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The Illusion Of The War Boom

By DR. L. ALBERT HAHN

Undoubtedly an increasing number of people begin to consider the war boom as a highly beneficial phenomenon. They see in its mechanism a simple remedy, if not the remedy for most economic difficulties and especially unemployment. **"The war has proved that full employment can be created through government spending. It will be hard to convince the American people that what can be done for war, cannot be done for peace."** Such and similar ideas can be found, not only in utterances by laymen but also by men who claim to have been trained in economic science.

Photo: H. N. Rubien
Dr. L. Albert Hahn

Nevertheless, the argument is of a typical vulgar economic character which means that it is based on popular economic misconceptions rather than on a scientific approach.

It has always been considered as the chief duty of economic science to demask and fight popular economic illusions which appeal to the masses because they are simple and, allegedly, panaceas. To fight against the "employment through spending" idea has undoubtedly become increasingly difficult in recent times, although its fallacies have been demonstrated by practical and theoretical experience of centuries. It is, indeed, easier and more comfortable and popular to indulge in new spending schemes and to promise the "compensation" of economic difficulties through Government spending than to show the basic reasons for these difficulties and to advocate their elimination. I think that it is high time to replace the "compensation idea" by a sound "correction theory." For not only will the compensation idea, if applied in practice, lead to implications entirely unforeseen by most of its adherents; it will also prove the more ineffective in any severe crisis the more one has relied on the government power to "compensate" existing maladjustments.

Coming back to what may be called the "war boom in peace time" idea, it seems to us to contain several basic fallacies or illusions.

War Time Activity Contra Peace Time Productivity

If man works he does so not just to be busy but in order to be able to consume, to live. The worker produces goods which he either consumes himself or which

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In This Issue

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

For Connecticut and Michigan see page 698; Missouri on page 699.

Should Price Fixing And Rationing Be Extended Into Post-War Period?

Not the least of the many problems that will attend the transition of the nation's economy from war to peace basis when present hostilities cease, concerns the question of the need and desirability of continuing in peacetime the existing price control and rationing measures. This question is receiving increased attention daily as indications point to a successful end to the European phase, at least, of the war in the not too distant future. In an effort to sound out a cross-section of public opinion on this point, the "Chronicle" has solicited the views of leaders in various fields of endeavor, including members of Congress, other public officials and representatives of trade, industry and finance. Starting with this issue, we are privileged to print a partial list of the expressions that have been received. These are given herewith and others will appear in subsequent issues as conditions permit.—Editor.

HON. ROBERT A. TAFT
U. S. Senator from Ohio

My own opinion is that price fixing and rationing should be continued after the end of the war, unless the whole thing tapers off so gradually that when hostilities with Japan finally cease, conditions are reasonably normal. Undoubtedly there was a great inflation of prices after the first World War because of the haste with which controls were liquidated. On the other hand, I don't believe the period of control should be long, and I think it should have a definite termination. In addition to that, the Government should be inspired with the de-

Robert A. Taft

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"Fourth Branch" Of Government Democracy's Greatest Threat

Creation during the past decade of a "fourth branch" of government consisting of commissions and agencies which exercise legislative, executive and judicial functions was termed democracy's greatest threat by A. L. M. Wiggins, president of the American Bankers Association, in an address on Feb. 9 before the Mid-Winter Trust Conference of the Association.

"No more far-reaching change has taken place in our policy since the founding of the republic than the establishment and growth of the so-called fourth branch of government," Mr. Wiggins declared. "This is neither fish nor fowl nor beast. It is wholly outside the pale of the checks and balances provided in the Constitution by the separation of powers as between the legislative, the executive, and the judiciary. This fourth branch of government consists of commissions and agencies created through broad legislative grants of authority under which they make rules and regulations to accomplish the objectives of the general laws which gave them being. Their rules and regulations carry the same authority as the law itself. They not only make the rules, but they interpret and enforce them. There is a concentration of legislative, executive, and judicial power in a single body, against which there is little or no right of appeal except to the Congress itself. At a stroke of the pen new directives are issued, and the citizens must look to the Federal Register to dis-

A. L. M. Wiggins

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Are We In A Bear Or A Bull Market?

By GLENN G. MUNN*

It would be a dangerous situation if we all happened to be in agreement. These are days when it is almost unpatriotic if you don't believe that the war is going to last forever.

I am not going to say much about the market in connection with the war, because I admit that I don't know anything about it, although I know there is a relationship between the ending of the war and market prices. I am not even an imitation armchair strategist. Besides, we have on the program one speaker who is qualified to talk with some authority upon this matter.

Glenn G. Munn

I just want to leave this thought: that is, not to have any preconceptions about the forces of the war, because, as we have found out so far, things are very apt not to happen according to any pattern or precedent which might be set down based upon your own thinking or reading.

The recent battles in the Gilberts and the Marshalls illustrate this point. The Gilberts were taken with considerable difficulty. Some military analysts criticized the Navy for permitting such a loss of life at Tarawa. The Gilbert Islands had only been held since 1941, and we did not give the Japs very much time to fortify those islands. Yet they were taken

*An address delivered by Glenn Munn, Economist for Paine, Webber, Jackson & Curtis, at a meeting of the Association of Customers' Brokers on Feb. 8, 1944.

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D. MacKinnon, M. Ryan Are Ritchie Officers

D. A. MacKinnon

Mathew T. Ryan

Donald A. MacKinnon, head of the government bond department of J. A. Ritchie Co., Inc., 70 Pine Street, New York City, bank advisers, has been elected a vice president, effective February 15, 1944, according to announcement by J. A. Ritchie, president. Mr. MacKinnon, author of many articles on Governmental obligations, was formerly vice president of Bondex, Inc.

Matthew T. Ryan, who has been assistant secretary of the Empire Trust Company since January, 1942, will join the Ritchie organization as treasurer. Prior to that time Mr. Ryan was manager of the clearance department of Empire Trust Company, and from 1932 to 1936 he was head of the brokers clearance division of the Underwriters Trust Company.

NASD And SEC In Conflict Over Authority And Laws

Congress Should Amend And Clarify The Laws

By RAYMOND MURRAY

The conflicts arise over the right of the NASD to fine its members for violating the offering price agreement in the underwriting and initial distribution of securities. The case which brought on the conflicts was the Public Service of Indiana $38,000,000 bond issue of 1938. The association fined about seventy of its members for failure to live up to the price agreement in the initial distribution of these securities.

According to the NASD the proceedings began in 1941 and have been a matter of public record since March 1942. The Department of Justice has been interested in whether the underwriting agreement is in violation of the Sherman Anti-Trust Act. The SEC granted the Department the right to intervene December 27 but did not present the NASD with a copy until requested January 14th.

The NASD challenges the right of the Department of Justice to intervene, and also criticises the SEC for failure to notify the NASD until after the application had been granted.

The NASD says the Department of Justice did not fulfill the requirement of Rule XVII (A) of the Commission regarding intervention by government representatives or agencies, by showing legitimate interest in the case. The NASD says "We are familiar with no statute which authorizes the Department of Justice to appear as a party in any proceeding or in any forum. Where the Department of Justice may invoke intervention in appropriate forum, it is only on behalf, in the interest and in the name of the United States * * * (not) as some sort of an anomalous legal entity quite distinct from the United States."

Among other complaints the NASD questioned the right of the

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G. E. Hiscox Joins Shields & Co. Staff

(Special to The Financial Chronicle)

CHICAGO, ILL.—Giles Edward Hiscox has become associated with Shields & Company, 135 South La Salle Street. Mr. Hiscox was formerly with Rogers & Tracy, Inc. Prior thereto he was in business for himself in Chicago.

Sitzenstatter Joins Graham Parsons Staff

Norman J. Sitzenstatter is now in the corporate trading department of Graham, Parsons & Company, 14 Wall Street, New York City, members of the New York Stock Exchange. Mr. Sitzenstatter was formerly with James H. Acker & Company for many years.

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Where Is the Money Coming From?

Problems of Post-War Finance as Seen by Stuart Chase

By WILLIAM GARFIELD LIGHTBOWNE

Stuart Chase, widely known writer on economic subjects, has been making a study of post-war economic and financial problems for the Twentieth Century Fund, the results being published in a series of reports of which the third is now before us, titled: "Where Is the Money Coming From?" "After the war," says Mr. Chase, "America will need to maintain full employment, operate its industries at substantial capacity, provide the essentials of life for all its own citizens, and help foreign peoples who are starving and unable to pay for supplies. There will be a towering demand for a world delivered from chronic depression. **Where will the money come from?"** Mr. Chase's answer to this question is: "From the work of the people, and the work of their machines." He thinks the modern miracle of war production is teaching us that "whatever is physically possible is financially possible." The only thing we can **not** afford, he declares, is a great mass of unemployed workers.

Stuart Chase

It is fallacious, says the author, to judge the finances of a nation by the same standards one would apply to an individual. An individual may go bankrupt, but a nation can never be bankrupt so long as it has labor and resources. He points to the example of Germany, Italy, Japan and Russia to show that even nations near **financial** bankruptcy can carry out tremendous programs of industrial expansion and preparation for war by putting all their

(Continued on page 697)

Dealers Confident SEC Will Rescind NASD 5% Profit Rule

Advices received from Philadelphia as this issue of the "Chronicle" goes to press indicate that the SEC has not yet made known the action it contemplates taking with respect to the request of the New York Security Dealers Association that the Commission either abrogate the NASD's 5% profit limitation decree or call a hearing to enable the Association to enlarge on its contention that the decree is tantamount to a rule and cannot, therefore, become effective unless and until the membership approves it in the manner called for by the Maloney Act and the Association's by-laws. Other groups of dealers have withheld taking independent action in the matter because of their confident feeling that the SEC can arrive at only one conclusion—**that the decree is nothing more nor less than a rule, and abrogate it.**

The "Chronicle" feels it is most unfortunate that other Associations and dealer groups have taken this attitude and left the whole job up to the New York Security Dealers Association. All Associations (and groups of dealers) throughout the country should have followed the lead of this Association, and still should make formal demand on the SEC to nullify the rule.

It is interesting to note in passing that the "Chronicle" has received letters from a large number of Congressmen evincing interest in the 5% rule. Some requested copies of the letters on the subject which have appeared in these columns. All of which bears out the opinion the "Chronicle" previously expressed, i. e., that Congress will not sit back and see the little dealers destroyed and the market for the securities of small corporations impaired.

The Stock Market Outlook For 1944

By FRANCIS W. LA FARGE*

I intend to discuss recent developments in the stock market which seem to indicate that the major bullish trend has either been suspended for a while or may even have been reversed; the background for these recent developments, in relation to the stock market's attempt to duplicate the pattern of the first World War, and some of the reasons why the market may have chosen this particular time to suspend or reverse the major trend.

F. W. La Farge

When the stock market made a base at the end of November it was a quite clear-cut base but it was not of the type from which a new major upswing could be expected. Rather it was of the type from which a rally of roughly 10 to 15 points was indicated. It was not long after the base had been established that formations were created which indicated the probable minimum expectations on the rally.

The minimum expectation appeared to be a rise in the Dow Jones Industrial average to the 138-139 area, the maximum an advance to the 141-143 area. As we all know the high of the industrial average was made on January 5 at 138.65. Although that high may not be accepted as yet by everyone as the top of the recovery, the evidence currently at hand points so strongly in that direction as to be conclusive to this observer. If that is so, then the fact that the industrial average was able to attain only its minimum objective, despite noteable urging by the rails and utilities, becomes an extremely significant factor in appraising the outlook for 1944.

If there is one marked and consistent characteristic that the stock market has, it is the one of manifesting its fundamentally bullish or bearish trend by its ability to reach maximum objectives or its inability to reach more than minimum objectives. Thus, if the fundamental trend is bearish, intermediate declines can be counted upon to reach at least the maximum objectives and frequently run beyond them by modest amounts.

Intermediate advances in bull markets will perform in a similar manner. Advances or declines against the fundamental trend, however, attain only their minimum objectives. Recent examples are to be found on the bear side in the recovery in the summer of 1941, which reached its minimum objective of 130 but could not attain its maximum of 135 and on the bull side in the minor reaction of November, 1942, which did not even attain its minimum objective. The minimum objective of the advance that terminated last July was 135, the maximum 140-143. The maximum and the usual excess were obtained. The minimum objective of the last leg downward in the bear market, which ended in April, 1942, was 102, the maximum 90-95. The maximum was obtained. It is this extremely consistent habit of the market which attaches such considerable significance to the top of the recovery from the November 30 lows having been made in the 138-139 area and not in the 141-143 area.

This is not by any means the only argument for believing that the bullishness of the fundamental trend has been at least suspended for the time being and that it may have given away to a bearish trend. Probably most of the other arguments on the subject are familiar to you. Aside from the Dow Theory interpretation, which needs a decline below 129.57 for the industrial average and 31.50 for the rail average to become positively bearish, there is the length of the period of divergence between the industrial and rail

*An address delivered by Mr. La Farge, Market Analyst of Tri-Continental Corporation of this city, at a meeting of the Association of Customers' Brokers on Feb. 8, 1944.

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Advice On Bonds

Babson Favors Second Grade Issues

BABSON PARK, FLA.—I do not expect any near term change in present low interest rates. While Government financing continues to dominate the high grade investment field, top grade municipal, railroad, industrial and utility bonds will remain high in price and low in yield. In all probability medium grade issues will feature the bond market this year. Assuming that investors are buying their full quota of Government War Series bonds, particularly those of the Fourth War Loan drive now under way, what can they expect from issues outside the field of Governments?

Roger W. Babson

Municipals

The municipal bond market has been greatly reduced in volume since our entry into the war. Municipalities have been unable to obtain materials with which to make improvements. Normal construction for town and city requirements, usually financed by bond issues, has been at a standstill. Purchases of new fire fighting equipment, traffic signal systems and other safety devices have, likewise, been restricted. In addition to the difficulties in obtaining priorities, taxpayers have insisted that municipal spending be kept at a minimum. As a result many cities and states have built up substantial reserves, cut their indebtedness and improved their general fiscal position.

Institutional demand for municipals has fallen off sharply due to the greater attractiveness of Government bonds. To offset this there has been an increase in the purchases of municipals by individual investors. Higher tax rates have forced many wealthy investors into these bonds. Banks have also been increased buyers of municipals. Lack of new municipal issues, plus demand for bonds of this type, has resulted in very high prices. There has been some recession since last October, but

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Russ & Co. Admits West As Partner

SAN ANTONIO, TEX. — Russ and Company, Frost National Bank Building, announce that Charles L. West has been admitted to the firm as general partner in charge of the municipal bond department. Mr. West was formerly manager of the San Antonio office of Crummer & Company, Inc.

Doolittle, Schoellkopf To Admit Wm. Duryea

William M. Duryea, member of the New York Stock Exchange, will be admitted to partnership in Doolittle, Schoellkopf & Co., members of the Exchange, on March 1st. The firm maintains offices at Liberty Bank Building in Buffalo and 120 Broadway, New York City, as well as in Lockport, N. Y.

Attractive Situation

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

Wall Street Cashiers Get Slate For 1944

The Nominations Committee for The Cashiers' Association of Wall Street, Inc., of which Alvin H. Turton is Chairman, has presented its slate for officers, directors and Nominations Committee for 1944 as follows:

For President, M. Waldbillig, Halsey, Stuart & Co., Inc.; First Vice-President, Ralph Jones, E. H. Rollins & Sons, Inc.; Second Vice-President, Joseph F. Hughes, Blair & Co., Inc.; Secretary, Walter H. Stohl, H. L. Allen & Co.; Treasurer, Daniel Breitcart, F. Eberstadt & Co., Inc.

For directors: Fred W. Q. Birtwell, Joseph Costa, Leo P. Deignan, M. Leslie Denning, Thomas P. Keely, Thomas B. MacDonald and W. Vanek.

Nominations Committee: Ambrose J. Verlin, Chairman; Alfred G. Ernst and Frank J. Martin.

Other members of the 1943 Nominations Committee, in addition to Mr. Turton, are Harry D. Milbank and George J. DuBois.

Restoration Of Fiscal Sanity Nation's Primary Task: Bricker

Says Solution Of Post-War Debt And Employment Problem Demands Strict Adherence To Fiscal and Tax Policies Which Will Stimulate And Encourage Venture Capital And Private Enterprise — Confident Of Republican Victory In November And Avers That Principal Need Is Defeat Of New Deal Philosophy Of Government

Holds Balanced Federal Budget Will Create More Jobs Than Combined Government Projects And Calls For Legislation Prohibiting Strikes In Wartime—Blasts New Dealers "Compensatory Budget" And "We Owe It To Ourselves" Debt Theories

By JOHN W. BRICKER*

We meet tonight in memory of the immortal Lincoln, founder of the Republican Party. He personified the great common man. He glorified American opportunity. His spirit still lives in our party and we take inspiration from his life and service. Only history will fully reveal his great contribution to civilization. But we do know that he added immeasurably to the cause of freedom. His life was permeated with a deep and abiding faith in his fellowman. He believed that the Constitution and the foundation principles of the Republic were adequate in times of great stress and strain. He proved that under them our people could wage war and emerge free. Lincoln defined the function of government in these terms: "to lift artificial weights from all shoulders; to clear the paths of laudable pursuit for all; to afford all an unfettered start and a fair chance in the race of life."

John W. Bricker

A cleavage exists today in our country which is fraught with greater consequences to our future as a nation than at any time since Lincoln's day. That cleavage cuts across our political, economic and social life. The question confronting every individual citizen and every legislative leader may be simply stated. Shall government direct the lives of our people or shall it create conditions which will enable our people individually and hopefully to find their own way? Shall we continue our march toward absolutism or shall we preserve the free atmosphere which our people have breathed since our country was founded? Shall we maintain a great governmental structure to which we are servile or shall we establish conditions which will enable us to remain a great self-reliant people?

The New Deal has clearly presented these issues. From the days of the ill-starred NRA, our people have been bewildered and oppressed by the edicts and decrees of a power-seeking government, determined to become their master. Let not these issues be evaded. They must be presented to the American people. The Republican Party in the coming campaign will take its stand on a platform, "To afford all an unfettered start and a fair chance in the race of life." The Republican Party is the liberal party in America. The New Deal is reactionary. It reaches back for centuries to old world devices for extending its power and depriving people of their rights. We must win this war. We will win with honor. To win by avoiding the issues would be a hollow victory indeed for America. The New Deal is the American counterpart of the sweep of absolutism which has destroyed so

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*Speech made by Governor Bricker of Ohio in Washington, D. C., on Feb. 10, 1944.

New Deal "Incapable" And Peril To Labor Says Brotherhood Of Carpenters

The General Executive Board of the United Brotherhood of Carpenters and Joiners, AFL, at its annual meeting in Lakeland, Florida, on Feb. 13, adopted a statement on the coming Presidential campaign, and described the New Deal as "incapable" and led by "visionaries," said an Associated Press dispatch from Lakeland, Florida, which went on to say:

The statement, introduced by William L. Hutcheson, International President of the union and First Vice-President of the AFL, said that labor demanded from both national political parties a six-point program, as follows:

The preservation of free enterprise.

The abatement of bureaucracy.

The halt of paternalism.

The creation of post-war jobs through private industry.

The maintenance of labor's social gains.

The protection of our national interests.

Asserting that "labor wants a change" in the next election, the statement denounced the "over-all paternalism" of the New Deal as a "stealthy threat to the continued freedom of organized labor."

The statement also accused the Administration of playing a "mischievous game of politics" in the internal affairs of unions by pursuing policies which promoted division in labor ranks and maintaining "palace favorites" among labor leaders to whom it gave "breaks," while visiting reprisals upon union executives "who have refused to toe the Administration line."

NY Security Dealers To Hear Talman Of TWA At Annual Dinner

E. Lee Talman, Executive Vice-President of Transcontinental & Western Air, Inc., will address members and guests of the New York Security Dealers' Association tonight (Thursday) at the organization's 18th annual banquet, at the Hotel Waldorf-Astoria, it was announced by Frank Dunne, President of the group.

Mr. Talman, the first air transportation executive to be the Security Dealers' guest speaker, will discuss aviation's future and the war activity of the industry. His address will be broadcast over station WHN from 10 p.m. to 10:30 p.m.

Mr. Talman has been Executive Vice-President of TWA since January, 1943. He joined the airline in 1939 as Treasurer and was elected a Vice-President and a Director in October of that year. Prior to his TWA affiliation, Mr. Talman was President of Industrial Supplies, Inc., an affiliated company of Calloway Mills, one of the largest cotton mills in the United States, and previous to that connection was Assistant Treasurer of the Bendix Corporation.

Other speakers scheduled for the dinner are: Herbert Allen, of Allen & Co., who will introduce Frank Dunne, Dunne & Co., President of the Assn., as toastmaster; Lt. Jack M. Smith, U. S. Army, recently returned from overseas; Perry E. Hall, partner in Morgan Stanley & Co. and co-Chairman of the Finance Division of the American Red Cross; Commander Edward B. Harp, U. S. N., who served aboard the U. S. S. Hornet from its commissioning in October, 1941, to its sinking.

Blinn Vice-President Of Publicker Alcohol

Charles P. Blinn, Jr., retired Executive Vice-President and director of the Philadelphia National Bank, has been appointed Vice-President in charge of finance of the Publicker Commercial Alcohol Co. of Philadelphia.

Chas. P. Blinn, Jr.

Attractive Situation

Capital stock of Pollak Manufacturing offers interesting possibilities, according to a detailed discussion of the situation prepared by Raymond & Co., 148 State Street, Boston, Mass. Copies of this study may be had upon request from Raymond & Co.

Real Estate Securities

(Editor's Note: Attention is called to the fact that although a portion of last week's column dealt with developments concerning the General Motors loft building on 57th St., New York City, the article inadvertently mentioned the Broadway Motors Building as the subject of the discussion.)

It is doubtful if the destruction of equities brought about by the depression of the thirties had anywhere a more disastrous effect than in the real estate field. Millions of dollars invested in equities in prime properties were wiped out entirely.

United States Realty and Improvement Co. felt the full impact of this destructive deflation and was one to suffer most heavily. At the end of 1929 this favorite among real estate owning companies had assets valued at over $125,000,000, and capital and surplus of over $60,000,000. A generous dividend payer, for several years prior to 1929 its distributions to stockholders averaged over $3,000,000 annually. On Feb. 1, 1944, it filed a petition in the Federal Court of the Southern District of New York for reorganization under Chapter X of the Bankruptcy Act.

The immediate cause was the failure of the company to meet the maturity on January 1 of $1,943,500 of its own 6% debentures and of Fuller Building (G. A. F. Realty) 6% debentures which had been assumed by it. On November 23 a voluntary plan for extension had been submitted to holders, but it is understood that holders of less than 50% of the debentures had accepted the plan up to the date of initiation of reorganization proceedings.

However, the market action of these debentures since filing of the petition seems to indicate recognition of the intrinsic values back of them, and the confidence that they ultimately will be paid in full.

A study of the position of the company furnishes a basis for this confidence. Assets, represented by cash, mortgages, and real estate equities are substantial. These debentures are the only direct obligations of the company, excepting for mortgages on specific properties and current liabilities, which are nominal. There is, however, a large contingent liability in its guaranty of the principal and interest of Trinity Buildings 3-5% first mortgage bonds due in 1949, of which $3,708,500 are outstanding.

On Dec. 31, 1943 the company had cash and U. S. Treasury bonds amounting to $1,149,109, equivalent to $586 per $1,000 principal amount of debentures outstanding. Net working capital (exclusive of maturing debt and accrued interest thereon) amounted to $1,159,359.

Principal real estate assets are the Whitehall, Trinity and U. S. Realty Buildings, in down town New York, and the Lawyers' Building in Boston. These properties are assessed for $15,525,000, and have mortgages outstanding against them aggregating $6,853,-602. The mortgage on the most profitable building, the Whitehall, is only $2,575,000. This building is fully rented and has a waiting list.

Gross revenue of these properties in 1942 was $1,795,000, and net after operating costs and taxes but before interest or depreciation was $397,000. Operating results for 1943 probably were somewhat better, and the company has estimated gross revenue for 1944 at $1,900,000. The Trinity Buildings failed to earn operating costs and taxes in 1942 and 1943, but with only 75% occupancy at the year end, it is understood that anticipated leases indicate a substantial improvement in the results for the current year. The lower New York area is already experiencing a shortage of available vacant space.

The largest mortgage investment is the Hotel Breslin, Broadway and 29th Street, New York, in the amount of $510,000, which is being amortized at the rate of $10,000 per year. Stock in the Stevens Hotel Corporation in Chicago, now being liquidated, is valued at $50-65,000, and $165,000 principal amount of bonds of Hotel Savoy-Plaza in New York have a current market value of $65-75,000.

The Debenture Holders Committee has stated its intention to press for a speedy reorganization, and this apparently is also the desire of the company. The first problem to be solved in the reorganization proceedings would appear to be the guaranty on the Trinity Buildings bonds. If this can be solved satisfactorily, it is believed that the debenture issues can be expeditiously arranged. Considering the substantial cash position of the company, it is not improbable that it could then raise sufficient funds to pay off the debentures at face value without sacrificing the assets of the company.

The Debenture Holders Committee has stated its belief that this can be done. Meanwhile, the committee has petitioned the Court to permit the payment of the interest due January 1.

Peace Talks Between Russia And Finland Reported—U. S. Denies Intervention

From Stockholm Feb. 15 it was reported by the Associated Press that indirect contact had been established between Russian and Finnish quarters for preliminary peace feelers; this report was credited to "unofficial but highly reliable Finnish sources" it was stated. It was considered possible that other parties, such as Americans or Swedes, acted as messengers, according to the Stockholm advices from which we quote, which also had the following to say.

According to this information, the Russians had sought openly to inform themselves as to just what the Finns were up to in the current peace maneuvers. The Finns replied they really were ready to "talk turkey," although naturally no details, such as conditions, were mentioned.

A Russian individual and a Finn are said to have met, but if this is true it is certain that neither was an official.

The one discordant note of the last 24 hours is what now appears to be a Finnish Foreign Office disavowal of a broadcast by Juho Eljas Erkko, former Finnish Foreign Minister, in which Erkko said Finland was considering every possible way to find a road to peace. The Foreign Office, it is reported, asserted that Erkko broadcast nothing but his private views.

Mr. Erkko, understandably, has not desired to comment. But this correspondent has unimpeachable information that the Foreign Office approved every word of the broadcast.

(A qualified but unofficial source at London said Russia had intimated willingness to maintain the Karelian Isthmus frontier fixed by the 1940 Russo-Finnish peace settlement and to give up the lease to the Hangoe naval base on the Gulf of Finland which Russia obtained then, The Associated Press reported.

It was said, however, that Russia wished to obtain the Finnish Arctic port of Petsamo and "elimination or liquidation" of the German troops now in Finland and to place Russian garrisons in any Finnish bases needed for the war against Germany.)

A special dispatch from Washington Feb. 15 to the New York "Times" stated:

The activities taking place in Stockholm, Sweden, possibly looking to a basis for peace discussions between Finland and the Soviet Union, naturally are being watched here with interest, it was said today in authoritative circles, but it was insisted that no more is known about them here through official channels than has appeared in the press.

Reports were denied that this Government had assisted in preparing the way for these activities or had been informed in advance of them.

While it was admitted that the atmosphere had changed so that Secretary of State Cordell Hull's recent warning to Finland about getting out of the war had more force than on previous occasions during the past two years, it was said that no particular incident was the occasion of the warning.

The United States, it was explained, was changing charge d'affaires in Helsinki and set forth to the new charge, Edmund A. Gullion, the attitude of this Government. He was authorized to state this attitude to the Finnish Government at any time in his discretion. He did so when he was first received by the Foreign Office.

The former charge d'affaires in Helsinki, Robert M. McClintock, was transferred to the legation in Stockholm in ordinary course because he was due for a change of post, it was said.

Prime Minister Churchill was reported on Feb. 15 to have replied to Premier Stalin's recent letter on the Soviet-Polish dispute, said Associated Press accounts from London published in the New York "Herald Tribune" Feb. 16, in which it was also stated: "While there was no indication what he said, it was known that he talked with Polish Premier Stanislaw Mikolajczyk and Foreign Minister Tadeusz Romer before framing the answer, and a public statement is expected in his next appearance before the House of Commons.

"Mikolajczyk has postponed his projected visit to Washington, it was announced.

"It was also understood there had been an exchange of views between President Roosevelt and Stalin, with the United States inclined to support the British."

John F. Keane Joins Delafield & Delafield

Delafield & Delafield, 14 Wall Street, New York City, Members of the New York Stock Exchange and specialists in investment management, announce that John F. Keane, formerly associated with the Guaranty Trust Company and later with Calvin Bullock, investment managers, had joined the firm's investment advisory staff.

Mr. Keane, a lieutenant in the U. S. Field Artillery in World War I, graduated from Harvard College in the class of 1921 and from Harvard Business School. In 1924 and 1925 he was head of the statistical department of the Guaranty Company of New York. He devoted the next eleven years to the financing and engineering of new products and to related research. Mr. Keane became associated with Calvin Bullock in 1937, resigning from that firm last year to serve with the War Department in contract renegotiation, which work he has now concluded.

Twin City Traders To Hold Annual Dinner

MINNEAPOLIS, MINN. — The annual mid-winter dinner of the Twin City Bond Traders Club will be held at the Covered Wagon, Minneapolis, on Thursday evening February 24, 1944. The entertainment committee consists of Chas. J. Rieger, Jamieson & Co., Minneapolis; Robert M. Rice, R. M. Rice, Minneapolis; and Robert McNaghten, Williams-McNaghten Co., Minneapolis.

The officers of the Club are:

Maynard W. Rue, J. M. Dain & Co., President.

Paul Matsche, Paine, Webber, Jackson & Curtis, Vice President.

O. M. Bergman, Allison-Williams Company, Secretary.

Jack Talbot, Northwestern National Bank, Treasurer.

The National Committeeman is George V. Jackish, Harris-Upham & Company.

All traders are invited to attend this dinner.

Good Post-War Outlook

Common stock of Buckey Incubator Company is an interesting stock with a good post-war outlook, according to a circular issued by Taussig, Day & Company, Inc., 406 Olive Street, St. Louis, Mo., members of the St. Louis Stock Exchange. Copies of this circular discussing the situation in detail may be had from Taussig, Day & Company on request.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Individual stocks still disregard general market trend. Issues reflecting domestic picture continue to act well. Elimination of tax bill and War Bond drive may give market momentum.

The market is still marking time refusing to indicate the direction of the next move. The rails, apparently untouched by whatever the rest of the market seems concerned with, have already bid the industrials goodby, and are reaching old highs. Sticking close to the rails is the rail equipment group, which has also begun inching up to what were once offering levels. But with the exception of various specialties the rest of the market continues unmoved by the activities in other portions of the list, and either does nothing or seems to be looking for lower levels. This search for lower levels, however, seems so well advertised that there is hardly anybody in the Street who doesn't feel a decline of some sort is in the making. The only difference of opinion is in the depth and the timing of the decline. This unanimity is in itself a favorable sign. That is, favorable to the bull side.

* * *

Every now and then a market widely followed by the rank and file acts according to popular opinion. When this happens the subsequent move—up or down—is usu-

(Continued on page 706)

Railroad Securities

All of the securities of Seaboard Air Line have been particularly prominent in recent weeks, and at sharply advancing prices. For one thing, there is a growing feeling of confidence that there will not be any serious legal difficulties in the path of consummation of the plan. Two of the three months allowed to file objections and appeal the findings of the Federal District Court in approving the plan have already passed.

If there is a considerable degree of agreement among bondholders approving the plan, the factor of timing favors receivership proceedings (Seaboard is in equity receivership) over Section 77 proceedings by a wide margin. By its very nature, with actual property values established by foreclosure sale, equity receivership does not lend itself to the interminable legal delays such as have characterized Section 77 actions. Once a plan has the support of any substantial majority of the bondholders (and plans are not approved in equity receiverships unless there is evidence of fairly general accord) the remaining steps are more or less mechanical. If no unforeseen objections to the plan develop, therefore, it is considered entirely possible that the Seaboard reorganization could be consummated late this year or early in 1945.

In the meantime, reorganization managers have already started the ball rolling by filing applications with the I. C. C. for approval of the new securities and for permission to solicit deposits of bonds in assent to the plan. When-issued trading in the new securities could be started immediately on I. C. C. approval of the new securities or may be held up until arbitragers have had an opportunity to determine how well assents to the plan were coming in. Considering the favorable time element, it is almost certain that arbitrage spreads will be narrower than prevail initially in Section 77 reorganizations. Arbitrage spreads in the more distant Section 77 reorganizations are now running around 20% to 25% so that the early spread in Seaboard arbitrages might be around 10%.

Aside from the question of timing, Seaboard securities have benefited from the road's still ample finances, engendering hopes that if the plan is not consummated until next year there may be further debt reductions through tenders or otherwise, and from a growing enthusiasm towards the outlook for Florida and the rest of the Seaboard territory in the post-war economy. With respect to the first of the above considerations, the plan as approved by the court specifically provides for the use of growing cash balances in the event of reorganization delays. The benefits from such cash are to be apportioned among all series of bonds in the same relationship as was used in arriving at allocations of securities under the plan. The possibility of excess cash of perhaps as much as $20,000,000 by the end of 1944 adds materially to the speculative appeal of the various bonds.

In point of the company's earnings status, there is fairly general agreement that the end of the war in Europe will bring an almost immediate and fairly sharp drop in traffic and revenues. A large share of the passenger business will almost certainly be lost as soon as the tight situation in gasoline and tires is relieved. A lot of the Army and Navy camp business may be lost even before the war is over. Finally, relief of the shipping shortage will bring resumption of important competition. Nevertheless, it is considered that even with these losses Seaboard will emerge into the post-war years on a traffic and earnings base materially higher than it enjoyed before the war.

There will be a resurgence of vacation business in Florida. Florida and other sections of the service area have experienced considerable permanent industrial expansion, which was not strictly a war development and which is considered as a permanent trend. Finally, the Miami section is believed to be on the treshhold of a major boom as the air-line capital of the southeast, and one of the most important air line terminals and ports-of-entry in the country. While the air lines are naturally competitive with Seaboard for some of the passenger business that will be moving through the center, the expansion of Miami will be far more important than any additional long term passenger losses could possibly be.

With this background many rail men feel that early when-issued prices for new Seaboard securities might run around 100 for the 1st 4s, 65, for the new Incomes, 45 for the preferred and 15 for the common. On such a basis the old 1st 4s, 1950, would be worth 85⅝ and the Consolidated 6s, 1945, around 52⅞. With a 10% arbitrage spread the old bonds should then sell at 77⅝ and 48, respectively.

Syracuse Bond Club Elects New Officers

SYRACUSE, N. Y. — At the Annual Meting of the Bond Club of Syracuse, the following officers and governors were elected for the year 1944:

President: Beverley H. Lapham, B. H. Lapham and Company.

Vice - President: Wesley M. Bishop, R. H. Johnson and Co.

Secretary: William L. Marsh, Cohu and Torrey.

Treasurer: Alvin G. Hageman, Syracuse Savings Bank.

Governors for two years: Donald D. Dietzer, Central Republic Co., Inc. Don. S. Willoughby, Barrett Herrick and Co., Inc.

Governor for one year: Ernest M. Cummings, George D. B. Bonbright and Co.

James Schmaltz With Clement, Curtis Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — James J. Schmaltz, member of the Chicago Stock Exchange, has become associated with Clement, Curtis & Co., 134 South La Salle Street, members of the New York and Chicago Stock Exchanges and other exchanges. Mr. Schmaltz has been active as an individual floor broker in Chicago for a number of years.

F. L. Free Forming Own Firm In New York

Frederick L. Free is forming Frederick L. Free & Co., in partnership with Dorothy A. Free, to conduct an investment business from offices at 19 Rector St., New York City. Mr. Free has been a partner in Frazier, Free & Co. since its formation in 1936 and prior thereto was a partner in Frederick L. Free & Co. and Kennedy, Free & Co.

Pittsburgh Rys. Look Good

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

Public Utility Securities

SEC Utility Program May Take Some Years To Complete

The SEC in its recent annual report to Congress indicated that because of the large amount of ground work now completed, progress would be rapid from this point on in completing the breakup of the holding companies. It may be of interest to summarize the progress made to date with some of the larger systems, so far as the public records indicate.

Electric Bond & Share is not only the largest electric holding company—with system assets exceeding $3 billion—but the problems involved with respect to Section 11 are probably the most numerous and complex of those faced by any system. Including the top company itself, there are seven holding companies, each with its own problems; while many of the operating companies also face regulatory problems with respect to plant write-offs.

American & Foreign Power recently obtained SEC sanction for the refunding of its debt to EBS at a low interest rate. This will aid the position of the second preferred stock, but a thoroughgoing reorganization plan remains to be worked out. Fortunately, the company does not face any "integration" problem since its foreign subsidiaries are outside SEC jurisdiction.

American Gas & Electric (not closely affiliated but technically an EBS subsidiary) does not have any recapitalization problems, as its present set-up is very conservative, but eventually it probably will have to sell Atlantic City Electric and Scranton Electric. Proceeds would presumably be used either to acquire Debenture 3¾s or buy new properties which would fit into the system.

Electric Power & Light and its sub-holding company United Gas have been working with the commission for several years on a refunding program. Apparently the solution is in sight, but until there is definite official word doubt remains as to the progress accomplished—the Street has been disappointed several times in the past. Once UNT's problems are settled, EL can proceed with its own recapitalization. Meanwhile, some other subsidiaries are straightening out their problems and expect to do some important refunding this year.

National Power & Light recently thought that it was approaching a final settlement of its problems, but the SEC now wants the stocks of the Carolina and Birmingham subsidiaries sold instead of being distributed to National's stockholders—the proceeds being used to "sweeten" Pennsylvania Power & Light's capital structure. Accordingly, there will be further delays before National is wound up.

American Power & Light is trying to retire its bonds but holders are reluctant to part with them. Unless the SEC will permit bonds to be called at the redemption price—a step it has been loathe to take, though it has allowed premiums in this and one or two other cases—delays will continue. American has proposed a stock recapitalization on a ninety-ten percentage basis, but there has been no decision yet.

Electric Bond & Share is trying to buy in its own preferred but is making slow progress. Thus on the face of it the overall EBS program seems only about 10% to 20% completed—though it may be further along in the files of the SEC.

United Gas Improvement, when it distributes Delaware Power & Light stock in May, will have completed a very substantial part of its program. However, its holding company, United Corp. Preferred, still has some problems to solve before it can escape SEC jurisdiction and become an investment trust. Another affiliated holding company, Public Service Corp. of N. J., has barely made a beginning toward solving its problems.

Niagara Hudson has had an ambitious merger - recapitalization program before the New York State Commission and the SEC, but this was recently "thrown out" by the local Commission and must be revamped. Meanwhile, preferred stockholders of a subholding company have appealed to the SEC for a separate organization so they can get dividends.

American Water Works, whose plan was approved by the SEC some six years ago, has thus far carried out only minor steps in the program. Cities Service Company after one or two ineffectual attempts to develop a program for its Power & Light subsidiary, has now gone to work in earnest, but a vast amount of work still remains to be done, and only a few details of the over-all plan have yet been divulged—such as the proposal to retire all P. & L. bonds and preferred stock.

Commonwealth & Southern is changing its recap plan, but the Commission hasn't passed on it yet. Even with this accomplished, a considerable amount of work will remain to settle final disposition of system assets.

Standard Gas & Electric, after one or two attempts to whittle down its funded debt, has proposed to pay bondholders half in cash and half in securities; but the bondholders are not satisfied, they would rather have all cash. The system still has a long way to travel before it can conform to Section 11.

North American Company presented an elaborate plan to the Commission about six months ago, but no decision has been rendered. Some progress has been made, however, in straightening out the affairs of Illinois Power, an indirect subsidiary. Another intricate problem, distribution of the assets of North American Light & Power, remains to be settled.

Engineers Public Service is trying to add to its system by purchasing Virginia Public Service, but local protests may delay the program, and numerous other system problems remain unsolved. Associated Gas & Electric is taking a number of steps to solve its problems, but a vast amount of work remains to be done. United Light & Power has been ready to dissolve for about two years or more, but is still held up by technicalities. The sub-holding company United Light & Railways will still have a lot of work to do. Middle West has many important subsidiary problems to work out.

While we have not called the complete roll of the holding companies, it is evident that, despite the more rapid rate of progress in the past year, the SEC and the companies are only now "beginning to get down to cases." At the present rate of speed, and allowing for court appeals, the program may take another five to ten years finally to wind up, it is conjectured.

The Illusion Of The War Boom

(Continued from first page)

he—as it is the rule in modern times—exchanges for goods produced by others. Activity in war time is only partially for civilian consumption. The other part—and in some countries at war the overwhelming part—is for war purposes. This purpose can be much more important for the sake of the survival of the community than private consumption. Nevertheless, in a private economy in which goods are produced because the producer ultimately wants to enjoy the results of his effort, war activity is not and cannot be called a productive activity. From a strictly economic point of view, it means being busy, struggling, making efforts, even if and just when these efforts are very hard. In a rich country, as the United States, where the standard of living is high in spite of war production, these facts are not so easily recognized. But an investigation, for instance, into the German war economy shows what war activity really means in an economic sense: There the population is, on the one hand, forced to work so hard and so long, and is, on the other hand, so curtailed in its consumption that a state of forced labor has developed. For it is forced labor if one squeezes out of the worker as much as he can stand without breaking down completely, without leaving him time for leisure, recreation, and pleasure, and gives him only the minimum of food, indispensable for mere existence. War production means that people do not work for their own well-being but for collective purposes, even if for very important ones. Thus admiring the war boom and war production, actually means admiring production for collective purposes.

Such a system taken over into peace time and made the backbone of peace time economy would mean that the individual would no longer have the right to decide if, what and how much he wants to consume and how much work he is inclined to put into the satisfaction of his needs. This would mean that a communist instead of a free economy has developed.

War Work Is Not Paid For

A further illusion which leads to an admiration of the war boom is created by the fact that everybody earns plenty of money and seems to be well paid. But in fact this is just an illusion. As far as the community works for the war effort and not for civilian consumption, the community as a whole does not receive payment. It is true that payment for war work, not spent on civilian consumption, does not evaporate but piles up in the form of savings in the accounts or in the pockets of the individuals. Nevertheless, for the community as a whole, these savings are not existent so that the work through which they have been made, was done unpaid and for nothing. The reason is very simple. As it is well known, Professor Hansen and his followers state that a governmental debt internally held is no debt at all because every new governmental debt is compensated by a new claim against the Government in the hands of the population so that, on the balance, the community has not become poorer. The argument which tries to prove the non-existence of a governmental debt can, however, also be used—and more correctly—to prove the non-existence of claims against the Government, if these claims are internally held. In fact every new war bond held by a member of the community increases the national debt for which the community finally has to stand up. The work put into the war effort is not paid for. It is done free of charge. Never will the community as a whole receive payment for it.

Thus to recommend that the war boom pattern should be continued in peace time means to advocate a national economy in which a good deal of the work is permanently done without payment. Work without payment again is a characteristic of a communist and not of a free economy.

Wars Do Not Create Wealth

One of the reasons why people feel so comfortable during a war boom is that everybody seems to become wealthier. However, this increasing wealth, too, is an illusion. Wars do not enhance the wealth of nations, on the contrary, they diminish it, at least in those less fortunate countries in which the natural supplies are limited and become exhausted through the war, and in which equipment is seriously run down. Why is it that in contrast to former times, the impoverishing, at least the not enriching, effect of the war is overlooked so often nowadays? Formerly, the population contributed to the conduct of the war by providing horses, weapons, etc., and this without compensation, especially when the citizens went to war with their own equipment. Nowadays, every contribution is paid for, and the total amount of all payments—as far as they are not taxed away—remains with the community in the form of governmental war bonds. The illusion of the enriching power of modern wars is created by the fact that every individual counts his bonded claims against the Government among his assets, whereas he forgets that as a member of the community he is liable for the Government's debts. Therefore, financing wars by taxation always meets more resistance than financing by loans. Both methods lead to the same result: Purchasing power is drawn away from the individual whose consumption is curtailed in favor of the war effort. This is why also in the case of financing through loans, it is really the present and not the future which carries the burden of the war. Not the burden, but the question who ultimately has to be taxed for it, is deferred into the future and everybody thinks it will not be he but the other fellow who will have to pay for what he himself has received. Hence the popular misconception that in the case of the loan it is not the present but the future generation which has to bear the burden of war. The burden is carried by the present generation which, however, is mostly not aware of it.

Again we see that the war boom is nothing desirable in the long run. It means feverish activity with the result not of increasing but of stagnating, or even decreasing wealth.

Governmental Debts, Too, Have to Be Paid One Day

The illusion of the wealth growing during war time has one of its roots in another fallacy, the fallacy that neither interest nor amortization on governmental bonds have ever to be met through taxation. Some of Keynes' more radical followers in this country share this illusion. They assume that Government obligations can ever again be met by issuing new governmental bonds. If this were correct, then indeed a large and increasing governmental debt would mean large and increasing wealth; on the one hand, the community would have billions of new assets for which, on the other hand, nobody would ever have to stand up.

Experience proves that the perpetually increasing debt is an illusion. No government conscious of its responsibility has ever relied on the alleged ability of the public to swallow every amount of new governmental bonds. Diminishing the governmental debt in peace times in order to be prepared for the increased needs of war times has always been the aim of government. It has been felt that there is a limit to government borrowing, because at a certain point the public repudiates new loans; then the deficit has to be met by printing paper money, i. e., open inflation. Throughout history this has happened every time when a government debt grew beyond the economic capacity of a country, e. g. in the French Revolution with its famous methods of borrowing. A more recent example seems to be Fascist Italy and her methods of financing the war. Although her national economy was under the strictest control, it was—according to a report by Badoglio's first Minister of Finance—in such a state even before the Allied invasion that the public refused to take over further governmental debts and the Government had to resort to open inflation.

Therefore he who advocates perpetuation of the war boom, or rather the methods through which the war boom is financed, through peace times, stands for a policy which may lead to the destruction of government credit and ultimately run-away inflation.

What a War Boom Really Proves

Feverish activities during a war boom do not prove that full employment can be created in peace time for any length of time through governmental spending—at least not if the economy is supposed to remain a private-capitalist one. It simply proves that any amount of activity, limited only by physical possibilities, can be incited under two conditions: (a) that production is carried on for collective purposes and not for the markets and that the individual is no longer free to decide what and how many goods they want to consume; (b) that this production is carried on through individuals who, out of the reasons explained above, work partially free of charge and who are no longer free to decide whether they want to work under such conditions. It is self-evident that work, done by people who cannot refuse production for people who cannot refuse consumption can go on without interruption. Here lies the explanation why unemployment does not exist in a communist economy. But an economy which perpetuates this method into peace time and makes it the deciding factor for its working, is no longer a private capitalist economy.

There is only one legitimate means of increasing employment in such an economy, namely by inciting the enlargement of existing and the establishment of new enterprises. This can be achieved by creating conditions under which new investments seem to be profitable.

It may be difficult to create such conditions because of certain maladjustments in important cost factors which have developed in this country. Nevertheless, there is no other way out than to try to remove these maladjustments. Therefore, the endeavor to counterbalance existing maladjustments through governmental spending—not during short transitory periods, but in the long run—will lead to disappointment. This is elementary. But it seems, that sometimes elementary things have to be said.

Where's The Money Coming From?

(Continued from page 691)

people to work and increasing their production to the limits of physical capacity. The material wealth thus created furnishes the basis for the necessary financing.

The Dollar Circuit

Mr. Chase views our economic system as a "dollar circuit." So long as the dollars keep moving about the circuit, we have prosperity, and full employment and production can be maintained. But if the circuit is broken at any point—if part of the dollars paid out in the course of production are immobilized or withdrawn from circulation—then inventories begin to pile up, labor is disemployed, and depression sets in. "When everyone has a job, the dollar circuit is functioning satisfactorily and it is unwise to monkey with it. But severe and chronic unemployment is prima facie evidence that the circuit is broken. Energetic and specific steps must then be taken to close it, or the whole machine will presently fall apart, as it did when the American banks shut their doors in 1933. Never again can a modern state afford to wait, as we waited from 1929 to 1933, for some unknown god from some unknown machine to come and save us."

The break in the dollar circuit comes when the rate of saving exceeds the rate of investment. In normal times the American people save approximately 15 to 20% of their income. As long as these savings are promptly reinvested in new enterprises, or in expansion of older industries, the circuit is kept closed. But when for any reason the rate of investment falls off, a gap is opened in the dollar circuit which, if long continued, undermines the whole industrial structure.

While insisting that we should keep as much of our free enterprise system as possible, Mr. Chase maintains that government should always be ready to step in to keep things moving when a rising unemployment rate indicates that the dollar circuit is failing. He calls this a "compensatory economy." "In a compensatory economy," he says, "the state is responsible for full employment and social security. It is guided and checked by the measuring rod of a regular count of the unemployed. It relies heavily on taxation to keep the dollar circuit in active motion."

"If savings are not promptly invested in productive work, trouble begins." Therefore, when private investment lags, the government must restore activity by increasing the rate of "public investment," taxing idle dollars, if necessary to secure the funds. Mr. Chase flirts with the idea of "dated money" to prevent the accumulation of idle funds, but concludes that taxing of bank balances might be a simpler method.

Government Spending

The author emphasizes the danger of inflation if we "pump new dollars into the system faster than goods are being produced." "It is at this point that sober citizens protest most vigorously against 'government spending,' and with good reason. A government which makes a practice of printing money to offset savings is bound to land in a runaway inflation." But Chase insists that there are different kinds of government spending. "Criticism should be leveled at a particular kind of government spending, not at all government spending as such. . . . The men in government, after all, are responsible for keeping the community afloat.

"The government does not necessarily have to print money. Instead, it can go after the frozen money already in the system. If it taxes idle savings back into the stream of spending, there is no creation of new dollars, no increase in debt, no danger of inflation. . . .

"Again, if the government prints money and gives it to workers for producing, say, a Boulder Dam, the danger is reduced, for the new dollars are backed with new wealth, just as they are when new bank money is spent for private construction. . . . Only if public works projects are useless in generating future activity, while forcing up the national debt year after year, can the procedure be condemned out of hand. Dams, highways, schools, hospitals, and the like, open new opportunities for permanent employment and new opportunities for private investment."

The National Debt

Mr. Chase's attitude toward the national debt may be judged from the following pertinent quotations:

"The national debt is at the same time an investment by citizens. . . . Most creditors do not want it paid off. Where would they find a safer place for their money?"

"If the national debt is all internal, as ours is, the nation can hardly go bankrupt. The American people are on both sides of the balance sheet. . . . The only way a large nation can go bankrupt today is to run out of men or materials."

"There is no compelling reason why an internal debt should be paid off completely. . . . At certain times, when full employment has been reached and inflation threatens, it is advisable to retire some of the debt."

"If private long-term investment declines, public investment must increase, or idle savings will cripple the system. This is axiomatic in an economy such as ours. It works both ways: if opportunities to invest in private debt or equities increase, then the public debt can be retired to a like extent. The savers have another outlet for their funds."

"The principal of the debt is less important than the interest charges. A debt of $300 billions at 2% would be no more difficult to bear than one of $100 billions at 6%."

"The payment of interest by the government does not decrease the nation's purchasing power. True, the government cannot spend this money, but those who receive the interest can. . . . War bonds should be distributed as widely as possible. If they land up in great blocks in the safes of the well-to-do, then . . . the problem of idle money immediately arises. There is also the danger of idle money in the case of savings banks, life insurance companies, and other institutional holders of government securities."

"Government debt per se is not the cause of inflation. If the economy is on part time, an increase in debt cannot cause general inflation until full employment is reached. Then beware! That is why increases in the debt today are inflationary, while in 1934 they were not."

Different Kinds of Debt

"Broadly speaking, there are three kinds of public debt: **Dead-weight debt**, for which no useful plant is built. . . . **Passive debt**, for non-revenue-producing public works. . . . **Active debt**, for revenue-producing public works. . . . The Swedish government uses a form of federal budget which gives validity to these important distinctions. It indicates what must be collected in taxes to achieve a true balance. Self-liquidating projects in the **active** class are kept outside the budget entirely, unless they show losses. Projects in the **passive debt** are gradually amortized over the life of the asset. . . . A budget of the Swedish type is 'balanced' when taxes are large enough to cover all operating expenses, all interest, **and amortization on the passive debt.** Such a budget will inevitably go out of balance in deep depressions, but will show a surplus in prosperous years. It should always balance over a five- to ten-year period. It tells the nation exactly where it stands financially."

Mr. Chase thinks that a debt of $300 billions can be borne, provided we keep our national production high enough, but that "any ideas about paying off $300 billions in short order must be quite definitely laid aside," and we shall undoubtedly have to accept a moderately higher price structure as a means of easing the burden of the debt. "We must use the tax structure and the debt, if necessary, to keep the national income high. If the national income falls precipitately, the debt will presently become unmanageable. . . . We are like a Flying Fortress which must maintain a given speed, or crash."

As to Social Security, Mr. Chase thinks that that has become definitely a function of society. "Security for every American, based upon personal savings and investment, is utterly impossible. If each of us over ten years of age had a nest-egg of $10,000 in bonds, the resulting debt would be a trillion dollars—a figure to make even the war debt look like small change."

As to the future of business and of free enterprise, the author ventures the following prediction:

"As a matter of historical fact, most encroachments by the state have come in the financial department. Increasingly the government has taken over functions of banking, credit, social insurance, stock market regulation, the redistribution of income. Except in Russia there has been little advance by the state into ownership and operation of the means of production.

"With eyes on the trend curve, my guess would be that businessmen who devote themselves to producing physical goods and services are not going to be hampered much in that praiseworthy undertaking. Plenty of profitable opportunity awaits them in the coming years. They have a huge place in a compensatory economy. But businessmen who devote themselves to the creation of dizzy financial structures, to making money by manipulating money, are likely to find slimmer and slimmer pickings. This area is rapidly being invaded by the public interest and the stars indicate no retreat. . . .

"A compensatory economy is certainly the only practicable hope of those who want a maximum of free enterprise. If even this seems to imply too much government interference, listen to the warning of Sir George Schuster, one of Britain's foremost businessmen:

"'We must have some measure of government control over the nation's commerce after the war. If each business seeks to run its own affairs according to its own single interest, I see little hope of avoiding rigid state control at every point. . . . The main problem is achieving a balance between the organizing power of the state, and the driving force of the free individual.'"

Bradford W. Shaw Now Swift, Henke Partner

CHICAGO, ILL.—Bradford W. Shaw has become associated with Swift, Henke & Co., 135 South La Salle St., members of the Chicago Stock Exchange, as a general partner, it is announced. Mr. Shaw has recently been manager of the trading department of Blair, Bonner & Co. and has been on La Salle Street since 1922. He is well known in the investment field and is a member of the Bond Traders Club and the Bond Club of Chicago. Swift, Henke & Co. are members of the Chicago Stock Exchange. Other partners include Charles Swift, Louis C. Henke, Harold Blumenthal, George B. Benson and James W. Steffes.

Chase Bank Promotes 8 To Vice-Presidents

Thomas M. Findlay, Frederick W. Gehle, J. Edward Healy, Jr., Alexander A. McKenna, Karl A. Panthen, Alan W. Pease, Alfred E. Schumacher and George D. Smith have received promotions by appointment as Vice-Presidents of the Chase National Bank of New York.

New York Analysts to Meet

The New York Society of Security Analysts, will hear H. N. Mallon, president of Dresser Manufacturing as speaker at their luncheon meeting on Friday February 18th.

On Wednesday, February 23rd, H. G. Batcheller, president of Allegheny-Ludlum Steel Corporation, will address the Association's meeting.

Matthew Woll, vice-president of the A. F. of L., Chairman of the Post-War Planning Committee, will address the meeting scheduled for February 28th on "Labor's Post-War Planning."

All meetings will be held at 56 Broad Street at 12:30 p. m.

Michigan Brevities

As reported here, members of the investment brokerage industry spearheaded the bond drive, particularly on sales to individuals, of other than E bonds.

However, in Michigan, as in other States, sales to individuals bogged down badly.

Despite the hard work of the members of the banking division, sales up to the final day of the drive lagged behind those of E bonds, which in turn totaled only $111,900,000 or 67.8% of the quota. In the F and Gs, sales aggregated $38,500,000 or 43.8% of the quota.

With only the one day to go, however, sales of all types of bonds, including the corporate issues, were 99.7% of the State's over-all quota of $440,000,000.

Headlining the banking news was the revelation that Charles S. Mott, multi-millionaire Flint business man and big stockholder in GM, had purchased the stock of the Wayne Oakland Bank from Alex J. Groesbeck, receiver for the Guardian Detroit Union group.

Mr. Mott already had an indirect interest in the bank, which has branches in Highland Park and Royal Oak, as one of the three largest creditors of the group. The other two are Henry Ford and Continental Illinois Bank of Chicago.

There has been considerable speculation as to whether he will expand the bank and move into Detroit proper, possibly occupying the quarters in the Penobscot Building vacated by the Manufacturers National Bank.

* * *

Election of Charles H. Hewitt, Vice-President of The Detroit Bank, as new president of the Detroit Clearing House Association, was announced.

Other officers are: T. Allen Smith, Vice-President of the Commonwealth Bank, as First Vice-President; George R. Tait, Vice-President of the Manufacturers National, as Second Vice-President; Clifford H. Hyett, Assistant Vice-President of The Detroit Bank, Secretary; and George D. Miller, Counsel.

* * *

Griswold Street was saddened by the news that Ed Sarvene, for years a customers man here, died of a heart attack while at his desk in the Detroit office of J. S. Bache. Mr. Sarvene had been putting in a full eight-hour shift at the Timken-Detroit Axle Co. war plant following his daily stint in the brokerage business.... Best piece of news in many a month for Cyrus King, partner of Merrill Lynch, Pierce, Fenner & Beane, was a call from his son, Marine First Lt. William King from San Diego after about 14 months in the Pacific which included a stint at Bougainville.... Among those who attended the Chicago Bond Traders' winter party were Frank Meyer of First Michigan, Ted Everham of Baker, Simonds & Co., and Paul Moreland of Allman, Moreland Co.

* * *

In the utility field, the Detroit Edison Co. started legal action to test the validity of the Detroit ordinance imposing a 10 to 20% tax on gross revenues, and the Michigan Consolidated Gas Co.—only other utility named in the ordinance—was expected to follow suit.

On announcing a net profit of $8,791,014 or $1.38 per share as against $7,937,720 or $1.23 in 1942, no provision was made for payment of the tax by the Edison Co. The company estimates the tax would cost it $2,000,000 a year net.

The Michigan Consolidated reported its 1943 net profit to be $2,533,206 as compared with $2,529,934. President William G. Woolfolk said that a sharp gain in industrial gas use enabled the company to maintain earnings despite an increase of nearly $2,000,000 in Federal taxes. Cost to the gas company of the ordinance is estimated at about $1,000,000 a year.

* * *

Purchase of Suprex Company, manufacturers of precision gages, taps and tools, was announced by the N. A. Woodworth Co.

Management, production personnel and equipment of Suprex, formerly a Michigan partnership of the Woodworth family, are being consolidated with the Woodworth organization in preparation for the post-war program, it was stated.

* * *

Resignation of Edwin D. Leonard as President of the Michigan Bank was an interesting development in the finance company field, last week.

George H. Zimmerman, Vice-President of the parent Universal CIT Credit Corp., assumed the post vacated by Mr. Leonard. He had been chairman of the firm.

Mr. Leonard left immediately for New York and said that an announcement as to his new connections would be forthcoming on his return to Detroit.

Crouse Bennett Admits H. Chapel As Partner

DETROIT, MICH. — Crouse, Bennett, Smith & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges, announce the admission as a general partner of Harold R. Chapel who has been with the firm for many years. He will continue as manager of the municipal bond department.

Mr. Chapel, who is a graduate of the university of Michigan and the Detroit College of Law, received his early training in the municipal bond department of the Detroit Trust Company, joining Crouse and Co. in 1932. He is a director of the Michigan Group of the Investment Bankers Association of America; chairman of the Municipal Advisory Council of Michigan; treasurer of the Securities Traders Association of Detroit and Michigan, Inc. and a former president of the Bond Club of Detroit.

Admission of Mr. Chapel to partnership in Crouse, Bennett, Smith & Co. was previously reported in the Financial Chronicle of January 27th.

Geo. E. O'Brien With Straus Securities Co.

(Special to The Financial Chronicle)

DETROIT, MICH. — George E. O'Brien has become associated with Straus Securities Company, 600 Griswold Street. Mr. O'Brien was formerly Vice-President of Allman, Everham & Co. in charge of the municipal and corporate bond department. Prior thereto he was manager of the bond department for S. R. Livingstone & Co. and in the past conducted his own investment business in Detroit.

Attractive Situations

MacNaughton, Greenawalt & Co., Michigan Trust Building, Grand Rapids, Mich. have prepared late data on the common stock of Globe Knitting Works, Winters & Crampton and West Michigan Steel Corporation. Copies of this information may be had from the firm upon request.

Goldman Sachs To Admit

Goldman, Sachs & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, will admit T. Spencer Shore to partnership in their firm on March 1st.

Connecticut Brevities

Two new records have been established in the Aetna Life Insurance Group. Total admitted assets of the Aetna Life Insurance Company and affiliated companies passed the $1,000,000,000 mark for the first time as of the year ended Dec. 31, 1943. Actual figures reported were $1,051,224,240 against $947,326,794 a year ago, showing an increase of approximately $104,000,000.

The Aetna Casualty & Surety Company shows admitted assets exceeding $100,000,000 for the first time in its history.

Operations for the group resulted in their most profitable year to date.

* * *

The Hartford Steam Boiler Inspection & Insurance Company's year-end figures show premiums written increased to an all-time high; however, due to the generally increased costs of inspection, service, repair and maintenance of property damaged, and competitive rate difficulties, an underwriting loss in excess of that for 1942 was reported. Total earnings per share were reported at $2.20 compared with $2.62 for the preceding year.

* * *

The Hartford-Empire Company, engaged in anti-trust, patent and tax litigation with the Federal authorities, now holds in excess of $10,000,000 in cash and Government bonds, most of which, however, is in escrow. Operating under receivership, the year-end statement showed total assets of $19,989,104 against $15,579,795 a year ago. While no statement of earnings was released, their earned surplus increased from $2,739,330 to $4,063,549.

* * *

The grand list of East Hartford dropped from $62,683,576 in 1942 to $61,130,534 in 1943. The principal reduction of $1,099,350 was in the assessment of the United Aircraft Corporation. This was due to transfer of equipment to other plants and the replacement with equipment owned by the Defense Plant Corporation.

* * *

Billings and Spencer has declared a dividend of 10 cents on its capital stock, payable on Feb. 17. This is the first dividend paid in over 20 years.

* * *

Income of the New York, New Haven & Hartford Railroad reached an all-time peak in 1943. The total was $24,854,686 as compared with $19,912,114 a year ago. This represents an increase of approximately 25%. Operating expenses increased about 16.7%, and taxes were $26,547,441 against $22,255,176 a year ago.

(Continued on page 699)

C. W. Scranton Opens Office In Danbury

NEW HAVEN, CONN.—Chas W. Scranton & Co., members New York Stock Exchange, announce the opening of a Danbury office in the Professional Building under the management of Berkley H. Hill. W. Carlton Dann will also be affiliated with the firm in the Danbury office. Messrs. Hill and Dann were formerly connected with the firm of Maples & Goldschmidt.

Prentice Strong To Form Own Firm In N. Y.

The New York Stock Exchange firm of Prentice Strong & Co., with offices at 120 Broadway, New York City, will be formed effective March 1. Partners will be Prentice Strong, the Exchange member, Ruth H. Strong, and Joseph C. Marino.

Mr. Strong was formerly a partner in Doolittle, Schoellkopf & Co. and its predecessors, with which he was associated for many years.

Maples & Goldschmidt To Admit Ludgate

SOUTH NORWALK, CONN. — Robert I. Ludgate will become a partner in Maples & Goldschmidt, 85 Washington Street, members of the New York Stock Exchange, on Feb. 24.

Berkley H. Hill retired from partnership in the firm on Feb. 11.

Preston Bacon Now With Putnam & Co.

HARTFORD, CONN. — Preston Bacon has become affiliated with Putnam & Company, 6 Central Row, members of the New York Stock Exchange. Mr. Bacon recently was with Granberry & Co. and Lehman Brothers. Prior thereto he was with Homer & Co., Inc., Newman Bros. & Worms, and was manager of the trading department for Emanuel & Co.

OUR REPORTER'S REPORT

Getting the "green light" from the Treasury Department as the Fourth War Loan campaign came up to the finish line at midnight Tuesday, investment bankers moved at once to proceed with the regular order of business yesterday after a lapse of some four weeks in which not a single corporate offering of any size reached the market.

And, it was interesting to note, on this occasion it was an industrial corporation issue which ushered in the return to normal business in the new capital market.

Judging from the reports which greeted the intial undertaking, involving the offering of $40,000,000 of Phillips Petroleum Co. 20-year 2¾% debentures, it looks as though the underwriting world may have a busy period for a spell.

Priced at 101 and interest, the Phillips debentures attracted widespread interest and an early over-subscription provided no end of encouragement. Fact of the matter is that some dealers who were in the business found themselves unable to obtain all of the debentures which they had sought.

The issuing company will apply the funds from the sale of the debentures to redemption of $14,596,000 of outstanding long-term notes now held by a group of major banks around the country with the balance going to bolster working capital position.

Encouraged by the results attending this piece of business, it was expected that other groups having sizeable undertakings in the "works" would move to expedite their marketing.

Big Stock Offer Imminent

Another of those large utility stock deals growing out of integration proceedings in consequence of provisions of the Public Utility Holding Company Act looms in the offing.

A banking group on Monday acquired in competitive bidding a block of 400,000 shares of common stock of the Central Illinois Electric & Gas Co., offered by the Consolidated Electric & Gas Co.

Paying a price of $17.63 a share, the banking group, subject to approval of the Securities and Exchange Commission, was expected to make public offering of the shares in the near future.

Placed Privately

One large piece of refunding, $68,000,000, passed the market by when the Illinois Power Co., as had been forecast, placed that amount of new first mortgage and collateral trust 4s, due 1973, with a group of 50 institutions.

Through investment banking interests, the company negotiated for the direct placement of that amount of its bonds, with delivery slated to be made around March 15, next.

Proceeds of the sale, together with $5,000,000 raised by the placing of one-to-five-year serial notes with a group of banks, will be used to retire the company's outstanding series "A" 6% and series "C" 5% first and refunding bonds.

Rails "Take the Bit"

Conditions approaching a mild boom developed in the railway bond market, or more specifically, the reorganization railroad liens, early this week.

On Tuesday the corporate list on the New York Stock Exchange had its biggest turnover in almost a year, or since early May, 1943, with some $26,000,000 par amount of bonds changing hands.

And it was the reorganization rail issues, with advances running from fractions to around three points, which accounted for by far the bulk of the activity. St. Paul adjustment 5s were especially active that day with some $2,500,000 changing hands.

Equipment Trust Bids

Since it is now indicated that the railroads probably will be in the market for considerable equipment money this year, it is interesting to note the severe competition which developed on the offering of Chicago, Milwaukee, St. Paul & Pacific's offering of $7,260,000 of certificates.

This issue attracted a total of four bids, three from Midwest banking groups and one from a New York firm, the latter long specializing in such paper.

Bids were close with the apparent winner being a group of Chicago banks which bid 100.0056 for the certificates as 1⅞s. The New York firm bid 100.0799 for 2s while the remaining bids were 100.03 for 2s and 100.35 for 2⅛s.

Connecticutt Brevities

(Continued from page 698)

For the year ended Dec. 31, 1943, Fuller Brush Company and its Canadian affiliate reported net earnings equal to $2.01 per common share. This compares with $1.61 earned in 1942. In spite of the increase in production of industrial and military lines and in miscellaneous products, total sales declined roughly 2.6% to $13,972,333. This was due to the decline in production of their major line — household products.

* * *

The Connecticut General Life Insurance Company had a record year. Total life insurance in force as of Dec. 31, 1943, was $1,683,151,440, 14.1% ahead of the previous year. Admitted assets stood at $395,006,161—12% over 1942. Premium income totalled $63,681,000, up 14.3%, while total income was $86,724,263, having increased nearly 14%.

* * *

The preliminary report of the income account of the Bigelow-Sanford Carpet Company for the year ended Dec. 31, 1943, showed a decline in sales of more than 9% which resulted in a decline in net income of approximately 25%. Earnings on the 6% preferred stock were $35.51 a share against $47.78 a year ago, while the common stock showed $2.48 a share against $3.52 in 1942.

Scherck, Richter Admit Irwin Harris To Firm

ST. LOUIS, MO. — Scherck, Richter Company, Landreth Building, have admitted Irwin R. Harris as a partner in the firm, effective Feb. 1.

Mr. Harris has had 23 years' experience in the investment business. He became associated with Scherck, Richter in April of 1939. He has been active in the affairs of the Security Traders Club of St. Louis and has served as National Committeeman of the NSTA.

St. Louis Bank Stock Manual For 1944

The 1944 edition of the "Manual of St. Louis Bank Stocks" has just been issued by G. H. Walker & Co., Broadway and Locust Streets, St. Louis, Mo., members of the New York and St. Louis Stock Exchanges and other leading Exchanges. Copies of this interesting and attractive brochure, including factual information on a number of important banks in and around St. Louis, may be had upon request from G. H. Walker & Co.

Missouri Brevities

Post-War Planning

Municipal dealers were given a stimulant for post-war activities last week when the St. Louis Chamber of Commerce announced its $168,000,000 plan to integrate the highway system in Greater St. Louis and to link it with the nation's post-war highways. Three high-speed, limited-access arteries fanning out north, south and west from the downtown business section and a new direct route to Chicago constitute the principal projects being recommended by the Highway Committee headed by A. P. Greensfelder, Chairman. A new bridge over the Mississippi north of Washington Avenue to supplement the MacArthur and Eads bridges in handling east and west traffic over U. S. Highways 66, 90 and 40 is also suggested. Among the less urgent projects being recommended are numerous grade separations, construction of passing lanes, scenic drives and other improvements.

Jefferson Hotel Company Amends Plan

Holders of Jefferson Hotel Company General Mortgage Income Bonds, outstanding in the amount of $2,756,000 have been offered an amendment to the exchange plan of Dec. 11, 1943, whereby each $1,000 bond would receive $640 in cash and $360 in new Mortgage Income Bonds due April 1, 1953, plus $60 in cash for interest from April 1, 1943 to April 1, 1944.

Funds for the cash payments would be obtained through a 20-year insurance loan of $1,700,000 at 4½% and from 1943 earnings. Deposits are being actively solicited by the hotel management which reports that 72% had consented as of Feb. 11. Bonds are traded in the St. Louis market, the price range for the past year being 82 high, 64 low, compared with present quotations of 79½-82½.

St. Louis Public Service

Further substantial debt retirement is anticipated for this company as a result of its request for tenders to exhaust $292,221 on Feb. 25. Bonds are selling in the high nineties compared with a low of 91 in 1943 and 79 in 1942. They are callable at par. Tender price is not over par.

Emerson Electric Mfg. Company

American industry's accomplishments in the war effort have been so outstanding and so much has been written about it that we are prone to take these things for granted. However, it seems that more than a passing glance should be given to the 1943 stockholders' report of Emerson Electric of St. Louis, reputed to be the largest gun turret manufacturer in this country. From a pre-war volume of $3,780,545 in 1939, sales of the company have increased more than 22 times in four years to a 1943 total of $83,207,190. Net earnings in the same period jumped from the nominal profit of $17,772 shown in 1939 to $898,658 (subject to renegotiation) in 1943. These record figures came largely from the turret division although electrical division sales exceeded the volume of this division for any previous year in the history of the company.

Mr. Stuart Symington, in his letter to stockholders, states that post-war planning by the company has been extensive, present lines have been improved, and several new devices are expected to be marketed when materials again become available. The plans are to continue the manufacture of gun turrets after the war to some extent and to produce other plane accessories.

National Candy Active

Election of Richard M. Moss, of Belleville, Ill., to the board of directors of National Candy at the annual meeting held in St. Louis Feb. 4 coincided with the resumption of activity in the common stock of the company which has been the object of considerable speculative interest for several months.

Missouri Security Traders Attend Chicago Party

The Chicago Bond Traders Club annual winter dinner held Feb. 8 at the LaSalle Hotel was attended by the following Missouri traders: Wm. Brady of J. W. Brady & Co.; Emmet J. Brennan, of Brennan, Kinsella & Co.; Jerry Tegeler, Clarence Blewer, Robert A. Walsh and Herman J. Zinzer, of Dempsey-Tegeler & Co.; Firmin Fusz, of Fusz, Schmelzle & Co.; Henry Richter and Irwin R. Harris, of Scherck, Richter Co.; Bert H. Horning, of Stifel, Nicolaus & Co., Inc.; Elmer Barkau, of Taussig, Day & Co., and Eldridge Robinson, of Baum, Bernheimer & Co., Kansas City.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

It will be some weeks before figures are available from insurance companies' annual "Convention" reports to the Insurance Department of New York State and of other States. However, stockholders' reports of a number of leading companies are appearing, and a study of these enables one to gain a general idea of 1943 operating results. Before presenting the experience of individual companies, however, it is pertinent to remark that the year 1943 was a year of exceptionally heavy fire losses, aggregating $380,235,000, which are the highest reported since 1932 and are approximately 21% higher than in 1942. Marine losses, on the contrary, were considerably lower than in 1942, when they rose to an abnormal total in the early months of the year as a result of enemy submarine action. Significant figures on a few representative fire insurance companies follow:

Aetna Insurance Company: Net premiums in 1943 were $28,456,091, a decline from 1942 of $1,407,281 or 4.7%. Unearned premium reserves as of Dec. 31, 1943, were $24,512,497, an increase of $1,407,456 or 6.1%, and surplus was $25,000,690, an increase of $2,786,833 or 12.5%. On the basis of these figures, liquidating value per share was approximately $56.50 on Dec. 31 compared with $52.00 a year ago. Net adjusted underwriting profits were $1.08 per share, compared with a net loss of $0.48 in 1942, and net investment income $1.75 compared with $1.91. Mr. W. Ross McCain, President, in his letter to the stockholders, said: "The year 1943, on the whole, has been a good one for our companies. In spite of the fact that fire losses in the United States are up materially, the total losses of our companies are less than last year by $4,553,000. This is due to the improvement in the marine situation and to the absence of automobile finance losses." The "companies" referred to are those which comprise the Aetna fire fleet, viz.: Aetna Insurance, Century Indemnity, Piedmont Fire, Standard Insurance, Standard Surety and Casualty, and World Fire and Marine.

Agricultural Insurance Company: Premiums written in 1943 were $7,323,249 compared with $8,860,074 in 1942, a decline of $1,536,325 or 17.3%. This decline was mainly in ocean marine and auto premiums, fire premiums having declined only fractionally. Unearned premium reserves at the year-end were $6,868,312 compared with $7,066,348, a drop of $198,036 or approximately 2.8%. Surplus, on the other hand, increased from $3,948,712 to $5,018,258, a gain of $1,069,546 or 27%. Liquidating value per share was $89.71 compared with $81.46 a year ago. Underwriting, as reported to stockholders, resulted in a profit of around $3.62 on a "trade basis," compared with a loss of $2.04 in 1942; investment income was $4.59 compared with $4.74, and Federal income taxes $2.33 per share compared with approximately $0.60 in 1942. Net profits carried to surplus were reported at $5.88 per share compared with $2.64 in the previous year.

Continental Insurance Company: Premiums written advanced slightly to a new record high of $27,372,774. Unearned premium reserves as of Dec. 31, 1943, were $23,940,537 compared with $23,666,521 the previous year-end, and surplus was $80,185,183 against $65,189,059, an increase of $14,996,124 or 23%. Liquidating value increased from $39.83 to $47.81. Net underwriting profits were $1.20 per share compared with $0.40 in 1942, and net investment income was $2.05 against $2.09. Total net operating profits were thus $3.25 per share in 1943 compared with $2.49 in 1942.

Providence Washington Insurance Company: Premium volume declined from $9,561,172 in 1942 to $8,333,592 in 1943, a drop of $1,227,580, equivalent to 12.8%. Unearned premium reserves as of Dec. 31, 1943, however, were higher than on the previous year-end by 3.6%, while surplus showed an increase of 23.6% from $5,572,271 to $6,885,979. Liquidating value as of Dec. 31, 1943, was $40.89 compared with $36.23 on Dec. 31, 1942. Net underwriting profits, on a "trade basis," are reported at $0.92 per share compared with a loss of $0.94 in 1942, and net investment income at $1.67 compared with $1.71.

In addition to presenting figures on these four companies, we are able to make brief mention of the "Springfield Group" which, because of heavy losses suffered in the Texas hurricane of last Summer and unusual windstorm and hail losses in the Mid-west, combined with heavy fire losses, report an increase of more than five points in their 1943 overall loss ratio, which moved from 49.35% to 54.64%. Springfield's unearned premium reserves and surplus are up and, consequently, liquidating value per share shows an increase from $130.54 to $137.93. Also, we mention St. Paul Fire and Marine, which reports a drop in premium volume from $19,016,578 in 1942 to $18,088,141 in 1943, occasioned by a substantial decline in ocean marine writings. Total net earnings, however, show considerable improvement and are reported at $19.30 compared with $16.43 in 1942, while year-end liquidating value is estimated at $288.56 per share against $262.17 the previous year-end.

No report has as yet been received from the Insurance Company of North America; nevertheless, it is of interest to note that Vice-President Bradford Smith, Jr., in the January issue of the company's house organ, "The North America Fieldman," speaks optimistically of the future of fire insurance in the United States. He says that for insurance agents unparalleled opportunities are ahead, due to the tremendous backlog of demand for new homes, new automobiles, new refrigerators and all types of durable consumer goods. He further states that in his opinion the public can absorb all of the insurance that the companies through their agents can find time to sell and that the market will never be saturated so long as men and women marry, rear children and buy homes. This viewpoint should prove encouraging to investors and stockholders as well as to insurance agents.

Are We In A Bear Or A Bull Market?

(Continued from page 690)

with difficulty. Now we go into the Marshalls, which have been held by the Japs for over 20 years, and we seem to do a pretty good job at it with less loss and in less time. Of course, I recognize that we went in there with larger forces. Nevertheless, the difference in results obtained is striking.

My propositions can be very simply stated. The first proposition is that the intermediate trend—that is, the two to five months trend—is downward. I don't think it is very greatly downward. The downward intermediate trend is of the order of around 10% as measured from the highest average 1944 prices.

This would call, using strict percentages, for a breaking of the Nov. 30 lows in the industrial average, but not in the railroad average. The railroad average is the stronger component. It has been so since the early part of December. One reason why it has been the stronger group is that it had the biggest decline last fall. The industrial average only went down about 11%, whereas the railroad average declined a little over 17%. In fact, it lost 45% of its preceding rise, whereas the industrial average lost only 31% of its preceding rise.

The reason why I think that the rail average will not break its low is that people now realize the meaning of the vast amount of accumulations of cash and the reductions in bonded debt that have gone on through repurchases, and further ones that will go on through reorganizations. In fact, the railroad situation can now be pictured as one in which the fixed interest-bearing debt by the end of 1946 will have been halved from that existing at the end of the year 1930 through the interim reorganizations, either reorganization plans, equity receiverships, or through purchases in the meantime. That is quite a contribution to the equity behind the railroads of this country, namely, a debt of $6,000,000,000 instead of a debt of nearly $12,000,000,000 at par 13 years ago.

So far as the intermediate trend is concerned, if my forecast has any validity, the correct, tactical thing to do would be to regard industrial stocks as a purchase, if and when they should drop below the Nov. 30 lows on volume, **provided** the German war is over or there are pretty good intimations that it is soon to be over.

At the same time, railroad stocks should be purchased, regardless of where they might be at that time, as the industrial stocks plunge down through the Nov. 30 lows.

That is my view of the pattern on the intermediate trend, and in my opinion it is nothing to worry the long-range investor about. The chances are he will do nothing about it, except, perhaps, to make a few switches here and there.

The pattern will be somewhat different than it was in the decline from last July to the end of November, because the early part of that decline was rather steep and rapid, because of news. That news was the elimination of Mussolini and the prospect that Italy might some time later be out of the war, and that might have an effect upon the whole war position.

At this particular juncture—we will say in the last two weeks—a turning movement has been in process of execution. At the beginning of this downward trend we will probably see the turning as a slow manoeuver, with not much decline right away, but with a halting and stalemate position, until we get news. It will be news that will make the market go down with quite a punch rather than by slow attrition. So that, whereas last July the start was fast, this time the start is apt to be slow and the finish rapid. The finish will be rapid because it will be based on news that everybody can see in the headlines.

So much for the sheer technical reasons for the intermediate decline that may be expected to continue on its way throughout the next two to five months. It may all be cleaned up in two months, or it may take into May or June.

Sentiment is certainly one factor that must be taken into consideration. We are in the dark about war plans. There is no doubt about the fact of sensitiveness to invasion if and when that comes, or other events that might suggest the disintegration of Germany.

Everybody realizes that there is a prospective decline in business in the offing. We have already passed the peak of production, or are passing that peak at the present time. We know that aggregate earnings are at ceiling, if not, that aggregate earnings are in process of turning down, even though the turn-down will be quite moderate in 1944 in comparison with 1943.

Another factor is concerned with growing stockpiles. Again, the probable temporary reaction in commodity prices on news developments. Finally, the political factor, and other uncertainties which I group under reconversion, disposal of surplus goods, plant disposal and matters of that sort.

Just a word about this matter of sentiment. There is a considerable amount of speculation as to the time and place of invasion from the West. We know that the market will be sensitive to that news when it comes. If it doesn't come it will keep us worrying why it doesn't, and thereby keep us under a cloud. Actual invasion would be a drag on the market either way. If it is indecisive or unsuccessful it will be a blow. On the other hand, if it is successful, and the more successful it is, it will appear—whether true or not—that the end of the war is nearer at hand, bringing the problems of transition to close view. So, whatever you may believe about the position of stocks, from a sheer analytical or statistical standpoint now, this is hardly a time when it can be said of the environment of the market that it is the time or place for speculative exuberance.

Growing stock piles. We know that these are accumulating in the metals—aluminum, magnesium, copper and zinc—and to a lesser extent, steel. It is questionable whether these stockpiles should be allowed to accumulate too far. That can be detrimental to the market—at least with regard to the affected shares.

The War Production Board has decided that these accumulations shall not be diverted to civilian production. At least, that is a tentative decision; nothing has been done so far. Apparently that will be the decision of the War Production Board until the invasion proves successful. If that is a final decision, however, this production should begin to be cut down now. England has ordered its output of copper in Rhodesia to be cut 16%, but we are still subsidizing high-cost copper mines at premium prices.

There is likely in the next few months to be some temporary commodity price weakness. Commodity prices have shown very little change in the last few months. In the past six months there has been some slight tendency upward. Recently, but for ceilings or one reason or another, they haven't made much advance.

Price declines on a temporary basis would show up immediately after a successful invasion. That would be a factor in giving a pause to share prices. I refer you to the recent break in mercury prices which was quite drastic. At the present time aluminum, now fixed at 15 cents a pound as against a pre-war price of 20 cents a pound, has a secondary or scrap market price at 9½ cents. That is just a slight hint as to what might happen, except for government interference, when the war seems to be at or nearing its end. I should also judge there would be considerable hedging upon the futures markets which would also exert some pressure on prices.

This year we will have the most important and probably the most contentious political campaign in the history of this country. The issue of that campaign is not the war, because nobody is making that an issue. Besides, nobody believes the war will not be won. The real issue is on a domestic plane. That real issue is, will we win back the American system of private enterprise and the freedoms under the Constitution, or will we lose to centralized over-all government planning, state socialism and coerced regimentation?

Our doubts about the political campaign this year will be magnified prior to the conventions and the campaign. That will be the time of our greatest doubts. They will also be greater before important military victories than after. If we do have some military victories before the conventions, or even after the conventions, our doubts about the real issue at stake will diminish. After the conventions the issues of the campaign will be out in the open and we can take a good look at them; the mystery will dissolve.

Normally, during a presidential campaign the trend of the market is upward. So that the intermediate decline, from this standpoint, is best spaced in the months just ahead rather than in the months beyond June.

It is generally assumed that Mr. Roosevelt will be a candidate to succeed himself for a fourth term. Probably most of us believe there is no doubt about that. Well, I just want to leave this hint, that maybe that won't be true. I just suggest that you leave it to your imaginations as to what might happen if some other candidate were—I won't say selected, because if Mr. Roosevelt is eliminated it will be because of his elimination of himself, not because the convention eliminates him—but, anyway, if he does not become a candidate, your own imaginations may provide you with some idea of how the markets might react to that.

Now, so much for the intermediate trend for the next two to five months.

The long-range view is optimistic, in my opinion, and here I am not trying to set any dates. Since the first of last September I have adhered to the view that in the Dow-Jones industrials we would not exceed last summer's July top of around 146, nor would we go below 120. That point of view has been justified so far. I should also say that those limits were marked out to include the time until the German war should be over, and probably some months beyond. I still have that pattern in mind, namely, that we will not make a new high in the early months ahead, nor are we likely to go below 120.

My guess is that even if the German war should, by some miracle or against all thinking at the present time, end in the few months ahead the market may not get down to 120, but maybe some three, four or five points above that. The difference does not really amount to a great deal. This 120-point was set because the market would have to return to 120 to lose one-half of its entire 15-month gain from the low of 1942 to the high of 1943.

There are some things I don't fear as to the long-range future. One is out-of-hand inflation. The reason I don't fear that is because of the productivity of the American industrial machine. I don't fear liquidation of bank credit, because most of the bank credit consists of government bonds, and that cannot be easily liquidated. There are only two ways in which it can be liquidated, and they are through a budgetary surplus or through repudiation. Our budgetary surpluses, in the years ahead—at least, until we have another meeting—will not be very great.

Another thing I don't fear is an important decline in commodities. There will be some decline in some commodities. But in most of the finished goods I would expect to see prices after the war, or after the reconversion takes place, particularly in finished products of durable goods, to be higher than when they were last manufactured.

I don't expect, contrary to the thinking of a great many people, any major unemployment difficulties. My contention is that right now this country is 6,000,000 people over-employed, and that when those 6,000,000 go out, while they will be withdrawn from the labor force, they won't be unemployed. That is because they had no intention of being where they are now if we didn't have a war. Part of those 6,000,000 will go back to their homes—I am talking about the married women now—and get out of the labor forces entirely. Part of them are students, and they will go back to school. A lot of them are retired persons, and they will go back to retirement. Still more of them are farmers, and they will go back to the farms. The employment situation that we have now is hectic, it is abnormal, it is feverish. It should not be that way, except for the emergency.

My reasons for long-term optimism I will just state very briefly, without very much explanation. Most of them are familiar to you, and therefore it will be just by way of review.

1. The huge volume of liquid assets, corporate and individual. From what data I can collect, it appears that by June 30th of this year total bank deposits, plus war bonds—only the savings bonds, not the other—and currency in circulation will be two and a half times bank deposits alone at the end of 1929.

2. There will have been a considerable reduction in private debts—the debts of individuals and farmers and corporate debts. That is the same thing as savings, and will mean the possibility of expanding private debt that much more when that time comes.

3. I have great faith that there is a tremendous quantity of work to be done in the world in order to establish the economic foundations of peace. That is not only true of the United States but all over. That is one reason I am not pessimistic about unemployment, not only here but abroad.

4. The pent-up demand for goods of all kinds, production goods and consumer durables. All of you are familiar with that. This pent-up demand, not only here but all over the world, where it is backed up by the actual purchasing power as in South America, France (which still has the second largest gold reserve in the world), Holland, Norway, Sweden and Belgium is real. These nations have cash balances and are ready to go into the market and get goods as soon as they can. The difficulty will be for them to get those goods. Some of those goods they will want to get as rapidly as possible. For instance, the Dutch want to get feed for their livestock and fertilizer at the first possible moment they are able to get them.

5. Probable continuation of low interest rates. The government has got the bear by the tail, and they cannot let loose of that.

6. There is the likelihood that corporate taxes are at or near their peak—that in a year or two the trend will be reversed. Two-thirds of market declines since the high of 1940 was brought about through fear of higher taxation because of the war, and just as the reason for the decline from 1940 to 1942 was chiefly based upon fear of increased taxes, that operation will be reversed once we near the end of the war. It is, for instance, probable that Congress will legislate a decline in excess profits taxes in a series of steps so that business men will know just what to expect, beginning with the year 1945. Maybe I am too optimistic. Maybe I ought to put it at the first of 1946. But, anyway, that is something to look forward to. I believe that the next change in taxes will be in a reverse direction.

7. Over the next five years we are going to have some tax improvements. I would look forward to a change by way of elimination of double taxation on stockholders, a further liberalization of the capital gains tax, and incentive taxation for new corporations after the war in line with the Brookings Institution's proposals.

8. I would remind you that there have been practically no new issues of stocks in recent years. Once we establish any kind of peacetime normality there will be an impinging on the supply of stocks by the demand.

9. I would look for the time when foreign buyers would buy our stocks, which they cannot do now, when exchanges are tied up, but when the exchanges are free and blocked currencies unblocked there are many foreigners who would like to own American securities.

10. Except for 10% of our highest-quality issues, our stock market is not dear; rather, it is cheap. American property on balance is cheap. Since 1936 labor services, commodities, high-grade bonds and insurance, have all gone up; they have all gone up substantially. The only things that are cheaper now than in 1936 are property, stocks and realty. Under peace conditions and an encouraging environment—that is, an encouraging political environment—stocks will also sell higher, considerably higher.

I will end up these remarks by saying that, uncannily and perhaps ironically, I expect to see the Dow-Jones average wind-up at the time of the end of the German war at about the same level at which it started when the German war began. That level was between 127 and 130.

Seaboard Situation Offers Interesting Possibilities

E. W. Clucas & Company, 70 Pine St., New York City, members New York Stock Exchange, have prepared an eight-page study of the Seaboard Airline Railway Co. Copies of this interesting study may be had from the firm upon request.

Mutual Funds

They Beat the Averages

Time was when the mutual funds as a group were hard pressed to turn in a performance equal to the market averages. That time is past. In recent years the great majority of mutual funds have consistently outperformed the averages.

An excellent example of this superior performance is **Commonwealth Investment Co.** with the following record for 1943:

Commonwealth shares	+35.8%
Dow-Jones industrial average	+19.2%
Dow-Jones composite average	+26.1%

Not only did Commonwealth beat the averages last year but, more impressive, this fund did almost four times as well as the averages for the four-year period 1939-1943. In fact, over this longer period Commonwealth lead all the common stock and combination funds in performance.

While on this subject of performance, it is interesting to note that during the last four years 24 out of the 30 common stock and combination funds tabulated by *Barron's* did better than the Dow-Jones Composite Average. Only six failed to beat the averages. American Foreign Investing Corp., a fund specializing in foreign—largely Latin American—securities, did over 12 times as well as the averages!

* * *

Keystone Corporation, in a recent issue of **Keynotes**, publishes an interesting chart comparing price-earnings ratios of common stocks in 1937 and 1943. The groups of stocks used are those held in the various Keystone common stock funds and the comparisons are as follows:

Type of Stock—	Price Earnings Ratios 1937	1943
High grade stocks (Keystone S-1)	18.0	12.9
Income stocks (Keystone S-2)	15.8	8.3
Fast moving stocks (Keystone S-3)	18.1	5.3
Low priced stocks (Keystone S-4)	33.4	4.3

This is about as graphic and convincing a demonstration of current price levels as compared with 1937 highs as we have yet seen.

* * *

National Securities & Research Corp., in its current issue of **Investment Timing**, discusses "How Is Inflation Likely to Affect the Market?" We quote the conclusion herewith:

"The imminent invasion of German-controlled Europe by the Allies has been awaited by the stock market for some time, and its significance as a prelude to peace has largely been discounted. Except for unexpected military setbacks, any initial unfavorable effect should prove temporary if prices are at the present level; more intense if they are higher, and less so they are lower. With the success of the invasion and therefore the end of the war with Germany assured, and the prospect of war production being gradually replaced by civilian goods output, reconversion — al-

(Continued on page 703)

Canadian Securities

The market for Canadian securities in this country has registered spectacular progress during the past two years, in spite of a noticeable lack of interest on the part of the commercial banks. It is encouraging, therefore, to be able to discern at last a change of heart on the part of these institutions. Although this has not yet been translated into action to any great extent, nevertheless the last two provincial refunding issues in this country were taken up entirely by commercial banks.

Whereas only a year ago, the Canadian situation was almost completely ignored by this most important section of the investing community, now there is a flood of inquiry with regard to Canadian affairs emanating from this quarter. It is to be hoped, however, that the remaining opportunities will not be missed.

There are still many interesting situations in the short-term category suitable for commercial banks which would certainly not exist if, for example, the London market or the other European financial centers were free to operate here.

In addition to the basically sound security given by high-grade Canadian bonds, there are other features which make them especially attractive for bank portfolios, such as the payment option in two or more currencies, and the decided form of diversification afforded at yields higher than those generally provided by comparable domestic securities. Over and above all these interesting details is the universally accepted fact that the financial management of the Dominion during the war has been second to none, and that Canada has worked her way into the forefront of the world powers.

Current developments also give us significant indications of the inherent strength of the Canadian situation. The outstanding blots on Canada's financial record, the Alberta and Montreal defaults, now appear well on the way towards settlement. The Canadian Pacific Railway Company have at last declared a dividend of 50 cents on their common stock, the first payment since April 1, 1932, when 31¼ cents quarterly was paid.

On the purely constructive side, we have the forthright statement of Mr. Towers, Governor of the Bank of Canada, concerning post-war interest rates. Although, both here and in Britain there have been cautious hints pointing towards the same conclusion, this is the first time that such clear advance notice has been given to the financial and business communities that the wartime trend of low interest rates will continue in the post-war period.

With regard to the market for the past week, there was a strong tone and more activity. Direct Dominions were quiet but very firm. Nationals were still strong with the 5s of October, 1969, bid at 117⅛. If, as anticipated, the 5s of July, 1969, are called in the near future, there will be a considerable volume of switching into the 5s of October. There was little activity in Ontarios and Quebecs, but prices were firmly maintained.

A steady demand developed for short term Nova Scotias and New Brunswicks but supplies were scarce. British Columbias were bid in all maturities and the medium term issues are now back again to a 3.35% basis. Manitobas were the feature of the week and there was considerable activity at higher prices; the 4½s of 1956 were bid through the 4% yield level. Saskatchewans continued their recovery on anticipation of an early completion of arrangements for the refunding of the exceptionally heavy 1944 maturities.

Favorable rumors continued to spread concerning early settlements of the Alberta and Montreal debt situations and the market for these bonds was consequently increasingly buoyant. Internal issues were in quiet demand but the Canadian dollar in the "free" exchange market was virtually unchanged at 10 5/16% discount.

All that can be said of the future trend of the market is, that if it continues its present course, it will fully justify the most bullish prognostications.

Performance—A 10-Year Study

Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, Calif., have prepared an interesting booklet entitled "Performance—A 10-Year Study of Market Action and Income," on insurance stocks, bank stocks, industrials, utilities and railroad stocks. Copies of this booklet and the current issue of the firm's "News & Views," discussing the possibilities of an advance in the prices of bank stocks, may be had from Butler-Huff & Co. upon request.

Sun Life Of Canada Issues Annual Report Assurances In Force Over Three Billion

Important and material aid is being rendered by the institution of Life Assurance in the great fight against inflation. This statement was made at Montreal, Feb. 8, by Arthur B. Wood, President and Managing Director of the Sun Life of Canada, in a review of the company's 73rd annual report to policyholders. Every dollar of surplus income spent in life assurance, said Mr. Wood, serves as an important factor in reducing unwise spending power and preventing prices from rising. At the same time, policyholders throughout the North American continent are building up an invaluable fund for future use when it may be greatly needed. As far as the company's premium receipts in the United States are concerned, Mr. Wood emphasized that these are being concentrated entirely in the purchase of U. S. War Bonds, and over $55 millions have been invested in this manner during the last twelve months. The total investment of the company in Government Bonds of the United Nations approximates one-half billion dollars.

Mr. Wood, in the course of his remarks, stated that payments to policyholders during the year exceeded $74,000,000, including $10,000,000 in respect of dividends on participating policies. $1,629,000,000 has been paid to Sun Life policyholders and beneficiaries since organization. During 1943 over 60,000 life assurance policies and annuities were added to the books and assurances in force now stand at $3,173,000,000. The distribution of the business in force is as follows: Canada 31%, United States 42%, Great Britain and other British countries 21%, other countries 6%. New life assurance policies issued during the year amounted to $214,000,000, an increase of $13 millions as compared with 1942. The company has over 1,300,000 policies and group certificates in force.

An interesting reference was made by Mr. Wood to claims reported since Sept., 1939 and attributable directly or indirectly to the war. These now number 1,668 and amount to $3,818,000 or only 3½% of the total claims of $110 millions incurred over the same period. Mr. Wood added that a substantial reserve is being maintained as provisions for possible war claims not yet reported. The general mortality experience among policyholders was once again favorable during the year.

Mr. Wood paid tribute to the service rendered by all branches of personnel within the company's organization. He said that necessarily increased responsibilities had willingly been assumed by reason of the large number of active service enlistments from the company's ranks, there being over 1,000 serving with the armed forces in all parts of the world. He announced with deep regret the deaths of 22 men and women on active service or through enemy action.

The financial statement disclosed that premium income for 1943 exceeded $112,000,000 while total receipts showed a substantial increase over the preceding year and stood at $174,000,000. The surplus and contingency reserve now amounts to $36,618,000. Total assets reached the sum of $1,108,450,000 at the end of 1943. The proportion of the assets held in Government bonds has increased substantially. The broad diversification of total assets is disclosed by the following classification: Government bonds, 39.6%; municipal bonds, 4.3%; industrial bonds, 4.3%; railroad bonds, 2.1%; public utility bonds, 16.3%; preferred and guaranteed stocks, 1.4%; common stocks of industrial and financial corporations, 8.4%; common stocks of public utilities, 7.0%; mortgages, 4.3%; real estate, 1.7%; policy loans, 6.3%; cash, 1.3%; other assets, 2.7%. The rate of interest earned on the assets during 1943 was 3.72%.

John Hancock Mutual Assets Up $153,420,344 In 1943, President Guy Cox Reports

Insurance In Force Now At Record High

Despite war claims amounting to $1,971,331 and heightened manpower problems due to the fact that 1,700 members of the Company have entered the armed services, the John Hancock Mutual Life Insurance Company showed its greatest progress in 1943. President Guy W. Cox, at the policyholders' eighty-first annual meeting held in Boston Feb. 14, announced that the increase in John Hancock's assets during the year was $153,420, 344, the highest record, while the increase in insurance in force, also the highest record, was $602,365,209. The total insurance in force increased to $6,438,540,577, the largest amount in the company's history.

"These records were made possible," observed President Cox, "only by the increasing value placed upon life insurance by the people of our country and by the confidence of more than 7,000,000 policyholders (more than one-tenth of life policyholders in the United States) associated in a non-profit, purely mutual organization for their economic stability and security."

Admitted assets at the close of 1943 amounted to $1,441,468,994, representing a gain of 12%. In connection with these gains it was reported that the market value of the John Hancock's bonds is more than $35,000,000 greater than their amortized value used for asset figures.

Assigned liabilities amount to $1,313,454,251, of which sum $1,165,980,771 constitutes the legal policy reserve. The general surplus or safety fund is $128,014,742, or 9.74% of the liabilities it protects.

Total gross income in 1943 was $314,693,498, including premiums of $247,434,174. This total is $32,048,166 more than in the previous year and the balance of gross as well as premium incomes are the highest in the company's history.

Payments to policyholders and beneficiaries amounted to $108,985,001 or $363,283 per business day.

Mortality experience was more favorable than might have been expected under war conditions and was not appreciably higher than in 1942, when it reached the lowest point in the John Hancock's experience. Payments on account of death as a result of suicide amounted to $311,273, which is the lowest figure for more than 15 years.

The John Hancock's purchase of United States Government securities during the year amounted to $150,085,750, bringing the total investment in government securities since Pearl Harbor to $267,125,750.

Complete Stock Distribution

Mackubin, Legg & Company, 22 Light Street, Baltimore Md., members of the New York and Baltimore Stock Exchanges, have completed the distribution of 5,678 shares of First Boston Corporation stock to fifty-five different clients.

Russia Should Warn Tokio To Seek Peace: Army-Navy Journal

In view of the progress of American arms in the Pacific, "it may be that Moscow would deem it expedient as an act of friendship to warn the Tokio government that its interests demand that it seek peace" with the United States and Great Britain, said "The Army and Navy Journal" on Feb. 12, according to an Associated Press dispatch from Washington, which added:

The unofficial service publication mentioned the idea in a discussion of Secretary of State Cordell Hull's recent caution to Finland to withdraw from the war. (Finland, cobelligerent with Germany, is at war with Russia but not with the United States, Russia is a neutral in the Anglo-American war with Japan.)

"Now that the Tokio war lords are being impressed with inevitability of their defeat," the "Journal" said, "the practical among the Japanese possibly would welcome a friendly caution from their Slavic neighbor."

Criticizes Wallace For "Fascist" Charges

Eric A. Johnston, President of the Chamber of Commerce of the United States, took Vice-President Wallace to task on Feb. 10 for talking of fascist tendencies in the United States, in his speech on Feb. 9 at Seattle. A dispatch from Washington to the New York "Times," Feb. 10 in reporting this quoted Mr. Johnston as saying:

"Name-calling by the Vice-President is the wrong way to get national unity in this hour of crisis.

"The immediate job is to defeat the enemy quickly. Other things can wait. What we need now is a solid front, a united and mutually trusting home front of all elements.

"This will not be accomplished by setting class against class. The class struggle of Karl Marx has no place in the American economy of today or tomorrow.

"American business despises fascism. If there is a threat of it in this country it is not to be found in big business, but in big government. Let us stop pointing the finger of suspicion at one another and get on with the war—together."

N. Y. Stock Exchange Weekly Firm Changes

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

W. L. Lyons, Jr., member of the Exchange, a general partner in W. L. Lyons & Co., Louisville, Ky., became both a general and limited partner, effective February 9th. Interest of the late B. C. Lyons, a limited partner in the firm, ceased on February 10th.

Transfer of the Exchange membership of Melvin Cunniff to Albert E. Fagan will be considered on February 24th. Both are partners in Fagan & Co., New York City.

Bates & Lindely, New York City, was dissolved effective February 2nd.

William de Young Kay, a member of the Exchange, died on January 31st.

Growth Possibilities

Common stock of the Northeast Airline, Inc. offers attractive possibilities according to a memorandum being distributed by Stanley Heller & Co., 30 Pine St., New York City, members of the New York Curb Exchange. Copies of this memorandum discussing the growth prospects of the company may be had upon request from Stanley Heller & Co.

Mutual Funds

(Continued from page 701)

ready planned and somewhat discounted—will get under way during the continuance of the war with Japan, with substantially improved prospects for selected stocks."

The intermediate trend of stock prices as forecast by National Securities & Research Corp. on Feb. 10 is as follows: "Indications tonight are that the minor decline, which succeeded the downside breakout of the Average from the previous 137-139 area, is over. Movements may remain narrow, but the most probable action would appear to be a further attempt to rally. We see no reason to change our viewpoint that the intermediate trend should be regarded as upward."

* * *

"Balance Does Note Necessarily Preclude Substantial Gain," writes **Lord, Abbett** in commenting on the 1943 performance of **American Business Shares.** This fund, which stood right among the leaders of the combination funds in 1943, showed a net gain for the year of 36.5% as compared with about 19% for the Dow-Jones Industrial Average. The bulletin goes on to show the broad diversification of investments held by American Business Shares.

* * *

Hugh W. Long & Co. have issued a reprint of the *Barron's* table showing mutual investment company performance from 1930 to the end of 1943. **Fundamental Investors,** which is sponsored by this distributor, stands well among the leaders in performance among the common stock funds for the entire period, showing a net gain of 34.6% last year and a four-year net gain of 35.8%, as compared with advances of 26.1% and 12.6% for the Dow-Jones Composite Average during the same periods.

* * *

General Investors Trust reports total net assets on Dec. 31, 1943, amounting to $1,968,161, or $5.04 per share. During 1943 this fund achieved a per share net gain in asset value of 25.2.

* * *

Distributors Group has published its own reprint of the *Barron's* performance tabulation, calling attention to the fact that American Foreign Investing Corp., sponsored by this distributor, led all of the other funds—common stock, combination and miscellaneous types—in performance during the four-year period 1939-1943. We quote: "In the past four years the asset value per share, adjusted for dividends paid, increased 139%. This was nearly three times the advance reported by any other fund of any type in the *Barron's* report."

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Recent Fund Literature

Calvin Bullock—A reprint of excerpts from the article, "The Use of Mutual Investment Funds for Trust Investment," by Alec B. Stevenson, Vice-President and Trust Officer of the American National Bank of Nashville.

Massachusetts Distributors—Current issue of **Brevits** discussing institutional investments and the results of the Carnegie Corp. with its own investment holdings.

Distributors Group—Monthly Investment report on Group Securities, Inc., showing holdings as of Jan. 31, 1944. . . . A recent memorandum on "Railroad Bonds and Ratings," published by the Investment Research Department. . . . Revised portfolio folders on Railroad Shares, General Bond Shares and Low-Priced Shares.

Lord, Abbett—A revised Portfolio Information folder on American Business Shares.

Hugh W. Long & Co.—Portfolio folders on New York Stocks and Manhattan Bond Fund showing holdings as of Feb. 1. On that date net assets of Manhattan Bond Fund totaled $17,314,194.

Keystone Corporation—A folder and a letter giving information relative to profit-sharing trusts authorized by the Revenue Act of 1942.

Althaus With Reynolds

Reynolds & Co., 120 Broadway, New York City, Members New York Stock Exchange, announce that H. Paul Althaus has become associated with them as co-manager of their York, Pa. office in the Yorktowne Hotel Building.

Phila. Analysts Meet

PHILADELPHIA, PA.—The Financial Analysts of Philadelphia will hold a luncheon meeting today at the Sansom House, 1304 Sansom Street, at 12:30 p. m. Speaker at the luncheon will be Dr. Clair Wilcox, Professor of Economics at Swarthmore College, author of "Competition and Monopoly in American Industry" and of numerous articles on present-day economic problems. Dr. Wilcox's subject will be "The Future of Free Enterprise."

Gibbs Lyons To Become Stamford Bank Head

Gibbs Lyons, Chief National Bank Examiner of the Second (New York) Federal Reserve District, will become President of the First-Stamford National Bank, Stamford, Conn., on March 1. Mr. Lyons, who has been in charge of examination and supervision of operations of national banks in the New York area since late October, 1939, will succeed Clarence W. Bell as chief executive officer of the Stamford bank, which is the third oldest national bank in America, holding charter number four, issued in April, 1863.

Mr. Bell, who has been with the bank since 1887 and who was made President in 1921, has been elected Chairman of the Executive Committee of the Board of Directors. Under his management, the bank's total resources increased from approximately $5,000,000 to $24,000,000 at the present time.

"Our Reporter On Governments"

By DONALD MacKINNON

On Dec. 13, 1943, Secretary of the Treasury Morgenthau announced that the outstanding 3¼% Treasury bonds of 4-15-46/44 were called for redemption on April 15, 1944. . . . He also stated—"Holders of these bonds may, in advance of the redemption date, be offered the privilege of exchanging all or any part of their called bonds for other interest bearing obligations of the United States, in which event public notice will hereafter be given and an official circular governing the exchange offering will be issued." . . . We believe that about March 1, 1944, the Treasury will refund this issue and probably all obligations which mature or may be called on or prior to June 15, 1944.

In the order of their maturity or call date, these issues include the Treasury 1s of 3-15-44; the FFMC 3¼s of 3-15-64/44; the RFC 1s of 4-15-44; the Treasury 3¼s of 4-15-44; the HOLC 3s of 5-1-52/44; the FFMC 3s of 5-15-49/44; and the Treasury ¾s of 6-15-44. . . . At this writing, all issues are selling either on a zero yield or a slight positive yield.

Over the years, there are many examples which can be cited which involve no public offering to commercial bankers other than through exchanges of outstanding obligations. . . . Because we feel that the Treasury may not find it necessary to offer any new loans to commercial banks exclusively, prior to June 30, 1944, certain investors might find it advantageous to examine the value of alleged "rigths" issues. . . . Who knows? — Holders of such obligations might be offered an exchange into, let us say, about a four or four and one-half year 1¼% or 1½% note, or even a larger coupon bond.

PAST OPERATIONS

It might prove to be more than just academically interesting to observe that (1) on Jan. 12, 1942, the Treasury refunded the 1¾% notes of 3-15-42; the FFMC 3s of 1-15-47/42; the FFMC 2¾s of 3-1-47/42; and the RFC ⅞s of 1-15-42 with Treasury 2s of 6-15-51/49; (2) on May 25, 1942, refunded HOLC 2¼s of 7-1-44/42 and the RFC 1s of 7-1-42 with Treasury 1½s of 12-15-46; and (3) at that time only the holders of refunded issues received the new obligations in exchange.

Excluding bills, debentures, and certificates, Government obligations which mature on, or may be called prior to, June 15, 1944, total $4,730 millions—of which amount $4,159 millions are either fully or partially tax-exempt. . . . About 80% of this latter amount, or $3,324 millions of these issues were held by commercial banks, fire, casualty, and marine insurance companies, and all other investors as of Nov. 30, 1943. . . . In fact, this group is composed of investors who need tax exemption—and who might decide to accept cash and reinvest in other outstanding obligations, rather than to exchange their fully or partially tax-exempt notes or bonds for taxable issues.

The following table reminds you of the constant, substantial decreases in the supply of fully and partially tax-exempt Government obligations. . . . The amount to be retired is shown under its proper classification for the next five years (000,000 omitted):

	1944	1945	1946	1947	1948	Totals
Bonds	$2,556	$1,755	$2,344	$1,460	$2,245	$10,360
Notes	1,214	718	0	0	0	1,932
Guaranteeds	1,709	755	0	0	0	2,464
Agencies	196	387	341	0	0	924
Pre-War	0	0	16	13	0	29
	$5,675	$3,615	$2,701	$1,473	$2,245	$15,709

There is now outstanding a total of $30,125 millions of all types of fully or partially tax-exempt Government obligations which mature or may be called by the end of 1961. Of this amount, $15,709 millions, or slightly more than 52%, mature or may be called by the end of 1948. . . . An additional $7,688 millions mature or may be called from 1949 through 1953. . . . Therefore, about 78% of all such obligations outstanding now mature or may be called by the end of 1953—a period of slightly less than ten years. . . . At the beginning of 1954, and still dealing in terms of optional call dates, there will remain outstanding a total of only $6,728 millions—which amount consists of the five longest partially tax-exempt Treasuries, and $50 millions of fully tax-exempt Panama 3s.

FULLY TAX-EXEMPTS DIMINISHING

It is interesting to note that after 1947 there will remain outstanding but a single fully tax-exempt issue—the Panama 3s of 6-1-61—currently selling to yield 0.88% at a price of approximately 133½. Fully exempt from all State and Federal income taxes, only $1 million of this issue was held by commercial banks; $49 millions by other investors, as of Nov. 30, 1943. . . . While the Panama 3s are fully exempt and obviously enjoy real scarcity value, a comparison between this issue and the partially tax-exempt 2¾s of 1965/60, now bid 111.20, to yield 1.62% after taxes, is not without interest.

We do, however, wish to repeat that beginning with 1954 there remains outstanding only $6,678 millions of partially tax-exempt Treasuries—namely the 2¼s of 1956/54; the 2⅞s of 1960/55; the 2¾s of 1959/56; the 2¾s of 1963/58; the 2¾s of 1965/60. . . . Figures released by the Treasury Department pertaining to the distribution of ownership of these five issues show that all investors, other than commercial and savings banks, sold a total of $901 millions, while commercial banks bought $856 millions and savings banks bought $45 millions during the year ending Nov. 30, 1943.

Many commercial bankers were amazed, after computing 1942 taxes, to discover that their respective institutions would pay excess profits taxes. . . . Tax figures for 1943 have revealed a noticeable increase in the number of commercial banks in this classification, which discovery undoubtedly accounts for the current advance in partially tax-exempts. . . . As early as possible, commercial bankers should attempt to project 1944 taxes, for such estimates will disclose many banks, faced, perhaps for the first time, with excess profits taxes and an accompanying recognition of the need for partially tax-exempt or fully exempt income.

Tax conscious bankers and other investors should not overlook the fact that, under the 1942 Revenue Act, callable Treasuries may be amortized to the first call date, rather than maturity. . . . On this basis, the longest partially tax-exempts—the 2¾s of 1965/60—assume a maturity of slightly less than 17 years; the 2⅞s, approximately 11 years.

PRICE PERFORMANCE IMPRESSIVE

The table below illustrates the relative strength of certain intermediate and long partially tax-exempts, as well as taxable Treasuries, since Jan. 3, 1944. . . . This performance is truly remarkable, in the face of the Fourth War Loan, which opened on Jan. 17, 1944.

	Issue	1-3-44	2-3-44	2-14-44
	Partially Tax-Exempts			
2½	1953-49	106.16	106.16	106.24
2½	1952-50	107.1	106.29	107.8
2¼	1953-51	106.1	106.9	106.18
2	1955-53	104.22	104.31	105.5
2¼	1956-54	106.21	106.29	107.6
2⅞	1960-55	111.16	111.18	112.1
2¾	1959-56	111.6	111.2	111.14
2¾	1965-60	111.12	111.9	111.20
	Taxables			
2	9-15-1952-50	100.21	100.27	100.26
2	1953-51	100.5	100.11	100.12
2¼	1955-52	101.19	101.23	102.1
2½	1958-56	103.7	103.7	103.17

Even the new 2s of 9-15-53/51, which have been buffeted about somewhat, closed at 100.11 on Feb. 3—up 6/32s for the month. . . . Before the year is out, it is expected that investors will pay a minimum of 100.24 for this issue. . . . The 2s of 53/51, as well as other intermediate taxables, will prove an excellent medium of investment for those commercial bankers who have thus far escaped a definite tax problem.

ADVICE TO SMALLER COMMERCIAL BANKS

Referring specifically to the smaller commercial bank, there is every reason why it should cover adequately all deposits which may possibly be shifted to other localities as a result of post-war changes. . . . However, when a bank of this classification is confident that the greater percentage of its deposits will remain stable, we feel that taxable Treasury bonds may safely be substituted for a substantial portion of short-term Treasuries—especially when such bonds are acquired at or slightly above 100.

Recommended reading: The address by Under-Secretary of the Treasury Daniel W. Bell, entitled "Financing the War and the Post-War Readjustment" in the Federal Reserve Bulletin of January, 1944.

We believe the time has arrived when commercial bankers and other investors now may conservatively invest a portion of their funds in the longest partially tax-exempts—if they share our opinion that the increasing demand for the decreasing supply will force higher prices for outstanding issues of this classification.

N. Y. Chamber of Commerce Opens Income Tax School

Four hundred representatives of the city's largest industrial corporations, banks and insurance companies attended a class of instruction in the preparation of income tax returns at the Chamber of Commerce of the State of New York, 65 Liberty Street, on Feb. 16 to qualify them to assist their fellow-employees in making out their 1943 income and victory tax returns.

The class, which was organized by the Chamber with the cooperation of Capt. William J. Pedrick, Collector of Internal Revenue for the Second New York District, whose office will supply the instructors, assembled in the Great Hall of the Chamber at 10 a.m. for an all-day session.

"With the more involved tax forms and the record number of persons in lower income brackets who will file their first returns this year, the Chamber believes that such a service will save the time of a large number of employees and help to meet the very serious problem of giving taxpayers informed assistance at this time," B. Colwell Davis, Jr., Executive Secretary of the Chamber, said.

Capt. Pedrick explained that the instruction given is designed for the guidance of the average wage-earner—not those in the higher brackets or corporate taxpayers. He added:

"We plan to give the class detailed explanation, illustrated by slides projected on a screen, of each step in the preparation of the 1943 income and victory tax returns, forms 1040 and 1040-A, based on items of income and deduction of the average employee in the lower brackets.

"This instruction will enable the 'pupils' who attend the class to qualify as unofficial advisers and instructors for their fellow workers in the companies they represent and will effect a big saving in the time of the staff of the Income Tax Division and in the time of the personnel of the companies."

John A. Monahan, chief of the Income Tax Division of Capt. Pedrick's office, assumed charge of the class and John McTigue, assistant chief of the audit section, and Mrs. Marian K. Bradford and Daniel Conway, senior auditors, acted as instructors. There were additional auditors to prepare answers to written questions which were submitted.

J. Stewart Baker, senior Vice-President and Acting President of the Chamber in the absence of President Frederick E. Hasler, welcomed the "pupils" and introduced Capt. Pedrick who formally opened the income tax school.

Twin City Federal Home Loans In 1943

In its annual report released Feb. 8, the Twin City Federal Savings and Loan Association reveals that despite lack of new construction in 1943, its real estate loans for the year totaled more than $7,000,000. Approximately 2,400 individual loans were made. The net increase in its mortgages for the year was more than $2,500,000 making a total of $18,600,000 now held by the Association. During the same period, it is also announced, war bond holdings of the Association were increased by $4,500,000 and nearly $150,000 were added to reserves, after paying over $600,000 in dividends to members. Total reserves of the Association now total more than $825,000. With resources of $26,500,000, the Twin City Federal is the fourth largest Federal Savings and Loan Association in America.

NASD, SEC In Conflict Over Authority And Laws

(Continued from page 690)

SEC and the Department of Justice to make tne Indiana Case "the vehicle of some enlarged enquiry", and said that nothing in the legislative history of the Maloney Act under which the NASD was established, carried any suggestion that such could be the case. "Needless to say," says the association, "if any such possibility had been considered to exist, however remotely, no securities association could ever have been organized for registration or would ever have been registered under the Maloney Act; and the Congressional purpose to encourage self-regulation of the securities business would have been nullified at the outset."

From these select remarks from the association's complaint it is clear that the organization is now aware of the fact that it is being used for a larger experiment, and for purposes never intended by Congress or provided for in the Maloney Act and not understood by the members of the association at the time of registration.

The Association Rules of Fair Practice

The association was organized under the Maloney Act of 1938 and the Indiana case is in conflict with the Rules of Fair Practice set up by the association at the time it was organized and under which it has since operated as a Security Dealers Association. Article III rule 23 and 24 of the Rules of Fair Practice of the Association clearly forbids members of the association to sell securities at any price other than the price agreed upon in the underwriting agreement. If the association has no power to maintain law and order under its own rules of fair practice in conformity with the Maloney Act then the association has no excuse for existing and the Maloney Act has failed in its purpose. If the rules of fair practice of the association are unenforceable and the Maloney Act has failed for the purpose intended by Congress, how much more completely have the Price Pegging, Fixing and Stabilizing Policies of the SEC failed? The Securities Act recognizes price stabilization in underwriting and distributing securities according to rules to be prescribed by the Securities and Exchange Commission, and forbids pegging in contravention of such rules. Up to the present there are no rules. The policy is the rule of men and not the rule of law. Happily so far the customary trade practice has been accepted though managed unnecessarily cumbersomely and costly, and thus imposing a great handicap upon the securities underwriting business and the capital markets serving industry.

The Sherman Anti-Trust Act

The pegging of the prices of securities by underwriters by agreement for the purposes of initial distribution is in no way a violation of the Sherman Act. The Supreme Court of the United States has confirmed this in a great variety of cases as pointed out by the association attorneys in their brief of July 17, 1943. With respect to the Miller-Tydings Amendment to the Sherman Act the price maintenance agreements of underwriters in the initial distribution of a securties issue is just the kind of price maintenance whch this act was intended to legalize beyond doubt and put an end to legal cases plaguing legitimate businesses and legitimate price maintenance for stability and orderly marketing. At the present time all States except Maryland, Texas and Vermont have statutes authorizing the producers or distributors of articles or commodities bearing a trademark brand or name to establish retail prices for such commodities. Such trademark brand products are in competition with all other similar products. The Miller-Tydings amendment to the Sherman Act merely legalized these acts even though interstate commerce might be involved.

These questions of law violation do not seem to enter into the Indiana case when the various Acts of Congress are considered and the many legal decisions upholding the practice of price maintenance. It is unfortunate that a violation of the Rules of Fair Practice of the association would invoke the complicated history and legislation pertaining to the Sherman Anti-Trust Act, the Miller-Tydings Amendment, the policy and lack of a "rule" of the Securities and Exchange Commission on the vital issue of pegging, fixing and stabilizing prices in the processes of underwriting and distribution of securities issues, and the fair practices rules of the NASD including their power to enforce among their own members "high standards of commercial honor and just and equitable principles of trade."

This is a muddle of laws, acts and administrative authority that should be cleared up for all time, and perhaps the outcome will be that Congress will amend the Sherman Act to make it clear that price maintenance in the underwriting and distribution of securities is legal and not in violation of the Sherman Act. If Congress would do this and then repeal the Maloney Act it would perform a great service for the country, the capital markets and clear the way for post-war financial reconstruction. The present uncertainty in the laws and regulations governing the underwriting and distribution of securities issues and the over-the-counter gross charges of dealers are blocking the services of the capital markets to industry. It will be most unfortunate if these conditions prevail during the post-war reconversion and recovery period.

Price Pegging and Price Maintenance of An Issue of Securities For the Purposes of Distribution Is Not Price Fixing in Violation of the Sherman Act

It would be a long story to explain price fixing, which the Sherman Act forbids, and price stabilization and maintenance, which the Miller-Tydings Amendment approves. Price stabilization in the matter of securities by underwriters for a definite period during which time the initial distribution of securities takes place is only an effort to provide that all public buyers of the securities shall obtain the securities at the same price and that there shall be no discrimination between the buyers of these securities, regardless of whom they are purchased from until the initial distribution of the securities has been completed. To ascertain at what price to offer securities to the buying public requires a long and detailed investigation and careful consideration of every phase of the securities markets, the money market, the quality of the security being offered in comparison with other securities, the general economic conditions and all other matters that will affect the value of the security being offered, in relation to similar or competing securities available to the buyers. As the association's counsel states in its Findings of Fact before the Commission, July 17, 1943, "The proper public offering price is that price which will make the issue fairly competitive in the general securities market and is not affected by the cost of underwriting and distribution or by the profitableness or unprofitableness of financing an outstanding issue of the issuer." "This pricing function has been performed with a high degree of accuracy. In the three years 1938-40 the average deviation from the public offering price at the end of 1, 2, 3, 4, 5, and 6 weeks after termination of distribution ranged from +¼ to +½ point for 84 utility debt issues totalling nearly $2 billion." The underwriters and dealers deserve great praise for this service both to the investing public and the borrowing utilities. When these securities, however, have been distributed, they are in competition with all other securities of similar grade and quality and are subject to all the winds that blow in the economic and financial world.

"Fourth Branch" Of Govt. Greatest Threat

(Continued from first page)

cover the new laws under which they must operate. No procedure in modern government has greater potentialities for destroying the democratic process than this centralization of authority in the all-powerful commission and governmental agency.

"Within recent years in this country, we have witnessed the general acceptance of the thesis that central government should assume the over-all responsibility for the well-being of the individual. The theories of collective security have taken precedence over the concept of individual responsibility. The impact of such philosophy has already deeply affected all who have been accustomed to make provision for their future and for their dependents. Over a number of years, an organized effort was made to persuade our people that saving no longer played an important role in their economy; that they should spend freely and trust the government to provide for tomorrow. Then came the war and the necessity for saving. But straightway there arose the advocates of confiscation, who proposed to appropriate accumulated wealth and to make the transmission of property increasingly difficult.

"The philosophy of redistribution of wealth has already been incorporated into the laws of the land so that large estates are virtually wiped out in one or two generations. The social aspects of redistribution through income and inheritance taxes are profoundly important, but it is fair to say that trust men should be prepared to evaluate their effect perhaps more fully than any other group in society. They are not only the trustees of the property they administer but of the system under which wealth was created and conserved. It may be your lot not only to understand but to withstand the forces which are now laying siege to the institution of private property," Mr. Wiggins asserted.

"We can no longer consider as permanent any exclusive powers of state government. Throughout the whole course of our national life the ownership, transfer, and distribution of property has been considered the province of state government; so also has the right to tax property, income, and inheritance. Since the foundation of the republic, the states have been recognized as the authority to determine the conditions under which fiduciary powers may be acquired and charters issued for the conduct of business.

"Slowly but positively, federal government has encroached upon these fields. It has not only divided authority with the state, but in many cases it has assumed complete control. Today the property rights of the individual are more definitely circumscribed by central government than by the states, and the process of increased domination on the part of federal authorities continues unabated. Today the central government acquires the larger portion of the income of the individual and takes the larger share of the estate of the decedent. Property rights are increasingly subjected to the will of such federal agencies as the Interstate Commerce Commission, the Securities Exchange Commission, the Federal Trade and Communications Commissions, all of which operate outside the field of war emergencies where the ODT, the OPA, and a score of others hold sway."

Announce Slate For Phila. Stock Exchange

PHILADELPHIA, PA.—The Committee on Elections of the Philadelphia Stock Exchange announces the following nominations for office:

President: Edgar Scott, Montgomery, Scott & Co.

Governing Committee (seven members to serve for three years, and one to serve for two years): William K. Barclay, Jr., Stein Bros. & Boyce; Harry C. Dackerman, Dackerman & Waber; Frank C. Matthews; John A. Murphy, Reynolds & Co.; George E. Snyder, Jr., George E. Snyder & Co.; Albert J. Williams, Boenning & Co.; Harold P. Woodcock, Woodcock, McLear & Co.; Spencer D. Wright, Jr., Wright, Wood & Co.; John S. Wynn, J. W. Sparks & Co.

The annual election of the Exchange will be held on Monday, March 6, between 9 a.m. and 12 noon.

Adv. Industry Interesting

A. L. Stamm & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other leading Exchanges, have prepared an interesting study of the advertising industry, discussing the situation in several companies in the field. Such securities, A. L. Stamm & Co. believes, offer the investor excellent diversification, and the industry has no conversion problem, is in a position to operate satisfactorily through the transition period, and should show above-average results after the war. Copies of the study may be had from A. L. Stamm & Co. upon request.

DIVIDEND NOTICES

AMERICAN CYANAMID COMPANY

PREFERENCE DIVIDEND

The Board of Directors of American Cyanamid Company on February 15, 1944 declared a quarterly dividend of 1¼% ($.125) per share on the outstanding shares of the 5% Cumulative Preference Stock of the Company, payable April 1, 1944 to the holders of such stock of record at the close of business March 11, 1944.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company on February 15, 1944, declared a quarterly dividend of fifteen cents (15¢) per share on the outstanding shares of the Class "A" and Class "B" Common Stock of the Company, payable April 1, 1944 to the holders of such stock of record at the close of business March 11, 1944.

W. P. STURTEVANT,
Secretary.

American Woolen COMPANY

INCORPORATED

225 FOURTH AVE., NEW YORK 3, N.Y.

At a meeting of the Board of Directors of the American Woolen Company held today, a dividend on the Preferred Stock of $2.00 a share on account of arrears was declared, payable March 17, 1944 to stockholders of record March 7, 1944. Checks will be mailed by Guaranty Trust Co. of N. Y., dividend disbursing agent.

F. S. CONNETT,
Treasurer.

February 16, 1944.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

NOTICE OF DIVIDENDS TO HOLDERS OF STOCK WARRANTS TO BEARER FOR ORDINARY AND PREFERENCE STOCK.

NOTICE IS HEREBY GIVEN that the Directors in their Annual Report have recommended to the Stockholders the payment on the 31st March, 1944, of a Final Dividend on the issued Ordinary Stock for the year ended 30th September, 1943, of sixpence per £1 of Ordinary Stock (free of income tax) and have declared a first interim dividend on the issued Ordinary Stock for the year from the 1st October, 1943, to the 30th September, 1944, of tenpence per £1 of Ordinary Stock (free of income tax) also payable on the 31st March, 1944.

In order to obtain these dividends (subject to the Final Dividend being sanctioned at the Annual General Meeting to be held on the 14th February next) on and after the 31st March, holders of Ordinary Stock Warrants must deposit Coupon No. 193 with the Guaranty Trust Company of New York, 11, Birchin Lane, London, E. C. 3., seven clear business days (excluding Saturday) before payment can be made.

Both dividends will be paid against the deposit of one Coupon only, namely, Coupon No. 193.

Holders of Stock Warrants to Bearer who have not exchanged Talon No. 3 for Talon No. 4 but have deposited Talon No. 3 with the Guaranty Trust Company of New York in New York, in accordance with the arrangement which has been announced in the Press, are notified that Coupon No. 193 will be detached from the corresponding Talon No. 4 and cancelled by the Company in London as and when the dividends to which they are entitled are paid.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less Income Tax) for the year ending 30th September next will also be payable on the 31st March, 1944.

Coupon No. 81 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London, W. C., for examination five clear business days (excluding Saturday) before payment is made.

DATED the 18th day of January, 1944.
BY ORDER OF THE BOARD
D. M. OPPENHEIM,
Secretary.

Rusham House,
Egham, Surrey.

ELECTRIC BOAT ★ COMPANY ★

33 Pine Street, New York 5, N. Y.

The Board of Directors has this day declared a dividend of twenty-five cents per share on the Capital Stock of the Company, payable March 10, 1944 to stockholders of record at the close of business February 28, 1944.

Checks will be mailed by Bankers Trust Co., 16 Wall St., New York 15, N. Y., Transfer Agent.

H. G. SMITH, Treasurer.

February 11, 1944.

DIVIDEND NOTICES

Magma Copper Company

Dividend No. 86

On February 16, 1944, a dividend of Twenty-five Cents (25c) per share was declared on the capital stock of Magma Copper Company, payable March 15, 1944, to stockholders of record at the close of business February 25, 1944.

H. E. DODGE, *Treasurer.*

Newmont Mining Corporation

Dividend No. 62

On February 15, 1944, a dividend of 37½ cents per share was declared on the capital stock of Newmont Mining Corporation, payable March 15, 1944 to stockholders of record at the close of business February 25, 1944.

H. E. DODGE, *Treasurer.*

UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable April 1, 1944, to stockholders of record at the close of business March 3, 1944.

ROBERT W. WHITE, Vice-President

LIQUIDATION NOTICE

The First National Bank located at Butte in the State of Nebraska is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment.

ED. S. DONAHUE, President.

Dated December 2, 1943.

Advice On Bonds

(Continued from page 692)

they are still too high except in a few special instances.

Railroad Bonds

While 1943 was an excellent year for the railroads, the final figures will show some reduction in the percentage of traffic gains over 1942. Higher taxes and wages in 1943 will also, in many instances, result in a reduction in net earnings when the final figures are in for the past year. This downward trend will be further reflected in 1944. Railroad debt, however, is being reduced and working capital is rising. Hence, the financial positions of most roads are being strengthened.

Rail bonds have been very popular. Investors have made money out of them. This is particularly true of the second grades and the obligations of roads in receivership. Many institutional holders got rail bonds sold out at the wrong time and have since gone back into the rail market. Investors who are seeking higher returns in rail bonds, comparable in security to industrial and utility issues, may buy first mortgage issues—especially those of the reorganized roads. Avoid the "incomes" at this time. These should sell for much less during the railroad slump which will sometime follow World War II.

Industrial Issues

As in the case of the railroads, industrial activity made new highs in 1943. With the peak of war production passed, with enormous taxes and labor loads, with renegotiation costs and with the problems of reconversion, industry will be loaded with burdens this year. Yields on top grade industrial issues are lower than on comparable railroad bonds. Prices have continued generally toward higher levels. For institutional and large individual buyers, Governments may now be a better bet than the best grade industrials.

This year will witness continued heavy calling of corporate issues, which will further reduce the supply of industrial bonds. This will force investors into preferred stocks and second grade bond issues. A careful analysis of individual companies and "special situations" should govern purchases in this latter group. "Venture capital," willing to take an average business risk, may be more successful in the post-war period of industrial development than conservative low risk and low yield capital investments.

Utility Bonds

Along with railroad and industrial activity, electric power production has shown tremendous gains and now stands at an all-time high. Net earnings of the utilities have not increased much for the industry as a whole because of high taxes and operating costs. However, the industry is in a strong financial position and should remain so. In the matter of debts, many companies have had a good house cleaning. Many of their obligations have been refinanced over long term periods at extremely low interest rates.

Medium grade utility issues offer opportunities for investment. Electric power will continue to be in heavy demand. In fact, this year may show an increase of 5% over 1943. Of all the bond groups, utility issues may be the most attractive. Careful selection of companies from a geographical point of view is necessary. Good management will also be a factor in their future prices.

Conclusion

The individual investor should first seek to maintain a proper balance between fixed and secure income securities such as bonds and the equity securities such as preferred and common stocks. 40% in bonds and 60% in stocks is still a good rule to follow. Remember that when buying stocks, to select companies with large working capital, no bothersome debt or cumulative preferred stock and with a good post-war outlook. Just now the insurance and merchandise groups seem to best fulfill these latter requirements. When buying bonds, diversify between industrials, utilities and *good* rails. Many institutions and individuals now have a too large percentage in utilities.

NY Analysts To Draw Up Slate Of Officers

The Board of Directors of the New York Society of Security Analysts has appointed the following Nominating Committee to prepare a slate for the forthcoming election of officers:

Marshall Dunn, Homer & Co., Inc., Chairman; Eugene J. Habas, Lehman Corp.; Hamilton Hagar, First National Bank of New York; James F. Hughes, Smith Barney & Co., and Milan D. Popovic, Blue Ridge Corp.

Offices to be filled are President, Vice-President, Treasurer, Secretary, three members of the Board of Directors. Directors whose terms are expiring are Benjamin Graham, Graham-Newman Corp.; Charles Tatham, Jr., and Herbert F. Wyeth, Shields & Co. The holdovers on the Board until 1945 are Schroeder Boulton, William Loss and Seth H. Seelye.

Members of the Association are urged to send recommendations to the Nominating Committee within the next two weeks.

Realty Situation Has Interesting Possibilities

The 6% debentures of the United States Realty and Improvement Company and the 6% debentures of the Fuller Building offer interesting possibilities in view of the recently instituted reorganization proceedings, according to a study of the situation prepared by Hill, Thompson & Co., Inc., 120 Broadway, New York City. Copies of this study discussing the situation in detail may be had from the firm upon request.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 694)

ally sharp. This happens, however, when the market is already loaded with a large following. I don't think it can be construed as the case today. So if a market break occurs from these levels I don't think it will go very far or last very long.

* * *

A general yardstick applied to a wartime market has many drawbacks. It can't, for example, measure the accident potential. Unforeseen events are always happening in the market. They can't be guarded against. During a war the rate of such unforeseen events increases tremendously. Obviously, our current market is attempting to evaluate some of these possibilities. It is also apparent, that up to this writing, it has not arrived at any satisfactory conclusion.

* * *

But if these conclusions have not been reached where the general market is concerned, they have been reached as to certain individual stocks. It might be added, however, that none of these better acting stocks are completely out of the woods. I know this sounds like double talk superimposed on hair splitting—the sort of a thing which irritates me when I read it in market letters or so-called advisory columns of periodicals. But we can explain it if instead of concentrating on general market action we devote our time to individual issues. For in the last analysis you don't make any money out of markets or market averages. You still have to buy individual stocks.

* * *

Applying all the foregoing to these individual stocks, my advice is as follows:

* * *

American Steel Founders bought at 25 is now about 26. Between 27 and 28 it will run into obstacles. Whether it can overcome them at this time is something the stock itself will have to answer. But whatever it does, stock should not be held if it breaks 24.

* * *

Armstrong Cork bought at 38 is still there. Stock acts all right but seems to have lost some life. I think a switch into American Car & Foundry is advisable. Latter, between 33 and 34 (now 35) seems attractive. But on downside, 33 is a dangerous figure beyond which stock should not be held. If reluctant to make switch then don't hold Armstrong Cork under 37.

* * *

J. I. Case was recommended at 32 with a stop at 31. Lowest price during week was about 34 or so. Stock seems to be champing at bit, but presence of offerings at present levels (35) may sober it up. In any case, don't bid up for it. If you can't get at your price, forget it.

* * *

Kroger was another stock recommended but not bought. Currently, at 32¾, buying range is 32 with stop at 31. Kroger is a one-shotter. If you buy it right you can make money. Otherwise, you may have to sit with it until you get corns. Therefore, the close stop.

* * *

United Air Lines, now 24½, was mentioned last week as a buy between 21 and 22. No time during the last seven days did stock even threaten to get down to range. Air Lines is beginning to build up for something. So I advise raising buying price to 23-24 with a stop at 22.

* * *

Another suspicious one to keep an eye on is Schenley. I don't recommend it here, but stock looks like it is itching to move up.

* * *

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.]

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.

Municipal News & Notes

In advising us on Feb. 7 that the Texas Supreme Court had denied a second motion for re-hearing of its decision in the Cochran County bond redemption case, Charles W. Anderson, Bexar County Judge stated that it "is now even beyond the power of the Supreme Court itself to re-open the case." Mr. Anderson thus expressed himself in replying to our inquiry regarding the $1,283,000 bonds which the county called for redemption on Oct. 10, 1943. The call applied to $880,000 4¾% courthouse and jail bonds, $370,000 4¾% bridge bonds and $33,000 4¾% juvenile home bonds, all dated Oct. 10, 1925. According to the County Judge, an aggregate of $673,000 of the bonds have been turned in and either paid off or refunded. "Many holders of the called bonds," Mr. Anderson went on to say, "have not turned them in for the reason that they have been advised that further litigation might be expected in connection with the Cochran County decision." Continuing, he adds:

"It is not anticipated, however, that this further litigation will, in any way affect the status of the Bexar County bonds which have been called as they come clearly and directly under the Cochran County decision and this question has been disposed of in final form by the Supreme Court in their recent denial of a second motion for re-hearing. It is now even beyond the power of the Supreme Court itself to re-open the case."

The "further litigation" referred to in the foregoing, it is pointed out, bears on the question raised by some municipal bond attorneys as to whether the refunding bonds to be issued by the county incident to the redemption of the called bonds, might be called at any time after date of issue despite the fact that they contain an option of redemption 10 years from date of issue. In this regard, Judge Anderson says:

"In order to adjudicate this question, Bexar County has called for payment on Feb. 15, 1944, the outstanding portion of an issue of juvenile home refunding bonds, dated Oct. 10, 1943, with option of redemption after 10 years from their date. The (State) Attorney-General has declined to approve the refunding bonds on the ground that the called bonds are not redeemable until after 10 years from their date. Mandamus proceedings are being instituted and it is expected that the Texas Supreme Court will rule on the questions involved. Stating this litigation has not changed the status of the original bonds which Bexar County called for payment on Oct. 10 last year, and that the called bonds ceased to bear interest after the call date, Judge Anderson suggests that holders of the bonds "give further consideration to presenting their bonds for payment at this time."

With reference to Judge Anderson's statement that not even the Texas Supreme Court can now re-open the Cochran County case, it may be noted that various suits are reported to have been filed in Federal Court contesting the efforts of some Texas counties to call in certain bonds pursuant to the decision handed down June 16, 1943, by the Texas tribunal in the above-mentioned case. It could also be said that one of the principal results of the widely-publicized decision and the numerous and seemingly conflicting views regarding its application, is that many of the holders of bonds presumably affected by its provisions find themselves in an unenviable and embarrassing position financially, in that they necessarily appear to be reluctant to relinquish the bonds that have been called in view of the circumstances that have developed subsequent to the issuance of the decision. In connection with the discussion, we give below text of a statement recently issued by the bond house named therein:

"Jefferson County, Texas, under a contract with B. V. Christie & Co., Houston, Texas, is proceeding to seek Supreme Court of Texas decisions on the questions that have been raised as to the possible effect the Cochran County decision may have on unlimited tax road bonds, whether refunding bonds of original bonds held to be optional by the Supreme Court decision handed down June 16, 1943, are subject to the same redemption features as the original bonds and whether refunding bonds of original Cochran County type of bonds are immediately optional on the theory that the option applies to the debt rather than the bonds. In addition, Jefferson County seeks to establish the effect the Cochran County decision may have on indebtedness authorized under the bond and warrant laws of 1931 and whether the Dryden Ferry Bridge bonds dated March 20, 1935, and the Office Building and Jail bonds dated March 15, 1934, both of which were issued under special laws which refer to Chapter 2, Title 22, come within the Cochran County decision.

"According to the County Attorney and Special Counsel it is anticipated that these suits will establish the redemption before maturity question on substantially all classifications of county bonds, including road district bonds. The immediate course being pursued by the county would preclude the calling of bonds until Supreme Court decisions were handed down.

"This action by Jefferson County has the approval of the special committee of the Texas Group IBA and the President and many members of the Texas Judges and Commissioners Association."

Clifton, N. J., To Prepay $135,000 Bonds Of 1960 and 1962

The New Jersey Local Government Commission has approved the request of the city of Clifton, N. J., to use $172,652.71 of its surplus funds for the retirement of $135,000 bonds, of which $10,000 are not due until 1960 and $125,000 in 1962. In addition to providing for the principal amount, the appropriation includes $36,612.09 premium and $1,042.60 for accrued interest. The bonds are being prepaid by the city at a price to yield 2%.

Salt River District, Ariz., Schedules Debt Refunding

Refunding of the $7,332,000 outstanding 4¼% bonds of the Salt River Project Agricultural Improvement and Power District, Ariz., is contemplated under the terms of a refunding contract between directors of the district and Stranahan, Harris & Co., Inc., and Dahlberg, Durand & Co., Tucson. The current indebtedness is subject to call on Jan. 1 and July 1, 1948, at 103 and accrued interest. Although not officially announced as yet, it is understood that the refunding proposal will provide for payment to bondholders of the full 4¼% interest to the call date in 1948, plus the three point premium, with the new bonds bearing 3% interest.

Iowa County Primary Road Bonds Called; Refundings Scheduled

The Iowa State Highway Commission announces that a total of $3,034,000 refunding bonds will be offered for sale late next month to provide for the redemption of an equal amount of county primary road bonds which are being called for redemption on May 1. The bonds called are listed herewith:

County—	Bond Numbers	Rate	Amount
Dickinson	1-350	2¼%	$350,000
Ida	701-960	1¾%	260,000
Lyon	751-1000	2¼%	250,000
Osceola	607-800	2¼%	194,000
Palo Alto	1-500	2¼%	500,000
Pocahontas	401-525	2¼%	125,000
Ringgold	1-425	1¾%	425,000
Sac	751-1100	2¼%	350,000
Sioux	501-1000	2¼%	500,000
Worth	1079-1158	2¼%	80,000

All of the above bonds mature within the years from 1945 to 1950, incl., and the refundings scheduled to be sold will mature similarly.

Governor Bailey Signs Mississippi Debt-Free Bill

Mississippi's Governor Tom Bailey signed on Feb. 4 the bill creating a special trust fund "irrevocably pledged" to the retirement of the State's outstanding direct indebtedness, the last of which does not mature until 1953. He also signed the companion bill appropriating some $21,427,000 of the State's $25,000,000 treasury surplus to be used for the purpose of "taking the State out of debt."

The fund will be administered by a new State Bond Commission, consisting of the Governor, Attorney-General Greek L. Rice and State Treasurer Newton James, and the law requires that the money be invested in Federal securities, also that the Commission pay not more than 2% interest on any sums it may have to borrow temporarily to pay maturing State bonds pending sale of bonds in which it has invested funds.

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.

Ins. Stocks Index Up

The Mackubin, Legg Insurance Stock Index for January, 1944, showed an increase of 2.2 points for the month, according to figures released by Mackubin, Legg & Co., 22 Light Street, Baltimore, Md., members of the New York Stock Exchange. The Fire Index registered a decrease for the month.

Copies of these indices and an interesting memorandum on the current situation in Fidelity & Deposit Company may be had upon request from Mackubin, Legg & Co.

Interesting Rail Situations

The current situation in Denver & Rio Grande Western Railroad Co. and Chicago, Indianapolis & Louisville offer attractive possibilities, according to memoranda being distributed by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Copies of these memoranda may be had from Vilas & Hickey upon request.

The Securities Salesman's Corner

Investment Interest Is Reviving

From reports we have been receiving it appears that investor interest in securities has accelerated sharply during the past few months. One dealer has informed us that never before has he received such a high percentage of good replies to his advertising and his mailings. In one case we heard of a dealer who offered an analysis of a specific security to about 1,200 stockholders and he received over 300 requests. This is an exceptionally high return.

Undoubtedly the number of securities men who are in the armed forces has drawn heavily upon the already not overburdened ranks of securities salesmen, thereby leaving the field open to the dwindling few who are left. Investors meanwhile have had quite a long holiday and have almost forgotten what a bond salesman looks like. This combintion of quickening investor interest and the dearth of competition is laying the foundation for a revival of investment which we haven't seen in this country in a long while.

Outside of the financial world it is little understood that so much depends upon the revival of private investment if we are to provide the jobs which will be necessary after the war. Yet, unless private investment comes to the fore government loans and doles will take their place and bring us one more step nearer to a completely regimented, totalitarian state.

It seems to us that no more patriotic effort could be made at this time than to encourage this pent-up urge of private investors throughout the country to venture forth once again. However, securities dealers and investment bankers themselves cannot do the job alone. One of the first essentials to a revival of private investment in this country is a return of confidence upon the part of millions of private citizens in their government. The return to sound fiscal policies in Washington would accomplish more in respect to bringing about the revival in investment and of private industry, both now and after the war, than almost anything else that could be attempted.

Another step forward would be to amend the Securities Acts upon the basis of the past ten years of experience which we now have behind us. Any rules, such as the latest NASD 5% gross markup rule should be abolished. It is not only an un-American procedure but tends to favor the few large houses at the expense of thousands of smaller dealers throughout the country who can do more to distribute new underwritings and encourage investor participation in the future growth of American industry when the time is right, than any other one single group in the country.

Given the right opportunity the future of the investment business looks brighter than at any time in years. Each individual firm should cultivate its own territory, develop new leads and sow the seeds of future business which is bound to come regardless of what happens in Washington next fall. A new administration, which would bring about sane and sensible fiscal and governmental policies, however, would produce the greatest revival of private investment in this country that we have ever seen before.

Dept. Of Justice Holds Syndicate Underwriting Agreement Violation Of Anti-Trust Act

Files Brief With SEC After Defending Right To Intervene In NASD Case

The underwriting agreement, devised for the orderly distribution of a new security, was held by the Department of Justice on Feb. 12 to be a flagrant violation of the price-fixing and economic boycott prohibitions of the Sherman Anti-Trust Act. This conclusion reached by the Department was reported by Walter W. Ruch in special advices to the New York "Times" from Philadelphia in which it was made known that the Department took its stand in a brief filed with the Securities and Exchange Commission in the underwriting case of the Public Service Company of Indiana. It asked the SEC to set aside penalties imposed by the National Association of Securities Dealers, Inc., upon six of the underwriters of Public Service of Indiana for failing to adhere to the agreed offering price.

In defending its right to intervene in the proceedings, the Department on Feb. 8 had asked the SEC to dismiss as "novel and unsound" the petition of the NASD designed to void an order of the Commission granting the anti-trust division of the Department leave to participate in the proceedings.

In his account to the "Times" of the stand taken by the Department of Justice in its brief filed with the SEC on Feb. 12, Mr. Ruch stated:

Apparently in anticipation of a long court test of its position, the Department noted that "the cases under consideration are of utmost public importance," reaching "beyond the association and its rebellious members." It cited scores of cases, most of them decisions of the United States Supreme Court, in support of its stand.

The action by the Department was not unexpected. The Department had been observing the case of Public Service of Indiana as it progressed before the SEC, and in late December had obtained from the Commission leave to intervene in the final stage. When the leave was granted, it was indicated that the Department would concern itself only with the underwriting agreement as opposed to the Sherman Act.

Until tested by the courts the position of the Department will remain open to question. Indisputably, however, the financial industry from today on will be on notice of the Department's intention of striking a death blow at the underwriting agreement. Whether the brief filed today would have any effect on future underwriting agreements before a court ruling is obtained, remained to be seen.

"Our public policy with respect to restraints of trade is explicit," the Department said in its brief. "Pursuing the patterns laid down at common law, the Sherman Act completely outlaws undue and unreasonable restraints on interstate and foreign commerce. Moreover, the nature and effects of price-fixing agreements have been noted as being so offensive to a system of free trade and commerce that they have been declared invalid per se.

"Regardless of the economic justification advanced, or whether or not particular price-fixing schemes are considered wise or unwise, all such schemes are declared illegal. Likewise, the Sherman Law condemns economic boycotts. Every man has a fundamental right to pursue his lawful trade. Where many unite both the general law and the statute law, as expressed in the Sherman Act, are transgressed. The Sherman Act is designed to protect our economy against any degree of interference."

The Department asserted that the NASD rule of fair practice, under which the penalties were imposed on the six members of the underwriting group, was too vague. It reads: "A member, in the conduct of his business, shall observe high standards of commercial honor, and just and equitable principles of trade."

About the definition of such terms as these embodied in the rule, the Department said, "distinguished moralists, lawyers, jurists have staged their violent debates," adding that it was "too much to expect a broker to know what is expected of him when the great ones of the earth are in serious disagreement."

Anyway, the Department said, the rule could not be read in isolation. The NASD enjoyed no immunity from the anti-trust laws, among others, and they were what really mattered, it asserted, in effect.

As for precedent, in declaring that the underwriting agreement was a per se violation of the price-fixing features of the Sherman Act, the Department quoted from the decision of the Supreme Court in 1940 in the case of the United States versus Socony-Vacuum Oil Company, as follows:

"Thus for over 40 years this court has consistently and without deviation adhered to the principle that price-fixing agreements are unlawful per se under the Sherman Act and that no showing of so-called competitive abuses or evils which those agreements were designed to eliminate or alleviate may be interposed as a defense."

In its conclusion in that opinion, the Supreme Court had this to say:

"Under the Sherman Act a combination formed for the purpose and with the effect of raising, depressing, fixing, pegging or stabilizing the price of a commodity in interstate or foreign commerce is illegal per se."

It mattered not, the Department said, whether the prices were set by combinations of sellers or buyers; whether they were raised, lowered or maintained at existing levels; whether they were reasonable or unreasonable; whether the agreement fixed minimum or maximum prices, or whether price structures were tampered with by direct agreement or by any other means. It continued:

"Nor were the motives or intentions of the members of the combination material. It is of no moment that they may in good faith have regarded such an agreement as essential to their economic salvation. Nor would evidence be admissible (if such ever could be produced) that in practice the agreement resulted in demonstrable social and economic benefits to all these in or dependent upon the industry in which the combination operates.

"The fact that the agreement fixes prices or maintains prices is conclusive of its illegality."

"The association," the Department went on to say, "claims that the business of dealing in securities is clothed with mystery and that there are unique factors which set the security business apart as a matter of economics and in the eyes of the law.

"Yet, stripped of dialectical subtlety, what happens in the fixing of prices for securities differs in no material way from the fixing of prices of any other article. In the case of a suit, the purpose is to establish a mark-up over cost of commodity, workmanship and doing business; in the case of a security, the purpose is a mark-up over price to issuer, to cost of distribution and doing business."

Drawing from a Supreme Court decision a list of six tests which the Department said would apply to a price-fixing underwriting agreement, the Department found that such an agreement was in direct violation of all the tests.

"In another, and even more important respect, the disciplinary measures of an association run directly in the face of the law," the Department said further. "It was denied to the accused members the right to the trade of their choice. A man's access to his vocation is thus at the discretion of a private body; he can carry it on only under conditions dictated by it.

"And if, as in the case here, it is the minority who are excluded, one's chance at his calling is at the mercy of his competitors; yet the right of a man to his calling is definitely established at common law, under the Sherman Act and by the sanctions of the Constitution."

The six cases now under consideration are tests in that 70 other members of the same underwriting group are involved in similar action at the hands of the NASD.

Regarding the contentions of the Department of Justice, in asserting its right to intervene in the proceedings, special advices from Philadelphia to the New York "Times" Feb. 8, said:

"The Department, in a reply brief, complained that if the Commission were to accede to the request of the NASD, the SEC would put itself in the position of requiring that the Department's case 'must be fully stated before it is given permission to state its case.'

"Pointing out that 'intervention is not decision,' the Department said its participation was 'more in the nature of *amicus curiae* than as an actual party,' and added that in any case it would remain for the SEC to decide whether any of the evidence or exhibits to be offered by the Department were of significance.

"The case involved is that initiated by the Commission to review the right of the NASD to punish its members who sign an underwriting agreement and violate its terms. The Association imposed fines upon several underwriters of a $38,000,000 bond issue of Public Service of Indiana who allegedly did not adhere to the agreed offering price of 102.

"The Department of Justice asked and received permission late in December to intervene in the case to determine if the underwriting agreement, a basic method employed by the financial industry to float an issue, contravened anti-trust laws. The Department had been observing the proceedings in the case for several years before making its request.

"The Justice agency asserted today that the Commission had discretion to determine the right of a party to intervene, and that 'the protestations of those who object become little more than a part of the backdrop for the stage of decision.'

"'Applying standards applicable to court proceedings,' it added, 'a governmental agency charged with duties under one provision of law will be permitted to intervene, even in the absence of express statutory authority, when rights and privileges under another provision of law are being misused to circumvent and avoid the applcation by such agency of the public interest reflected in the statutes administered by it.'

"This was in reply to the contention of the NASD that the SEC had no right to administer the anti-trust laws and that the Department should, if it were interested in testing the underwriting agreement in the light of those laws, initiate an original proceeding in the Federal courts.

"'The nature of the administrative process,' the Justice group argued, 'is such that administrative procedure is intended to give full opportunity for the presentation of all aspects of the public interest as well as the private interests involved or to be affected by the finding or judgment of the adjudicating agency.

"'It is submitted that if the courts are open to public agencies as intervenors representing the public interest, application of the more relaxed standards of administrative procedure permits the intervention of the Department of Justice in the present case.'

"The NASD, the Department went on, was granted no unusual powers of self-regulation under the Maloney Act amendment to the Securities Exchange Act of 1934, under which the Association was set up to police the over-the-counter industry.

"At most, expressions of congressional policy toward self-regulation serve as a guide for the use of the plenary power, the Department argued. It contended that once the authority of the SEC was invoked 'its force and effect are the same as though the suggestion of partial self-regulation were non-existent,' and that 'intervention means no more than the right to be heard for whatever in the judgment of the Commission the hearing proves to be worth.'

The intervention was granted at a time when oral argument before the Commission was pending, thus limiting the Department to the right to file a brief and to be heard at the argument. In this connection the Department remarked:

"'It is clear that the Association has no privilege or right to attack the intervention at this or any other stage of the proceedng. Congress has delegated to the Commission, as to other agencies, the right to determine who shall appear before it and the right to make rules governing appearances.'

"When the NASD filed its motion to have the intervention vacated, the SEC said it would hear oral argument on the matter if requested. To date it has had no request."

The filing by the NASD of a motion and supporting brief with the SEC requesting that the granting of permission to the Department of Justice to appear in the proceedings be vacated, was noted in our issue of Feb. 3, page 521.

Interesting Utilities

Common stock of Southwestern Public Service and Common w. i. of Delaware Power & Light offer attractive possibilities, according to memoranda prepared by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of these memoranda may be obtained from the firm upon request.

Should Price Fixing And Rationing Be Extended Into Post-War Period?

(Continued from first page)
sire to get rid of price control in the case of every commodity where the supplies become reasonably adequate.

The best example of the necessity for continuing control was illustrated after the World War by our experience with sugar. Glass insisted on discontinuing it, and refused to sign the contract to buy all the Cuban sugar which lay on his desk. The result was an increase in the price of sugar from 5¢ to 25¢, because of the rush from the entire world which had been getting on without adequate sugar supplies.

HON. LYLE H. BOREN
Representative in Congress from Oklahoma

Lyle H. Boren

I am positively opposed to any extenson of price fixing or rationing in the post-war period. I have my doubts as to whether or not inflation would be worse than the obnoxious regimentation carried to unnecessary degrees in the present price control system even in time of war, and I certainly want to see a general freedom from bureaucracy when the war ends.

H. V. KALTENBORN
New York City

H. V. Kaltenborn

I am convinced that we must carry on a certain measure of price fixing and rationing in the post-war period. No one can say just how much or for how long. But to assume that every war regulation can be abolished the moment the war is over would be a serious mistake.

C. F. BURTON
President, The City Bank, Washington, D. C.

Paternalism in government is as repugnant to me as it is to anyone. However, I think it will be necessary to carry on the rationing and price fixing into the post-war period until production gets under way and the law of supply and demand can function normally.

Clarence F. Burton

I can remember only too well what happened after the last war for about two years. Prices ran wild during that period to a much greater extent than during the war. If all restraint is removed, I am inclined to think it would be disastrous.

It does not seem to me that there would be any reason to continue wage stabilization. That would take care of itself with the men coming back.

LAURENCE M. MARKS
Partner, Laurence M. Marks & Co., New York, N. Y.

Laurence M. Marks

I, personally, do not think it wise to extend either the price fixing or rationing into the post-war period. In the first place, we have had far too much government regulation and, in the second place, the sooner we do away with the artificialities and return to sound, natural economy, the better it will be for all of us.

FRANK K. HOUSTON
President, Chemical Bank & Trust Co., New York, N. Y.

Whether or not I think it would be wise for the Government to extend price fixing and rationing into the post-war period will depend on different conditions. If the war in Europe is over this year and the war with Japan continues, we can probably go into a gradual readjustment that may not require very long-continued price fixing and rationing. If the war in Europe continues longer, I think such a period will be, thereby, longer when peace does come due to greater scarcity. In either event, I think we should necessarily have some price fixing and rationing after peace in an endeavor to bring about a gradual adjustment.

Frank K. Houston

I think Government control of economy would necessarily have to be carried over a while in the post-war period, but I do not believe it would go to the extent of breaking down our system of individual enterprise as feared by some. After the war, I am of the opinion that the pendulum will swing more to conservative business principles, and we will be inclined to return to and revalue the policies and practices that made this country what it is, rather than to continue the policy of discarding them to the extent that we were doing before the war.

ERNEST E. NORRIS
President, Southern Railway System, Washington, D. C.

Ernest E. Norris

As for your question on the extension of price fixing and rationing into the post-war period, I am naturally opposed to any and all carry-over of necessary wartime controls into time of peace. In my opinion, the quicker we can return to those freedoms which made this country great, the more effectively we will be able to meet the problems that post-war readjustment will inevitably bring.

BERKELEY WILLIAMS
Richmond, Va.

Berkeley Williams

The fundamental economic laws of supply and demand have always eventually prevailed in the past, and history records that wherever and whenever governments have undertaken to tinker with them trouble has resulted. Natural laws are immutable while the methods applied in regimentation are based upon ever varying and untried economic theories. Therefore I believe it is reasonable to expect that trouble will result from extending either price fixing or rationing into the post-war period. I am one of those who hold faith that the people (in this country at least) will act fairly and intelligently when correctly informed. The Good Old Reliable "Chronicle" has done its level best to give the people full and complete information and more power to it for so doing.

But the freedom to deceive which has been so freely exercised by high and low Government officials in the past 11 years has created an appalling state of confusion and discontent. We are faced with a slow and painful return to fundamentals via the "Trial in Error," "shirt sleeves to shirt sleeves in three generations" (as the best way to distribute wealth), and "least governed is best governed" routes. I hope it is not too late.

Emerson was right when he declared "the less government we have the better."

HON. CHRISTIAN A. HERTER
Representative in Congress from Massachusetts

I think the question of whether or not it is wise to extend either or both price fixing and rationing into the post-war period is a very difficult one to answer because of the impossibility of gauging at this time just when the post-war period is likely to begin. If the war in Europe should be over a year or two years before the Asiatic war, many of the most difficult transitions from a war to a peace-time economy will already have been effected. Undoubtedly, in this particular period, price fixing and rationing will have been continued: price fixing in order to prevent runaway prices as a result of the demand for civilian goods still in short supply; and rationing, so as to assist in meeting the great initial European shortage which will be encountered.

Christian A. Herter

Presumably, the agricultural recovery of Europe and the excess of shipping so as to allow easy transportation of food surpluses wherever they may occur in the world, will allow rationing to be discontinued after, say, a period of two years beyond the closing of the European war.

Just how soon price fixing should be discontinued depends, in my opinion, entirely on the speed of the conversion to peace-time goods. With the colossal number of short-term Government securities outstanding, and the many Federal certificates redeemable after the war, and with some $14,000,000,000 of extra cash tucked away in people's socks, price fixing is undoubtedly desirable until abnormal pressures for civilian goods have flattened out. As you so well point out in "The First Years After the First World War" in the "Chronicle" of Jan. 20, 1944, the immediate pressures after World War I were very great, but very uneven. The same may well occur again and a gradual relaxation of controls seems preferable to a sudden return to a free price structure.

I share the general apprehension with regard to Government-controlled economy being carried too far. The wisdom with which great powers are exercised, and the strength of an underlying philosophy of a return to free enterprise, will be the real criteria of a successful conversion.

DR. FRANK S. MAGILL
President, Penn Hall Junior College & Preparatory School, Chambersburg, Pa.

With respect to the extension of price fixing and rationing in the post-war period, I am thoroughly convinced that either, and more especially both, would be extremely unwise as well as dangerous. Indeed, I am thoroughly convinced that four years more of New Deal trial and error, mostly error, would result in complete destruction of our system of individual enterprise and deprive us of the last semblance of democratic government. For a number of years I felt very keenly the possibility of complete collapse of our financial system especially because those directing it are not prepared either by training or experience for their jobs. This fact, together with the superabundance of idealism, is leading us on, whither we know not, though we do fear.

Frank S. Magill

F. L. EDMAN
Reo Motors, Inc., Lansing, Mich.

F. L. Edman

It is my personal opinion that possibly some form of price fixing and rationing may have to be continued for a time into the post-war period until certain adjustments can be made. I think we certainly shouldn't allow it to become standard practice.

GAYER G. DOMINICK
Partner, Dominick & Dominick, New York, N. Y.

I am confident in my mind that the American people want to be free of Government regulation as soon as possible, so that they can go back to complete free enterprise as they have known it, under, of course, Federal rules for fair play.

With this basic thought paramount, I however think it is too soon to say whether price fixing and rationing should be discontinued after the war or not. We will have to feel our way. Where there are products of which there is an over-supply, I think that rationing and price fixing could be quickly discontinued, but where there is an under-supply, I think it will be necessary to continue such controls. I think this will probably be necessary in the question of food during the rehabilitation time of the conquered countries in particular. Consequently, in my opinion, your question cannot be answered "yes" or "no."

I think we have a tendency to move too fast in these vital questions, anyway. I think in these tremendous crises that we are in, we will have to proceed slowly with the basic thought always in the back of our minds that we want to release controls as quickly as seems wise as we proceed down the path.

NORMAN C. THOMAS
Chairman, Post-War World Council, New York, N. Y.

Norman Thomas

I am not yet ready to dogmatize, but if conditions are as I expect them to be, I should favor some extension of some rationing and price fixing into the period of confusion which will follow the end of the war. The matter will have to be handled carefully.

HON. FRANCIS E. WALTER
Representative in Congress from Pennsylvania

In a word, I feel that individual enterprise must be encouraged if we are to retain our form of government and enjoy any degree of prosperity in the post-war period. Having rather homely ideas about our economic structure, I, perhaps, approach a planned economy with biased opinions. I only hope that my Committee has the wisdom and will suggest a real constructive program.

Francis E. Walter

(Editor's Note—Representative Walter was recently appointed to the Post-War Planning Committee of the House.)

L. W. DUNCAN
President, The Commercial National Bank, Muskogee, Okla.

I am very much opposed to Government control any longer than necessary. However, it does appear to me that for a while after the war is over, and especially until our industries get fully converted to peace manufacturing, it will be necessary that the Government retain these price fixing and rationing controls. I am certainly opposed to their keeping them any longer than necessary.

Restoration Of Fiscal Sanity Nation's Primary Task: Bricker

(Continued from page 693)

much liberty around the world. It lacks faith in our people. It assumes that people cannot take care of themselves, but must be taken care of by a paternalistic government. So it has built up a dominating bureaucracy, and used it for selfish political purposes.

The New Deal philosophy has extended into every branch of government. It has expressed itself in many ways. It assumed in the very beginning that the executive branch of the government is paramount. The Congress was relegated to an inferior position. Legislation was drafted by representatives of the executive. A Congress dominated by a servile New Deal majority submitted. Often the power of patronage was used. Every conceivable political device was employed to build the power of the executive.

Congress surrendered the purse strings to the executive through lump sum appropriations. As a result, Congressmen were placed at the mercy of the executive.

Then came the attack upon the Supreme Court. An attempt was made to relegate it to a position of subservience to the executive.

The program included an unceasing suppression of State and local governments. You will recall that in the early days of the New Deal, legislation was sent to the Governors of our States with a "must" attached to it. It came directly from the executive branch of the Federal Government.

That was not all. An attack was made upon the various groups of citizens. Class was set against class. Businessmen and industrial leaders were maligned. Labor was divided and one group was played against the other. The farmer was suppressed and regimented. Small businessmen in many instances were driven out of business.

I live with the people who live under this bureaucratic system and I know the impact of this expanding system of government on their daily lives and feel their reactions to it. In my judgment, the safest program for our country lies not in fitful movements of reform and reaction but in steady progress through adherence to our representative system of government.

The time has now come to take the policy making power of government out of the hands of the arrogant bureaucrats and return it to the hands of the elected representatives of the people.

The material accomplishments of our people under self-government are unmatched. With only one-sixteenth of the world's population, we have produced more automobiles than all the rest of the world, one-third of the radio sets, one-half the telephones, one-third of the railroad mileage. We stood first in air transport, manufactured one-third of the steel and utilized one-third of the electric power. This was not due to our great natural resources alone because other countries have had them. Under our free political atmosphere we have made better use of our resources and more people have enjoyed a higher standard of living than in any other country of the world.

What better evidence of the soundness of our traditional system do we have than our record of war accomplishments. In spite of the manifold discouragements of our industry at the hands of the New Deal during pre-war years, it magnificently met the challenge of war. We not only produced the instruments of war needed by our own forces but we became the arsenal of the nations fighting with us against the Axis. This achievement of industrial management and workers constitutes one of the brightest pages of our history.

This has been accomplished in spite of the weakness of the New Deal in handling labor relations. It could never have been accomplished except for the loyal support of labor in this country. But I want to say to you as members of my party in Congress that in time of war when men and women are dying to preserve free government and the very right of labor itself to organize—that no man or no union should be permitted to strike. I do not care whether that strike is against management or government, the consequences are the same. Some life is endangered by every idle hour. Every strike delays victory.

But this is not all—labor is irreparably injured in the eyes of the public and these strikes will cause the soldiers to return to this country from the battle fronts with a distorted opinion of the loyalty of labor in this country. I do not care whether the strike is induced by selfish labor leaders or unthinking members of the union, the result is the same. This is a problem of government. If we can wage a war on every battle front of the world, we can certainly keep the wheels of industry turning. A law should be enacted by this Congress laying down fundamental principles for the administration and adjudication of labor disputes and the prohibition of strikes in the time of war. The recently suggested National Service Act is no answer to this problem at this late date. The strike problem of this country can be solved by proper legislation and by fair and just administration of the law.

The boys at the battle front are demanding such action. Fathers and mothers of those who are losing their lives are demanding such action and that demand will be expressed in the election this Fall. Republicans of this Congress—respond with a constructive program. Such action instead of destroying rights of labor will preserve them. The time is here to support labor which wants to work and quit coddling selfish labor leaders for the sake of the votes which they say they can deliver in an election. If politics and votes had been forgotten by this administration we never would have had the distressing confusion which has confronted us in this field.

The real genius of our system of government lies in faith in the worth of the individual citizen and respect for the dignity of the human personality. Upon that faith we shall stand and wage the campaign ahead.

I am proud to be a member of the Republican Party. I deem it a high privilege to address my fellow Republicans who have given such valiant service both in the field of domestic affairs and in our war program during one of the most critical periods of our history. One cannot overestimate the contributions of the Republican members of Congress to the tremendous task of converting this nation of peace-loving citizens into the invincible force now making itself manifest in all parts of the world.

Winning the war is not a partisan opportunity. It is an American responsibility. All of us resent the effort of any political leader to make "Win the War" a political slogan. That became the watchword of every patriotic American on Dec. 7, 1941, and will remain so until the day of victory.

It is a matter of deep satisfaction to all of us that the people of this nation saw fit to reward our party both in recent Congressional elections for its demonstrated alertness and high sense of responsibility. The Republican Party has never been willing, when entrusted with power, to sell the day in order to serve the hour. In serving one generation, it has also given thought to coming generations. Our party is justly proud of its past and it is exceedingly sure of its future because of its consistent purpose.

We shall win this Fall unless selfish interests prevail in the counsels of our Party. I come to you tonight confident of victory for the Republican Party and say to you with the deepest of sincerity that I am more interested in winning the coming election for the Republican Party and in defeating the New Deal philosophy of government than I am in being President of the United States.

One of the many striking differences between the Republican Party and the New Deal is in leadership. There are many leaders in our Party who would make excellent candidates for the Presidency and whom I would be proud to support and who, if elected, would do the job that must be done to save the priceless heritage of this Republic. The New Deal has only one candidate.

The decision of the American people would be to preserve their traditional freedom if the issues and facts were squarely presented to them. But the real danger lies elsewhere. There is danger in the size and in the power of the Federal establishment itself, with three and one-half million civilian employees and the encroachment it has made upon the proper functions of the States. There is danger in bureaucratic restrictions so arbitrary, intricate and difficult as to smother the spirit of initiative and enterprise of our citizens. There is danger of further steps in pursuance of the ruthless and reckless aim to destroy our system of checks and balances, one of the cornerstones of our liberties. There is danger in the kind of heedless grasp for power that led to the departure from the salutary limitation by tradition of a President's tenure. Each of these dangers is sufficient in itself to give us serious concern but their aggregate effect is staggering and must be removed if we are to continue our accustomed way of life.

But I am of the opinion that the paramount task to which we need to address ourselves at war's end is to restore order and sanity in our fiscal affairs and our system of taxation. Let us now consider some of the aspects of this problem.

The many fiscal experiments of the New Deal have created a disorderly pattern of spend, waste, borrow and tax. Too often this program has been inspired by political opportunism. In time of war great expenditures are necessary. War means taxes until it hurts. It means lending every dollar possible to our government which may and should involve temporary sacrifice. But in war it is our bounden duty to insist that our government be single-minded toward the war effort and as frugal in the ordinary activities of government as it asks us to be.

The question with which we are confronted is whether these New Deal pre-war fiscal policies are to continue after victory.

On June 30, 1939, two months before the Germans began their drive into Poland, the federal debt stood at forty and a half billion dollars. This was almost exactly eighteen billion dollars more than the amount of the debt on June 30, 1933, some four months after the New Deal Administration took office. Even more startling is the fact that the debt in 1939 was fourteen billion dollars greater than it was on August 31, 1919, which was the all-time high up to that date and resulted from World War I. We have been told in high-sounding phrases by publicly employed economists "Think nothing of our national debt. Just borrow more. Public debt has no similarity to private debt because we owe it to ourselves." There might be some sense in such a statement if we all had equal incomes, equal bond holdings and paid equal taxes. The truth is that under our economy it makes no difference to the individual taxpayer whether the debt is held internally or externally.

The second theory of the New Dealers is what they call "the compensatory budget theory." This theory means that government must stabilize the economy at high employment. It presupposes that when private spending and investment decline and consequent unemployment results, the government will inject purchasing power through increasing public expenditures. This theory has no relation to the judicious fiscal timing of necessary public works. The other part of this theory holds that when private spending and investment rise again to bring about full employment, taxes will be increased to mop up the excess purchasing power which gives the inflationary spiral its motivating impulse.

This is an over-simplification of the problem. It assumes that public expenditures and taxes can be turned on and off as an electric light switch. The analogy does not hold when we study financial history. Modern public expenditures are more like a release of a small boulder on a mountainside. As it proceeds down its erratic course, it gains momentum, releases other boulders which become an avalanche, destroying the lives and property of peaceful inhabitants on the mountain and in the valley below before it comes to rest.

The necessary increase in the public debt caused by the war, plus the debt caused by waste and reckless government spending, plus the cost of the tremendous political organization built up at the taxpayers' expense, present a problem fraught with great danger if continued in the post-war era.

Our citizens ought to know the end of such a policy. The first result of the continuance of the unsound fiscal policies of the New Deal will be the loss of autonomy of the state governments. This will come when financial independence of state and local government ends. The further we follow the course of directly expanding our federal expenditures and deficit financing, the less will be the resources available for state and local governments. The federal government has entered practically every field of taxation except that on land. This is about all that is left to local governments. It has led local governments to depend upon state aid and Washington contributions.

In 1932 when the New Deal came into power, the federal government collected 22% of our total taxes. In 1939 the federal portion had jumped to 38%. Even with the increased tax income, the federal government spent more than it collected and adhered to deficit financing. Much of this came about because the federal government entered more and more into functions that before had been locally administered.

Changes in economic and social conditions do require from time to time the reallocation of governmental functions. But some New Dealers have expresed the opinion that the federal government should use substantially the entire taxing power and dole out to the states and local governments what Washington wants them to have. This would make state and local government a mere sham and pretense. When the states and local governments become financially dependent upon Washington, the whole federal structure will have been destroyed.

Since the submission of the 1945 budget, it is estimated that by June 30, 1945, we shall have a national debt in excess of two hundred and fifty billion dollars. This may well require a post-war interest charge of five to seven billion dollars. This with the other costs of government must be paid primarily by those who create the income of the nation.

As long as the government does not allow its debt to go beyond where it can be serviced without entrenching upon our system of private enterprise, our economy is not in danger. But with such a debt we realize immediately that the interest alone becomes a serious burden upon production.

In the post-war period the annual operating expense of the federal government has been estimated at about fifteen billion dollars. Taxes can rise so high that they will ultimately become unbearable, paralyzing production by taking so much profit that no incentive remains to take a chance.

If we pursue deficit financing in the post-war period, we shall inevitably reach the point where, barring wholesale inflation, private enterprise will be unable to keep labor fully employed, making it necesary for the government to borrow more and more in the attempt to relieve unemployment. But in that event those from whom the government must borrow will either be out of business or already taxed to such an extent that they will have no money to lend. Government credit will then be impaired. This happened in modern Italy and also in modern Germany. Free enterprise and representative government will then be gone. This necessarily follows because in the post-war era constantly mounting federal taxes increase the equity of the government in our income which is our wealth. This means the steady transfer of ownership of our wealth, which includes our industries, from private persons to the government. We would have lent our wealth to the government on the "owe it to ourselves" theory until, with any marked decline in our national income, we would owe so much to ourselves that we would be unable to pay ourselves the interest, much less anything on the principal. This means ultimate default. The wealth of the nation would be held by the government or in other words owned in common. This is socialism, if not communism.

Make no mistake about it, the most effective way to overthrow our republican form of government is to continue to follow the New Deal fiscal policies in the post-war period.

The post-war financial problems can be solved and our American way of life can be protected. But they cannot be solved until we have an administration in Washington which throws out the bureaucrats, theorists, spenders and borrowers and adopts and adheres to policies of economy, common sense and sound business methods. A balanced federal budget at the earliest possible time after the war is won will create more jobs than all the projects government can devise.

The first essential looking to sound fiscal policy is a responsible cabinet government in Washington. This means the elimination of many independent boards and commissions and holding the department heads responsible. If any cabinet member is unable to handle his problems, get one who can. The overlapping of boards, bureaus and commissions, the superimposing of czars upon the departments, the cross-checking of one authority upon another, result in costly confusion, endless bickering and public distrust.

With a properly organized administration in Washington there is no need even in war for three and one-half million civilian employees. There are over one hundred thousand of them in my state alone—five times the number of state employees. Nothing would encourage the American people more, nothing would enhance the war effort to a greater degree than to send back into productive industry or to the army or navy the hundreds of thousands of unnecessary federal employees.

In summary a sound constructive post-war tax policy must be based upon the following principles:

1. Simplification of tax laws and regulations including reports and returns.

2. Stability in tax laws and regulations to enable business to map out constructive future programs without constant fear of changes and new theories being adopted.

3. Adherence to the principle that the taxing power exists primarily for the purpose of raising necessary revenue and does not exist to be used as an undercover method of effecting social changes.

4. Adoption of tax measures which will leave adequate sources of revenue available to states and local governments to enable them to maintain their financial independence.

5. Strict adherence to fiscal and tax policies which will stimulate and encourage venture capital and private enterprise to provide jobs in private employment.

6. A reduction in federal taxes as soon as possible after victory.

I offer to you no Utopian picture of ease with abundant money for all raised by borrowing from ourselves. The task confronting us is a difficult one, but courage, hard work and a great faith will carry us through.

At the darkest hour of the Civil War a group of men called upon Abraham Lincoln. They suggested that the cause of the Union was lost and that he should give up. He answered them in these words:

"When I was a young man in Illinois I boarded for a time with a deacon of the Presbyterian Church. One night I was aroused from my sleep by a rap at my door and I heard the deacon's voice exclaiming, 'Arise, Abraham, the day of judgment has come!' I sprang out of my bed and rushed to the window, and there I saw the stars falling in a shower. But I looked beyond those falling stars and far back in the heaven I saw fixed and immovable, the grand old constellations with which I was so well acquainted. No gentlemen, the world did not come to an end then, nor will the Union now."

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.

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.

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.

First Boston Corp. Group Offers Phillips Petroleum Bonds

A nation-wide banking group headed by The First Boston Corp. on Feb. 16 offered $40,000,000 Phillips Petroleum Co. 2¾% sinking fund debentures, due Feb. 1, 1964, at 101 and accrued interest. Proceeds from the sale of the bonds will be applied in part to the retirement of $14,596,000 principal amount of long-term notes, and the balance will be added to working capital. Syndicate announced last night that books had been closed, orders having been received in excess of the amount of debentures reserved for the selling group.

Giving effect to the new financing, the company will have outstanding, in addition to the $40,000,000 debentures, $10,500,000 serial notes, approximately $7,400,000 of indebtedness due the Defense Supplies Corp. and 4,916,987 shares of common capital stock. A sinking fund, which becomes operative in 1945, is calculated to retire 64.5% of the debentures prior to maturity.

Associated with The First Boston Corp. in the offering are Mellon Securities Corp.; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Goldman, Sachs & Co.; Hallgarten & Co.; Harris, Hall & Co. (Inc.); Hayden, Stone & Co.; Hemphill, Noyes & Co.; Lazard Freres & Co.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Bond & Goodwin, Inc.; H. M. Byllesby & Co., Inc.; Dominick & Dominick; Glore, Forgan & Co.

Also. Green, Ellis & Anderson; W. E. Hutton & Co.; Kidder Peabody & Co.; Laird & Co.; W. C. Langley & Co.; Union Securities Corp.; G. H. Walker & Co.; Dick & Merle-Smith, Hornblower & Weeks; Laird, Bissell & Meeds; Laurence M. Marks & Co.; Otis & Co.; Reinholdt & Gardner; Riter & Co.; Swiss American Corp. and Morgan Stanley & Co., Inc.

Smith Barney Syndicate Offer Pfd. Stock Issue

Offering of a new issue of 50,000 shares of $4.25 cumulative preferred stock of Hooker Electrochemical Company is being made today by a banking group headed by Smith, Barney & Co. The stock is priced to the public at $100 per share.

Of the proceeds to be received by the company through the sale of these securities, $2,349,705 will be applied to the redemption of all of the company's outstanding first mortgage bonds, due 1952, at 102¼; $1,048,215 will be applied 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 proceeds amounting to $1,410,030 will be added to working capital to be used for general corporate purposes.

Upon completion of this financing, the outstanding capitalization of the company will consist of 50,000 shares of $4.25 cumulative preferred stock, without par value, and 335,085 shares of common stock, par value $10 per share.

Net income of the company for the fiscal year ended Nov. 30, 1943, amounted to $1,210,118, compared with $1,442,390 reported in 1942 and $1,143,627 in 1941. The balance sheet at Nov. 30 shows total current assets of $5,386,123 and total current liabilities of $2,946,296.

Other principal underwriters in addition to Smith, Barney & Co. are: R. W. Pressprich & Co.; Harriman, Ripley & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; Kidder, Peabody & Co.; Lee Higginson Corp.; Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster and Blodget; Eastman, Dillon & Co.; Shields & Co., and Dean Witter & Co.

Calendar Of New Security Flotations

OFFERINGS

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).

In an amendment company lists underwriters and their participations as follows: Smith, Barney & Co., 10,000 shares; R. W. Pressprich & Co., 5,000; Harriman Ripley & Co., Hemphill, Noyes & Co., and Hornblower & Weeks 3,500 each; Kidder, Peabody & Co., Lee Higginson Corp., Merrill Lynch, Pierce, Fenner & Beane, and Stone & Webster and Blodget 2,500 each; Eastman, Dillon & Co., Shields & Co., and Dean Witter & Co., 2,000 shares each; A. G. Becker & Co., Central Republic Co., and Wisconsin Company 1,000 shares each; George D. B. Bonbright & Co., Hamlin & Lunt, Janney & Co. and Stroud & Co., 875 each; Kebbon, McCormick & Co., and Newhard, Cook & Co., 750 each and Yarnall & Co., 500 shares.

Offered Feb. 16, 1944.

Offered Feb. 16, 1944, by Smith, Barney & Co., and associates, at $100 per share.

ILLINOIS POWER CO.

Illinois Power Co.—name changed on Nov. 1, 1943, from Illinois Iowa Power Co. —has registered $65,000,000 first mortgage and collateral trust bonds series due 1973.

Address—134 East Main Street, Decatur. Ill.

Business—An operating public utility company engaged in the electric and gas business in Illinois.

Underwriting—Names will be supplied by post effective amendment.

Offering—Company proposes to sell the bonds through competitive bidding pursuant to Commission's Rule U-50. Price to the public will be supplied by amendment.

Proceeds—Company proposes to use the net proceeds from the sale of bonds, with $4,000,000 to $5,000,000 to be borrowed on bank notes and a portion of its treasury funds to redeem its first and refunding mortgage bonds as follows: Redeem on April 1, 1944, $30,681,500 face amount, Series A, 6%, due April 1, 1953, at 104½% and interest, and on June 1, 1944, $39,175,100 face amount Series C, 5%, due Dec. 1, 1956, at 105% and accrued interest. Total redemption cost exclusive of accrued interest of the two issues is $73,196,022. In addition, company has or will redeem or pay off $17,321,900 face amount of its funded debt including $15,827,400 face amount of its first and refunding mortgage bonds Series B—the entire issue—to be redeemed on Dec. 1, 1943 from proceeds of recent sale to Continental Gas & Electric Corp. by Illinois Iowa of its entire interest in Des Moines Electric Light Co. and Iowa Power & Light Co. for $15,220,000. The company redeemed on Oct. 1 1943, $500,000 first and refunding mortgage bonds, Series A, and will pay at maturity on Dec. 1, 1943, $994,500 face amount of underlying mortgage bonds.

Registration Statement No. 2-5237. Form S-1. (10-23-43).

Bidding Rule Waived—The SEC on Jan. 6, 1944, approved an application of the company for authority to sell a $65,000,000 issue of first mortgage and collateral trust bonds privately to a group of insurance companies on condition that the price obtained for the bonds is satisfactory to the Commission.

Placed Privately—It was announced Feb. 10 that issue of $63,000,000 1st mtge. & coll. trust 4% bonds due 1973 placed privately with about 50 institutional investors at 101 and int. through The First Boston Corp.

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).

Offered Feb. 16 at $40½ per share by Blyth & Co., Inc.

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).

In an amendment filed Feb. 11 underwriters and their participations are listed as follows (all New York unless otherwise noted): First Boston Corp., $5,600,000; Mellon Securities Corp., Pittsburgh, $3,200,000; Morgan Stanley & Co., $3,200,000; Blyth & Co., Inc., Goldman, Sachs & Co., Hallgarten & Co., Harriman Ripley & Co., Harris, Hall & Co., Inc., Hayden, Stone & Co., Hemphill, Noyes & Co., Lazard Freres & Co., Merrill Lynch, Pierce, Fenner & Beane, Smith, Barney & Co., $1,600,000 each; Bond & Goodwin, Inc., H. M. Byllesby & Co., Inc., Chicago, Dominick & Dominick, Glore, Forgan & Co., Green, Ellis & Anderson, W. E. Hutton & Co., Kidder, Peabody & Co., Laird & Co., Wilmington, W. C. Langley & Co., Union Securities Corp. and G. H. Walker & Co., $800,000 each; Dick & Merle-Smith, Hornblower & Weeks, Laird, Bissell & Meeds, Wilmington, Laurence M. Marks & Co., Otis & Co., Cleveland, Reinholdt & Gardner, St. Louis, Riter & Co., and Swiss American Corp., $400,000 each.

Offered Feb. 16, 1944 at 101 and int. by The First Boston Corp. and Associates.

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing (unless accelerated at the discretion of the SEC), except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930 (b).

Offerings will rarely be made before the day following.

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 1⅙ 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).

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 $2,000 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).

(This list is incomplete this week)

Interesting Possibilities

Marlin-Rockwell Corporation offers attractive possibilities, according to a memorandum issued by Chas. W. Scranton & Co., 209 Church Street, New Haven, Conn., members of the New York Stock Exchange. Copies of this interesting memorandum may be had from the firm upon request.

CGO Tractions Interesting

Cruttenden & Co., 209 South La Salle Street, Chicago, Ill., members of the New York and Chicago Stock Exchanges, have prepared a study of the current situation in Chicago Tractions which the firm believes offer interesting possibilities. Copies of this material may be had from the firm upon request.

"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.

Case For Bank Stocks

Loewi & Co., 225 East Mason Street, Milwaukee, Wis., have prepared an interesting study of the situation for bank stocks which the firm believes represent attractive outlets for investment funds at this time. Copies of this study may be had upon request from Loewi & Co.

The Stock Market Outlook For 1944

(Continued from page 691)

averages, the market's steady loss of breadth from the last week in December to date and the increasingly speculative character of the issues leading the effort on the upside. The fact that the breadth indicator of the market recovered 100% of the July-November decline while the industrial average was regaining only 56% of the same decline and the rail average was recovering 78% is of particular importance. Such a performance by the breadth indicator in the past has always been a sign of trouble ahead, probably because it reflects to a very considerable degree the extraordinary bringing ahead of secondary, speculative issues to such an extent that one of the most common remarks to be heard at the present time is the one, "It is getting awfully hard to find anything that still looks attractive." The last condition in itself is one that usually indicates that caution is advisable. This can be best cured by a sizeable decline returning many stocks to attractve prices and uncovering attractive new situations.

If the market is to decline through 129.57 and 31.50 it is reasonable to expect it to do so within the next three months. Of course, that will give us a Dow Theory bear market, but the value of that indication is subject to some question at the present time. What is more important is that it will give the market definite minimum and maximum objectives on the downside. They will be 120 in the industrial average as a minimum objective or some 15 points below the present level and 112-114 as a maximum objective or 21 to 23 points below the present level. There is a very considerable tendency to laugh off a decline to 120 at the present time as something of no great importance but I feel fairly sure that it would make a good many of the scoffers quite uncomfortable while it was occurring and if the decline should carry to the lower level of around 113 the discomfort would become widespread. After all a total decline from the July, 1943 top of 145.82 of 26 points is not to be sneezed at and one of 33 points would be a fairly serious matter, if only for the doubts about the future which it would create. The basis of minimum and maximum objectives alone will make the extent of the decline decidedly important. Minimum or 120 would indicate that the fundamental bull market had only been suspended, despite the Dow Theory. Maximum or 112-114 would raise serious questions as to whether the best prices for a long time had not been seen.

Obviously, if there is to be a decline to either of the objectives mentioned, there will have to be some development to cause it. The known factors listed currently as bearish are becoming too well known and have been discussed far too long to have any violently bearish effect. They are all peace problems and are all predicated upon the ending of the war in Europe. I do not know which one of the present widely held bullish beliefs will be the one which will be exploded and by its explosion cause a fairly wide market decline, but there may be some clue to be found in the fallacies that have already been exploded during the war period and the avid desire of this market to repeat the pattern of the market of the first World War. First let us turn to the repetition of the pattern of the first World War.

There were five phases in the stock market from 1914 to 1919. The first was the panic phase, beginning immediately following the outbreak of the war and forcing the closing of the Exchange. The second can be called the war prosperity phase, running from February, 1915 until November, 1916. The third phase was our entry into the war and the repercussions from it, lasting from November, 1916 until December, 1917. This phase included realization of the probability of our entry, actual entry and reaction to the attendant dislocations. There followed what might be called the approach of victory phase, which ended in October, 1918 and was followed by a short period of readjustment worry. Then ensued the final or post-war boom phase, running until November, 1919.

There seems to have been an attempt to repeat each of these phases during the present war period. Certainly this is true of the first four phases and may well be true of the fifth.

So widespread and well refreshed was the memory of the panic and the closing of the market following the outbreak of war in 1914 that many, if not a majority, still expected a similar break in the market as peace came to an end at the end of August, 1939. Despite the fact that the industrial average was down 28 points from its high of November, 1938 and had been down 34 points from the same high, the belief in a repetition resulted in a 3-hour decline of some 5 points. When this proved to have been a miscalculation of the situation, the market turned around and moved upward 31 points in 15½ market sessions as a wild scramble took place to discount a repetition of the war-inspired prosperity of 1915 and 1916. The misconception engendered by the attempt to repeat the previous experience is best illustrated by a price of 120 for Bethlehem Steel on Sept. 12, 1939, as against its current price of slightly below 60.

The repetition of the third phase is more difficult to correlate but at least it can be said that the market remembered clearly that the 1917-1918 decline was caused by higher taxes and dislocation of the economy rather than the actual entry into the war and began discounting them immediately. In the first period the stock market was as high in the early part of August as it had been on the date of our declaration of war in April. This time there was a nearly continuous decline from Pearl Harbor to the lows of April, 1942. And those April lows were reached just about the same time as taxes became their worst.

The fourth and fifth phases of the first World War can best be considered together. They were interrupted by only a short period of correction. Between December, 1917 and November, 1919 the industrial averages rose 53.67 points. Roughly 35% of this advance occurred prior to the Armistice in 1918, the balance afterward. Between April, 1942 and July, 1943 the industrial average rose 52.90 points or very nearly the exact same point figure as before. Of this advance roughly 46% occurred between April and November, 1942 — the victory phase—and the balance can be ascribed to the market's going on nearly immediately to discounting the post-war boom. Certainly, the action of the market following the fall of Mussolini is ample evidence that the bullish influence of the certainty of winning the war has lost its effect. And it is only necessary to remember the prognostications that began to flow from the pens of economists, business men, market letter writers, politicians, and even lesser lights, to be sure that the major influence behind the December, 1942-July, 1943 advance was post-war boom. Is this not an attempt to repeat the 1918-1919 experience? And certainly it is unusual for the stock market to discount the same thing twice. Actuality is now needed rather than a renewal of discounting. Speculative railroad bonds have actuality and look at what is happening to them.

If this is true, then the current market is particularly vulnerable to the explosion of some of the current pet beliefs. Which one it will be I will not even attempt to forecast, for my knowledge on military and political matters is certainly no better than any of yours. And my knowledge of economic matters is probably not as good as yours.

One has only to look back upon the number of fallacies that have already been exploded in the past four and a half years to acquire the suspicion that others lie ahead. The misconceptions regarding the influence of the outbreak of the war and the boom from war orders have already been mentioned. The ideas of the impregnability of the French Army and the Maginot Line are almost too painful to recall. The expectation that the Russians would fold up in fairly short order has been more than disproved. The hope that the Japanese would not dare to attack and the belief that we would finish them off in short order if they did were particularly painful fallacies that have been exploded. The imminent end of the war ever since the invasion of North Africa has been a recurrent fallacy. One could even list the hope of the election of Wendell Willkie during the summer of 1940 and there have been numerous minor fallacies that have cropped out from time to time. The list is long enough already to suggest that the addition of one more will have considerable effect as has been the case in the past.

Supposing we do have a decline in the stock market to 120 or to 113. It is obviously necessary to assess what will come after. even though such speculation on future events may take us well beyond today's subject of the stock market in 1944. And I would repeat that the question of whether the decline stops at 113 or 120 or above will be an important indication of the future.

I am a little worried about the unanimity of belief in a post-war boom because unanimity is a perilous thing in forecasting, but the facts and figures are so clear and so plain in their implications that one must accept them and some sort of post-war boom as entirely probable. Consequently, it seems reasonable to expect whatever decline there may be in the months immediately ahead to be followed by a substantial recovery. I believe the majority opinion is that recovery will carry us to new highs. The facts and figures on deferred demand, the supply of money and bank deposits and other factors all point in that direction. None of these, however, are new factors. The only thing that might be called new about some of them is that they are increasing all the time. It still seems as if the market now needs the actuality of the beginning of a post-war boom before it can be expected to get through the top area of last summer. And the actuality of that beginning is some time away.

In the meantime there are many additional factors in the current situation to help hold it in check on the upside for a number of months and, just possibly, for a very long time indeed. One could best summarize all of them under the heading of "The Increasing Risk to Capital." There is not sufficient time to do more than list the outstanding ones. There are numerous regulations and controls that have arisen that will not be abandoned after the war. If they are intelligently accepted and handled by business and finance they can be of inestimable help but if they are treated only as things to be fought and discarded as soon as possible they can and will become what they are wrongly feared to be. There is the question of the attitude of the voters of this country if unemployment is allowed to mount to a large figure—say 6,000,000 to 8,000,000—while different systems of government abroad provide full employment. There is the question of the impossibility of substantial world trade and its consequent substantial part in the creation of full employment if the world again becomes dominated by power politics, as much through our own isolationism and conservatism as anything else. There is the question of our ability to employ our own resources to the fullest extent.

The market should await the resolving of just a few of these problems at least before attempting any bold demonstrations on the upside. And while it is waiting it is in constant danger of developments which will send it into the decline that has been projected.

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.

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