gypsum, bought at 9½, has suddenly changed its complexion. Dont' wait for a stop figure to be broken. Get out of it now. Curtiss Wright "A," held here for some time, is still about where you bought it—16½. Not being able to show anything, I think it is about time to get out of this, too.

* * *

Kroger is the only one in the list which acts better than the market. So, repeat your buy order in Kroger at 32, but don't carry it under 31.

* * *

Case Threshing, recommended here last week as an out and out speculation if obtainable at 34, didn't get there. But now it's buy figure sets up differently. So cancel last week's 34 price and buy Case at 32 with a stop at 31.

* * *

United Air Lines is beginning to show signs of coming back to life. A close buy at price of 22 with a stop at 21 recommends itself.

* * *

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.]

"Our Reporter On Governments"

Heading into the home stretch of the Fourth War Loan Campaign, the total subscription figures are indeed impressive, but the total of subscriptions received so far from individuals is not satisfactory. . . . Granting that there is a time lag between the taking of subscriptions and the reporting thereof, good deal of conscientious plugging on the part of the vast army of solicitors will be necessary to attain the $5,500,000,000 goal.

Here in Manhattan many prospects have been canvassed not only once but many times; so if the door-bell pushers in the country at large put the same enthusiasm into their solicitations as has been demonstrated here, attainment of the quota for individuals can be achieved.

Approximately 35,000 subscriptions to date reported by one of the leading Bank Teams in Manhattan, compared with about 29,000 received in the corresponding period during the Third War Loan Drive amply demonstrates the effectiveness of the Treasury's desire for personal solicitation of subscriptions during this campaign. . . . Too much credit cannot be given to the Commercial Banks which are heading up the various dealer teams. . . . The full time and effort of many employees of these institutions since early November of last year has gone into laying the ground work of the present drive, and the painstaking detail work of processing the thousands of subscriptions during the campaign has been enormous.

During the initial period of the campaign liquidation of some outstanding "partially tax-exempt" Treasury obligations by insurance companies served to unsettle that portion of the list with declines amounting to about a quarter point in some instances. . . . However, shortly after the first of February, as had been generally anticipated, the rapid building up of the War Loan deposit accounts, with the accompanying decrease in required reserves, was instrumental in bringing relief to the money starved central reserve areas.

The effect of this easing in the money picture was observed almost immediately and, for once, bore out the prognostications of the financial economists and of the trading fraternity. Large blocks of bills were repurchased, certificates and other short terms firmed. . . . The various low premium taxable 2% issues found ready buyers and the aforementioned partially tax exempt bonds stabilized and then made abrupt recoveries of from 1/8 to 3/8 s points.

EARLY REFUNDING REQUIREMENTS

Secretary Morgenthau has mentioned the month of May or June for the beginning of the next War Loan Campaign. . . . It may seem a bit previous to be talking about the Fifth War Loan before we have even completed the present drive, but it is not too soon to take into consideration the really prodigious amount of refunding which must be accomplished by the Treasury Department between now and June 15th.

The scope of these operations, exclusive of the weekly rolling over of bill maturities, is indicated by the following schedule:

Amount Outstanding (Millions)	Tax Status	Issue
$515	Entirely exempt	U. S. Treasury 1%, March 15, 1944
95	Partially exempt	Federal Farm Mortgages 3¼%, March 15, 1944-49
5,251	Taxable	U. S. Treasury 7%, April 1, 1944
571	Taxable	Reconstruction Finance 1%, April 15, 1944
1,519	Partially exempt	U. S. Treasury 3¼%, April 15, 1944
1,655	Taxable	U. S. Treasury ⅞%, May 1, 1944
779	Partially exempt	Home Owners Loan 3%, May 1, 1944-52
835	Partially exempt	Federal Farm Mortgages 3%, May 15, 1944-49
416	Entirely exempt	U. S. Treasury ¾%, June 15, 1944
$11,636		

$6,906 million of the above total are comprised of the April and May certificates maturities which will no doubt be offered other short-term obligations in exchange. . . . Of the remaining portion to be refunded, however, it seems to be of the greatest importance that $4,159 million of this amount is composed of maturing or callable totally tax free and partially tax-free issues.

So far as is known no decisions as to terms of conversion for any of the securities making up this $4,159 million total have been formulated, and probably will not be decided upon until after the conclusion of the present drive; but, regardless of the final conversion offers, it seems quite logical to expect that a substantial number of the present holders of these issues will prefer to do their own refunding rather than to except in exchange low coupon taxable securities.

One billion six hundred fourteen million of these issues about to be refunded carry a coupon of 3% and $1,614 million have a 3¼% coupon, making a total of some $3,228 million of high coupon bonds about to be eliminated.

The over-all implications of extinguishing of such a sizable amount of partially tax-exempt bonds, which must be completed before May 15th, become all the more apparent when one considers that at the present time there are currently outstanding a total of approximately $27,210 million of such securities. . . . After the impending refunding program has been completed, the potentially available marketable securities in this category will have been reduced by almost 12% and will aggregate, three months from now, less than 24 billions.

The situation presented by the totally tax-free notes is all the more striking. . . . As has been pointed out in the above schedule two issues of notes are to be taken care of by June the 15th. . . . The combined amount of these issues comes to some $931 million which at the present time comprises about 48% of the "exempt" notes outstanding. . . . With their elimination there will be remaining only two more maturities of this type—$283 million which will come due in September of this year, and an issue of $718 million to be disposed of by March, 1945. . . . With this event the totally tax-free note, which for so many years has been the refuge of wealth, whether individual or corporate, will have passed from the scene.

It should be realized then that upon the completion of the refundings involving the $3,228 million of partially tax-exempt bonds plus the refunding of $931 million of totally tax-free notes, the aggregate amount of such securities outstanding as of June 15th will have been reduced to less than $25 billions. . . . Even in these days of $14 billion War Loans and $100 billion budgets, $25 billion is still an impressive amount, but upon the completion of the present Bond Drive, the national debt will then be somewhere in the neighborhood of 185 billions of dollars. . . . It seems quite significant, therefore, that the 25 billions of securities under discussion will then constitute but a relatively small portion of the debt as a whole or to be exact—only 13½%!

DEBT CONVERSION ACCELERATED

The gradual conversion of the tax exempt portion of the debt has, of course, been proceeding ever since the provisions of the Public Debt Act of 1941 prohibited the further issuance of tax-exempt securities after March 1st of that year, but up until the present time it had been a very gradual procedure because the maturing or callable issues were of relatively small proportions. In fact, during the three years that this operation has been in progress, refundings or retirements of some 25 different maturities (exclusive of Treasury bills) were necessary in order to effect conversions of approximately 10 billions of the direct and guaranteed debt into taxable obligations.

That the potentialities arising from the approaching extinction of six totally exempt or partially tax-exempt issues amounting to over 4 billions of dollars, between now and next June, may be of far-reaching importance to the future trend of the Government Bond Market. . . . As stated before a considerable number of holders, rather than accepting the inevitable low coupon taxable issue or issues to be offered will prefer to sell out their maturing bonds and notes and purchase other outstanding higher yielding tax-free issues. . . . Some will undoubtedly try to reinvest in State or Municipal Bonds, if available, but for the execution of the major portion of any such "self refunding" programs recourse will of necessity have to be made to the partially tax-exempt securities that may be available in the open market.

It is entirely probable that this procedure may be undertaken by some of the commercial banks. . . . These institutions which for years had been confronted with dilemma of rising costs of operation and diminishing returns from investments and loans, are benefiting from the "full investment policy" suggested, approved and advocated by the Federal Reserve Banks, and now find themselves with earnings which are no longer tax-exempt. . . . In so much as these institutions, in the final quarter of last year, held about 28% of each issue of the maturing notes, and in excess of 48% of the bonds about to be refunded, the question of how much of this total will seek refuge in partially tax-exempt bonds of longer term offers interesting possibilities.

Individuals, partnerships, trust funds, corporations, etc., which come under the general heading of "all others" in the Treasury Bulletin, listing the classes of owners of Government obligations, are shown to have held as of October 31st last, almost 55% of the total of the maturing notes and about 29% of the maturing bonds. . . . These are the types of investors that have long been tax conscious. . . . If they too wish to convert their present holdings into longer exempt securities, the combined funds of "all others" plus those of the commercial banks should serve to create a demand of impressive proportions for the dwindling supply of available exempt securities.

So far we have discussed only the demand that is possible from the "self refunding" operations. . . . Couple this demand with the investable funds now being created as a by-product of the Fourth War Loan and the result may well lead to a situation whereby last year's peak prices of partially tax-exempt Government securities may even be surpassed.

Post-War Period Will Bring Lower Prices And Better Goods, Says Retail Group Head

David R. Craig, President of the American Retail Federation, in an address, on Jan. 31, at Youngstown, Ohio, before the Economic and Business Foundation, predicted production of more goods at lower prices and better qualities in the post-war period, said the New York "Times" of Feb. 1 in Youngstown advices, which also quoted as follows from Dr. Craig's address:

"Vast increases in the techniques of mass production can be expected to lower production costs," Dr. Craig said. "New materials will be worked into consumer goods and better qualities developed. In the long run prices can be expected to come down and qualities can be expected to rise."

Further integration of distribution can be looked for, he declared, adding that large and small retailers will get closer to their sources of supply. This trend was noted in the pre-war period and an acceleration of it may be expected after the war.

"The post-war period, with its promise of plenty and rewards when they are earned, is a period to which the American retailer looks forward eagerly," Dr. Craig asserted.

He pointed out that the war will end for retailers only when there is an ample supply of goods for consumers, and outlined three phases of the war period.

"We have finished with the expansion of plant capacity," he said, "and we are in one of the concluding phases of the war at present. We are meeting the needs of war production. We have filled the pipelines of supply to our armies and navies and to our allies. From here on we are generally on a replacement basis.

"After Germany quits we may expect drastic changes in the program of war production. There will be increases in some directions and cut-backs in others. The methods which we use right now will be extremely valuable to us then.

"After Japan is beaten will be the first true post-war period. We shall cancel most of the remaining war contracts. We will demobilize all of our troops which are not actually needed for policing the reoccupied and conquered countries until they can establish their own governments on a new basis. A second post-war period will arrive when policing and economic support may be withdrawn from foreign countries."

January Output Of Synthetic Rubber High

Rubber Director Bradley Dewey on Feb. 5 announced that the production of synthetic rubbers during January totaled almost 50,000 tons. He cautioned, however, that despite this large production, all civilian drivers should take care of their passenger car tires. He pointed out that even though this large amount of synthetics already had permitted the rubber manufacturing industry to step up to one-half again its 1943 rate, the military and essential civilian truck and bus requirements will, for many months, eat up the monthly increase that will gradually bring the production for the second half of the year to 75,000 tons per month.

So. Pacific Attractive

The current situation in Southern Pacific Company, which is serving a rapidly growing territory, offers attractive possibilities, according to a detailed discussion prepared by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock and Curb Exchanges. Copies of this interesting discussion may be had from the firm upon request.

Loren Cochran With Blair Bonner & Co.

CHICAGO, ILL. — Loren A. Cochran has become associated with Blair, Bonner & Co., 135 South La Salle Street, as manager of the trading department. For the last thirteen years Mr. Cochran was with Glore, Forgan & Co.

He served as secretary of the Bond Traders Club of Chicago during the past year.

Chicago Brevities

Chicago traction news has jumped to the front in interest among the security dealers here, with the recent proposal by Mayor Edward J. Kelly offering to buy the surface and elevated lines and put them under municipal ownership.

If the plan is ever carried out, and the city bus lines are also purchased, the city would float a revenue bond issue to pay the cost. Last November, a nation-wide syndicate of over 100 houses, headed by Harris, Hall & Company, The First Boston Corporation, and Blyth & Co., Inc., was formed to consider the proposed municipal revenue issue. At the time, they indicated that the undertaking must be established on a conservative basis if financial support by the investment fraternity was to be expected.

Now, Cyrus Eaton of Otis & Co. has announced that he has also formed a syndicate of more than 100 houses to consider the issue, if and when it comes. And Mr. Eaton declared that, in his opinion, the city is offering at least $20,000,000 too much for the two transit lines.

Mayor Kelly's offer, via his negotiating subcommittee of the city council, led to several conclusions, depending on how one considered it. First, it indicated that the security holders of the El and surface lines would receive $94,000,000 cash. The city would pay $86,000,000 of this amount, with the balance to come from money already in possession of the surface lines.

The city, however, would receive a $27,500,000 cash fund that the surface lines now have for renewals and maintenance, so, according to some calculations, the city would actually be paying $59,500,000 for the lines—instead of the $94,000,000 talked about.

One immediate cause of dispute in the proposal was the indicated intention to advise that first mortgage bonds of the surface lines be redeemed at 95, instead of par. In most reorganizations of this type, it has been considered almost a rule that the first mortgage holders receive par for their securities, and the suggestion that less be paid brought immediate adverse comment. On the other hand, the plan suggested that junior security holders divide a $14,000,000 pot, which some of the investment houses thought was too generous.

In reaction to the proposal, traction securities first jumped sharply, two or three points the first day. This climaxed a steady upward climb for these securities in recent weeks, as talk of the

(Continued on page 603)

Bond Club Of Chicago Elects Spaulding Head

CHICAGO, ILL. — George F. Spaulding of the Northern Trust Company was elected President of the Bond Club of Chicago at the Club's annual dinner and meeting held at the Blackstone Hotel. Mr. Spaulding succeeds D. McCormick of Kebbon, McCormick & Co. James P. Feeley of the First National Bank of Chicago was chosen Secretary; and William A. Fuller of William A. Fuller & Co. was named treasurer.

George F. Spaulding

The following, in addition to the officers, were selected as directors of the Club:

Milton S. Emrich, Harris Hall & Co.; Hardin H. Hawes, Harris Trust & Savings Bank; Eugene Hotchkiss, Lee Higginson Corporation; D. Dean McCormick; Paul L. Mullaney, Mullaney, Ross & Company; and Alfred S. Wiltberger, Blyth & Co., Inc.

The Club's dinner was informal, no guests attending. In addition to the regular business, there were two very short talks and entertainment.

F. W. Remley Joins La Salle Nat'l Bank

CHICAGO, ILL. — F. Wyman Remley has become associated with the La Salle National Bank, to be engaged in customer service, it is announced by C. Ray Phillips president of the bank. Mr. Remley during his twenty years on La Salle Street was formerly with the Chicago Federal Savings & Loan Association, American National Bank and Northern Trust Company.

Chicago Recommendations

Adams & Co., 231 South La Salle Street, have prepared a recent analysis of **National Terminal Corporation**, copies of which are available on request.

Brailsford & Co., 208 South La Salle Street, now have complete 1943 figures on earnings of **Chicago, North Shore & Milwaukee Railroad**, copies of which will be sent upon request.

Caswell & Co., 120 South La Salle Street, will send upon request, a late analysis of **General Box Co.**

Doyle, O'Connor & Co., 135 South La Salle Street, have prepared a recent analysis of **Robbins & Myers, Inc.**, preferred and common stock. Copies of this analysis may be had upon request.

Fred W. Fairman & Co., 208 South La Salle Street, have an attractive thirty-page descriptive brochure on **Interstate Aircraft and Engineering Corporation**, a pre-war engineering organization, now at war, which is aggressively

(Continued on page 603)

Chicago Bond Traders Elect 1944 Officers

CHICAGO, ILL. — The Bond Traders Club of Chicago at their annual banquet and presentation on February 8th at the La Salle

Harry L. Nelson Star C. Koerner

Peter J. Conlan Samuel Sachnoff

Hotel, elected the following officers for 1944-5.

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

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

Secretary: Peter J. Conlan, Hornblower & Weeks.

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

The new officers will be inducted on April 1st, at which time new committees will be appointed and plans made for 1944.

Retiring officers are: Richard W. Simmons, Lee Higginson Corporation, president; James H. Murphy, Cruttenden & Co., vice-president; Loren A. Cochran, Blair, Bonner & Co., secretary and F. Girard Schoettler, Wayne Hummer & Co., treasurer.

A large attendance of members and out-of-town guests was present.

All members are cooperating in their work on the Fourth War Loan Drive and for the final week will man a telephone service bureau.

Members of he Bond Traders Club serving in the armed forces are:

Richard J. Aldworth	Eugene F. Hoya
Joseph G. Ballish	Henry Jensen
N. B. Baum	Fred F. Johnson
Paul Bax	Clyde H. Keith
K. S. Beall (deceased)	Hugh Kearne
Carl X. Blomberg	Newell S. Knight
George Fabian Brewer	William Lawlor, Jr.
Frank Buller	W. W. Leahy
James J. Callan	Ed. Liening
James E. Czainecki	Donald R. Muller
Richard Cooley	Paul M. Ohnemus
Walter E. Cooney	Arthur Sacco
J. N. Faust	George R. Torrey
J. Smith Ferebee	George Wahlquist
M. F. Forrest	Richard J. Wallace
J. H. Fyfe	T. D. Walsh
Richard H. Goodman	Raymond C. Wauchop
Wm. A. Grigsby	Chapin Wright
Joseph F. Hammel	Burnham Yates
Charles Hofer	

With Eastman Dillon & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Louis B. Ferguson has become associated with Eastman, Dillon & Co., 135 South La Salle Street. Mr. Ferguson was formerly with Nichols, Terry and Dickinson, Inc. In the past he was a principal in the investment firm of L. B. Ferguson & Co.

Chicago Brevities

(Continued from page 602)

municipal ownership plan became more optimistic. After the first day, however, many of the traction issues again lost ground.

On Feb. 11, Judge Michael L. Igoe of the Federal Court will hear a reply to the city's proposition by the Sidley committee, appointed by the court to represent the security holders of the two lines, which are under court jurisdiction. Thus far, the Sidley group has kept its opinion of the city's offer very quiet, although the representative of one group of surface lines junior security holders declared recently that the city's proposal was far too low for those securities.

* * *

With the Fourth War Loan drive almost completed, Chicago financial circles deserve great praise for the fine job they have done in promoting the sale of the government securities. In fact, little else except war bond selling has occupied the attention of La Salle Street since Jan. 18.

Frank McNair of the Harris Trust and Savings bank has served as chairman of the Chicago and Cook County War Finance Committee, with David Dillman, of the Investment Bankers Association of America as assistant to the chairman.

Tom E. Hough, Halsey, Stuart & Co., Inc., is operating director, and the following are among the vice-chairmen:

William McCormick Blair, Blair, Bonner & Company; Philip R. Clarke, City National Bank & Trust Company; Maurice H. Needham, Needham, Louis & Brorby, Inc.; and Max Epstein, of the General American Transportation Company.

Among the committee chairman, Frank C. Rathje of the Chicago City Bank and Trust Company heads the bank group; T. Weller Kimball, Glore, Forgan & Co., heads the corporation and special names committee; A. R. Gardner, Federal Home Loan Bank of Chicago, is chairman of the savings and loan group; Homer Buckley, Buckley, Dement & Co., special groups; and Edward E. Brown, First National Bank of Chicago, loop banks.

Chicago Recommendations

(Continued from page 602)

forwarding its plans for the post-war period. Copies of this interesting booklet may be had upon request from Fred W. Fairman & Co.

Faroll Brothers, 208 South La Salle Street, will furnish recent data on **Merchants Distilling Corporation** on request.

Hicks & Price, 231 South La Salle Street, have available an up-to-date circular on **P. H. Butler Co.** common stock. This company, which has a chain of super-markets, has a satisfactory tax base, no long term leases, good cash position and is excellently located. The circular also points out its attractive post-war investment possibilities. Copies may be had from Hicks & Price upon request.

Straus Securities Co., 135 South La Salle Street, have compiled a very attractive circular on **Foote Bros. Gear & Machine Corporation**, common stock. This is just off the press and contains the very latest data. Earnings are shown through October 31, 1943; these figures have not appeared previously in print. Copies of this circular may be had upon request from the statistical department of Straus Securities Co.

Thomson & McKinnon, 231 South La Salle Street, in their weekly **Bond Review** stress the fact that there have been no important developments in the high grade bond market the past week the Fourth War Loan overshadowing the market and everyone devoting his efforts to putting it over successfully.

Their weekly **Stock Review** features articles on **Preferred Stocks For Income, The Position of Cigarette Manufacturers**, and the three important **utility dissolutions** which took place last week under the Public Utility Act, namely, United Corporation, Central Illinois Electric & Gas Co. and Middle West Corporation. They have recently issued a special analysis of **Cities Service Co.**

Their booklet "1944—A Year In Transition" which is just recently off the press is timely and interesting. As long as the supply lasts they will be glad to send a copy of this booklet upon request, without charge; likewise any of the reviews mentioned above.

Such requests should be addressed to Thomson & McKinnon's Statistical Library, 231 So. La Salle St., Chicago 4.

National Terminals Corporation

The securities of modern warehousing units are attracting the interest of term investment buyers. Most units suffered the 1929 stigma of overfinancing with fixed income securities. However, through recapitalizations, capital structures have been revamped and many units are now in position to enjoy years of normal prosperity, which with present scaled-down corporate set-ups means abnormally large income returns.

National Terminals Corporation's various locations are strategically situated in the Great Lakes area with plants in Cleveland, Buffalo, Chicago, Milwaukee, East Chicago, Indianapolis, Maynard, Lorain and Toledo.

In the 1942 recapitalization plan, the fixed income securities were reduced to $1,274,000. Subsequent earnings caused the retirement of $615,000 of these securities in April 1943 and Corporation officials have indicated that, barring unforeseen contingencies, all remaining bonds will be retired April 1, 1944. The official call of these remaining bonds will very likely be made at the next directors' meeting to be held around February 15. The call of the bonds allows for a dividend declaration on the common stock.

Earnings are currently accruing to the common stock at the an-

(Continued on page 607)

Halsey, Stuart & Co. In New Location

After thirty-five years in the Rookery Building, LaSalle and Adams Streets, Halsey, Stuart & Co. Inc. will move to new quarters in the Field Building, 123 South LaSalle Street, on or about April 1st. The space to be occupied comprises the first three floors in the northwest section of the building and includes about 21,000 square feet connected by private elevator, representing, in effect, a building within a building. The lease represents one of the most important transactions of its kind in the LaSalle Street area in recent years.

This move on the part of Halsey, Stuart & Co. Inc. represents only the third in its 41 years of existence. The firm's original quarters were opened in the Rookery in 1903 where it remained until 1907 when it moved to Monroe Street in the building occupied by the old Central Trust Company. In 1912 it returned to the Rookery Building, occupying eventually the entire second and third floors and the LaSalle and Adams corner of the first floor. The Chicago office of Halsey, Stuart & Co. Inc. is the home and head office of the organization, which is one of hte largest bond underwriting and distributing organizations in the country and has branch offices in various leading financial centers.

On Trading Desk

CHICAGO, ILL.—Elmer Anderson, who has been connected with Faroll Brothers, 208 South La Salle Street, in various departments for the past twenty-two years, is now assisting Paul Spink on the trading desk.

Interstate Aircraft And Engineering Corp.

Highlights

Interstate Aircraft and Engineering Corporation reports that renegotiation by the government for 1942 has been completed. Earnings were not effected.

The new De Kalb unit has reached first stage production and planes are being delivered as per schedule. A second phase of this production is under way and the output should be stepped up materially in the near future.

Earnings after taxes for 8 month period terminating December 31, 1943, $474,023.77

Earnings per share after taxes, for same period, $3.70 per share.

Earnings per share after taxes, for month of December, $0.50 per share.

Net current assets as of December 31, 1943, $761,260.86, or approximately $6.00 per share; book value, approximately $9.50 per share.

Small capitalization, only 128,000 shares common stock—no bonds—no preferreds.

Dividends 1942—50¢

Dividends 1943—$5.00 in stock March; 25¢ cash December.

Lee Higginson Adds Francis McDonald To Staff

CHICAGO, ILL.—Lee Higginson Corporation, 231 South La Salle Street, announces that Francis McDonald, formerly associated with E. H. Rollins & Sons, has joined the firm's Chicago sales organization.

Wisconsin Brevities

Kearney & Trecker Corporation declared a dividend of 50c a share, payable February 15 to stockholders of record February 1. This represents a reduction in the $3.00 annual rate which has been in effect since the stock was first offered to the public about two years ago.

Judge Duffy of the Federal Court, Milwaukee, has confirmed the plan of the Bondholders' Committee and the Plankinton Trust in the reorganization of the **Plankinton Building**, largest office and store building in Milwaukee, under which bondholders will receive par and accumulated interest for their bonds.

Directors of **Safway Steel Products, Inc.**, Milwaukee, have declared a dividend of 10c a share, payable February 28 to stock of record February 18. During 1943 four dividends of 10c each were paid.

Ampco Metal, Inc., Milwaukee, reports earnings of $1.16 a share for the ten months ended October 31, 1943. This is after taxes and postwar reconversion reserve of $150,000.

Hamilton Manufacturing Company, Two Rivers, Wisconsin, has called $43,000 of its first mortgage 5% bonds due in 1951, as of March 1, 1944, at 103.

Marshall & Ilsley Bank, Milwaukee, reports operating earnings of $3.67 a share on its common stock for 1943, against $3.07 in 1942. Book value at the end of the year was $40.83 on the $20 par stock.

Marine National Exchange Bank, Milwaukee, reports operating earnings for 1943 amounting to $3.88 a share, compared with $3.01 in 1942. The book value of its $20 par stock was $49.96 at the end of 1943.

J. M. Parmentier Gets Cgo. Exchange Membership

Jules M. Parmentier, President of Citizens Securities Company of Green Bay, Wisconsin, was elected to membership in the Chicago Stock Exchange by the Executive Committee, it is announced. Citizens Securities Company is the ninth registered member corporation of the Exchange.

United States Again Warns Finland To Drop Out Of War

A renewal by the United States of its recent warning to the Government of Finland to withdraw from the war on the side of the Axis powers, or accept the consequences of continuing to fight on the side of Germany, was made known by Secretary of State Hull on Feb. 8. Associated Press accounts from Washington on that date had the following to say with regard thereto:

The Secretary of State was asked at a press conference for information on Stockholm reports that there had recently been an exchange of communications between the United States and Finland on the Finnish position.

The U. S. Government, Mr. Hull replied, has recently taken occasion to say to the Finnish Government, as it has on a number of occasions in the past, that the responsibility for the consequences of Finland's collaboration with Germany and continuance in a state of war with a number of this country's Allies, including the Soviet Union and Britain, must be borne solely by the Finnish Government.

From International News Service advices Feb. 8, from Washington, given in the New York "Journal American," we take the following:

Secretary Hull said this Government recently took occasion to issue this warning to the Finnish Government, as it has done on a number of occasions in the past.

Mr. Hull's announcement followed Stockholm reports that the Finnish Government had asked Washington what America's attitude would be toward Finland if the German troops stationed in that country were withdrawn, but the Finns continued to maintain themselves in a state of defensive war with the Soviet Union.

Surplus Property Board Proposed

(Continued from page 596)

"TITLE II

"SHORT TITLE

"Sec. 201. This title may be cited as the 'Surplus Property Act of 1943.'

"DEFINITIONS

"Sec. 202. As used in this title—

"(1) The term 'property' means any supplies, materials, or equipment, including real estate and improvements thereon, or tangible property owned by the United States, or by any corporation owned or controlled by the United States, which is under the jurisdiction or control of any governmental agency.

"(2) The term 'surplus property' means any property which has been declared to the central agency handling surplus property to be surplus to the function, activity, or project in connection with which it was acquired or accrued.

"(3) The term 'Government agency' means any executive department of the Government or any administrative units or subdivision thereof, any independent agency in the executive branch of the Government, and any corporation owned or controlled by the United States.

"SURPLUS PROPERTY POLICY BOARD

"Sec. 203. (a) There is hereby established a Surplus Property Board (referred to in this title as 'the Board'), which will consist of the Chairman of the Board of Directors of the Defense Supplies Corporation who shall be the Chairman thereof, the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, and three individuals to be appointed by the President, by and with the advice and consent of the Senate. The three individuals so appointed shall be businessmen who have had at least five years' experience in the business of the retail sale and distribution of merchandise.

"(b) The Board (1) shall determine and prescribe the methods to be used by governmental agencies in making and maintaining inventories of property, and (2) shall determine the surplus property under the jurisdiction of the various governmental agencies that should be sold or leased, and shall inform the Reconstruction Finance Corporation as to every such determination.

"DUTIES OF GOVERNMENTAL AGENCIES

"Sec. 204. Every governmental agency (1) shall make and maintain accurate uniform inventories, in accordance with methods determined and prescribed by the Board, of property under its jurisdiction; (2) shall cooperate with the Board for purposes of determining which of the property under its jurisdiction is surplus property; and (3) shall cooperate with the Reconstruction Finance Corporation in connection with the sale or lease of surplus property pursuant to the provisions of this title.

"DUTIES OF THE RECONSTRUCTION FINANCE CORPORATION

"Sec. 205. (a) Surplus property which the Board has determined should be sold or leased shall be sold or leased by the Reconstruction Finance Corporation in a manner consistent with the provisions of this section.

"(b) The Corporation shall appoint an advisory committee for each class of property which is to be sold or leased. The members of such advisory committee shall be appointed from among persons who, by reason of their business experience, are familiar with the handling and marketing of such class of property, or similar property. It shall be the duty of the Corporation, in selling or leasing surplus property, to consult with the appropriate advisory committee or committees so appointed as to the price, time, method, and manner of disposing of such property.

"(c) In the sale or lease of surplus property pursuant to this title, the Reconstruction Finance Corporation shall, so far as practicable, be governed by the following considerations:

"(1) Distribution of such property should be through established trade channels.

"(2) The acquisition of large quantities of such property for speculative purposes should not be permitted.

"(3) The prices at which any particular property or class of property is sold or leased should be uniform.

"(4) Such property should be sold or leased at prices low enough to facilitate the disposition thereof, but high enough to enable the United States to secure a fair return therefor.

"(5) The sale or lease of such property should be at a rate which will not unduly disrupt trade and commerce.

"(6) The sale or lease of such property should take into consideration the need for facilitating and encouraging the establishment in the various communities in the several States by members of the armed forces of the United States upon their discharge or release from active duty, as well as by others, of small business enterprises and with a view to strengthening small business enterprises.

"(d) The sale or lease of surplus property shall be in accordance with such regulations as the Board shall prescribe regarding the times, places, quantities, and terms and conditions of the proposed disposition of such property; and such regulations shall require advertising for competitive bids except in such cases and with respect to such property as the Board determines that sales or leases by competitive bids would be contrary to the public interest.

"EXCLUSIVE METHOD OF DISPOSING OF SURPLUS PROPERTY

"Sec. 206. No surplus property shall be sold, leased, or disposed of otherwise than in accordance with the provisions of this title, except that where provisions of law are in force specifically authorizing the sale or other disposition of any particular property or class of property, such property or class of property may be sold or otherwise disposed of in accordance with such provisions of law if the Board approves such action as being consistent with the public interest.

"TRANSFERS BETWEEN GOVERNMENTAL AGENCIES

"Sec. 207. Notwithstanding any other provisions of this title, governmental agencies shall make the fullest practicable utilization of surplus property in order to avoid waste and unnecessary expense, and for such purposes surplus property may be transferred from one governmental agency to another, in lieu of its sale or lease pursuant to the provisions of this title. Such transfers shall be made subject to such regulations as the Board shall prescribe.

"DISPOSITION OF NONSALABLE PROPERTY

"Sec. 208. Notwithstanding any other provision of this title, surplus property which is not salable, or which for any other reason it is impracticable to transfer, sell, or lease as provided in this title, shall be repaired, rehabilitated, donated, destroyed, or disposed of in accordance with such regulations as the Board shall prescribe.

"PROCEEDS FROM SALE OR LEASE OF SURPLUS PROPERTY

"Sec. 209. All proceeds from the sale or lease of surplus property under this title shall be deposited and covered into the Treasury as miscellaneous receipts.

"MISCELLANEOUS

"Sec. 210. (a) The Board is authorized to appoint and fix the compensation, subject to the civil-service laws and the Classification Act of 1923, as amended, of such employees as may be necessary for the performance by the Board of its functions under this title.

"(b) Each member of the Board appointed thereto by the President, by and with the advice and consent of the Senate, and each member of any advisory committee appointed by the Reconstruction Finance Corporation under this title, shall be paid compensation at the rate of $-- per diem when actually engaged in the performance of his duties under this title, and shall be allowed necessary traveling expenses and subsistence expenses (not in excess of $-- per day) incurred when absent from his place of residence in connection with the performance of such duties."

Rise In Steel Price Viewed As Unwarranted

Price Administrator Chester Bowles, according to an Associated Press dispatch from Washington, Feb. 5, stated that preliminary information from a survey of industry costs indicates that "the steel industry does not need a general upward price adjustment."

The dispatch further goes on to say:

Mr. Bowles added that "no decision will be made before the studies are completed."

The Office of Price Administration said the survey under way is the "most complete ever made of steel industry costs."

"Whether or not particular steel mill products will be shown to need price increases or decreases and the extent of any such increases or decreases simply cannot be ascertained in the present stage of the study," Mr. Bowles said. "At the earliest, the survey and analysis will not be completed before March."

Steel industry prices have been frozen since 1941 at levels which had not changed since 1939. Meantime, the industry has absorbed two general wage increases and a coal cost rise estimated by steelmen at $1 per ton of steel.

So far the industry has been able to absorb these increases because of: (1) heavy production of armament steel which carries a good margin of return, and (2) capacity operation of the entire industry, with all plant facilities earning.

Exchange Firms Ass'n Appoints H. C. Merritt

Henry C. Merritt has been appointed Assistant to the President of the Association of Stock Exchange Firms, it was announced by John L. Clark, President of that organization. Mr. Merritt has a background of about twenty years in the investment banking and brokerage business, having been associated with Dillon, Read & Company; F. S. Moseley & Company, and a member of the firms of Smith, Graham & Rockwell and Graham & Company. More recently he has been with Republic Aviation Corporation. He attended Princeton University, and at the start of World War I entered the Army.

As a Lieutenant and later a Captain in World War I with the 38th Infantry of the Third Division, Regular Army, Mr. Merritt served through all the major campaigns and holds the Distinguished Service Cross, Silver Star with Cluster, Purple Heart, Legion of Honor and Croix de Guerre.

Scherck, Richter Company Is Now A Partnership

ST. LOUIS, MO. — Scherck, Richter Company, Landreth Building, formerly a corporation, is now doing business as a partnership. Partners are Gordon Scherck, Marjorie L. Scherck, Henry J. Richter, Charles W. Hahn, and Irwin R. Harris. All were previously associated with the corporation.

Attractive Situation

American Casualty Company offers interesting possibilities for remunerative investment according to a detailed circular discussing the situation issued by Huff, Geyer & Hecht, Inc., 67 Wall Street, New York City. Copies of this circular may be had from Huff, Geyer & Hecht upon request.

MacArthur Is No. 1 Bond Buyer Johnston Of Chemical Bank Reports

Laraine Day; Percy H. Johnston, Chairman of Chemical Bank & Trust Company; Brian Donlevy

Percy H. Johnston, Chairman of the Chemical Bank & Trust Co. of New York and Captain of the financial district's Team No. 7 in the Fourth War Loan drive, smiled like a man with an ace up his sleeve. And he had one. Upon inquiry he stated, "A few days ago I received a cablegram from Gen. Douglas MacArthur. He subscribed for a very substantial amount of bonds of the Fourth War Loan Campaign and I'm entering it as subscription No. 1." The cablegram, which acted as "no little stimulus" to war bond buyers who poured past Mr. Johnston's desk all morning, came from the General's South Pacific headquarters and is identical with others in previous war loan drives received at the General's home bank. The MacArthur family—his father, and grandfather—has dealt with Chemical for as many generations.

Mr. Johnston recalled Gen. MacArthur's last visit to the bank in 1938. "It was sort of a courtesy call. The General looked fine and visited with old friends. I believe this was just before he was made Marshal of the Philippines."

The financial district conceded that if Percy H. Johnston, Chairman of the Chemical Bank & Trust Co., did not steal the show, at least he got away with a good part of it. Passersby in front of the Chemical's main office saw something suspiciously like a run on Old Bullion. Investigating, they found about 1,000 persons in the lobby rushing Mr. Johnston. Stage stars and opera singers were there, service men and bootblacks. Somebody started a rumor that Frank Sinatra was subscribing and the feminine contingent of bond buyers was immediately swelled. The bank explained that Mr. Sinatra was not there, but that virtually everybody else was.

Team No. 7, it developed, has more than a splattering of patriotism in its physical makeup. Its number of members stand at 48 and way down the alphabetical list is the firm of Pershing & Co. Warren Pershing, now with the armed forces, is this firm's head, and his father, General John J. (Blackjack) Pershing, cut quite a figure in military circles during the last war

Mr. Johnston said he "felt sure" his team will wind up the drive (ending Feb. 15) with a "pretty good showing," since it had garnered 64,811 subscriptions in the last three drives for a total of $885,600,400, exclusive of the bank's subscription of $335,000,000.

Participating in the ceremonies at the bank's main office at 165 Broadway were Brian Donlevy and Laraine Day, screen stars, and Igor Gorin and Doris Dorre of the Metropolitan Opera.

Lay-Offs In Steel Industry Reported To Be Under Way

Unemployment, a post-war threat, already is affecting the steel industry, stated David J. McDonald, International Secretary-Treasurer of the United Steelworkers of America, an affiliate of the Congress of Industrial Organizations, at Philadelphia, Pa., on Feb. 6, according to an Associated Press dispatch from which the following is also taken:

"Unemployment is a factor now in the steel industry," Mr. McDonald said. "It (the industry) has let thousands out in the last few months. Production in basic steel has dropped to 96% of capacity. Some experts think it soon will be 85%. That means that members of the United Steelworkers of America are out of work or on short time. Maybe this foreshadows things to come."

Mr. McDonald added that the union is asking, during current negotiations on new steel wage contracts, for a two-year pact guaranteeing a 40-hour workweek for all present employees, because it anitcipates lay-offs during post-war conversion.

Joseph Scanlon, acting research director for the union, told delegates from eastern Pennsylvania, southern New Jersey and Delaware that 68 open-hearth furnaces are idle now.

Attractive RR. Situations

The current issue of B. W. Pizzini & Co.'s "Railroad Securities Quotations" contains interesting brief discussions of the current situation in Allegheny & Western First Mortgage 4s; approximate valuation for New York Lackawanna & Western stock; and a table of estimated earnings for several important railroads, in addition to quotations on guaranteed rail stocks, underlying mortgage rail bonds, reorganization rail bonds, minority stocks and guaranteed telegraph stocks. Copies of this interesting circular may be had upon request from B. W. Pizzini & Co., 55 Broadway, New York City.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Bank Stocks

A recent issue of the American Banker published a list of "The Hundred Largest Banks in the United States", listed in order of the amount of deposits on December 31, 1943. The total deposits of these banks aggregated $55,105,935,658, while their capital aggregated $1,242,077,500 and surplus and undivided profits, $2,207,533,917. The ratio of total deposits to total capital funds is 15.95. Five years ago their deposits aggregated $32,194,227,650 and their capital funds $3,049,258,148, which give a ratio of 10.55. Deposits meanwhile have expanded by $22,911,708,008 or 71.2%.

Number one bank on the list is Chase National, New York, with deposits of $4,375,581,741, and number 100 is American Trust Co., Charlotte, N. C., with deposits of $136,795,555.

The geographical distribution of these "hundred largest" banks is as follows: New York City, 20; San Francisco, 7; Philadelphia, 6; Chicago, 6; Boston, 5; Pittsburgh, 5; Los Angeles, 4; Detroit, 4; Cleveland, 3; St. Louis, 3; Cincinnati, 3; 2 each in Buffalo, Kansas City, Minneapolis, Dallas, Seattle, Portland (Ore.) and Honolulu; 1 each in Newark (N. J.), Providence (R. I.), Hartford (Conn.), Rochester, (N. Y.), Baltimore (Md.), Washington (D. C.), Wilmington (Del), Louisville (Ky.), Winston-Salem (N. C.), Charlotte (N. C.), Atlanta (Ga.), Savannah (Ga.), Birmingham (Ala.), Memphis (Tenn.), New Orleans (La.), Columbus (O.), Toledo (O.), Indianapolis (Ind.), Milwaukee (Wis.), and St. Paul (Minn.).

It is of interest to note that the 20 banks in New York City, which constitute in number 20% of the "hundred largest," hold approximately 43% of the aggregate deposits of the hundred banks and that their total capital funds represent approximately 47.3% of the aggregate. The following tabulation brings out some interesting comparisons:

City—	Number of Banks (% of 100 Banks)	Deposits ($000)	% of (100 Banks)	Capital Funds ($000)	% of (100 Banks)	Ratio Deposits to Cap. Funds
New York	20%	23,686,961	43.0%	1,632,851	47.3%	14.5
San Francisco	7	5,598,187	10.1	259,988	7.5	21.5
Chicago	6	5,372,940	9.8	273,372	7.9	19.6
Philadelphia	6	1,852,608	3.4	137,545	4.0	13.5
Boston	5	2,036,093	3.7	144,841	4.2	14.1
Pittsburgh	5	1,431,672	2.6	193,044	5.6	7.4
Detroit	4	2,133,967	3.9	65,087	1.9	32.8
Los Angeles	4	1,892,980	3.4	85,830	2.5	22.1
Cleveland	3	1,483,018	2.7	65,953	1.9	22.5
St. Louis	3	824,134	1.5	50,335	1.4	16.4
Cincinnati	3	554,020	1.0	34,332	1.0	16.1

San Francisco, with 7% of the number of banks, has 10.1% of deposits, while Chicago, with 6% of the number of banks, has 9.8% of deposits. All other cities do not fare relatively as well in the matter of deposits. In the case of San Francisco, the large deposits of Bank of America National Trust & Savings Association, and in the case of Chicago, the large deposits of Continental Illinois National Bank & Trust Company, account for these cities' high deposit percentages relative to the number of banks.

Of special interest is the ratio which deposits bear to capital funds. It will be noted that this ratio ranges from a low of 7.4 for Pittsburgh banks to a high of 32.8 for Detroit banks. New York City's ratio is 14.5, which is well below the "hundred bank" ratio of 15.95. The principal reason for Detroit's particularly high ratio is that deposits in her four banks appear to have expanded at a faster rate than in other centers; in five years they have increased from $834,519,300 to $2,133,966,824, an expansion of 156% compared with an expansion of 71.2% for the "hundred banks."

Comparative statistics for the 10 largest banks, as of Dec. 31, 1943, are shown in the following table:

Rank	Bank and City—	Deposits	Capital Funds	Ratio
1	Chase National, New York	$4,375,582,000	$272,878,000	16.0
2	National City, New York	3,733,649,000	211,554,000	17.6
3	Bank of Am. N. T. & S. A., San Francisco	3,498,153,000	145,154,000	24.1
4	Guaranty Trust, New York	2,903,794,000	291,392,000	10.0
5	Cont. Ill. N. B. & T., Chicago	2,173,956,000	130,406,000	16.7
6	First National, Chicago	1,803,686,000	93,190,000	19.4
7	Bankers Trust, New York	1,594,694,000	125,367,000	12.7
8	Manufacturers Trust, New York	1,580,909,000	89,651,000	17.6
9	Central Hanover B. & T., New York	1,477,219,000	104,108,000	14.2
10	First National, Boston	1,247,973,000	86,196,000	14.5

Camp Co. A Partnership

PORTLAND, OREG.—Camp & Co., Inc., a corporation, has been dissolved and a partnership doing business under the firm name of Camp & Co., has been formed by Norman W. Hunter, Herman L. Lind and Lawrence W. Shiels, formerly officers of the corporation.

Associated with the new partnership, which will continue in the Porter Building, will be Richard M. Perry, Lilien E. Newman, John P. Hoben, W. Glenn Field, and Eugene Courtney, all formerly with the corporation.

Mutual Funds

Scanning the Reports

Affiliated Fund, Inc.—Total net assets (including $10,000,000 par value of debentures outstanding) increased during 1943 from $18,562,587 to $22,368,903. Net asset value per share rose from $2.16 at the end of 1942 to $3.24 at the end of 1943.

American Business Shares, Inc.—Total net assets increased during 1943 from $3,690,869 to $4,460,629. Net asset value per share rose from $2.53 to $3.27.

Bond Investment Trust of America—Net liquidating value during 1943 rose to $1,890,665, equal to $99.19 per unit of beneficial interest, compared with $617,729, equivalent to $94.38 per unit at the end of 1942.

Bullock Fund, Ltd.—Total net assets on December 31, 1943 amounted to $3,103,547, compared with $1,579,172 a year earlier. Net asset value per share rose from $11.56 to $14.39.

Canadian Investment Fund, Ltd.—Total net assets amounted to $9,319,029 on December 31, 1943, compared with $8,255,541 at the end of 1942.

Century Shares Trust—Net assets as of December 31, 1943 amounted to $18,323,100, equivalent to $27.69 per share. This compares with a net asset value per share of $24.52 a year earlier.

Chemical Fund, Inc.—Net assets totaled $10,810,478, or $9.40 per share on December 31, 1943. This compares with net assets of $9,123,774, equal to $8.91 per share a year earlier.

Fidelity Fund, Inc.—Total assets during 1943 increased from approximately $2,400,000 to $3,600,000, a gain of about 50% for the year.

Fundamental Investors, Inc.—Net assets increased from $6,464,000 to $9,682,000 during 1943. Net asset value per share rose from $16.12 to $20.89, an advance of 29.6%.

Group Securities, Inc.—Total net assets on December 31, 1943 amounted to $18,107,409 or nearly double the $9,390,105 a year earlier.

Incorporated Investors — Total net assets rose from $34,253,144 at the beginning of 1943 to $47,157,478 at the end of the year. Net asset value per share during this period rose from $14.64 to $19.75, an increase of 34.9%.

Investors Mutual, Inc. — Total net assets during the year more than doubled, rising from $12,612,630 to $25,849,737.

Keystone Custodian Fund, Series B-1—Net assets totaled $2,237,383 at the 1943 year end, compared with $2,465,390 at the end of 1942.

Series K-2 — Net assets rose from $513,750 at the end of 1942 to $1,265,503 on December 31, 1943.

As of February 2, 1944, combined net assets of all 10 Keystone Funds amounted to approximately $71,000,000, as compared with $46,250,000 a year ago.

Manhattan Bond Fund, Inc.—Total net assets during the year increased from $10,884,000 to $15,893,000, a percentage gain of nearly 50%.

Massachusetts Investors, Trust—Total net assets on December 31, 1943 were $138,370,263, equal to $20.20 per share as compared with $108,268,447, or $16.89 per share a year earlier.

Massachusetts Investors Second Fund, Inc. — Net assets during 1943 increased from $7,633,901 to $9,475,388. Per share asset value rose from $8.21 to $9.90.

National Securities Series — Aggregate net assets from the various series increased to $7,023,243 at the end of 1943, compared with $3,808,619 a year earlier for a net gain of 84%.

New England Fund—Net assets on December 31, 1943 totaled $2,851,457, equivalent to $11.99 per share. Net assets per share on December 31, 1942 amounted to $10.17.

New York Stocks, Inc. — Net assets on November 30, 1943 stood at $5,974,300 as compared with $5,246,592 at the close of the previous fiscal year. (It should be noted that November 30, 1943 was a low point in the level of securities prices and that these figures are not comparable with calendar year-end figures.)

George Putnam Fund—Net assets as of the 1943 year-end amounted to $7,965,000 or $13.06 per share. This compares with $5,873,000, or $11.29 per share, a year earlier.

Quarterly Income Shares—Net assets stood at $17,971,144 on January 15, 1944, equivalent to $7.70 per share. Comparable figures for a year earlier were $14,626,447, equivalent to $6.22 per share.

Selected American Shares, Inc.—Total net assets were $9,179,481 at the end of 1943, compared with $7,158,898 at the end of 1942. Per share asset value rose from $7.41 to $9.16.

State Street Investment Corp.—Total net assets stood at $46,865,526 at the 1943 year-end, amounting to $78.59 per share. This compares with a net assets of $36,181,374, equivalent to $63.29 per share a year earlier.

Union Trusteed Funds, Inc.—Aggregate net assets rose during 1943 from $1,786,022 to $3,296,598.

Wellington Fund, Inc.—Net assets during 1943 rose from $7,287,925 to $10,410,236. Asset value per share increased from $13.46 to $15.78.

Wisconsin Investment Co.—Net assets on December 31, 1943 totaled $1,295,542, equal to $3.01 per share, compared with $2.20 per share on December 31, 1942.

Investment Policies For 1944

(Continued from page 594)

While there may be some further advances in the early part of 1944, it is believed that the cost of living should remain fairly stable during the first half of the year and should show an actual decline in the second half, assuming the fall of Germany.

Taxes

Developments to date make it fairly safe to assume that individual tax **rates** will not increase in 1944, although **payments** will be higher because of the 12½% installment on the "unforgiven" portion of the "transition" year. An increase in the corporate excess profits tax rate to 95% seems definitely in prospect, but this increase will be cushioned in many cases by the retention of the 80% overall limit. It is not believed that the proposal of the House bill to reduce the percentage exemptions on invested capital will prevail. The new bill is not expected to have a significant effect on the earnings of most corporations.

Earning Power

It is estimated that earnings after taxes for all corporations increased approximately 10% in 1943 over 1942. A general level of business at about the rate of the fourth quarter of 1943 is expected for the first half of 1944 with net corporate earnings slightly lower because of increases in costs and some additional tax burden. Assuming peace in Europe in the second half, there will be some shutdowns of purely war plants, some industries will go on reduced operations during conversion, others will maintain unchanged operations and still others go to new highs. These varying industrial prospects will require careful study.

On the whole, the overall decline in corporate net earnings should be small, probably less than 15%, and dividends will be threatened only in isolated instances.

THE COURSE OF SECURITY PRICES

The War

The expected developments which led us to predict the end of the European War in the Winter of 1943/1944 have taken place, although the progress of the Allied offensive has been less rapid than we anticipated. These developments are: (1) a great and growing preponderance of men and munitions on the Allied side, (2) the accelerating deterioration of German man and material power, and (3) Allied command of the air. The German General Staff is apparently willing to gamble on its ability to repulse an invasion of the continent so bloodily as to discourage the Allied populations. This gamble seems doomed, and it is not believed that Germany could long withstand:

(1) A successful invasion,

(2) Continued defeats on the Russian front,

(3) Intensified bombing,

(4) The defection of some of its satellites,

(5) The cutting off of Roumanian oil.

It is anticipated that a sufficient number of these events will have occurred by mid-Summer and will force German capitulation then or shortly thereafter.

With the decks cleared in Europe, we question whether Japan would for long face the concentration of Allied might without trying for peace, even on onerous terms.

Political Situation

The outcome of the 1944 national election is believed to hinge largely on the war situation. If the conflict in Europe is still going on when Election Day arrives chances appear to favor President Roosevelt and the Democrats; otherwise the Republicans seem to have the better chance. A Republican victory should greatly stimulate both business confidence and the outlook for securities values.

Re-Conversion

With victory in sight, Congress, the special Baruch Committee and business itself are actively planning policies to mitigate the transition from war to peace. Swollen inventories are being worked off in many lines, and this with the large and still increasing savings of the community may be expected to create heavy demands for the goods to be manufactured in peace time. The backlog of public purchasing power, which is expected to exceed one hundred billion dollars by the end of 1944, seems a virtual guarantee of a high level of business for two or more years, once re-conversion has been accomplished.

Inflation

We totally disagree with those who expect drastic inflation of the runaway type. Indeed, sufficient temporary unemployment may accompany the re-conversion period to give us some degree of deflation for the time being. Thereafter, we may expect an inflation of the type of the 1920's, a confidence inflation based on good business, taxes favoring "risk capital" and a conservative government. The confidence type of inflation is usually most strongly manifested in common stock prices and isolated land values.

Competitive Income Sources

At the top of bull markets stocks typically sell to yield close to or even less than high grade bonds. How far we are from such a situation today is shown by the fact that as of December 1943 Moody's Stock Yields were 4.90 as against high grade bond yields at 2.74. On an advance of 75% from current stock levels stocks would still yield more than high grade bonds and would be in about the relationship existing in 1926 just prior to the great bull market of 1926/1929.

Technical

On a purely technical basis the market is still in a five-year trading range, roughly limited by the lows and highs of 1938, though non-peace industrials made new lows in April 1942. The final decline in January-April 1942 was on the lowest volume for twenty-five years and there was great selectivity between groups like the rails and "peace" stocks which held above the 1941 lows and other groups. Such a condition after such a long period of see-saw has never in the past failed to mark a major turn for the better. The subsequent recovery has been slow, with volume increasing on rallies, but corrections taking a sideways course rather than declining. Such a condition marked the period 1904, 1921-22, 1923-24, and 1935, all beginnings of accelerating upswings of major proportions.

Forecast of Stock Prices

The price correction which marked the course of the market from July to November of 1943 is believed to have been adequate. The immediate course of the market may well be marked by a trading range within the limits of the July-November 1943 highs and lows in view of the importance of the war developments that are likely in the next few months. In any event, we believe that the second half of 1944 should be featured by steadily rising prices.

To avoid possible confusion, the Editor of "The Letter" says "we" appearing in this discussion applies to Mr. Sweet.

OUR REPORTER'S REPORT

Provided nothing happens to alter the current schedule the Treasury's Fourth War Loan Drive will be over about this time next week and the underwriting fraternity will be back at its regular business of placing corporate issues.

As things now stand it appears likely that corporate underwriting will get away to a fast start with the recently registered issue of $40,000,000 of Phillips Petroleum Co., twenty-year-2¾% debentures regarded as the "trail-blazer" for the next run between Treasury offerings.

Proceeds will be used principally to provide the issuer with additional working capital, but some $14,596,000 will be applied to the redemption of that amount of long-term notes now held by a group of the country's major banks.

Not far behind bankers are inclined to look for the proposed financing of the Virginia Electric & Power Co., to reach market. In fact another hearing is scheduled before the Securities and Exchange Commission today which may clear the way for early offering of the bonds involved.

Growing out of the proposed absorption of the Virginia Public Service Co., this financing will involve the sale of $24,500,000 of 3½% first mortgage bonds plus a $5,000,000 bank loan.

Receptive Market Seen

Judging by the market behavior of the rank and file of the more recently distributed issues the forthcoming offerings appear assured of a good reception.

With scarcely a single exception better than a dozen such issues are currently selling at levels showing substantial premiums from their offering prices.

Although the bid price for three or four bonds falling in that category are right at the original offering price, there is not a single instance in a list of fifteen selected issues in which the current quotation is below the offering level.

Oklahoma Natural Gas Files

Another prospective piece of financing which has been simmering on the back of the stove for quite a while moved a step nearer market with the registration by Oklahoma Natural Gas Co. to cover the projected sale of new bonds and preferred stock.

The necessary data is now before the Securities and Exchange Commission covering $18,000,000 of first mortgage bonds to mature in 1961 plus 180,000 shares of Series A $50 par cumulative preferred stock.

Funds from the sale of these securities together with $6,500,000 of bank loans will provide for the retirement of outstanding bonds, preferred stock and bank loans.

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Canadian Securities

At this critical stage in world affairs, looking towards the post-war period, no other country faces the future with higher hopes and greater confidence than Canada. Since the war, the Dominion has emerged as a world power in its own right. The Government, which can look back with pardonable pride on its record of high achievement in the prosecution of the war, and its masterly management of wartime controls, is now well advanced in its post-war planning.

The recent wave of doubt concerning Canada's political future has now subsided, and the Prime Minister has just stated that in the absence of an issue of major importance there will be no federal elections before the normal expiration of the Government's term of office in 1945.

Spurred by the stimulus of war exigencies, Canada's economy is no longer one-sided. To her vast agricultural and mineral surpluses, Canada can now add a rapidly developing industrial production. It is obvious, therefore, that Canada will play a prominent role in the scheme of world affairs after the war, and it is vitally important that our war-time cooperation with the Dominion continue and extend.

Not only will such a policy benefit Canada but it is also in our own interest. Mr. William L. Batt, Vice-Chairman of the War Production Board, recently stated that our cheaply-produced natural resources are approaching an end, and some of them are now at that point. Therefore, new sources of supply must be found. We do not have to look far afield, for in Canada we have the world's lowest-cost producer of most of the raw materials necessary to modern industry. Although the Dominion's production is already on a large scale, nevertheless, the surface has only just been scratched, and huge capital expenditures are necessary for further development.

With the removal of wartime restrictions, the gradual lowering of tariffs, and the restoration of a common currency unit, it will be an easy and profitable task for our financial interests, and a great contribution to the welfare of both countries.

Turning to current affairs, it is interesting to note that the Bank of Canada has just lowered its rediscount rate to chartered or savings banks from 2½% to 1½%. Mr. Graham Towers, Governor of the bank, stated that the step was designed to assure the Dominion that the central bank's low-interest policy would be continued. It is also a sign of confidence in the Government bond market in Canada which recently has developed a strong and healthy tone.

During the past week, the market here has also taken a definite turn for the better and our most confident forecasts have been amply justified. Direct Dominions were higher. Nationals continued strong with the 5s of October, 1969, bid at 117. Ontarios and Quebecs were quiet but firmer. There was increased turnover at higher prices in British Columbias, Nova-Scotias and New Brunswicks.

Manitobas were exceptionally strong. At current levels these bonds appear decidedly attractive. Saskatchewans recovered from their recent low levels, and Albertas continued in strong demand together with Montreals. Alberta 4½s and Montreal 4½s of 1971 were bid at 82 and 95½, respectively.

Internal issues continued in quiet demand, but there was little change in the Canadian dollar in the "free" market, which remained at 10¼% discount. It is increasingly apparent that the internal issues are beginning to be compared favorably with similar external bonds, and an extension of buying in this section is to be expected.

In considering possible future developments, it is now difficult to avoid overoptimism. The market has weathered a difficult period in admirable fashion, the tone is now strong, and there are indications that at last the commercial banks are taking a definite interest in Canadian securities.

N. Y. Stock Exchange Weekly Firm Changes

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

Guy V. Gurney retired from partnership in Slaughter, Horne & Co., New York City, on Feb. 4.

Interest of the late James H. Carter in Carter & Co., New York, ceased on February 3rd, 1944.

John G. Bates, partner in Bates & Lindley, New York City, died on February 2nd. Mr. Bates had been acting as alternate on the floor of the Exchange for Daniel A. Lindley, the firm's Exchange member.

Our Reporter's Report

(Continued from page 606)

Waits On Litigation

Decision of the company to start litigation looking toward a court test of the validity of the 20% excise tax on gross revenues of public utility companies operating in Detroit will delay indefinitely projected financial of the Michigan Consolidated Gas Co., it is now indicated.

Acting with the Detroit Edison Co., the above mentioned utility was reported ready to take its case to the courts before the end of the current week. Meanwhile the financing will be held up pending the outcome of the action.

The company has plans for refunding its outstanding first mortgage bonds, serial notes and preferred stock by means of the sale of $38,000,000 of new first mortgage bonds and 40,000 shares of preferred.

Support For Rails

While reorganization rail liens are still the backbone of the market from a standpoint of activity, the secondary carrier obligations are finding good support according to market observers in a position to note what is going on.

Insurance companies continue partial to some of the good, but lesser liens of the carriers and are said to show up as sizable buyers of selected descriptions.

Meanwhile the railroads themselves continue to pick up their bonds more or less persistently, but pretty much on prearranged schedule, being disinclined to bid the market up against themselves.

National Terminal Corp.

(Continued from page 603)

nual rate of approximately $1.75 per share annually. The current reserve for depreciation approximates an additional $1.00 per share in theoretical accruing earnings to the common.

There is every reason to feel that upon the call of the bonds, the new directors will, as has been indicated, place the common stock on a dividend basis. With net earnings of approximately $2.00 per share, the talked of dividend basis of from 50¢ to $1.00 per share appears conservative. Investors are now beginning to realize that warehousing is an integral part of modern merchandising. We quote from a survey by John H. Frederick, Ph. D., for the American Warehousemen's Association, of which National Terminals Corporation is a leading member:

"The points in favor of the use of Public Merchandise Warehouses rather than private warehouse space may be summed up as follows:

"(1) The rental cost for space of the storage charge per unit may be and usually is less in Public Merchandise Warehouses than the costs of a private warehouse.

"(2) The rental or storage rate in a Public Merchandise Warehouse includes rent, heat, light and elevator service, for all of which the warehouse company is responsible.

"(3) Public Merchandise Warehouses are more likely than private warehouses to be of modern construction, fire-resistant, equipped with sprinkler systems, well illuminated and supplied with proper conveying and stacking machinery.

"(4) Insurance rates on merchandise are lower in Public Merchandise Warehouses because of improved fire-proof construction. There is, moreover, no cost to the manufacturer for insurance on the building, other than that included in the rental.

"(5) Public Merchandise Warehouses are invariably provided with their own railroad sidings, which is not always possible for private warehouses and very seldom possible for branch office store-rooms. Thus do Warehouses eliminate demurrage charges and expense for loading, unloading and cartage.

"(6) Available to users of Public Merchandise Warehouses is the cooperation of their skilled accountants, correspondence clerks, freight tariff experts and packers. These men are familiar with every physical detail of warehousing and with the effects of local ordinances, insurance laws and tax rulings upon stored property.

"(7) By using Public Merchandise Warehouses capital investment for the maintenance of storage places is eliminated. There are no local real estate taxes, nor expenses for depreciation of building and equipment.

"(8) The use of Public Merchandise Warehouses enables a manufacturer to predetermine with accuracy the cost of handling and storing his merchandise, as their costs are covered by the warehouse quotations."

While at present much of the available space is used either directly or indirectly by governmental agencies, both the immediate and long term outlook is most encouraging. In this respect it is contemplated that, based on studies made on the last war's surplus liquidation, earnings should continue at a satisfactory rate for from 3 to 6 years after this war's termination, without taking into consideration, the new business to be then available. We quote excerpts from current publications which add to this consensus of opinion:

UNITED STATES NEWS, November 19, 1943—"When war work stops, there will not be enough warehouses in the country to hold the vast stocks of materials and parts left over."

BUSINESS FORUM, December 20, 1943—"War surpluses can not and must not be liquidated in such a manner as to impair the manufacture and orderly distribution of new merchandise."

LIFE, January 10, 1944—"After the World War, it took six years to liquidate surpluses of only $5,000,000,000. This time it may take 10 or 15 years."

With all funded debt eliminated, National Terminals Corporation, with its small capitalization of only 179,979 shares common stock appears in a position to expand substantially in the Great Lakes Area and to become an outstanding factor in modern warehousing. The income available for dividend consideration should make this stock continually attractive.

A Post-War Tax Program

(Continued from first page)

gains taxation, modification of individual income tax rates, and so on.

All of these matters are important, and all deserve careful consideration. Were the situation less grave, they would constitute a reasonably acceptable program. But, in reality, they are merely essential preliminaries. The system of free enterprise and the system of democratic control of the purse, alike face a most serious threat. It is the threat of destruction through taxation. It is this danger which compels the conclusion that the various steps mentioned above, all desirable and all in the right direction, are singly and collectively inadequate.

The reader should begin, as the writer has, by taking a good long look at John Marshall's famous dictum, so often quoted and as often disregarded—"The power to tax involves the power to destroy." Taxation can involve, or be so used, as to result in destruction. Observation suggests and experience confirms that this is a profound truth. No argument is required to demonstrate the futility of destruction, hence it should be unnecessary to produce weighty evidence to establish the undesirability of destructive taxation.

Yet, despite the conclusion to which logic and reason lead, taxation has become destructive at many points and in many ways. This has not been altogether accidental, for there is more than a little evidence of destructive intention in various quarters.

Different methods might be tried to prevent destructive uses of the taxing power. Indeed, it might be supposed that an enlightened citizenry would be, in itself, a sufficient safeguard. But such is the reaction, or rather the lack of reaction, of human nature to taxation that reliance on sheer enlightenment may be at times misplaced. In this respect taxation stands virtually alone. Few persons would stand indifferently by while another was being beaten or robbed by thugs. Yet, great numbers of persons not only stand by, but give active support, while others lose their property or their business under crushing taxation, or while their pockets are being picked by a confiscatory tax. The situation that will obtain under the 1944 tax law, as passed by the Senate, confirms this statement. More than 100% of all large incomes is to be taken this year in taxes. And not as much as $24,000 can be left out of any income after taxes. Only when those who are not affected by a particular tax are as ready as those who must pay it to protest against excessive rates or inequitable tax treatment can general civic enlightenment be depended upon to prevent economic destruction through taxation. While this kind of restraint may be the ultimate goal, it is beyond question a long way off. In the meantime, a practical way of preventing the destructive use of taxation is to arrange the various taxes so as to provide wherever possible an automatic check upon abuse.

Some time ago, the writer outlined a plan* of distribution of taxes among Federal, state and local governments which appears to offer the maximum possibilities of automatic restraint upon the abuse and the destructive use of the taxing power. In outline, this proposal is as follows:

"1. Federal Revenue Sources
 a. The customs
 b. Excise taxes on commodities
 c. General Sales Taxes
 d. A flat rate tax on individual gross incomes collected at source in the greatest degree possible
 e. Payroll taxes for social security benefits
"2. State Revenue Sources
 a. Death taxes
 b. Business taxes, including taxes on business net income
 c. Taxes on individual incomes, at proportional or progressive rates as may be desired
 d. Gasoline and motor vehicle taxes
"3. Local Revenue Sources
 a. The property tax, a field now being entered by the Federal government via the use tax on automobiles and boats
 b. Miscellaneous local revenues
 c. State aids and grants

This program was devised as an answer to the alarming concentration of fiscal power in Washington. In the writer's opinion, that tendency offers far more serious threat to our institutions and our liberties than any concentration of economic power, although the latter subject is of perennial interest to Congressional committees, to the Department of Justice, and to the demagogue. It is possible to correct undesirable economic concentration by economic means, but there will be no way of breaking the grip of fiscal despotism in Washington once it has acquired firm hold.

Shortly before the publication of the paper quoted above, an expression of the extreme centralization viewpoint had been given by a high Federal official. Although he spoke in his individual capacity, as Federal officials always do, the views expressed were not repugnant to many who are influential in shaping national policy. The following passage† is quoted from the address in question:

"If we are to be successful in the objective of creating a high and steadily increasing demand for the products of industry after the defense period, we must adopt a progressive tax system bearing heavily upon savings concentrated in creditor areas and lightly upon the great mass of families in the low income groups. This means that we must get rid of, or at least check the growth of the sort of taxes to which our States have unfortunately been forced to resort more and more in recent years. I am referring to the general sales taxes and the taxes on gasoline, tobacco, and other articles of mass consumption. . . .

"If we are to make progressive taxes the major element of our national tax structure, however, it will not be possible to continue the present system of having both the States and the Federal government levy taxes on corporate and individual incomes and transfers at death. . . . In the end the only thoroughgoing cure for these difficulties lies in a drastic reallocation of taxing powers between the States and the Federal government. Such an allocation would involve restricting the right to levy taxes on income, gifts and bequests wholly to the Federal government. I know how controversial this subject is but I think we will have to face, quite frankly, the implication that State revenues will tend to consist more and more of taxes shared with the Federal government and of grants from the Federal government, which already make up about 14 per cent of States revenues. . . ."

The above passage states the recent trend very well, and were that trend to be continued, it would eventually destroy the states as independent and equal members of a Federal union. With the reduction of the states to a dependency status, limited for their funds to grants from the Federal treasury, and obliged to resort to begging or political jockeying in order to obtain them, both the historical and the actual bulwark of American freedoms would disappear. It will be remembered that early in his march toward complete control of the German people, Hitler wiped out such independent authority as the German states possessed.

The program offered here would transfer all sales and excise taxes to the Federal government, and the states would be asked to give up their taxes of this sort. It transfers all death and gift taxes to the states, and also all taxation of business as such. Individual incomes could be taxed by both jurisdictions, but the Federal tax would be limited to the kind of tax now imposed for old age insurance, that is, a flat rate tax on gross individual income. It should be collected at source in the greatest degree possible.

The revenues suggested for the Federal government in the above scheme possess the following characteristics:

1. **Productivity.** The general sales tax and the tax on gross individual incomes would be much less affected by variations in economic activity than are the taxes on business and individual net incomes which now constitute so large a feature of the Federal tax program. The taxes recommended for Federal use will produce their revenue currently, with little lag between levy and collection. The current tax payment act of 1942 was an attempt to place the individual income tax on a current basis, but it has involved such serious complications, both of administration and of compliance, as to produce grave taxpayer discontent and resistance. Any scheme to collect currently, a tax imposed at progressive rates is certain to produce these results.

Regularity and stability of the Federal revenues will be highly important in Federal budgetary calculations, if and when the people recover from the fiscal dementia that was responsible for the illusion that a perpetual deficit is the best evidence of a beneficial condition.

2. **Universal Distribution.** The Federal government exists to serve all of the people, and all parts of the country. It is both logical and just that the cost of services intended to benefit all citizens and all sections be met by Federal taxes which are borne in some degree by all citizens. The populous creditor areas would continue, as under the present Federal tax methods, to contribute the bulk of the Federal revenues, but there would be a wholesome diffusion of the Federal tax load that is impossible under the existing system.

The rate of withholding tax on individual income payments might be used as the flexible factor in Federal budgeting. That is, this rate could be adjusted from year to year as required in order to produce the remainder of the revenue needed, above other tax receipts, to balance the budget. Since such a tax would reach every corner of the nation, changes in its rate would immediately apprise every voter of the significance of the spending policies being proposed or undertaken in Washington, and there would thus be provided an acid test of whether or not these policies were being approved.

3. **Elimination of the Excesses of Progressive Taxation.** Progressive taxation of incomes and estates at the rates now found in Federal tax laws can have only one result, namely, the destruction of the private enterprise system and of the economic liberties which are dependent for survival upon that system. The present Federal tax system has "frozen" the economic order at its current stage of development.

The crowning irony of all post-war planning for full employment and the restoration of free enterprise is that the planners are taking no account whatever of the destructive effects of the progressive income tax. The only way to achieve the expanding, dynamic economy and the high level of national income for which the planners plan, aside from inflation, is by the creation of new large mass production industries.

No new large-scale mass production industry can arise in this country under the progressive tax system, because the tax would absorb the funds required for expansion while they would destroy all incentive to do so. Progressive taxation is the most powerful instrument for the peaceful achievement of the socialist state, and this purpose constitutes the only valid argument in its support. When a future Edward Gibbon shall write the history of the decline and fall of the American Republic, the date he will use to mark the beginning of that decline will be March 1, 1913. On that date, the people sanctioned Federal taxation of incomes with no thought of restraint upon the abuse of this method, or of the evils that would be produced by abuse.

4. **Elimination of Federal Waste.** In the vocabulary of deficit financing there is no such term as "Wasteful spending." When government sets out to use its fiscal processes to maniplate the economy, to redistribute wealth, or to assure the good life to all citizens, the ordinary criteria of sound budgeting are discarded. The quantity of public spending, rather than the utility of the spending to the economic system, becomes the principal, if not the sole, standard. When the fiscal objective is the sheer quantity of spending, no amount of camouflage under the terms "public investment" or "public asset" can disguise the fact that enormous wastes are not only probable, but inevitable.

Paralleling the concentration of fiscal power in Washington has gone the concentration of fiscal waste. As the Federal government has moved toward absolute domination of revenue resources, it has become correspondingly wasteful and imprudent. It is too far removed from the people to enable them to have definite knowledge of these wastes, or to be capable of exercising an effective curb upon them. Even with the best of intentions to economize, the sheer size of the Federal organization makes for waste. Decentralization of fiscal power will compel the introduction of a new and higher standard of values in the Federal spending. It will restore to effective operation the principle that the people should support the government instead of being supported by it.

The automatic restraint upon excessive Federal taxation that would thus be provided is clearly evident. General popular support for Federal policies would be secured only in so far as these policies clearly served the national, rather than some sectional or group, interest. After all, the national government was established to serve and promote the national interest. When it is again restricted to this sphere, its budget can be reduced and the state and cities will have both greater resources and greater opportunity to look after their own affairs.

This brings up the advantages of the arrangement of revenues proposed above for the states.

1. **Preservation of the States as Integral Members of a Federal Union.** The division of revenues suggested here will improve state revenues. As this occurs, they will become less dependent upon, even wholly independent of, the Federal treasury. Raids upon that treasury, now so popular and so fruitful for the enterprising politician, will cease. State prestige will be restored, state morale will be revived, and the pretense of a Federal obligation to provide aid will disappear.

There is no other way of effectively restoring the states to a position of proper balance and influence, against the Federal government, except to provide them with larger revenues which are entirely within their own control. The Conference of State Governors has been quite aggressive in its emphasis upon the theme of states' rights, but it should be clear that such a movement will get nowhere except by a realignment of financial powers. Under such a realignment, the necessary services of all levels of government can be adequately performed for a smaller over-all tax "take" than is possible under the present situation. The plan proposed here is calculated to accomplish that result.

2. **Restoration of Private Enterprise.** The stagnation of private business was the principal reason given for the large-scale deficit spending that was undertaken some years ago to relieve unemployment. It is now a matter of history that the course of government policy during those years was not shaped with a view to the speediest absorption of workers into private jobs. Rather, that policy was aimed at a perpetuation of government support, with little regard to the establishment of the conditions under which private enterprise could resume its normal role of the principal source of economic opportunity. Changes of governmental policy at points other than taxation will be required if the enterprise system is to be revitalized, but the tax relief that would be supplied by the above program would be an enormously encouraging move in the right direction.

3. **Equalization between Debtor and Creditor Areas.** Under the program proposed here, there would emerge a certain degree of competition among the states to attract business and residents. When and as expressed through the form of tax adjustments, such competition may be regarded as wholly desirable. It would be the most effective way of dealing with the condition complained of by Mr. Eccles, namely, the disparities of wealth, income and business activity, as between debtor and creditor areas. The present approach to this problem, which is Federal taxation of the creditor areas to provide funds for the support of the debtor areas, is wrong in principle and futile in practice. It perpetuates the disparity since it provides no incentive to correct the differences now existing in the geographical distribution of wealth, industry and population. It thus creates a strong case for continuing and extending the vicious circle of heavy Federal taxes, demoralized state revenues, greater state aid, heavier Federal taxation, and so on.

Business taxes are generally regarded as a minor factor among the causes of industrial migration. This is the more likely to be true while the same heavy Federal taxes on business must be paid regardless of location. Once this burden were removed, as it would be under the plan offered here, a more adequate test would be provided of the capacity of the South, or the West, for example, to attract business capital or residents with money to spend. Such a prospect would not appeal to the states of the North and East, and many can still recall the fight made by New York against the Florida policy of no inheritance tax. But these states would do well to bear in mind that under the Eccles program, they face the prospect of being taxed to provide the subsidies that will be sent by the Federal government into the "under-privileged" states. In so far as the variations of state tax policy were to result in attracting business or residents with money to spend or invest, the geographical unbalance which now affords ground for complaint would be removed.

In this competition among the states there would be provided an automatic check on excessive taxation in any locality or section. While the writer disapproves entirely of progressive taxation[‡] because there is no way of preventing gross abuse and hence because it is the shortest way to the socialist state, he would have no serious objection to relegating this method to state use, since the competition of other states would provide an effective and well-nigh automatic check on abuse. In the same way, no state would be able for long to engage in excessive or abusive taxation of business.

The tendency of the states to erect foolish interstate trade barriers has no doubt been fostered by the deadening effects of heavy Federal income and death taxes. Under these taxes the states have little opportunity to attract either business or residents. Therefore, their inclination is to prevent outsiders from doing business within the state and from drawing income out of the state by such business. They have sought, as naturally as have nations, to limit those forms of trade which tend to create an "unfavorable" balance of payments.

The best cure for this paralyzing provincialism is to introduce a healthy rivalry among the states in attracting both business and residents. In so far as this rivalry were to result in a better geographical distribution of business and of domiciles of those having substantial incomes or estates, there would be an equalization between debtor and creditor areas. This equalization would have been accomplished through the forces of private economic activity and not by the bureaucratic methods of Federal control and subsidy.

In recent weeks, the waters of sectionalism have been stirred again, and the familiar, threadbare charges of monopoly against Eastern money interests, railroad conspiracy, etc., have been dragged out. The New York "Times" of Jan. 23, 1944, carried a United Press dispatch reporting that special congressional committees were being planned to discuss how to regionalize industry and distribute the country's wealth more evenly. It goes without saying that as long as the present Federal taxes continue, any material regionalization of industry will be accomplished only by Federal mandate and maintained by a Federal subsidy.

An advantage in this plan so great as to offset many of the drawbacks and objections which might be urged against it is that the present complicated tax law, with its volumes of rulings, regulations and decisions, could all be scrapped. Such virtue as the income tax may once have had, in principle, has now disappeared in a fog of incomprehensible language. There would be no taxpayer headaches over forms or returns, no worry about where to find the money on tax payment dates. The proposed Federal tax system would be built upon the principles of certainty and convenience and as Adam Smith pointed out, these are equal, if not superior, in importance to equality of taxation.

The question of the Federal budget should be anticipated by offering some approximations, based on the following assumptions:

1. The proposed plan will stimulate production and employment, thereby affording prospect of the high level national income for which all planners ask;

2. The business activity that would be engendered by the relief from Federal taxes and other interferences will make possible a national income of at least $125 billions;

3. Given high level general prosperity, there will be no need for Federal aid expenditures for agriculture, for state subsidies, or for relief;

4. Therefore, a much smaller Federal budget will be required than would be necessary if the Federal government were to finance and support the whole economy.

On the foregoing assumptions, a Federal budget of $15 billions should be an outside figure. The following figures are suggestive of what its main subdivisions might be:

1. Interest on the public debt—$5-6 billion

2. The post-war defense establishment—$5 billion

3. The civil departments—$3 billion

4. Debt retirement—$1 billion

Total—$14-15 billion.

The Federal revenues under the proposed allocation of taxes would be approximately as follows:

Federal retail sales tax at 10%—$6-7 billions.

Customs—$.5 billions

Excise taxes—$3 billions

Tax on individual incomes at 5%[§]—$5 billions

Total revenues—$14.5-15.5 billions.

The social security trust fund transactions would be outside of this arrangement. As this system now operates, large revenues are produced in excess of benefit payments. Since the investment of this excess necessarily involves the creation of a debt owed by the Treasury to the fund, the law should forbid use of the excess receipts for current purposes, and should direct that the government's debt to the fund be offset by a reduction of debt privately held.

The choice that is presented here is one between continuance of the present top-heavy Federal structure and a streamlined Federal administration that could be smaller, more compact and more efficient because it would have less to do. It is also the choice between taxation that can destroy and taxation that will stimulate vigor and growth. Finally, it is the choice between supporting the government and being supported by it.

*H. L. Lutz, "A Tax on Gross Income Payments to Individuals," in *Financing The War*, A Symposium conducted by the Tax Institute, Dec. 1-2, 1941, Chapter VII. Extracts used by permission.

†Marriner S. Eccles, Remarks before the National Tax Association, in *Proceedings of the Thirty-Fourth Annual Conference*, 1941, at p. 336.

‡cf. H. L. Lutz, "Progressive Taxation," *The Tax Review*, May, 1943.

§This rate should be adjustable year by year at a point which would assure budgetary balance.

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

The Securities Salesman's Corner

A Few Observations On Direct Sales Presentations

Some few years ago a friend of ours broke into the securities business and this is the way he got his training. The salesmanager told him to go out with one of the salesmen and make calls. The first day, he told us, he accompanied a salesman who made a fetish of trying to see how many calls he could make in a day. They rushed from one office to another in downtown New York and the net result of the day's work was that he ended up a pretty tired boy with little to show for the entire effort but a waste of glandular energy.

The next day he went out with another salesman. This fellow took him into an office where a check was waiting for him which he picked up and called it a morning. They spent two hours at lunch while this salesman listened to a long discourse on how not to be successful in the securities business. The house was wrong; most people who bought securities wanted something for nothing; the average investor was a dumb-bell who just wanted someone to come along and promise him the impossible; the whole business N. G. etc. You can imagine what a good start our friend received spending the day with this encouraging character.

The third day was the day our new salesman really got his education in what not to do to make a success in the securities business. This day he went out with a superannuated old gentleman who believed that the way to sell securities was to get into a prospect's office and proceed to talk, talk and talk until something happened. He ground away like a perpetual phonograph. Point after point he monotously hammered into his victim's rapidly approaching unconsciousness. After leaving such an interview he would get outside the prospect's door and say to the new salesman, "Boy, I've got him, I can tell that his business is in the bag." Whether or not he meant that he had the business, or had given the unhappy recipient of his monotonous monologue THE BUSINESS, we leave to you to decide.

With such an inauspicious start as this we asked our friend how he ever had the nerve to go ahead and learn the rudiments of selling which has made him a successful producer today. His reply was that he figured out if these fellows could make a living out of the business doing things their way, that if he couldn't do as well or better, he had better retire from active business life of any kind.

He developed a sales technique of his own. Instead of boiling a sales talk down into a monotonous recitation of the various outstanding features of his offering, he selected a few main selling points and used them sparingly and with restraint. He began to sell with his head instead of his mouth. He discovered what his customers wanted out of life as well as from their investments. He made friends and he built his clientele on the basis of service. Today most of his business is on an advisory basis—he doesn't have to see how many calls he can make in a day, he doesn't find a lot of imaginary ills in his job or his firm, and he doesn't have to turn on a loud-speaker and become a spell-binder to make a sale.

P.S.—There is only one thing that really bothers him and that is that a 5% mark-up on his sales in quite a few cases because of his type of clientele gives him too small a commission on a fifty per-cent basis to justify the work, study, and time he gives to his business. He knows that if the profit in the securities business becomes too small to make it worth his while he will take his valuable talents and offer them to someone who could use them in another line of business. He also knows that other capable salesmen in the securities business will do the same. He knows that if they do this it will be only a question of time until many of the smaller dealers in this country will be out of business and difficulty will be encountered in raising the new capital which is going to be necessary to finance all the new businesses that are going to be needed in order TO CREATE FULL EMPLOYMENT IN THIS COUNTRY AFTER THE WAR.

The Freedom Of The Press

(Continued from page 594)

body dies for lack of food, the soul shrivels when it is deprived of knowledge. The paramount interest in the freedom of the press is that America may remain free. The true greatness of a nation rests on freedom for intellectual combat.

From the days of smoke signals on the hills to the miracle of the modern press and radio, people have struggled to communicate information and ideas and to warn of danger. This everlasting urge and irresistible force has brought constantly improved techniques of communication. They will continue to improve as long as the mind and hand of men are free to think and work at the job. The only apparent threat to this progress is the power of the government itself to stifle it in the selfish interest of developing still greater power.

We need to accept that familiar but profound teaching of Christ when he said: "And ye shall know the truth and the truth shall make you free." And with that faith should go a great sense of responsibility. The protection of freedom of speech and freedom of the press guaranteed in the Constitution places a responsibility upon everyone to so speak and write, that constitutional guarantees may be justified and that the people may be free.

Yours is a stewardship absolutely vital in peace, but it is indispensable in war. The line of communication from war front to the home front must be kept open. Domestic news must be unadulterated by propaganda. We must not give aid to the enemy, but belief in the trustworthiness of news is essential to home front morale. The cloak of censorship must not be used to hide any weaknesses in the administration of domestic affairs by our Government. Such weaknesses will be corrected by the power of public opinion if the lines of communication are kept open and the facts are fully known.

There is something about this constitutional guarantee of letting people decide their own destinies by free discussion and majority will which we should carefully protect and keep. Censorship could become the resort of the scoundrel. Censorship, like health restoring drugs, may become rank poison when the dose is too great.

Freedom of speech and of the press rest upon assumptions that are basic to democratic, representative government. They are a part of our common belief that individual liberty and happiness are the desires of all men, and represent a profound faith that men want to discover the truth and are capable of exercising reason. Men of all ages have believed in the stimulating, cleansing power of individual freedom.

Free discussion is essential to political, economic and social progress. People cannot be masters of their government unless they are permitted to talk freely about what is on their minds and to affirm their convictions. Free discussion is the best antidote for violence and intelligence can conquer hysteria.

Changes can be made in an orderly, gradual fashion without sacrificing our ordinary civil liberties. For centuries before our Constitution was formed, English judges had been dealing with the question of freedom of expression. Those early Americans were therefore impelled by deep love of liberty, and insisted that this protection to individual citizens be placed in the fundamental law of the land. This right, contrary to what some propagandists would have us believe, is not the creation of the present administration in Washington.

Let us now analyze the dangers which re-challenge us to a defense of this sacred right for which men have labored and died. Our Bill of Rights will not be overthrown at one fell swoop, but its vitality may be sapped by a restriction here and a limitation there which might seem inconsequential at the moment, perhaps even passing public notice. They very fact that human freedoms are guaranteed in the Constitution does not mean that they are safe. Every generation must fight to keep those rights. Otherwise they will be ground beneath the heel of tyranny.

What are the dangers of which we must be aware? Insidious propaganda of the administration in power threatens freedom of the press and contaminates the very source of our information.

Dr. Henry Wriston, President of Brown University, recently wrote: "Never in the history of the United States has there been such a flood of governmental publications. Never have so many men poured out so much information on the public.

"Yet never in the history of free government have such enormous resources, such sweeping powers, and such vast operations been conducted under the cloak of secrecy. That contrast between floods of costly irrelevant information and concealment of facts is shocking. It is dangerous in a democracy."

The present administration at Washington believes that our national life must be managed. It does not have faith in the good judgment of the people. Nor does it believe that they are able to govern themselves. The New Deal is committed to an all-powerful bureaucracy. Of the many agencies created before Pearl Harbor, 26 of them employed 4,500 publicity agents costing the taxpayers $30,000,000 annually. Today that publicity cost is between $90,000,000 and $100,000,000 annually. These press agents or so-called information experts have been charged with playing up administration activities, glossing over errors and even concealing facts which might produce an undesirable reaction on the part of the people. Many of those employed in government positions today look upon the press merely as a tool or instrument to serve the purposes of the administration.

One of the dangerous threats to freedom of the press is its use for propaganda purposes. This may be in the nature of trial balloons for political purposes without sponsorship. If something ought to be said to the American people, let a responsible public official say it in his own name. It is a violation of the freedom of the press to give informmation for the public and refuse to stand sponsorship for it by making off-the-record statements on public matters in closed conferences. The function of newspapers is to publish the facts and not be used for the purpose of sounding out public sentiment. No public official should be permitted to slip news out to the public or use a favored reporter or paper and duck official responsibility and public criticism.

The freedom of the press guarantee is not primarily for the protection of the newspapers. It is not for the protection of the Government or public officials. It is for the protection of the American people, and such methods as I have described constantly weaken public trust and public faith. If the freedom of the press is to be preserved and serve its great purpose, there must be integrity and forthrightness. The lines of communication from responsible and known sources must be kept open.

The second invasion of the freedom of the press is in the field of Government censorship. This week Mr. J. Edgar Hoover refused to testify before a committee of the House of Representatives according to his own statement, because of an order from the President. This is an instance of censorship by the Executive Branch of the Government depriving the Congress of what might be vital information in determining its war policy.

We have had many instances of censorship of news in this country which our allies have freely published. Indeed, we all recall that the Cairo and Teheran conferences were revealed to the world by our enemies and confirmed by our allies while the American people were still kept in childish ignorance by their own Government. No one would deny the right of government to censor military news in time of war, but we never will agree that any department of the Government has a vested interest in the news in war or in peace. That is the road down which the people of Germany, Italy and Japan were lead to slavery and ultimate defeat.

It is generally agreed that the Office of Censorship is organized for the purpose of giving the American people unbiased and undelayed news. But on every side it has been hampered and handicapped in spite of valiant efforts of Mr. Byron Price, its Director. The Office of War Information, on the other hand, has proved itself a propaganda agency. The Congress of the United States fortunately cut its appropriation for domestic use. Before that cut was made offices were being set up in every community of the nation. Subordinate employees, even here in the city of Columbus, demanded the right to read and censor information given out by the Ohio Civilian Defense Council.

The public has become distrustful of the Office of War Information even in its foreign service. They are disgusted with the petty quarreling and bickering of Director Davis and subordinate Sherwood. The very weakness of the program is shown when such a petty quarrel over who should hire and fire was taken to the President of the United States.

Further evidence of unnecessary and inexcusable censorship was seen in the President's withholding information from the public until he could give it in an address over the radio. I refer to the appointment of General Eisenhower and coffee rationing.

The program of censorship is not limited to military affairs and to the battle fronts. The International Food Conference at Hot Springs was a star-chamber meeting about which the people of this country were given only glittering generalities. The people's representatives and the press were kept from that meeting by armed troops. At the very moment when our armed forces are pouring out their life blood to preserve freedom of speech, freedom of worship and the sacred heritages of our people, they find these privileges assaulted at home by their own Government.

It has been charged that the representatives of this country at the Bermuda conferences were pledged to secrecy as to any plans that took place at that conference. That charge has not been denied.

In addition to the propaganda and censorship program so threatening today, there has been a studied attempt to undermine the newspapers and the radio. New Deal literature is full of such expressions as "biased editorials," "twisted news stories," "garbled news," "malicious tainting of the news." "tampering with the news" and "kept newspapers" "kept commentators." Such statements are evidence of a calculated purpose to discredit the press. The New Deal administration is peculiarly resentful of honest criticism. Publishers, editors, correspondents and sports writers have been denounced. One newspaper man was told by the President to put on a dunce cap and sit in the corner. To another one, he awarded the Iron Cross and another he chided for asking "picayune" questions. Recently, the President was asked if he had any comment to make on the appeal of the Associated Press case. His only reply was a flippant question as to whether "the country club is still running."

Paralleling such actions everywhere against the press has been the bureaucratic attempt to control the radio. Radio stations, because of limited air channels, are constantly under a life and death threat and too often must submit to Government direction.

On May 10th of last year the Supreme Court of the United States in a five-to-two decision, written by Justice Frankfurter, placed in the hands of a Federal agency—the Federal Communications Commission—expansive control of radio broadcasting in the United States. The decision which was expected to deal with the Commission's right to enforce rules as to contracts between stations and networks went beyond those questions and conferred upon the Federal Communications Commission regulatory power over radio broadcasting, in the field of program content and business operation. This gives to a bureau of the Federal Government complete power to dominate radio and restrict the freedom of speech over the air. In answer to the contention that the Commission was empowered to deal only with technical impediments to the extent of larger and more effective use of the radio, in the opinion Justice Frankfurter said: "We cannot find in the Act any such restrictions of the Commission's authority."

I say to you tonight that if there is no such restriction in the law, it ought to be put into the law by the Congress of the United States. Such unlimited power given to any Government board over our communications system, even if not exercised, is within itself a threat to the free distribution of news and the right to speak the truth.

Just a few days ago a Washington bureau decided after many months of careful study that as newspaper men you might be permitted to own a radio station if, in the bureau's judgment, it suited the public interest, convenience and necessity. There are seven members of that bureau and two of them have stood out staunchly defending the kind of freedom that we have thought in keeping with the constitutional guarantees. If the radio is to actually be free, it must be free of the blight and constant fear of Government control and cancellation of its license without cause.

Moreover, only a reawakened and revitalized Congress stopped Attorney General Biddle's attempt to secure the enactment of the War Secrets Bill, which would have constantly gagged war news. It would also have put the newspapers completely at the mercy of Government officials. Under this law, had it been enacted, a newspaper editor, reporter or publisher would have become liable to criminal prosecution had he written or printed anything that a Government official had designated to be confidential. The source of strength of the autocrat is secrecy. Propaganda is a device to conceal weakness and shows distrust of our people. Censorship is an expression of fear. Those in power may fear to face the next election under the bright light of a free press revealing all the news.

A third danger to the press arises from concentration of power in the hands of the Executive branch of government. From the beginning, the New Deal sought to relegate Congress to an inferior or subordinate position. The Congress, under this program, delegated much policy-making power to boards, bureaus and commissions. It abdicated in favor of the Executive in many instances. These bureaus confuse good and bad services. They build up power and tenaciously hold onto it. They build up strong support and range constantly into new fields of authority. They are arms of the legislative branch of the Government but take orders from the Executive. Many of them because of their strong tentacles outreach the authority of a servile Congress which gave them life.

The first amendment to the Constitution of the United States, about which we have been talking, reads in part as follows: "Congress shall make no law . . . abridging the freedom of speech, or of the press . . ." But nowhere is the press so protected against the Executive authority of this Government. As the Executive branch becomes more powerful and the Legislative branch less important, the danger to a free press is more and more imminent. The test of the Republic's virtue lies not primarily in majority rule, but in the respect shown for minority rights. A free belief and the right of free speech is the essential guarantee that those minority rights will be respected. Never should the powerful majority be permitted to suppress the arguments of a minority that disagrees with it. If free discussion and free publication should ever be suppressed, there would be no way of determining what is the truth. Under such conditions, truth would have no chance in the struggle with error.

So the spirit of freedom today cries out for intelligent leadership from the press. If that leadership falters, American liberty is in danger. Political propaganda must be destroyed as an instrumentality of government. We must insist that appropriate sources of information be kept open to the press of the country. Public information should never be restricted to the handout, off-the-record and not for attribution methods. News must be available and free to all alike as well as the right to print the news.

I have read "Barriers Down," a presentation by Mr. Kent Cooper in regard to freer dissemination of news around the world. I have followed the thinking of Dean Ackerman and Mr. Hugh Bailey. It may be millennial to propose a world free press, but peace, likewise, may seem millennial. They with many of you are pioneers in this great cause. The cause is noble and the goal is worthy. May those who think and strive for a better tomorrow be vigilant in a cause of a World Free Press!

If the nations of the world had been responsive to the enlightened will of the majority of their people, the world would be at peace. But men and groups of distorted minds, with tyranny in their hearts and ruthlessness in their souls, have driven subjugated peoples to war for conquest and loot. The free people of the world must fight to defend their priceless heritages. But the governments of the world will never be responsive to the will of their people until the people of the world know the truth. A free press can make a free world. But a controlled press means autocracy and slavery at home, and wars and destruction throughout the world. As the power of righteouness prevails over the forces of evil around the world, may we keep undefiled and untarnished the shield of our liberty—THE FREEDOM OF THE PRESS.

Proposes Central Reconstruction Fund For Rehabilitation And Currency Stabilization

(Continued from page 597)

in any one risk in any one nation, with any individuals or corporations within the limits of their charters, said operations being affected despite the provisions of any other law, in providing aid through the purchase, assignment, or resale, or notes, bonds, or equity shares, for the purpose of promoting the economic welfare of any nation through (i) extensions of short-term and intermediate funds for financing seasonal operations, (ii) to provide for longer term wealth developing activities, provided that all such extensions of credits be made in consideration of balanced budgets and currencies fixed in value in relation to the United States dollar of the present weight and fineness.

(b) Such action shall be taken by the Board upon such terms and for such period or periods as may be agreed upon, but only if the general purpose is for sound economic objectives, and only if the government receiving the credit or the government of the recipient of the credit will authorize the supervision of the use of the credit by a representative of the American creditors approved by the Board.

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

BOARD OF GOVERNORS

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

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

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

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

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

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

(6) Two Members of the House of Representatives (one from each of the two major political parties) to be appointed by the President of the United States from a panel of six Members of the House of Representatives chosen by the Speaker.

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

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

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

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

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

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

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

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

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

EXECUTIVE COMMITTEE

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

(1) the Chairman of the Board, who shall be chairman of the executive committee;

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

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

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

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

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

AUTHORITY TO BORROW FOR REVOLVING FUND ACCOUNT

Sec. 8. The Board is authorized to borrow from the Reconstruction Finance Corporation on acceptable security for emergency purposes for the revolving-fund account, such outstanding indebtedness shall not at any one time exceed $50,000,000.

COOPERATION OF OTHER AGENCIES OF GOVERNMENT

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

PERSONNEL

Sec. 10. (a) Except as provided in subsection (b), the executive committee shall appoint all employees necessary for the carrying on of the activities of the fund. With such exceptions as the President may authorize all officers and employees shall be appointed and compensated in accordance with the civil-service and classification laws.

(b) The Board may appoint persons whose services may be required to investigate, or to supervise the performance of, any undertaking of the fund. Such persons shall be responsible to the Board, and shall make such reports as may be required. Such persons shall be appointed from a list of nominations made to the Board by the chairman of the executive committee. The head of each such undertaking and not to exceed two assistants may be appointed and compensated without regard to the civil-service and classification laws.

ACCOUNTING DEPARTMENT AND OTHER DEPARTMENTS AND DIVISIONS

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

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

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

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

APPROPRIATIONS; BUDGET ESTIMATES

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

Charles Hughes Mark-Up Case Appealed To U. S. Supreme Court

(Continued from page 595)

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 Business Conduct Committee in a 10% mark-up case. The Circuit Court, in its opinion affirming the Commission's revocation of the Hughes & Co. dealer-broker registration, made reference to this citation. (Full opinion of Court appeared in the "Chronicle" of Dec. 16, 1943.)

International Currency

Gold Versus Bancor And Unitas

(Continued from first page)

about the end of January, 1919, and I want to tell you about the studies forced upon us in the years 1919-1920, because they are tremendously significant as giving the basis for interpretation of the proposals of the Keynes and White plans.

We had startling figures for exports from the United States in January, 1919, with a balance of trade, I think, of $410,000,000. That trade balance ran up—it reached $635,000,000 in June. This great volume of goods going out reversed the business reaction that had started with November, the Armistice, and turned business up about March into the beginning of a great boom.

What was doing it?

Well we were, four months after the Armistice, advancing money from the U. S. Treasury which was being used in pegging the foreign exchanges—precisely what these plans propose—francs and lire, but above all sterling.

And seeing the immense volume of exports and seeing the immense strength of those foreign exchanges, I looked into it rather carefully. I had as my tutor a man for whom I shall always feel great affection, Franz Meyer, the foreign exchange trader of the old National Bank of Commerce—a very good trader, a man who knew foreign exchange, who got for me information from various of the other foreign exchange men.

On March 20, 1919, J. P. Morgan & Co. suddenly unpegged sterling. They had been buying all the sterling offered, with dollars provided by the British Government, borrowed by the U. S. Treasury. They unpegged it.

I remember Franz Meyer that day coming into the officers' lunchroom of the Bank of Commerce, his face very grave. It was a stirring day in the foreign exchanges. And somebody expressed sympathy about the sterling picture. He said, "Yes, it is grave. It is serious, very serious."

But I didn't think Meyer was as unhappy as he seemed to be and I ventured a question: "What is our position, Mr. Meyer?" And he answered, his face lighting up, "We are short." He had had no illusions.

Well, that afternoon—I am going to take a little time for this episode—I watched him. I think he had 10 telephones on his desk—maybe only eight.

"Yes, yes, I buy $4.26. Yes, I sell $4.29."

Then he looked at me and grinned. "I make $1,500."

He was a very good trader!

But the market was full of all kinds of disorder for a day or two until something like a level could be established. And he and other men, buying at $4.26 and selling at $4.29, were bringing order into it.

And don't let anyone tell you that the trader who makes a profit in a wild foreign exchange market is doing anybody any harm. He is doing good. The bid and asked prices would have been very much further apart if he had not been there trading.

We spent billions of good American dollars in direct pegging of foreign exchanges. I say billions—let's get the figures rather exactly—something less than $3,000,000,000 altogether from the Armistice down to June 30, in relevant Government advances, in pegging and supporting after the pegging stopped, the foreign exchanges and the export trade on the basis of it.

Then I expected that the export trade would have to drop pretty soon. I thought those foreign exchanges could not stand the strain. The Continent of Europe was going pretty badly to pieces—unbalanced budgets, printing more bank notes. I thought that the pressure on those exchanges would bring the thing to an end sooner than it did.

Foreign exchanges did go down, but here was the anomaly: Sterling went with the continental exchanges. And England was the one country over there, of the belligerents, that was improving her financial position—balancing her budget, working towards the resumption of gold payments. The thing was anomalous.

Then late in the autumn it began to be pretty clear what was happening. When our Treasury stopped, London stepped in. Britain interposed her immense credit, her immense financial prestige between us and the weak Continent. They were buying goods here, giving us sterling, giving us dollar obligations, selling them on the Continent for francs, for lire, for drachmae. And then as we sold goods on the Continent for francs and lire and drachmae, we did not keep them. We sold them in London. London was the great center for all kinds of speculation. If you wanted to sell anything, you could sell it there.

But this time they got stuck. They bought all the drachmae, all the lire, all the Belgian francs, all the French francs, the depreciating exchanges that we created here through exports. And the strength of sterling had been bending, yielding, but sterling carried on that boom for another year.

Private creditors on this side, taking sterling, taking dollar obligations of England, giving also open account credits to the Continent, put up another $3,500,000,000.

Then we got fed up and our ability to give credit became restricted, and the thing crashed. We went through the great crash of 1920-1921.

If we had had a reaction in 1918, when we were braced for it, it would not have done much harm. Everybody was braced for it. By 1920 a great many people had come to accept the idea of a permanently higher price level. A great volume of credit had been extended against commodities at high prices. Immense real estate speculation had taken place—great increase in farm debt for speculative purchase of farm lands. We were not in good shape for a reaction, but we went through it.

And, meanwhile, this $6,500,000,000 we had given Europe—$3,000,000,000 from the Government and $3,500,000,000 from private creditors—did no good. Europe was in far worse shape at the end of 1920 than she was at the beginning of 1919.

The point was that the Finance Minister of a European country, faced with pressure from his people—returning soldiers wanting pensions, wanting pay, people wanting food, pitiful, nobody willing to be taxed, nobody willing to buy bonds—he was taking the easy way, he was leaning on the state bank of issue, he was printing bank notes and more bank notes. And as long as the foreign exchange market would take the paper money which he created, his people could bring in food and luxuries from outside.

We sold them a lot of luxuries in 1920. We sold them everything but the raw materials they ought to have been using to work up and send back.

There was no industrial revival, there was no financial reform in Europe while this thing went on, while we gave an artificial support to foreign exchange.

Now it is precisely this kind of thing that the Keynes-Morgenthau Plan wants to do—to put the dollar behind the weak exchanges and support them, keep them pegged, so that goods may be sold, exports go out. We will have another boom—very wild, unsound boom. We will get fed up after a while with pouring so many dollars into that great international machine that they propose. We will pull up and cut our losses, and have a crash.

This folly—our own Treasury, I think, has no financial recollection of this episode; Mr. Keynes has. And I want to read you a little passage from the Keynes Plan which shows you that he has.

The episode was pretty costly to England. She had stood in between us and the Continent.

The Keynes Plan, Section 14, says, as an argument for the plan: "This would give everyone the great assistance of multilateral clearing whereby, for example, Great Britain could offset favorable balances arising out of her exports to Europe against unfavorable balances due to the United States or South America or elsewhere. How, indeed, can any country hope to start up trade with Europe during the relief and reconstruction periods on any other terms?"

Very nice!

If we had had the Keynes-Morgenthau Plan in operation in 1919, England could have bought goods here, sold them at a profit on the Continent, paid for them by putting francs, lire, drachmae into the International Exchange Fund, while we got credits in that fund, and England, by remaining net debtor to the fund, would have had her profits free and clear, and we would have had big credits in an international fund composed of deteriorating drachmae, lire, francs and so on.

I don't propose to advocate that measure.

Now I take it that there is general knowledge of the nature of these plans, and there is not time for me to explain the technical details of them.

The big thing that they propose is to put the strength of the strong currencies behind the weak currencies to peg the exchanges. And we did it, we tried it; it was no good. We must not do it again. We wasted $6,500,000,000 doing it the last time.

Now, what is the right way to do this thing?

First: The thing we did last time—gifts for the weakest countries: Red Cross or the kind of thing that Governor Lehman is expected to do—but gifts, not loans. Don't call it loans. Don't expect to get the money back. Wipe it off. Limit it to what is essential. Most of it ought to stop after the first harvest after the war.

And even as you make those gifts, make demands upon the governments of the countries that receive them that they get their financial houses in order. Gifts, as well as loans, should do the recipient permanent good.

But, second: Stabilization loans—tens of millions to two or three hundred millions at the maximum, not the billions proposed by these plans—conditioned on drastic internal financial and currency reforms, conditioned on foreign supervision of the use of the proceeds of the loans.

Now here we have historical precedents of a very definite sort. We did that for Austria in 1923. We straightened Austria out. We gave her a good start and the Austrians began to pull up from there.

We did it for Hungary in 1924 and we sent Mr. Jeremiah Smith of Boston over to sit on the lid, to countersign checks, to see that the money was used properly.

We did it for Germany in 1924 under the Dawes Plan—$200,000,000. That was the biggest of these stabilization loans.

There was foreign supervision both of the Reichsbank and of certain of the revenues, Germany started right up into a dramatic industrial revival.

We did it for Poland in 1927—$72,000,000, as I remember. The loan would have been a little bigger, if I had not been critical. I did not want to make any more foreign loans at that time. But for some reason the Bank of England was said to have wanted my approval of it and I carefully examined the figures. I was not satisfied with the figures on the floating debt of Poland and insisted on more information. I finally concluded that they were buying too much to use in buying silver for coinage. They had been so sick—their people—of a very inferior, shoddy silver coin that they wanted to give them a very fine silver coin. I persuaded them that the standard of the Swiss franc was good enough and then took that difference off the face of the loan before I gave my approval.

Well, we put the Hon. Charles S. Dewey, who was in the U. S. Treasury, over there in Poland to supervise that loan, to countersign checks, to see that it was properly used. It worked: stabilization of currency, balanced budget, it straightened out.

I want to put in parentheses here that I spent Monday night with Mr. Dewey, who is now Congressman from Illinois, working from about 6:30 until 1:30, going over a bill that he has since introduced, a copy of which I have, designed to provide a way whereby our Government can cooperate with other European governments or can cooperate with investment bankers in this country, or other countries for that matter, and go in on joint account up to 50% of credits. [Text of Mr. Dewey's bill appears on another page in this issue.—Editor.]

That is a very modest sort of thing as compared with that $10,000,000,000 bank Mr. Morgenthau wants to establish for investment purposes.

Dewey's bill calls for $500,000,000 as a revolving fund. And as it is going to be used on joint account up to only 50%, another half billion would be called for from the other participants in the credits. But you don't need more for these stabilization loans, if you see to it that they accomplish their purpose.

I won't go into the details of this bill, Mr. President, but I will say that I endorse this bill. And I am going to venture this request, that you refer it to an appropriate committee of this Chamber for study.

Let me describe the bill for the record. It is House Joint Resolution No. 226, "to provide for central reconstruction fund" and so on, introduced by Mr. Dewey Feb. 1, 1944, referred to the Committee on Foreign Affairs.

That German loan of $200,000,000 looks very small today, but it was amazingly effective. Germany got no benefit from it directly. The German budget was not relieved by it. The German Government could not spend it for domestic purposes. The German Government got $200,000,000 of gold which it put into the Reichsbank as a gold reserve. Then the German Government got from the Reichsbank, in exchange, 800,000,000 in marks. But it was obliged to use all of that 800,000,000 in marks in buying goods in Germany for delivery in kind on reparations account: coal and other things.

And it was obliged, moreover, to find, that year, 200,000,000 more, so that none of the proceeds of the loan could be used for internal affairs.

If there had been no reparations problem and if Germany had been able to use, under the supervision of the creditors, that 800,000,000 marks in putting working capital into the industries and perhaps some measures of relief, the thing would have been far easier.

But just the stabilization of currency got them back to a sound gold currency forthwith. They had been through a welter of inflation—money sinking, sinking; everybody losing confidence and hope. Just the sound currency and the balanced budget, themselves, were business-energizing factors. Business started right up, production started right up, full employment came about.

They were pretty helpless when that thing started. There was a desperate shortage of working capital. That shortage of working capital, with other complications, led to a sharp reaction in the winter of 1925-1926. But there was prompt recovery. The thing went on strongly until 1929—early 1929. Then troubles began to come.

Germany would not have had these troubles, Germany would have pulled through and the stabilization would have lasted, had it not been for the complication of reparations.

Now, Germany is a special case after this war, of course. Investment bankers that I have talked to say, "No, we won't sponsor any German bonds. We are not probably going to sponsor any Italian bonds. But bonds for Denmark, bonds for Norway, bonds for France, bonds for England—yes, we can do that, under the proper conditions."

Now these conditions, to my mind, involve definite agreements about stabilization of currency on a gold basis.

There is going to be need for some legislative changes in this country before our investment market can work right, either at home or abroad.

We must repeal the Johnson Act, of course, before we can lend to foreign governments.

We ought to change one of these very humiliating provisions of the Securities Act, requiring a foreign government, in the prospectus which it signs, to confess repudiation. The bankers sponsoring such a loan ought to put that fact into the record, of course, but it is a little humiliating to ask a foreign government to submit to the Securities and Exchange Commission a statement like that and perhaps to have to revise it six or seven times to fit the wishes of the Securities and Exchange Commission. There is need for the legislation to be changed with respect to that as a matter of international good feeling.

But for either foreign or domestic freedom of American capital, in either foreign or domestic use, I think we have got to go further.

New capital for domestic purposes through the securities market is very difficult to get—there are tremendous hurdles. Since the Securities and Exchange legislation has been in existence, we once got up to about 50% of new issues, as compared with 1923, in a part of 1936 and 1937, but most of the time it has been under 19% of 1923. I don't make the comparison with the boom years and the wild years of 1924 to 1929.

I recommend the abolition of the Securities and Exchange Commission. I recommend the substitution for that of a Securities and Exchange Division of the Department of Justice, which shall not work in detail with every transaction, but which shall punish, under criminal law, violations of the Securities and Exchange legislation—certain criminal law.

There is no more reason for the detailed regulation of the Securities and Exchange business than any other legitimate business.

I recommend that there be created in the Department of Commerce a purely ministerial body to receive registration statements and prospectuses, so that there may be a responsible document, on the basis of which a man may be sued if he has misrepresented or omitted essential facts, on the basis of which a man may be put in prison if he has done the wrong things, made the wrong statements.

We have got to do that or something like that to get our securities market free for either foreign or domestic post-war purposes.

Now one thing that I would emphasize in connection with the measure of Mr. Charles Dewey is that the board is a purely American board. The Keynes-Morgenthau plans and Mr. Morgenthau's investment bank—both have an international board in control. All three have an international board in control.

A bank, a majority of whose board of directors is made up of debtors to the bank who want to borrow more money, is not a safe bank.

That feature alone, of these three plans, would damage any sound plan, I think.

The lenders should control, not the borrowers, in a financial institution.

Both of these plans, the Keynes Plan and the Morgenthau Plan, propose to monetise the bad debts which England owes to the outside world. England, following Mr. Keynes, allowed sterling to get into a very perilous state. It ceased to be gold. It became paper—fluctuating paper, with not even a promise to be redeemed. The irredeemable paper was treated as a "thing-in-itself."

Parts of the world followed England in that—in the belief that you can do that. But sterling got to a very perilous state. And the war broke out. Everybody wanted to get rid of it. They blocked it. You cannot even sell it now. It is blocked.

The balances are very great and they are growing. In the middle of August the London "Economist" set them at over a billion pounds—around $4,000,000,000 at the official rate of sterling. But added to that, the part to India is increasing alone at the rate of £300,000,000 a year.

Well, if after the war England tries to restore a free pound, lets people sell their claims on London in the open market for what they will bring, sterling will go very low.

And so the Keynes Plan proposed a sleight-of-hand by which all this blocked debt would be put into the international fund, and the Morgenthau Plan worked out details.

It is to be put in there for 23 years and no payments made for three years, and after that 2% a year for 20 years.

Meanwhile England's creditors would have credit with this fund for cash, bancor in the case of the Keynes fund. We are not sure in the case of the Morgenthau fund, because we are not sure if that institution will have deposits or not. They don't say anything about their liabilities.

Well, that is no way to help England.

The Federal Reserve Bank of the World ought not to take debts that people cannot pay into its portfolio and hold them for 23 years and create money against them. That is pretty bad.

We must help England, yes, but the way for England to help herself is to make a settlement with each of these countries that they owe separately—the most of them in the British Empire, the biggest part—and then come to us for four or five hundred millions which they will use in making payments to them, giving them some cash and some long credit—work things out as an embarrassed debtor usually does with his creditors. We will help with some cash and she will get that cash on much better terms here, at a much lower rate of interest, if she will definitely go back to gold—fixed gold sterling. I think she has got to do that anyhow in her own interest.

"We cannot afford to stay with Mr. Keynes any longer," said Dr. Anderson, as he proceeded with the balance of his address, which follows:

Gold Remains the Standard of Value

Gold remains the international standard of value, despite the efforts of governments to substitute irredeemable paper for it, because in the last analysis neither men nor governments will trust anything else. The Tripartite Agreement, involving the United States Great Britain and France which immediately preceded the collapse of the gold bloc in late 1936, did not substitute paper dollars or paper pounds or paper francs for gold. The governments did not trust one another enough for that. If in the course of the day's trading in the foreign exchange market, any government accumulated a sizable amount of another government's currency, the differences were promptly settled in gold.

Gold and Paper Money

Gold needs no endorsement. It can be tested with scales and with acids. The recipient of gold does not have to trust the government stamp upon it, if he does not trust the government that stamped it. No act of faith is called for when gold is used in payments, and no compulsion is required.

Men everywhere, governments everywhere, and central banks everywhere are glad to get it. When paper is offered instead of gold, it will be accepted on faith if the government or the bank which has issued the paper has proved itself worthy of confidence by a satisfactory record of redeeming the paper in gold on demand. If there is a suspension of gold payments, the paper will still be taken on faith, at varying degrees of discount, so long as there remains a general expectation that the government or the issuing bank will some day make good its promise. The amount of the discount will vary in a free gold market or in a free foreign exchange market with the circumstances that make it more or less probable that the government or the issuing bank will make good its promise, and with the circumstances that govern the probable time of the redemption.

Irredeemable Paper as an Independent Standard

Governments and loyal peoples have often been quite unwilling to look upon their irredeemable paper money as merely dishonored promissory notes. Always in times of currency disorders there arises the doctrine that "a pound's a pound" and not merely a promise to pay gold coin of fixed weight and fineness. There is believed to be some magic in governmental authority that can make something out of nothing. The prestige of a long established and powerful government is very great. The habits of the people in accepting the long established currency tend to sustain its value. The legal tender quality of paper money aids in holding it up, since creditors must take it in payment of old debts, even though they may try to avoid having to take it when new debts are created. When a currency which has had world wide prestige as long as the pound sterling has, starts on a downward course, it is difficult for the world to believe that the worst is going to happen, and at various stages in its depreciation it has foreign support as well as domestic support.

Thus we saw the unanchored paper pound, 1931-1939, treated by British policy as "a thing-in-itself" and no longer a promise to pay gold, still accepted, though with growing distrust, by central banks of the Scandinavian and Baltic countries as a substitute in part for their own gold reserves. The financial prestige of Britain was very great. Value is a psychological phenomenon. But there are rational elements in the psychology of value, and hope too long deferred and too often disappointed will destroy value.

Governmental Coercion and the Value of Money

Yet another factor can be invoked by governments to sustain the value of irredeemable paper money, and that is the power of the government over the economic lives of men. In the period of the French Assignats, the laws fixed penalties of the severest kind against transactions which recognized the depreciation of the paper. But despite the penalties, the French paper money dropped steadily in value and commodity prices soared. The Federal Congress in 1864, blaming the depreciation of the Greenback on the manipulation of speculators in the gold market, passed an act forbidding gold futures. The results were disastrous and the Congress, without debate, repealed the law two weeks later.

It was prevailing doctrine among economists down to the First World War that governments could not coerce their peoples into accepting at face value a dishonored paper money. But war brought an immense revival and intensification of governmental power, and new governmental techniques for intruding intimately into the bookkeeping of the people. In Germany this power was intensified under the Hitler regime and these techniques were elaborated, and we have had the spectacle in Hitler's Germany of a paper currency, with a microscopic gold reserve and without gold redemption, circulating against commodities at fixed prices for the commodities or, at all events, at controlled prices. As faith waned Germany substituted coercion, and as the government was virtually omnipotent, and the people dared not assert their individual rights, and as the Gestapo was tremendously efficient, Germany made the system work.

Coercion and Foreign Exchange Rates

Always the doctrine had been moreover, that even though a dishonored paper currency might be accepted at home, nothing could prevent it from depreciating in the foreign exchanges, because the people would smuggle it out of the country and sell it for what it would bring to get good money. But we saw develop in Germany a system of control of the export and import of currency, as well as securities and commodities, so tremendously effective that very little German currency could get outside and that when it got outside, the foreign banks had little motive for buying it because they could not get it back into Germany again to use it. We saw rigorous control of all exchange transactions, and such a limitation in the volume of these transactions that the German government and the Reichsbank could make the so-called "official rate" effective on the limited volume of transactions permitted, and the "official mark" in the foreign exchanges held firm at the nominal parity. Meanwhile a great multitude of different kinds of marks, valid for special purposes, sold at varying rates of discount in the foreign exchange markets, but even these were regulated and controlled.

The Tyranny of Hitler and the Tyranny of Gold

The temporary success of the German monetary and economic experiment led to the superficial generalization on the part of certain opponents of the gold standard that gold had been proved to be unnecessary, that Hitler had found a way to do without gold and that the long tyranny of gold was over. Parenthetically, I much prefer the tyranny of gold to the tyranny of Hitler. Gold is not capricious.

All it requires of men and governments and central banks is that they be honest, that they keep their promises, that they keep their demand liabilities safely within the limit of their quick assets, and that they create debts only when they can see how these debts can be paid. Gold has no intuitions, and gold has very little imagination.

In summary on this point: 1.) Men, governments and central banks will accept gold in payments because they want it for itself. 2.) Men will take paper promises to pay gold as money without difficulty so long as these promises are kept and they believe that they will be kept. 3.) When paper promises to pay gold are dishonored, men will continue to take them at varying degrees of discount in the hope that the promise will later be kept, and because of the prestige of the issuing authorities, fortified by the legal tender peculiarities of money and by the habits of the people and of the world with respect to a long established currency. And finally, 4.) when these fail, if your government is powerful enough and tyrannous enough and your people are sufficiently submissive, and you extend the government into the details of the daily transactions of the people, you can make a dishonored paper circulate at controlled prices inside your country, and you can keep it out of the foreign exchange market. If foreigners happen to have deposits in your banks which they want to sell in the world's markets outside, you simply refuse to allow them to transfer these balances on the books of the bank, or you limit the uses to which they can put them at your own discretion.

The Limits of Coercion

The post-war world will witness, I have no doubt, the complete collapse of the Hitlerian monetary system. I venture the confident prediction that the forces of coercion which have been sustaining the value of the German mark will soon be sensibly abated, and that the controls which have upheld the mark in the foreign exchanges will work with diminished effectiveness.

And the British experiment of a pound unanchored to gold, treated as a "thing-in-itself", can give us a very tragic picture. The prestige of that pound in the international markets is badly shattered. Foreigners who had entrusted their funds to London found them promptly blocked when the war came. The pound has ceased to be a serviceable tool in trade between Britain and other countries, and has almost entirely ceased to be a tool for conducting trade between two outside countries—which used to be one of its most important services. It has in general ceased to be a valid tool for trade among the units of the British Empire. In general it prevails only in the mother country itself. England has gigantic blocked debts to the outside world due on demand, but she does not allow her creditors even to sell their credit claims for what they can get.

But men and governments are still eager enough for gold. Gold is being currently used on British Government account to pull down the great discount on the rupee in India and to bring out hoarded food reserves in India. Gold is being used in Persia which is glad to get gold but reluctant to take sterling.

Gold as the Post-War International Currency

Now what is the outlook for an international currency in the post-war world? Men, governments and central banks all over the world will take gold without question whenever they can get it. Most of the paper currencies of the world they will not take except at heavy discount and in limited amounts, and they will seek to hedge them if they can, and they will seek to pass them on quickly if they can when they take them. The American dollar they will readily take because of our practice of exporting gold when the dollar goes to the "lower gold point" in the foreign exchange markets. What else is there but gold to serve as an international currency? I think there is nothing else.

The Keynes and White Plans Rest on Coercion

But this is not the view of the British Treasury represented by Lord Keynes, nor the United States Treasury represented by Mr. Morgenthau and Mr. White. Lord Keynes proposes an international currency not redeemable in gold, not based on gold, nominally fixed in relation to gold "but not unalterably." He calls it "bancor," apparently a compound of the two words **"banco"** and the French word for gold, **"or."** But it is not even gilded, much less gold. The international money is to be credit entries on the books of the international fund and overdraft privileges with that international fund. The assets of the fund are zero when the fund starts and its liabilities are zero, but as transactions multiply and the fund does business, its balance sheet swells on both sides, its liabilities being deposits in bancor and its assets consisting either of overdrafts in bancor or of a multitude of national currencies—dollars, pounds, francs, drachmae—and in time, presumably, German marks. Its purpose is to hold the different exchange rates together, to put the strength of the stronger exchanges behind the weaker ones. It would increasingly lose dollars and other strong currencies and increasingly acquire weak currencies or the bancor obligations of the central banks or exchange stabilization funds of the weaker countries. Its assets would progressively deteriorate. Indeed both Keynes and White plans contemplate this. They contemplate reductions in the exchange rates of the weaker countries, and in the nominal gold equivalent of the bancor or unitas.

Now, on what substance can the value of bancor rest? On gold? No. The Keynes plan has some ingenious devices to prevent situations in which bancor could be shown to be at a discount in terms of gold, which, however, could break down readily, even with good faith on the part of all the participants in the fund, which would certainly break down if important countries remained outside the fund, and which would break down in the event of any failure of any country to comply with the requirements of the fund. But it does not rest on gold. The bancor is explicitly never to be redeemed in gold nor in anything else. On what, then, will it rest? On faith? On prestige? Maybe we can create a prestige for an international fund whose assets consist of the dishonored promises of governments and central banks which have lost their prestige. It is possible that the prestige of the United States would be so great that for a time we alone could carry the burden of sustaining the bancor, but I doubt that our generosity is sufficient for this, and I question that we dare risk our strength, already strained by our war finance, in so great and so needless a post-war task.

But neither the Keynes plan nor the Morgenthau plan proposes to rely upon faith alone. Both propose a great deal of coercion. Governments are to coerce their peoples in preventing the international movement

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International Currency

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of capital funds, which means, as Keynes himself recognizes, the control of all foreign exchange transactions. Now here, I think, we find real difficulty. Who shall coerce the coercers? Who shall force the government of the United States, or the government of Russia, or the government of Britain, or the government of Argentina to comply with the mandates of the governing board of the international fund? The provisions of the White-Morgenthau plan make it very explicitly their duty to do so, and section VII, 8, of the July 10 version of the White plan makes it the obligation of every member country of the fund "to adopt appropriate legislation or decrees to carry out its undertakings to the fund," and those undertakings are numerous and drastic. For either the Keynes plan or the Morgenthau-White plan to work, would require a world state with an authority over economic transactions as great as the authority which any national state has effectively asserted in peace time.

Is it realism to suppose that the whole world can hang together in the support of bancor or unitas when the British Empire can't hang together in support of sterling **within the British Empire?**

The Keynes plan, moreover, definitely suggests international control of commodities and an international "over-normal granary," and an international control of investment. It sees the Clearing Union as facilitating those purposes as well as foreign exchange stabilization. The document states, "We have here a genuine organ of truly international government." The White plan is not so frank, but there is much sympathy for these ideas in important Washington circles.

Was the Old Gold Standard a "Sterling Standard"?

There is a myth widely current which I wish to challenge. It is that prior to 1914, the world was on the sterling standard rather than the gold standard, that London controlled the gold standard and that it was only superhuman wisdom in London which made it work. The doctrine adds that when New York became the center after 1918, the gold standard failed because New York lacked London's wisdom. Now the fact is that pre-war London had far less control and responsibiltiy prior to 1914 than New York did after 1918, and that policy played a much smaller role in the earlier period. There were many gold standard money markets competing with London for gold prior to 1914, several of them very powerful, as New York, Berlin, and Paris, and many others of real influence, as Amsterdam, Vienna, Switzerland, the Scandinavian countries, and Japan. These all steadied one another. All would pull gold away from any country that was over-expanding credit, and force it to pull up. It was not policy. As Mr. Woodward of the Central Hanover said to me one time, "It was nature." International cooperation came only in crises—and then at stiff rates of interest. Now New York lacked this steadying influence from 1918 down to 1925, and did not get adequate competition for gold till France got into the game—in an overdrastic way—in 1928. New York used policy in the 1920's—bad policy. But I must add that Benjamin Strong learned this bad policy from Montagu Norman! Both we and London over-expanded credit in the 1920's, but we had the semblance of an excuse in our over abundant gold, while London had no excuse at all.

I want to see a real gold standard world again, with several powerful money-centers competing for gold, and holding one another in check. I don't want international monetary cooperation in ordinary times. It prolongs unsound tendencies, as in 1924-29, and then it breaks down in crises, as in 1931. I want competition in ordinary times, and cooperation only in crises—at a stiff rate of interest.

I have been too close to the centers of wisdom and power in governments and central banks to have any belief at all in the adequacy of their wisdom to do more than routine things. The more I see of governmental economic policy, the more I trust the automatic forces of free markets. The more I see of public monetary policy, the more I trust gold.

(Reprints of the above address may be obtained from the Chamber of Commerce of the State of New York, 65 Liberty St., New York City.)

EDITOR'S NOTE: Dr. Anderson has dealt with this subject in two previous documents: (1) an address before the Los Angeles Chamber of Commerce on May 11, 1943 which was printed in full in two installments in the COMMERCIAL AND FINANCIAL CHRONICLE of May 20 and May 27, 1943; (2) an article in the COMMERCIAL AND FINANCIAL CHRONICLE of December 16, 1943. Reprints of these may be obtained from the Capital Research Company, 650 South Spring St., Los Angeles, or from the Economists' National Committee on Monetary Policy, 70 Fifth Avenue, New York City.

Banker Prescribes For Our Economic Ills

(Continued from first page)

optimism. Evolution may mean only change." Thus spoke Henry A. Theis, President of the Trust Division of the American Bankers Association and Vice-President of the Guaranty Trust Co. of New York, at the opening on Feb. 8 of the 25th Midwinter Conference at the Waldorf-Astoria Hotel in New York City. Mr. Theis went on to say:

"And the only thing that evolution may guarantee to man may be opportunity. The responsibility for translating that opportunity into progress rests fairly and squarely upon man, individually and collectively. If that is so we must analyze the change into its component parts and adopt those parts which we think good, and oppose those we think bad. The interests of thousands of our customers are vitally affected by what the future holds in store. Many of these are widows, orphans, minors, and incompetents, constituting a group not readily qualified to speak for itself. As their trustees we have a duty to see to it that their interests are protected. Whatever form the social economy may take, we believe there will be a real place in it for the trust business.

"The term 'New Deal' has been discarded by its sponsors. It is proper therefore to begin to appraise its successes and its failures. In its broadest sense we may assume that New Dealism stands for planned economy, as against a *laissez-faire* economy. The ills of a *laissez-faire* economy are peaks and valleys, which in the past have tended in natural ways to cure themselves. The ills of a planned economy are dislocations which perhaps can never be cured. An attempt to cure one is likely to create a dozen others.

"We can all agree that many of the social objectives sought by the New Deal are beneficial in purpose, but it is too early yet to appraise the ultimate consequences of the particular cures applied. We know for a certainty that in many instances laws were hastily and poorly drawn, and the administration of them was arbitrary, capricious, punitive, personal and contradictory, rather than legal. Frequently, on the theory that the end justifies the means, there has been abuse of power.

"Take the insurance of bank deposits. In the brief period that this has been in effect it has worked well, but that is no assurance that the soundness of the plan has met the test of time. Neither the banking system nor the public should be lulled to sleep by the experience of the few years in which deposit insurance has been in effect.

"Then take the Securities and Exchange Commission. In an address in Chicago, Jerome Frank, then a member of the Commission, said the Securities and Exchange Commission's powers of prosecution are a potential 'menace' to citizens. He added that abuse of such powers could be avoided solely by proper behavior on the part of those in charge of the SEC; that a government of laws is essential, but that government 'is always at any moment administered by men, and to the extent that those men are weak, lazy, ignorant, careless or corrupt, the government becomes a danger to the citizens'; and that the way effectively to prevent the abuse of power is to see that those entrusted with such power are decent and intelligent human beings, with a thorough sense of their responsibilities. He stated: 'The way to meet the possibilities of so-called "admnistrative absolutism" is to see to it that administrative officers are the right kind of God-fearing human beings who detest absolutism.' Just because the members so far appointed have been well-meaning and sincere, is the public forgetting Mr. Frank's warning, or is it going to be alert at the time it should be?

"Take the group of measures dealing with welfare and social security. Over a long period of years, as a result of the operation of these measures, will man's energies be released for creative effort or will man become so wholly dependent that he will be incapable of either initiative or responsibilty?

"These are far questions. We cannot ignore the results that will follow from the operation of these measures. We must continuously observe them to guard against evolving backward. They have to do with changes which are still in the making. Just because a change is under way we should not take it for granted automatically that it is for the better or that it will continue to be for the better. We should review and reappraise the trends continuously.

"Now what of the future—from now until the end of the war; the transition from war to peace; and the post-war world? How will the various kinds of property held in trust be affected by the success or failure of the efforts of the Administration to stabilize prices; by the re-conversion of our production facilties from war to peace; by our treatment of the question of currency for international trade; our creditor position in relation to exports and imports; our policy of taxation?

"If ever there is a time when efforts at control are justified, it is in war. Credit for the much greater price stability that has been mantained during this war than during the last war must be given to general price control. Whether or not a measure of price stability may be maintained depends upon human behavior. Human behavior depends to a large extent upon confidence or lack of confidence in the conception and execution of price control. On every front Government agencies charged with the duty of maintaining price stability face conditions that raise questions as to whether they can continue to show the considerable measure of success that has rewarded their efforts thus far.

"The threat of a break in price control is attributable largely to a loss of confidence in the honesty and sincerity of price control administraton. The revolt of Congress against the use of subsidies is an evidence of this lack of confidence. If control is to keep prices within bounds, those responsible for its administration must regain the confidence of agriculture, labor, and industry; otherwise the public will lose its restraint and burst through all efforts at control. Price rises during war-time are justified only when necessary to bring about maximum production.

"It is encouraging, even in the midst of war, to find that business generally is giving consideration to the problem of re-conversion from war to peace and post-war opportunities. The Government, also, in many departments, is making studies of post-war possibilities. We must not again make the mistake that was made at the bottom of the depression by deceiving people into believing that Utopia may be obtained by spending and wasting, by allowing people to believe that the world owes them a living, that the Government will work and plan for them, that they need do nothing for themselves. Such an attitude weakens bodies and breaks souls.

"We must never again preach that laziness and profligacy are virtues—work and saving, sins. Instead we must boldly denounce such attitudes as unsound and again proclaim self-reliance, energy, enterprise, self-denial and thrift as the one sure road to individual and national prosperity.

"Pre-war thinking must give way to new thinking. A spirit of pioneering and expansion must take the place of defeatism and a philosophy of matured economy. Whereas in 1776 a continent lay before the people, today the whole world lies before them. Courage and initiative must predominate in the spirit of men, and not helplessness and inertia.

"There is no serious disagreement as to the desirability of international trade, or as to the need for exchange stability, if such trade is to reach its greatest possibilities. How to achieve stability is the all-important question. Internal stability within nations is a prerequisite to international stability, and the greatest contribution we can make to world stability is to maintain high production and employment at home. For such would insure internal stability in the one great creditor nation following the war.

"No country can expect to have its currency acceptable at a stable value in the world markets unless its fiscal affairs are under control, its price level is reasonably stable, and its internal economy is functioning smoothly and productively. The abnormal conditions that will exist at the close of the war may make it impossible for all nations immediately to attain internal stability. Our country can well afford, with other nations, to contribute towards rehabilitation of the world by the extension of long-term credit. To the greatest extent possible this should be done through private lending, with the advice and cooperation of our State Department.

"To achieve internal stability and international exchange stability, no method yet devised is so sound or so easily operated, so far as we know, as the international gold standard, with free coinage of gold, free markets, private ownership of gold, and currencies convertible into gold, both for domestic use and for shipment abroad.

"Because of the dislocations brought about by the war it may be impossible to bring about an immediate return to the free gold standard among all nations. Instead it may be necessary for some nations to establish the gold exchange standard and permit countries with inadequate gold reserves to tie their currencies to those based on gold. It would be necessary then in order to promote the normal flow of foreign trade to obtain stability for a few currencies which are, in fact, international as well as national.

"It would appear that after this war the United States will be the only large creditor nation. As such, it has a special responsibility for international monetary and trade relations. We owe it to ourselves, and to the world, to examine the results of the workings of economic actions and their consequences between past wars, and the peculiarities of our position. To arrive at a sound attitude will be difficult, for we are still an agricultural-industrial nation. In our earlier history we were a great agricultural exporting nation, and a young industrial nation. The emphasis then was on protecting the manufacturers. Now that agricultural products are raised more cheaply in other parts of the world, agriculture, too, wants protection.

"The nineteenth century probably witnessed a harmony of trade and capital relationships never before obtained, because of the natural flow of trade and capital. The future seems to present conflicts which will be difficult of solution. We have production and capital, and liberal quantities of both should be exported. Yet, outside capital will probably come to this country, for speculation, for investment, and for safety. Again, in the solution of this problem the greatest contribution we can make is to maintain a high standard of living, production, and employment here at home.

"The general assumption is that we will end up with a post-war debt of around $300,000,000,000. To service such a debt will require a high national income. To maintain a high national income and to create additional wealth it is necessary to have a high rate of production. You can obtain a high rate of production only through encouraging private enterprise, or through some form of national socialism. Certainly the great bulk of the people we represent do not desire the latter.

"Tax policy can move our economy in either direction. Our present tax policy, if maintained in the post-war period, threatens to lead to national socialism. To preserve private enterprise, the tax policy must be changed. Venture capital must be encouraged. People must be given an incentive to invest in productive enterprise, to work, and to save. This can be brought about only by a drastic reduction in income tax rates on corporations and individuals, and the reduction or elimination of the capital gains tax. In no other way can we hope to maintain a balanced budget after the war and service the Federal debt.

"Many more national and international problems require solution in the transition from war to peace, and the restoration of a peace economy. What treatment will be given to our large aviation industries and our foreign air bases, to our enormous industrial plant capacity and our huge merchant marine?

"Certainly no one can foretell how property in trust will be influenced by the development of solutions to these problems, but just as certainly trustmen must keep themselves as well informed as the means available to them will permit.

"There are approximately 2,800 banking institutions in the country engaged in trust business. A study made two years ago revealed that about 60% of the trusts, in numbers, produced less than $1,200 a year in income. This shows that trust institutions serve many persons of small means. As trustees, we represent thousands of beneficiaries of small and large means who are

Urges Merit Rating In Levying N. Y. Unemployment Insurance Taxes

Enactment of legislation to provide for merit rating in the levying of State unemployment insurance taxes was again urged upon Governor Dewey and members of the Legislature in a report made public on Jan. 30 by the Chamber of Commerce of the State of New York. Lewis R. Gwyn, chairman of the Special Committee on Industrial Problems and Relations, which drew the report, pointed out that New York is the only major industrial state which does not provide for merit rating. "The result," he said, "is that a business in New York with a record of stable employment now pays at the rate of 2.7%, while a competitor in Ohio or Massachusetts where experience rating exists, pays only 1%."

The report recommended the enactment of a merit rating in this state which would (a) bring justice into the operation of unemployment insurance; (b) encourage employers to stabilize employment and (c) prevent the Unemployment Trust Fund from creating a huge excess reserve to act as a drain upon industry without compensating benefits to the unemployed.

"Booms & Depressions"

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

With W. J. Brand & Co.

(Special to The Financial Chronicle)

SHEBOYGAN, WIS. — Dorothy M. Metscher has been added to the staff of Walter J. Brand & Company.

Arbitrages To Come; Reorganization Rail Data

Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have prepared interesting circulars on reorganization rail securities, and arbitrages to come, copies of which may be had from the firm upon request.

Chicago Traction Offers Interesting Situation

Leason & Co., Inc., 39 South La Salle Street, Chicago, Ill., have prepared a new study relating to the City's offer of $94,000,000 for the Chicago Surface and Elevated Lines and discussing whether earnings will support a higher offer. Copies of this interesting study may be had upon request from Leason & Co., Inc.

N. Y. C. Banks Sources Of Income; Govt. Bondhldgs.

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the N. Y. S. E., have prepared breakdowns of sources of income and of United States Government bondholdings of the New York City banks. Copies of this interesting tabulation may be had from the firm upon request.

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. 10

WOLVERINE POWER CORP.

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).

SUNDAY, FEB. 20

VIRGINIA ELECTRIC & POWER CO.

Virginia Electric & Power Co. has registered 305,192 shares of $5 dividend preferred stock and $24,500,000 first and refunding mortgage bonds, series D 3½%, due April 1, 1974.

Address—7th and Franklin Streets, Richmond 9, Va.

Business—The securities are to be issued in connection with the proposed merger of Virginia Public Service Co. into Virginia Electric & Power Co. Both companies are operating public utility companies.

Underwriting—Names will be supplied by amendment. Bonds are to be offered at competitive bidding under Commission's Rule U-50.

Offering—Immediately prior to the merger Engineers Public Service Co. will acquire from General Gas & Electric Corp. all of the 782,000 outstanding shares of VPS and a claim of General to $1,165,166 held in escrow, for an aggregate consideration of $2,500,000, of which $1,500,000 is to be paid in installments contingent upon specified earnings of the merged companies within five years from the merger date. If and when the merger plan becomes effective, each share of VPS 7% preferred and VPS 6% preferred, including all rights to accrued and unpaid dividends, will be converted into 1⅛ shares of new preferred and in addition, each share of VPS 7% preferred will receive $5.50 in cash. All of the 782,000 shares of common of VPS will be converted into 150,000 shares of common stock of Vepco. Each share of Vepco old preferred will be converted into one share of new preferred and will receive cash for accrued and unpaid dividends to the merger date. The shares of common stock of Vepco now outstanding will remain outstanding. Vepco will issue and sell $24,500,000 face amount of Series D bonds, and also $5,000,000 of new notes, and will make provision for the redemption of the outstanding $26,000,000 face amount of VPS bonds and the outstanding $10,500,000 face amount of VPS debentures.

Purpose—For merger and refunding.

Registration Statement No. 2-5297. Form S-1. (2-1-44).

GROUP SECURITIES, INC.

Group Securities, Inc., has registered 5,000,000 shares ($50,000,000 value for computation of fee), of a par value of one cent per share.

Address—No. 1 Exchange Place, Jersey City, N. J.

Business—Mutual investment company.

Underwriter—Distributors Group, Inc., is named principal underwriter.

Offering—Effective date of registration statement. At market plus underwriting or distribution charge.

Proceeds—For investment.

Registration Statement No. 2-5298. Form A-1. (2-1-44).

MONDAY, FEB. 21

PHILLIPS PETROLEUM CO.

Phillips Petroleum Co. has registered $40,000,000 2¾% sinking fund debentures, due 1964.

Address—80 Broadway, New York 5, N. Y. and Phillips Building, Bartlesville, Okla.

Business—Company and its subsidiaries comprise an integrated unit in the petroleum industry.

Underwriting—First Boston Corp., New York, heads an underwriting group, the names of others to be supplied by amendment.

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

Proceeds—Proceeds will be applied in part to the retirement of $14,596,000 principal amount of long-term notes payable outstanding at Dec. 31, 1943, to a group of nine banks, and the balance will be added to the working capital of the company. The proceeds of two loans for $2,298,000 each were used for the purchase of 202,163 shares of common stock of Panhandle Eastern Pipe Line Co. acquired by Phillips on March 30, 1943, from the Columbia Oil & Gasoline Corp., New York. From working capital the company expects to make substantial expenditures from time to time involving exploration and development work on oil and gas lands and the installation of refining and processing equipment.

Registration Statement No. 2-5299. Form S-1. (2-2-44).

TUESDAY, FEB. 22

DIANA STORES CORP.

Diana Stores Corp. has registered 80,000 shares of common stock, par value $1 per share.

Address—519 Eighth Avenue, New York City.

Business—Operates a chain of 26 retail stores in six southeastern states in which it sells women's and misses' popular priced wearing apparel, coats, suits, lingerie, hosiery, hangbags, etc.

Underwriting—Van Alstyne, Noel & Co., New York, are named principal underwriter. Other names will be supplied by amendment.

Offering—Price to the public is $7 per share, with net cash proceeds to the company of $480,800 exclusive of a total of $2,600 to be received by the company from the proceeds of the sale to the underwriters at ten cents per warrant share, of warrants entitling the holders to purchase at $7 per share an aggregate of 20,000 shares of common stock.

Proceeds—Will be added to the working capital of the company and be available for general corporate purposes, especially the opening of additional stores.

Registration Statement No. 2-5300. Form S-2. (2-3-44).

WEDNESDAY, FEB. 23

MASONITE CORPORATION

Masonite Corporation has registered 60,790 shares of common stock, without par value.

Address—111 West Washington Street, Chicago, Ill.

Business—Engaged in the manufacture and sale of hardboard.

Underwriting — Names of underwriters and number of shares to be purchased by each follow: Blyth & Co., Inc., N. Y., 20,790; Merrill Lynch, Pierce, Fenner & Beane, and Lehman Brothers, both of N. Y., 10,000 each; Wisconsin Company, Milwaukee, 7,500; Dean Witter & Co., San Francisco, 6,000; Central Republic Co., Chicago, 4,000, and Milwaukee Company, Milwaukee, 2,500.

Offering—Price to public to be filed by amendment.

Proceeds—Will be added to the general funds of the company.

Registration Statement No. 2-5301. Form S-1. (2-4-44).

SATURDAY, FEB. 26

OKLAHOMA NATURAL GAS CO.

Oklahoma Natural Gas Co. has registered $18,000,000 first mortgage bonds series due April 1, 1961, and 180,000 shares of preferred stock, Series A, cumulative, par value $50 per share.

Address — 624 South Boston Avenue, Tulsa, Okla.

Business—Operating public utility engaged in producing, purchasing and distributing natural gas.

Underwriting—Names to be supplied by post-effective amendment.

Offering—The bonds and new preferred stock are to be offered for sale subject to the competitive bidding requirements of the Commission. The successful bidder will name interest rate on the bonds and dividend rate on the preferred stock. Offering prices of both bonds and stock will be supplied by post-effective amendment.

Proceeds—Net proceeds, together with such additional amounts up to $6,500,000 as may be required, and obtained from the proceeds of a new bank loan will be applied to redemption purposes as follows: $16,500,000 face amount of first mortgage bonds, Series B, 3¾%, due Aug. 1, 1955, at 104½ and $3,678,000 face amount of first mortgage bonds, Series C 3% due April 1, 1956, at 104¼, total $21,076,815; payment of $3,500,000 bank loan; redemption of 58,000 shares of $5.50 convertible prior preferred stock at $110 per share or $6,380,000 and redemption of 91,055 shares of $3 preferred stock, $50 par, at $55 per share or $5,008,025, grand total $35,964,840. The amounts required for such purposes will be reduced to the extent the $5.50 convertible prior preferred is converted into common stock before the redemption date. If no conversions of the $5.50 convertible prior preferred are made additional sums, other than those provided by the new securities and new bank loan, will be required from the company's general funds and will be available for the purpose.

Registration Statement No. 2-5302. Form S-1. (2-7-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

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.

CENTRAL ILLINOIS ELECTRIC & GAS CO.

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

Address—303 North Main Street, Rockford, Ill.

Business—Operating public utility.

Underwriting—To be applied by amendment.

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

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

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

Central Illinois Electric & Gas Co. filed an amendment on Jan. 25 to its registration statement in connection with proposal of Consolidated Electric & Gas Co., parent company, to offer for sale pursuant to the Commission's competitive bidding rule 400,000 shares of Central Illinois Electric common stock. Names of underwriters, offering price to the public and spread will be filed by post-effective amendment.

In its original filing Consolidated made no provision for the sale of the stock and subsequently asked the Commission for an exemption from the competitive bidding rule in order to sell the stock at a negotiated sale to the Central Republic Co. of Chicago which planned to head a syndicate to distribute the stock. A hearing was held on the application, but no formal ruling was entered by the Commission and Consolidated has amended its plan providing for sale of the stock at competitive bidding.

Registration statement effective 4 p.m. EWT on Feb. 4, 1944.

(This list is incomplete this week)

not organized, and many of whom cannot well speak for themselves. Many of them are widows, orphans, minors, and incompetents. A substantial number are in the services. As their trustees, we have both the right and responsibility to oppose unsound legislation, and to support constructive measures in the interests of the beneficiaries whose affairs are in our care. We should not hesitate to be articulate and aggressive in their behalf."

How NASD Profit Limitation Rule Will Handicap Small Business

(Continued from page 595)

with its accompanying risk-taking will be stifled," what could be more opposed to democracy and private initiative than the NASD 5% gross profit limitation rule? This rule when enforced (if it has any predictable effect at all) will mean the practical elimination of an open market for small issues of securities. Over-the-counter dealers will certainly not care to take the risk of ownership of many issues of the securities of small or local concerns if their gross profits are restricted. The logical and expected outcome of the NASD rule, if enforced, will be the gradual elimination of small dealers in inactive and local securities. Thus, many holders of inactive securities will find that their holdings will be as difficult to dispose of, and have as uncertain marketability as petty parcels of country real estate, since there will be no dealers or "specialists" who will make a regular market for them.

In these days of capitalistic production, the creation and expansion of business undertakings is largely dependent on access to the capital markets for funds. The individual investors who supply these funds are constantly changing their holdings, so that the marketability or "liquidity" of investments is a prime factor in the creation and maintenance of a capital market. Ask any security salesman, and he will tell you that the point of greatest sales resistance in distributing small issues of securities is their limited marketability. An investor does not buy a security like a housewife buys a washing machine, merely to use it until it wears out and becomes worthless, and without any concern regarding its resale value at a future date. Investment, like all forms of savings, has back of it, what Professor Keynes calls "the liquidity concept," i.e., the power to convert the commitment back into cash when desired. Marketability and "safety of principal" are twin requisites to all sound investments. *Place any restrictions or limitations on marketability, such as are encountered under the dealers profit limitation rule of the NASD, and you deal a severe blow to investment in the securities of small or local business concerns.*

There is another detrimental effect of the profit limitation rule on the securities of small business concerns. I refer to the use of local and inactive securities as bank loan collateral. Such securities have been acceptable as collateral by local banks when over-the-counter dealers furnish a continuous market for them. The availability of securities as bank collateral is as important in many cases to investors in inactive securities sold over-the-counter as to the holders of stocks and bonds listed on security exchanges, so it would greatly assist the financing of small business concerns, if their securities were given full loan collateral facilities. But this can be accomplished only when there are dealers who are willing at all times to make bids for such securities, and the banks can place reliance on the bids. A security will maintain a price in the open market only when there are buyers on hand ready to take up offerings at a quoted price. If this condition does not exist, then holders can obtain buyers only by drastic price concessions and may find themselves unable to liquidate at all. Now, if dealers, whether specialists or not, because of "mark-up" restrictions, find it unprofitable or too risky to make a market for inactive securities, small business concerns will be further handicapped in the struggle to obtain funds in the capital market.

Certainly, without any additional handicaps, the problem of maintaining and supporting small business concerns during the post-war readjustment period will be a serious one! Unless every practical means of encouragement and assistance is forthcoming, many local businesses, which subsisted on Government contracts, either directly or as sub-contractors, during the war, will be forced out of business or be merged into the larger corporations. This happened after the last war when a new era of industrial combinations came about and new (and in many cases unsound) mergers were financed through public offerings of their securities. Thus Mr. Dexter S. Kimball, writing in 1928 in the "Report on Recent Economic Changes" regarding the increase in industrial mergers, remarked that "the present mergers are unlike those of the great combination period at the end of the 19th Century." In the earlier instances, the incentives were usually either the formation of a monopoly or profits of some promoter. The present mergers often appear to be quickly followed by new financing, *this implying that the desire for additional capital is an important motive.*" (Recent Economic Changes in the United States, 1929, Vol. I, page 217).

This situation should be avoided in the coming post-war period! There seems, however, little likelihood that small business will fare any better than in previous post-war readjustments, unless the restrictions born of the Security Acts are relaxed, and unless the handicaps placed upon small business in obtaining capital from private investors and from the banks, by the enforcement of restrictions on security dealers' profits are removed. If the NASD's 5% gross mark-up rule is enforced, the evils of industrial monopolies will be intensified and the position of "small business" in the present economic structure will be substantially worse than ever before in the history of the country.

And precisely the same result will follow, only to an intensified degree, if the SEC imposes their so-called bid and asked disclosure rule on the investment industry which would compel dealers to reveal the inside market price (same as wholesale price in other lines of business) before doing business with a customer.

"Sugars—As We See Them"

In view of current developments affecting the sugar industry and its securities, Dunne & Co., 25 Broad Street, New York City, have issued an interesting bulletin on the situation, prepared by J. William Kumm. In this bulletin, copies of which may be obtained from Dunne & Co. upon request, the writer offers the following points for consideration:

1. Sugar production in Cuba for 1944 will exceed that of 1942 and top that of 1943 by no less than 40%. The following are Willett & Gray official production figures:
(a) 1942—3,396,900 long tons;
(b) 1943—2,879,464 long tons;
(c) 1944—4,250,000 long tons.
(The 1944 figure is the minimum production quota fixed by Government decree, and will probably be exceeded.)

2. Substantially lower per bag operating costs will result from the increased 1944 production in spite of higher wages and taxes. In some cases this reduction will approximate as much as $1 per bag below 1943 costs.

3. Current negotiations in Cuba for molasses and alcohol are progressing favorably. It is anticipated producers will be paid 15 cents per gallon and 90 cents per gallon, respectively, for blackstrap and industrial alcohol.

4. Corporate earnings may readily top those of 1942, which was a big year.

5. Porto Rican sugar producers should enjoy a good year despite somewhat smaller production, due to successfully negotiated molasses contracts.

6. Porto Rican production in 1945 should be no less than that of 1942. Larger shipments of fertilizer during 1943 will account for this. Substantial corporate earnings may be anticipated.

7. Various types of indebtedness of producing companies have been sharply reduced during the past few years. In some cases there remains nothing ahead of the common stocks. Important dividend payments, and interest and principal payments on bonds (where companies are operating under the Cuban moratorium) may be expected.

Industrial Accounting And Financial Policies

Forecasting when the war will be over was presented as a dangerous pastime by George S. Dively, Secretary-Treasurer of the Harris-Seybold-Potter Company. In an address on Industrial Accounting and Financial Policies, Current and Post-War, at the January meeting of the Cleveland Treasurers Club. "Thinking," said Mr. Dively, "must be done in terms of a dynamic production economy. The advanced stage of our industrial economy must be recognized and policies adapted to some business-like government guide.

George S. Dively

"The financial accounting executive sits at the crossroads of practically all corporate activity. Due to his detailed knowledge of the facts, he has a functional responsibility to aid and influence management in development of an effectively corporate plan of action. A practical overall business philosophy must envisage a workable correlation of fundamental social, political and economic factors.

"The size of the present planned war program is about ten times that of World War I. War contract cancellations already have exceeded those at the end of the first World War. It is estimated that cancellations at the end of the war may amount to $75,000,000,000. The disposal of materials alone will likely be a $25,000,000,000 to $40,000,000,000 job.

"The broad and basic post-war problem is to supply, after the pent-up demand for civilian goods has been satisfied, at least 20% more jobs than before the war. If private enterprise does not do this, then the government will. It requires a realistic recognition of the seriousness of the problem confronting business."

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.

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