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Electronic "Master Mind" Saves Money & Labor Man Hours

Through the design and creation of an electronic "master mind" employing 126 vacuum tubes to calibrate Signal Corps radio apparatus, Philco Corporation engineers saved 144,000 manhours of labor last year and, with other economies, made it possible to reduce the cost of this one type of equipment to the Government by $1,170,000 in 1943, it was announced by John Ballantyne, President of Philco Corporation, in a letter to stockholders.

John Ballantyne

"In the manufacture of highly precise measuring instruments, such as the Signal Corps frequency meter, it has heretofore

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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 1098; Missouri on page 1099.

General index on page 1120.

Some Factors In The Proposed Post-War International Pattern

By J. REUBEN CLARK, JR.*

You have bestowed upon me a signal honor in asking me to speak on this anniversary occasion. I fully understand that this honor carries with it a grave responsibility, for organizations such as yours have far more significance and far greater obligations than the merely social. I am equally mindful that in speaking to you, I am speaking to a distinguished group of that great body of our citizenry who, because of their training and experience, must take an important place in the future of this country, whether we shall go left or go right. You who are elevated to the Bench are the dispensers of justice and equity to the people, the guardians of the peace and the order of our society. You who are of the

J. Reuben Clark, Jr.

*An address before the Los Angeles Bar Association, Los Angeles, Calif., last month. Mr. Clerk is a recognized authority on international law; was Chairman of the American Preparatory Comm. to represent United States at the Third Hague Conference; General Counsel for United States before the American British Claims Commission; former Solicitor of Department of State and Under-Secretary of State of the United States; author of the Memorandum on the Monroe Doctrine; of the first presidency of the Church of Jesus Christ of Latter-day Saints; and Chairman of the Executive Committee and Director of Foreign Bondholders Protective Council, Inc.

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Stock Market Awaits Invasion—To Mark Time Pending Event

BABSON PARK, FLORIDA—Since the slight rise during the first part of January the stock market has moved within a close range. How soon will the market get out of its present rut? Will stocks have a tendency to move sidewise, slide off, or can investors expect a decided advance? I am definitely bullish for the long-term. At the moment, however, the market is hesitatingly awaiting the invasion of the Continent.

Roger W. Babson

Invasion Summary

The "second front" is more apt to consist of four invasion spearheads, namely, at the Balkans, at Southern France, at Northern France and at Norway. Here, again, we run into uncertainties. The only apparent factor is that an invasion will take place. To all intent, the accelerated bombing of Germany is an invasion. In the end, however, it will be the man with the gun who will do the job. How many of these spearheads will be thrown back is unknown. The time factor is also unknown. This last may not now even be settled upon by our High Command.

However, the necessary troops and equipment are being rapidly massed. The day will surely come when orders will be given for the advance. We can expect more action in the stock market one way or another when this takes place.

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WPB Chairman Advocates Reduced Regulation in Peace-Time Economy

Donald M. Nelson Declares War Production Needs Remain Paramount, But Civilian Output Will Be Expanded Gradually, If Possible—Avers Identical Treatment Cannot Be Given To All Competitive Civilian Concerns

Speaking at a dinner given by the Office of War Information and the War Advertising Council for Representatives of National Industry at the Statler Hotel, Washington, D. C., on March 8, Donald M. Nelson, Chairman of the War Production Board, emphasized the importance of maintaining an economic balance during the remainder of the war and at the same time making war production needs paramount.

Donald M. Nelson

"In the period that lies ahead," he declared, "we dare not allow the American economy to become unbalanced even temporarily. You cannot get the kind of cooperation you need, you cannot produce on the scale necessary for this kind of war when your economy is out of kilter." Continuing his remarks, Mr. Nelson said: "The facts are plain. Reserves of certain types of war material are already making it possible to close down some war factories. The workers of those factories in most cases will be able quickly to find employment in other war industries, where they are badly needed. Nevertheless, in certain local situations there may be some manpower available, if only temporarily; there will be facilities available, and there will be materials available. Right now pressure is being felt to permit industrial plants to use available resources in making products that our civilian consumers want.

"Just as in January, 1942, many people could not understand why the Government did not wipe out the civilian economy, so there are

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America Unafraid

By WENDELL L. WILLKIE*

Mr. Willkie Declares Fear Of The Future Is Due To Loss Of Individual Self-Reliance Caused By Paternalistic Governmental Policies. Believes Individual Initiative And Self-Reliance Can Be Restored Only By An Expanding Economy. Urges Unlocking America's Economic Doors So "We Can Make The Days Ahead Of Us The Greatest We Have Ever Known".

A few days ago I read an article that contained a somewhat startling conclusion, a conclusion that I reluctantly believe is true. That is the conclusion: **that America is afraid of the future, afraid of peace.**

The article was by Bernard DeVoto, a distinguished scholar and the editor of "The Easy Chair" in Harper's Magazine.

Wendell Willkie

Mr. De Voto points out that as a people we have done well with our war efforts, from the miracle of production which we have wrought to the good humored endurance of dislocated and regimented lives.

But he finds among us today a new and growing fear. I quote him: "The fear is that, terrible as the war is, the coming peace will make these war years seem to have been a time of quiet, order and optimism. . . . That, whatever the war may have done to our us, it has kept us comparatively united, comparatively of one purpose, comparatively effective as a society. That, once the external discipline of war is relaxed, there will be grave danger of our collapsing into disorder, disunity, civil and social strife. That, whereas war has brought us hope, or at least courage, the coming peace may bring despair."

In other words, the fear that is growing upon us is a fear of the unknown in economics and a so-

*An address delivered before the New Hampshire Good Roads Association at Concord, N. H. March 9, 1944.

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The Outlook For 1944

In Brief

Business activity has been rising with practically no interruption for four years. It is quite likely that the year 1944 will prove to be the peak and that some time during the year a decline will start. Under normal peace conditions such a decline would be accompanied by lower corporate earnings and security prices, but under present conditions, this may not be the case. Earnings and dividends this year will probably be about the same as last year. However, the pronounced selectivity among individual securities that has prevailed during the war should continue and, if anything, might be even greater than in the past.

1943 in Retrospect

The year 1943 was one of slowly rising activity. Industrial production at the end of the year was only about 10% higher than at the beginning of the year, and the change in activity by industries was much less uniform than in 1941 and 1942. In those years production was rising in nearly every industry and many industries showed sharp gains, while in 1943 production in a number of industries declined, others stayed about the same or rose slightly, and relatively few industries showed sharp gains. Last year the restrictions in the output of many non-essential industries became even greater than in 1942, while armament production continued to rise. During the latter part of 1943, production of certain types of armaments was curtailed. In 1943 the only important industries that showed sharp increases in production were machinery, transportation equipment (including ships and aircraft), non-ferrous metal fabri-

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Woodall A Director Of Harriman Ripley

Harding C. Woodall, Vice-President of Harriman Ripley & Co., Inc., 63 Wall St., New York City, was elected a director of the company at the annual meeting, according to an announcement by Joseph P. Ripley, Chairman.

Harding C. Woodall

Mr. Woodall has been associated with the Harriman Ripley organization in the industrial buying department since 1935, and has been a Vice-Pres. since June, 1943. A graduate of Sewanee University, Class of 1917, Mr. Woodall entered the investment banking business in 1925, when he joined the National City Company. Prior to that he had served with the Wright Aeronautical Corporation. Mr. Woodall served in France in World War I as a Captain in the Seventh Field Artillery, 1st Division.

Kaiser & Co. To Be NY Exchange Members

SAN FRANCISCO, CALIF. — Kaiser & Co., Russ Building, will become members of the New York Stock Exchange on March 23, when Leland M. Kaiser acquires the New York Stock Exchange membership of the late J. Clark Moore, Jr.

Partners in the firm are Leland M. Kaiser and Edwin R. Foley, general partners, and Walter D. Heller and Allen E. Meier, limited partners.

David Cerf At Parris Island

The many friends in the investment banking circles of David F. Cerf, Sales Manager of Floyd D. Cerf Company will be interested to learn that he is presently stationed at the Marine Corps Base at Parris Island, South Carolina.

Seligman, Lubetkin Adds Russell To Trading Staff

Edward C. Russell has joined the trading department of Seligman, Lubetkin & Co., 41 Broad St., New York City.

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NASD 5% Profit Rule Threatens Access Of Small Business To Capital Markets

By PHILIPP H. LOHMAN, Ph.D.

(Dr. Lohmann is Associate Professor of Economics at Miami University, Oxford, Ohio. At present, he is a contributing editor of Time Magazine while on leave. He is also connected with New York University, and is a member of Economists' National Committee on Monetary Policy—Editor.)

The Congress of the United States has enacted legislation to require the former employer of the man called to service to reinstate him in his old job when his service has ended. That is a laudable aim, but to be effective, Congress must now give attention to preventing the disappearance of the employer. Small business in 1939 comprehended the employers and about 45% of the personnel of all business. This shows how deep and how far the small business problem cuts into the United States economy. It illustrates how vital the preservation of small business is to the "common man" about whom so much concern has been expressed in high places.


P. H. Lohman

If small business goes, big business does not have any future except to become the economic arm of a totalitarian state, such as was the case in Germany and Italy. Out of the flexibility, the vigor, and the competition afforded comes the constant spark that has made free American enterprise one of the great progressive forces in the struggle of man for mastery of the physical universe.

Small business will need equity capital in the postwar period. Small concerns forced out of business by the war, will need capital to help them reenter business. Those that have managed to stay in business will need capital to help them expand in competition with larger firms. Those that have converted to war production will need capital to reconvert to a peacetime production. Moreover, the last years have seen a sharp falling off in the birth rate of business which means that similar to World War I an increasing number of new businesses will be established after this war. Much if not most of the capital needed will be in the form of high risk capital.

The U. S. Department of Commerce, among other governmental agencies, has always recognized

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A Post-War Depression Can Be Licked: Walter D. Fuller

President Of The Curtis Publishing Co. Says If Business Does The Proper Sort Of Selling Job There Can Easily Be A National Income Of 135 Billion Dollars Or More Which Will Dissipate Worries About Our National Debt, The High Level Of Taxation And The Threat Of State Capitalism

By WALTER D. FULLER*

One of these days this war is going to end. None of us knows when, but all of us know it is going to end in a complete and satisfying victory for ourselves and our allies. That is just as certain as the melting of snows on the hillside in spring time.

And when that day comes we will find ourselves across the threshhold and in the post-war world. Nothing, in our times, has been dramatized as much as the post-war world. Many people are ready to believe it will be like paradise, coming as their reward for Christian living in these days of suffering and sacrifice. They expect to have helicopters for wings and to dwell evermore in a land of milk and honey. They are counting on radar, rocket planes, jeeps, plastics, amazing new gadgets — and, of course, a national income of 135 billion dollars or more — to solve all the problems of the hereafter of peace.


Walter D. Fuller

But there is another group of people, equally self-sacrificing and suffering, who fear that the post-war world will be the end of all we have known, and that all of us will be taken by the devil. They mean the devil of another depression. They fear the devils of taxation, of renegotiation, depleted reserves, disrupted markets, competition, etc. They fear we will suffer all the tortures of the damned, everlastingly.

I don't know in which group

*An address delivered before the Adcraft Club of Detroit on March 10, 1944.

(Continued on page 1116)

"Rule" And Ruin

"5% Spread" Is Sellout Of NASD Membership

It is significant that nowhere in the object and purpose clauses of the NASD certificate of incorporation is any mention made of promoting the welfare of its members.

One can argue that by inference this may be gathered from the provisions, "To promote through cooperative effort the investment banking and securities business . . ." Why leave so important a purpose, if it exists, to inference?

What kind of an organization is the NASD? Is the protection of its members any real part of the NASD program? What does the record disclose?

Let's follow up that certificate of incorporation to make a true estimate of the nature of this group. Is it by its own avowal and its actions devoted to the interests of its membership, or is it a superfluous policing body?

". . . to encourage and promote among members observance of Federal and State securities laws;"

Here is a colossal piece of impertinence. Now, who is

(Continued on page 1117)

Agreement Believed Near In Monetary Stabilization Plan

Early and complete agreement among Russian, British, American and Canadian treasury experts on a multi-billion dollar gold-based fund to stabilize post-war foreign exchange was believed imminent on March 14, it was reported in Associated Press accounts from Washington which also had the following to say:

This belief grew following the disclosure that parallel conversations have been in progress here with British authorities while a Russian delegation was being acquainted with the so-called White currency stabilization plan.

An official who told of the new Anglo-American talks said one more meeting was expected to eliminate the final point at issue, described as a minor one and unrelated to the question of gold.

Heretofore the White (American) and Keynes (British) plans have been at wide variance as to whether gold should play a leading or subordinate role in balancing international trade and credit transactions.

Harry D. White, Treasury monetary expert, proposed an $8,000,000,000 fund to be made up of gold and local currency contributions of participating nations. Lord Keynes, Bank of England director and economic adviser to the British Exchequer, suggested instead a clearing house arrangement without original assets and using a quota system based on foreign trade volume.

There was no indication that any of the recent talks brought representatives of the three Powers together at the same time. However, it was known to the British as well as to the Americans that Russia, as a major gold holder, regarded the White plan as the more acceptable of the two. This Russian attitude was believed to have clinched British capitulation to American views.

Canada already has drafted its own plan, strikingly similar to the latest White proposal.

A Treasury official said he expected at least a couple more Russo - American conversations, last on the agenda before the State Department issues formal invitations to an international monetary conference to consider currency stabilization as well as a world bank for reconstruction and development.

Greene, Doremus V.-P.; Heads Chicago Office

William H. Long, Jr., President of Doremus & Co., announces that Charles C. Greene has been named Vice-President of Doremus & Co., national advertising agency, in charge of the Chicago office, 208 South La Salle St. He assumed his new duties on March 15.


Charles C. Greene

Mr. Greene has had extensive experience in all phases of advertising agency service and in the public relations field. He was formerly Vice-President of Buchanan & Co., and prior to that Vice-President of Critchfield & Co. He is a past commander of Advertising Men's Post No. 38, American Legion, one of the largest posts in the country. He is a graduate of the University of Chicago and a member of the Illinois bar.

Pre-Induction Military Training

Although preliminary military training units have ceased their activities in the metropolitan area, a Wall Street man has conceived a plan to enable men about to be drafted to secure the advantage of such training. This includes military drill and rifle shooting. No obligations are involved. The drills are free. A nominal fee will cover the expense of the ammunition used. Those interested should communicate with the "Chronicle" at BEekman 3-3341, Extension 12.

Investment Opportunity

Stock of Great Lakes Terminal Warehouse Company at current levels appears to offer an exceptional investment opportunity according to an interesting memorandum on the situation issued by Allman, Moreland & Co., Penobscot Building, Detroit, Mich., members of the Detroit Stock Exchange. Copies of this memorandum may be had from the firm upon request.

Perkins Co. In Boston

(Special to The Financial Chronicle)

BOSTON, MASS. — Ralph L. Perkins will shortly open offices here to engage in a general securities business. Mr. Perkins in the past was with Maxwell & Co., Inc.

General Staff Proposed To Advise Business And Government On Economic Planning

Dr. Arnold J. Zurcher, Director of New York University Institute on Post-War Reconstruction, Predicts That Concentration Of Business Will Continue After The War

A democratic general staff to advise business and government on economic planning for the entire nation was advocated on March 1 by Dr. Arnold J. Zurcher, director of the New York University Institute on Postwar Reconstruction, in an address before members of the institute in the auditorium.

Asserting that any radical departure from the system of private enterprise in this country after the war is unthinkable, Dr. Zurcher stated that an effort should be made to mitigate the effects of recurring business depressions through the medium of an agency which would be free from the taint of bureaucracy, representative of all elements in the population, and established on a basis that would be consonant with American institutions.

Dr. A. J. Zurcher

"If we do not want the vast, complicated, interrelated, high pressure thing we call our economy to get out of hand during the long pull, if we want to achieve aims which we have deliberately set for ourselves, then there is only one institutional response which we can logically make," Dr. Zucher said. "That is, planning on a national scale. The stigma of socialism and totalitarianism must be lifted from that word. Planning as an idea must be rehabilitated if private enterprise and democracy are to survive.

"A planning mechanism does not need to be bureaucratic. Indeed it ought not to be bureaucratic. It is perfectly possible for us to bring together the area of government, management, labor and the public to promote on a national scale the kind of overall oversight of our economy which we need. Why any such proposal should display flashes of red to some in our society is frankly beyond understanding and imagination.

"What I am advocating is a sort of democratic general staff for our economy with a really worthwhile research organization that could act as a general planning agency for the kind of mixed economy which we will have after this war. Its function would be neither legislative nor administrative; indeed it need have no coercive power at all. Its aim would be to advise both business and government and provide that correlation of outlook that alone can save us from difficulty and disaster."

Discussing the form which business organizations in this country will take after the war, Dr. Zurcher expressed it is as his belief that large-scale enterprises will not only be those most likely to be able to meet successfully the problems of the period but will be those most likely to serve national policies effectively.

"The same conditions and objectives which call for an increased governmental role in our long-range postwar economy will also affect the structure and discipline of autonomous sectors of that economy," he said. "For private business they will require a growing concentration of managerial direction. Planning output, markets and trade policies, in the kind of highly organized society which we shall require if we are to operate at a high level of activity, will be most ineffective if such planning is left to a great number of independent entrepreneurs. To be effective it must be handled by each branch of industry acting as a unit. That will mean big business. Except for the fringes of distribution and the various service activities it will mean real difficulty for small business. The day of small business may not be past; but small business will certainly find it increasingly difficult to operate independently.

"There is another reason why concentration in business is likely to go on apace during the long pull of the post-war period. Whether we like it or not, we appear to be entering upon a period of power politics in international affairs. I am not evaluating that trend here; I am merely saying that it looks very much as if that was where we were heading. What other implications can one draw from the statements coming from our leading admirals that our navy is now the largest in the world and that it will be our duty to maintain it intact when the war is over. Now if European experience furnishes any guide in this matter, it may confidently be predicted that such a trend will magnify the influences favoring business combination. For in great European states, big business and power diplomacy have always gone hand in hand. European states have always favored the concentration of enterprise particularly in those industrial sectors related to the preparation for war; and under conditions of modern warfare there are few industrial sectors that do not have an intimate connection with military preparedness. If European experience be typical, then there is no reason to suppose that our experience will be otherwise."

Discussing the future of democratic institutions in this country, Dr. Zurcher said that while certain forces will necessarily militate against the continuation of the form of government we have always had there is no reason for pessimism.

"No people on earth ever showed greater courage or ingenuity in shaping the institutions of their political society than we did during and after the Revolution; and we certainly did not lose that capacity during the 19th century," Dr. Zurcher said. "It may be that the present generation has lost some of that earlier power of adaptation. Certainly it is true that during the past decade we have been primarily concerned with the immediate objectives of helping ourselves out of depression and preparing for war. We have not had much time for institutional forms, particularly for the forms of our political society. But with the end of the war there will come an opportunity to take inventory, to readjust those institutions and perhaps cast them in a mold that will endure for a generation. Whether or not we shall take that opportunity remains to be determined."

Summers Lamon With Blyth In Los Angeles

LOS ANGELES, CALIF.—Blyth & Co., Inc., 215 est Sixth Street, announce the association with them of Summers Davidson Lamon as manager of the municipal department.

Mr. Lamon is well known in the municipal bond field throughout the country. He was Vice-President of the Bankamerica Co., Los Angeles, from 1928 to 1932. In 1932 he became associated with O'Melveny-Wagenseller & Durst and remained with them until 1942, having served as Vice-President and Director in charge of their municipal bond activities. Mr. Lamon joined the Vultee Aircraft Co. in 1942 and was appointed to their financial administrative division. Later he became attached to the Avion Corp., serving that corporation in a similar capacity.

STANY Annual Dinner To Be Held April 21

The Security Traders Association of New York, Inc., announces that the annual dinner will be held on Friday evening, April 21, at the Waldorf.

Michael J. Heaney of Joseph McManus & Co. is chairman of the arrangements committee and will shortly report the committeemen who will be in charge of reservations, etc. A large attendance of both local and out of town traders is expected.

Interesting Possibilities

American Casualty Company offers an interesting situation at the present time, according to a circular issued by Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, Calif. Copies of this circular, discussing the situation in detail, may be had upon request from Butler-Huff & Co., as well as a tabulation of the record of "The Home" since 1853.

New Comers At Luckhurst

Luckhurst & Co., 60 Broad St., New York City, announce the admission of the "Luckhurst Twins" to their firm. Stuart Marshall Lax, 7½ pound son of trader Herbert Lax, was admitted March 3, 1944. Only a few days later, David N. Wasserman, new son of trader Irving, was admitted. Both Junior Members of the Staff and their sponsors are progressing nicely.

The proud fathers indignantly rejected the suggestion that one of the newcomers be named "Bid" and the other "Asked."

C. W. Wilson Retires

Charles W. Wilson, Vice-Pres. of Bishop's Service, Inc., has retired after 36 years of service with the company.

Affiliated Debt Refund. Approved By Stkhldrs.

Stockholders of Affiliated Fund, Inc., at a meeting held yesterday in Jersey City, N. J., approved a proposal of the management to refund the entire outstanding funded debt consisting of $10,-000,000 4% convertible debentures due in 1949 and 1950, through bank financing.

Andrew J. Lord, President of Affiliated Fund, Inc., stated that the new financing is expected to be on a 2½% basis, indicating a gross interest saving of $150,000 a year, equivalent to more than 3 cents a share on the outstanding shares.

The present debentures are expected to be called for redemption on May 1, 1944.

Stanley M. Roth Co. To Be Formed In N. Y.

Effective March 23, the New York Stock Exchange firm of Stanley M. Roth & Co. will be formed with offices at 41 Broad Street, New York City. Partners will be Stanley M. Roth, who will acquire the Exchange membership of Benjamin Yelin, Della Dee Jacobs, general partners, and Samuel Ungerleider, Jr., limited partner.

Mr. Roth was formerly a partner in E. J. Roth & Co. Miss Jacobs and Mr. Ungerleider were partners in T. J. Beauchamp & Co.

M. J. Meehan To Admit

George S. McNamee and Edward B. Schnell will shortly be admitted to partnership in M. J. Meehan & Co., 30 Broad Street, New York City, members of the New York and Chicago Stock Exchanges. Mr. McNamee will act as alternate on the floor of the New York Exchange for Thomas E. Doherty, and Mr. Schnell as alternate for Joseph A. Meehan.

Long-Term Financing For Re-Conversion

By EUGENE M. MATALENE*

Mr. Matalene Believes That In Considering Long-Term Financing For Reconversion, The Condition Of The Securities Markets And Their Receptiveness To Corporate Underwritings Is Of Paramount Importance—He Maintains That The Present Tax Structure Is Such That Costs of Long-Term Financing Are Low

My associates on this panel have either raised part, if not all, of the money needed for reconversion or they may look to such assured sources as customers' deposits and stockholders' capital, the U. S. Treasury, or the high grade bond market, for the funds they may need for lending to industry. The business I represent, however, must go to the investing public for the money required by its clients. For this reason, the condition of the security markets and their receptiveness to corporate underwritings are of paramount importance in considering long term financing for reconversion.

Opinions differ as to our economic fate after the war. One group of experts, the most vociferous if not the largest, believes that we are in for an extended period of rising prices and a postwar boom. Another group foresees serious dislocations in industry and is of the opinion that the problems of reconversion will be well nigh insuperable, with depression the inevitable outcome. Probably somewhere between these two extremes the truth will be found but the fact remains that the future is still a closed book. An equally plain observation, however, is that the present market for both bond and equity financing is a good one. As a result, many corporations have taken and many others are planning to take advantage of this situation. In my opinion, they are well advised.

Not only are conditions favorable but the present tax structure is such that costs of long term financing are relatively low. Most of the security offerings with which my firm has been connected during the past year or so have been distributed for corporations which are subject to substantial excess profits taxes. Because new equity capital raises the exemption from this tax, the tax itself is lowered and over-all cost of financing is reduced. As an illustration, a leading chemical concern sold a large issue of new 4% preferred stock last Fall at a net annual cost, according to my calculations, of less than ¾ of 1% so long as the excess profits tax remains in effect. Companies in this position are taking out what amounts to an insurance policy against future reconversion uncertainties. I think you will agree that this is wise procedure.

There are many perplexing questions regarding "reconversion" which only government and industry can answer. Solution of these exceedingly intricate problems will require not only the best brains but also the most understanding type of cooperation of all forms of business. Without attempting to discuss this phase of the matter, however, in the short time at our disposal, it may be pointed out that, from the investment banking viewpoint, those companies whose war-time products are closest to their peacetime products are better candidates for public financing than those whose reconversion problems are severe. In these latter cases, it seems to me that negotiation of so-called "VT" loans or private banking arrangements represents the most satisfactory immediate answer to their predicament. Unless stockholders and prospective investors believe that the enterprise in which they have invested or are about to invest their money has a better than average prospect for weathering satisfactorily the period of reconversion uncertainties, it would be difficult, if not impossible, to persuade them to place new funds in the business.

Projection of future sales, earnings, and financial requirements is always an uncertain matter but it is made doubly so in the light of dislocations which undoubtedly will be caused by the war. Nevertheless, even incomplete data are better than no data at all. This was impressed upon me very forcefully last Summer when a corporation, for which we are bankers, opened discussions looking toward the raising of a large amount of new equity capital. Sales of the business had skyrocketed because of the war and presently are running better than fifteen times those of 1940. The company's working capital, of course, is severely strained and the management was seeking additional funds to bolster its cash position. After an extensive study, however, we recommended that a "VT" loan be incurred. Our engineers had informed us that a reasonable estimate of the company's post-war sales during what they termed a "normal" year was less than one-fourth the current rate. Furthermore, since the company had "plowed back" a large portion of its war-time earnings into the business, despite exceedingly high taxes, it was our considered opinion that its net worth represented as much capital as it reasonably could hope to employ profitably after the war. The "VT" loan, of course, would take care of its near term working capital needs.

Stated differently, each piece of new financing must be considered in its own light so that few additional over-all statements can be made as to the best means for handling long term capital requirements. When your Planning Committee has determined the sum which it believes adequate for reconversion purposes, or for any post-war expansion opportunities which you now foresee, your Investment Banker will be in a position to advise just how it should be raised. No two sets of circumstances will be the same but if I were asked to condense into a single phrase my views on the whole problem of financial planning for the years to follow the war, I should be inclined to suggest that somewhat time-worn axiom "Do it now."

*Remarks made at the American Management Association Panel Session, Hotel New Yorker, March 1, 1944. Mr. Matalene is associated with the investment banking and brokerage firm of Hornblower & Weeks.

Cartwright And Magid Elected By Sealcone

C. Shelby Carter was elected President and a director of the American Sealcone Corporation at a meeting of the Board.

Clermont Cartwright and Samuel E. Magid, members of Hill, Thompson & Co., investment dealers at 120 Broadway, New York City, were elected Vice-Presidents. Mr. Cartwright was also chosen a director, a position which is already held by Mr. Magid.

Sellger And McGinnis Pflugfelder Partners

Patrick B. McGinnis and Hugo E. Sellger have been admitted to general partnership in the New York Stock Exchange firm of Pflugfelder, Bampton & Rust, 61 Broadway, New York City. Mr. McGinnis has been the firm's analyst for a number of years, and is recognized throughout the country as an authority on railroad reorganization securities. He is the author of the publication "Guide to Railroad Reorganization Securities." For a number of years Mr. Sellger has been office manager of the firm and also associate editor of the "Guide to Railroad Reorganization Securities."

Hugo E. Sellger Patrick B. McGinnis

Admission of Mr. Sellger and Mr. McGinnis to partnership in the firm was previously reported in the "Chronicle" of March 2nd.

Amended Plan Of NY Curb On Special Offerings

The Securities and Exchange Commission announced on March 3 that it had declared effective an amended plan of the New York Curb Exchange relating to special offerings. The SEC states: "The amendment has the effect of extending the provisions of the plan to cover bonds, as well as stocks. The amendment provides that the minimum block of bonds which may be offered as a special offering shall be $15,000 in principal amount having an aggregate market value of at least $10,000. It also provides that the special commission to be paid by the offerer of bonds shall not exceed 2½% of the offering price.

The text of the Commission's action follows:

"The Securities and Exchange Commission having previously declared effective a plan for special offerings and certain amendments thereto, filed pursuant to rule X-10B-2 (d) by the New York Curb Exchange; and the New York Curb Exchange, on February 26 and 29, 1944, having filed further amendments to its plan for such special offerings;

"The Securities and Exchange Commission having given due consideration to the special offering plan of the New York Curb Exchange as amended and having due regard for the public interest and for the protection of investors, pursuant to the Securities Exchange Act of 1934, particularly Sections 10 (b) and 23 (a) thereof, and Rule X-10B-2 thereunder, hereby declares the amended special offering plan of the New York Curb Exchange as filed on February 29, 1944, to be effective, on condition that if at any time it appears to the Commission necessary or appropriate in the public interest or for the protection of investors so to do, the Commission may suspend or terminate the effectiveness of said plan by sending at least ten days' written notice to the Exchange."

Supreme Court Refused To Review The Charles Hughes & Co. Dealer Mark-Up Case

The United States Supreme Court on Monday, March 13, denied a review of the Circuit Court's decision in the case of the securities firm of Charles Hughes & Co., Inc., against the SEC, rendered Dec. 10, 1943. The firm's broker-dealer registration was revoked by the SEC on July 19, 1943, because of their mark-up practices which were stated to have averaged 25%. The company petitioned the Second Circuit Court of Appeals for a revocation of the SEC's action, contending that it had not violated the Securities Exchange Act of 1934 in failing to provide market quotations to customers, and that the order of the Commission was an unconstitutional delegation of power.

In this case the SEC held in effect that if a dealer sells securities at prices not reasonably related to the current market price he has committed a fraud upon his customer if he does not disclose the current market price of the securities to the customer.

The full text of the Circuit Court's decision, upholding the SEC was printed in the "Chronicle" of Dec. 16, 1943, page 2418.

Cohu & Torrey Admits Raymond V. V. Miller

Cohu & Torrey, 1 Wall St., New York City, members New York Stock Exchange, announce that Raymond V. V. Miller has been admitted as a special partner in the firm.

Mr. Miller has been working for the War Department, being a member of the Price Adjustment Board of the North Atlantic Division of Engineers since early 1943. He is also a director of Marine Midland Corporation, Garlock Packing Company, Easy Washing Machine Corporation and Liberty Aircraft Products Corporation.

Interesting Utility

The expected filing of a recapitalization by United Gas Corporation with the SEC should have a beneficial effect upon Electric Power and Light first preferred stocks, and possibly on the second preferred according to a study of the situation prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, and other national exchanges. Copies of this study may be had upon request from Ira Haupt & Co.

Railroad Securities

There has been a pronounced increase in speculative interest in the stocks of Alleghany Corporation in the past week or so. In part, this is probably due to the renewed efforts of Chesapeake & Ohio to get ICC authority to issue a new preferred stock and distribute it as a dividend on its own common stock. Such a request was turned down late last year, but in many quarters it is felt that the new request, which is apparently more specific as to the reasons for the new issue, may receive more favorable consideration. Also, it is felt that the merger of Chesapeake & Ohio's various rail subsidiaries with the parent company may be closer than had generally been considered. Imminence of merger steps would be the strongest argument in favor of allowing Chesapeake & Ohio to create the new preferred stock issue.

Obviously a dividend in preferred stock would be of great benefit to Alleghany without, at the same time, having any material adverse influence on its holdings of Chesapeake & Ohio common. As of the end of 1943 Alleghany owned 1,844,695 shares of Chesapeake & Ohio common which under the dividend plan of last year would entitle it to receive $18,446,950 of the new 3¾% preferred. Sale of the preferred would allow payment of the entire bank loan (contracted last year to pay off the 5s, 1944) with a balance of perhaps $3,000,000 in cash left over. This would in turn presumably open the way for refunding, perhaps through another bank loan, of most, if not all, of the remaining Collateral 5s, 1949 and 5s, 1950 at a lower rate of interest. The potentialities for both the prior preferred and regular preferred stocks are obviously tremendous.

While the new petition for authority to issue the Chesapeake & Ohio preferred has been a potent recent market factor, there is a strong feeling among rail men that the Alleghany preferred stocks have considerable speculative appeal even without the proposed dividend. The progress already made by the company in improving the position of the senior equities was highlighted in the company's annual report recently released. As of February 17 the debt of the company had been reduced to $55,599,519, a decline of $9,796,481 from the 1942 year-end, and $21,648,876 below the 1937 level when the debt reduction program was initiated. This debt was composed of a bank loan of $14,801,519, the 5s, 1949 in the amount of $21,661,000 and the 5s, 1950 in the amount of $19,137,000. Annual interest amounts to only $2,631,961 or about $1.43 a share on the Chesapeake & Ohio common held, without allowing for income received on other holdings. The regular dividend rate of C. & O., which is considered eminently secure, is more than double that amount.

Allowing for expenses and taxes of around $550,000 a year, a dividend of $3.50 a share on C. & O. common (paid in each of the past three years), and $168,000 income from other securities held, there would be an equity of $3,443,258 for the Alleghany preferred stocks in the company's annual earnings. Even though the debt status precludes distribution of this income in the way of dividends, it obviously adds to the equity of the stocks through debt retirement. This balance of income is equivalent to more than $31 a share on the 110,730 shares of $2.50 prior preferred outstanding. Allowing for the regular dividend on the prior preferred the income is equivalent to around $4.75 on the 667,539 shares of 5½% ($100 par) preferred outstanding. Both classes of preferred are cumulative. The prior preferred has about $23 a share accumulations but liquidation thereof will not be a serious matter once the debt problem is fully resolved, because there are so few shares outstanding. The 5½% preferred has accumulations of more than $68 a share.

In addition to the holding of Chesapeake & Ohio stock there are other holdings of Alleghany which have interesting potentialities. For one thing it is hoped eventually to sell the Terminal Shares properties at a fair price. These bring in no present income but are appraised on the company's books at $6,000,000. Alleghany owns $11,152,000 of Missouri Pacific 5½% Debentures which have not paid interest in many years but which may emerge from the pending reorganization as having considerable value. At present they have a market worth of approximately $1,400,000. Finally, the company owns a substantial interest in the common stock and Class B preference stock of Pittston, having a present market value of just under $5,000,000. At the present time the Alleghany 5½% preferred has a liquidating value in excess of $53 a share, after allowing for the prior preferred at its liquidating price of 50, plus accrued dividends.

Situation Attractive

Herzog & Co., 170 Broadway, New York City, have prepared a memorandum on Bartgis Bros., which the firm feels offers an interesting situation at the present time. Copies of this interesting memorandum may be had upon request from Herzog & Co.

Lehman Bros Syndicate Offer Fruehauf Pfd.

Lehman Brothers and Watling, Lerchen & Co. head a banking group that is offering today 60,000 shares of Fruehauf Trailer Company 4½% Convertible Preferred Stock, $100 par value, at $103 per share, and accrued dividends from March 1, 1944, to date of delivery.

From the estimated net proceeds, approximately $3,428,712 will be used, to the extent required, to redeem all of the outstanding 5% Convertible Preferred Stock of the Company at $107.50 per share. The balance of the proceeds from the sale of the new preferred will be available for general corporate purposes, including, but not by way of limitation, the maintenance of cash balances, carrying of inventories, accounts receivable and other current items, the financing of notes receivable and future plant expansion and changes not now specifically planned.

The 4½% Preferred is convertible into common stock at any time prior to redemption at the conversion price of $44 per share of common stock, provision being made for adjustment of the conversion price in certain events. The Preferred Stock is redeemable at $108 per share if redeemed on or before March 1, 1947, and thereafter at $105.50 per share, plus accrued dividends in each case.

Reorganizat'n Potentialities

McLaughlin, Baird & Reuss, 1 Wall St., New York City, members of the New York Stock Exchange, have prepared an interesting circular discussing the reorganization potentialities for selected securities of the Missouri Pacific System. Copies of this circular may be had upon request from McLaughlin, Baird & Reuss.

Real Estate Securities

By JOHN WEST

Improved Real Estate Conditions And Its Effect On Earnings—40 Wall Street Building A Specific Example

With the completion of the reorganization in 1940 the 70-story office building at 40 Wall Street, New York City, presented many problems to the officers and directors of the new corporation. Real estate tax assessments were out of line with value and the income of the property, the former owners and affiliated interests who have occupied considerable space had moved to other properties, working capital was negligible and rental conditions were not of the best. As new tenants were secured, it was necessary to spend considerable money to alter and ready space as required. As a consequence during this rehabilitation period no funds were available for distribution to debenture holders.

The Picture Changes

As a result of new tenants and increased occupancy to about 88%, the Statement of Available Net Income for the six months ended Dec. 31, 1943 showed $126,184.86, of which $11,569.86 was carried to the Reserve for Working Capital and the balance of $114,615 made available for distribution, 80% for interest and 20% for Sinking Fund. This in contrast to the preceding six months when only $757.81 was shown as available.

What are the prospects for 1944 and future years? As to 1944, an estimate can be made which, while of course not accurate, shows that considerable improvement has been made and that interest distributions and funds available for Sinking Fund should materially increase. We believe that it is possible for this property to show $350,000 available income for 1944 and base this premise upon existing conditions. Starting with $252,000 income (double last six months) and adding thereto the pro-rata part of $67,000 additional rent on the main Westinghouse Electric & Manufacturing lease from 5/1/44 plus prorata part of $24,000 from Westinghouse from 3/1/44 for an additional floor, plus pro-rata part of the Atlas Corporation lease for three tower floors, plus pro-rata part of increased rents on 5/1/44 renewals, we believe the estimate is conservative as it does not take into consideratioin any cash refunds of real estate taxes which might be available to the Corporation providing the Court of Appeals sustains the reduction in assessed valuations of approximately $5,000,000 granted by the Appellate Division for the two taxable periods 1940-1941 and 1941-1942 nor any benefit that may be obtained from reduction in the 1942-1943 and 1943-1944 periods through certiorari proceedings pending in the Supreme Court, nor any benefit that may accrue from the reduction of the $19,300,000 assessment for 1944-1945 (which is $1,900,000 more than the assessment as set by the Appellate Division for the 1941-1942 period).

It is rather difficult to divide this estimate into six months periods (indenture distribution periods) but on the estimated net of $350,000, 80% or $280,000 would be available for distribution as interest and 20% or $70,000 for Sinking Fund.

OUR REPORTER'S REPORT

Except for a handful of special and small secondary offerings this week produced a veritable dearth of new business for the underwriting world. And from present indications it appears that the approaching week will have little, if any, more.

There is a liberal volume of potential business in sight, but for some unexplained reason projected new issues are not developing into actual business with the celerity that had been expected a month or so back.

Bankers naturally are standing by ready to move ahead when the issuer is ready. And, judging by the reception accorded most recent issues, investors, including institutional buyers, are equally approachable.

It appears now that Fruehauf Trailer Co.'s offering of 60,000 shares of new 4½% preferred stock, of $100 par value, carrying a convertible feature, will be the only substantial issue to reach market this week, if, as expected, it is offered tomorrow.

The sale will provide the company with approximately $3,428,700 new funds to be used to finance the redemption of the outstanding 5% convertible preferred shares at $107.50 a share. Any balance would be added to working capital.

Waiting Call For Bids

Just now the underwriting fraternity is patiently awaiting calls from two utility companies to tender bids for contemplated new issues.

Bankers are inclined to expect both these companies, namely, the Michigan Consolidated Gas Co., and the Oklahoma Natural Gas Co., to send out their requests for bids to be opened a week from Monday, March 27.

Michigan Consolidated Gas is by far the larger of the two projects, involving as it does $38,000,000 of new 3½% first mortgage bonds and 40,000 shares of new 4¾% preferred stock. Oklahoma Natural Gas plans call for the marketing of $18,000,000 of new mortgage bonds and 180,000 shares of preferred.

There's Always A "Catch"

Things never run smoothly, it seems. Take the case of the two aforementioned undertakings. Naturally, the bankers, like all other businessmen, welcome the opportunity to turn over an honest dollar.

But things can come too fast, it appears. At any rate potential bidders for these two offerings are hoping, perhaps against hope, that the issuers will not call for bids as of the same date.

Yet, it is almost a foregone conclusion that just that will be the case. In banking circles, it is pointed out that the sum total of the combined deals is considerable. And it is their contention that the companies might reasonably realize a better return if several days were to lapse between their sales.

Chicago-Bound

A goodly sprinkling of New York investment banking figures took off on Tuesday afternoon for the annual conference of the Central States Group of the IBA holding forth at the Palmer House in Chicago.

The group is scheduled to hear, among others, J. Clifford Folger, President of the IBA, and Ralph Chapman, new President of the National Association of Securities Dealers.

New Yorkers who are making the trip to the Windy City look upon the conference as a real opportunity for them. They point out that the annual Chicago meeting invariably brings out a real delegation of Middle Western distributors and thus affords them an opportunity for getting together with their many correspondents without the necessity of traveling from city to city and town to town which would otherwise be necessary.

C. & O. Equipment Trusts

Release of more steel, by the War Production Board, for construction of much necessary replacement railroad equipment is bringing out more frequent offerings of equipment trust certificates.

The next such issue on the calendar involves $2,200,000 to be sold in open competition by the Chesapeake & Ohio Railway at noon next Wednesday.

Bidders will name the price and rate for securities to be dated April 1 next and mature in equal annual instalments from April 1, 1945 to April 1, 1954, inclusive.

Boston Stock Exchange Admits 2 Corporations

BOTON, MASS. — The Boston Stock Exchange has admitted Chace, Whiteside & Co., Inc., and Ballou, Adams & Co., Inc., both of Boston, to membership in the Exchange. There are the fourth and fifth corporations admitted under an amendment permitting corporations to become members of the Exchange.

Jonathan Chace, President of Chace, Whitside & Co., will be the Exchange member of that firm; H. Starr Ballou, Jr., President of Ballou, Adams & Co., will represent it.

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.

Growth Possibilities

Common stock of the Gilchrist Company 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 stock's possibilities for appreciation may be had upon request from Stanley Heller & Co.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Volume break-through on upside brings out widespread bullishness — Market now showing symptoms of indigestion from sudden strength

Last week this column said that the important clue to watch for would be volume. Whichever way this volume would break out would point to the next market direction. Specifically, the column said, "Given an average trading day of 750,000 shares, the first step-up to about a 1,200,000-day would be the signal for the direction."

* * *

The clue came during the closing days of last week. Daily volume rose sharply to cross the million and a quarter-share figure and prices, which had been floundering for so many weeks, broke through offerings on the upside. This surge through old offering levels brought many stocks up to new high levels which, in turn, brought about a complete reversal in market sentiment.

* * *

It is no secret that up to the end of last week the Street was bearish. Dow Theory adherents were pointing at the inability of the industrials to confirm the rails. And while few of them had enough money to make much of a difference in either the rail or the industrial picture, they had enough of a following to make their opinions carry some weight. When the market stepped out on volume these adherents changed their advice to flat bullishness.

* * *

There was still another group, uninfluenced by so-called "advisory" opinion, but dependent on its own interpretations of what to expect. Last week's advances found both groups seeing eye-to-eye. Both saw in the advance a confirmation that a new bull market was underway and

(Continued on page 1118)

Public Utility Securities

United Gas Plan Proves Disappointing Marketwise

The long-awaited plan for recapitalizing United Gas Corporation (subsidiary of Electric Power & Light and Electric Bond & Share) was filed March 6 with the Securities and Exchange Commission. The original plan for the sale of $75,000,000 bonds had been filed nearly three years earlier, and a compromise agreement was almost reached in February 1942, but difficulties arose due to the objections of a large stockholder in Electric Bond & Share. Again last November a settlement was believed imminent, but a further delay occurred.

The present plan, which seems to reflect considerable preliminary discussion with the SEC staff, is highly complicated in its provisions. Eliminating the inter-corporate transactions apparently designed to satisfy legal requirements and/or SEC ideas, net results are as follows: United Gas will be recapitalized with $100,000,000 bonds (to be publicly offered) and 10,652,202 shares of common stock. Of bond proceeds, $44,000,000 will be used to cancel $52,925,000 debt and other United Gas securities held by EBS, and the balance to redeem publicly-held bonds and preferred. Electric P. & L. would receive about 95% of the new common stock in return for its holdings of United Gas second preferred and common, while publicly-held common would get about 5% (being reduced to 1/6th as many shares).

A pro forma income statement for the calendar year 1943, prepared by the company, indicates net earnings of $7,185,838 available for the new common stock (this assumes that the new bonds can be marketed at a 3¼% coupon rate). Thus the earnings on the new stock would amount to only 69¢ a share, and in terms of the old stock this would be equivalent to only about 12¢ a share.

This result proved quite disappointing, obviously, to holders of the common, which had been very active around 3 on the Curb the day before the plan was filed. On March 7th the stock opened at 2⅛, down ⅞, declined to 1¾, and closed at 2 (92,600 shares traded). It has remained around that level since, apparently on hopes that the plan may be modified or fail of consummation. Applying the usual ten-times-earnings ratio, the stock would not appear to be worth over 1¼ based on the pro forma income statement. A considerable amount of litigation over issues involved in the plan has already been initiated in the New York Supreme Court and the U. S. District Court—eight suits by common stockholders of United Gas, and six by stockholders of Electric Power & Light. The managements of United Gas, Electric Power & Light and Electric Bond & Share have tried to present a plan which would satisfy these litigants so far as possible. If the plan is approved by the SEC it is understood that the Commission will be asked to seek a final decree or order by the District Court to enforce the plan, as provided in Section 11 of the Utility Act. This would probably dispose of pending litigation, unless appeals are made to some higher court. Such an appeal occured in the case of the United Light & Power plan, which was approved by the SEC about a year ago but has not yet been enforced by the courts.

It is estimated that consolidated earnings for Electric Power & Light 1st preferred stocks would be increased from $11.18 a share to $13.61 per share if the plan were consummated; moreover, the flow of divident income from United Gas to Electric Power, which has been "dammed up" for many years, would be facilitated. If the plan is consummated Electric Power & Light may be expected to file a recap plan for distribution of new common stock to holders of its own 1st and 2nd prefered stocks, and probably to the common stock as well, under some formula similar to that proposed by American Power & Light (90-10%) or Commonwealth & Southern (85-15%). The complication incident to a 2nd preferred stock with large arrears is not too serious, as the issue is comparatively small (about one-tenth the amount of the first preferred).

However, the Electric Power & Light preferred stock declined about three points after announcement of the plan, presumably on profit-taking; they had advanced from alltime lows around 3, and 1942 lows of 15-20, to recent highs around 95-9. It has been estimated in some quarters that they might attain a level of 125 or higher when both companies have been recapitalized to meet SEC requirements. This is apparently based on the conjecture that they might be entitled to some 90% of the earning power ($12.12 on the estimated basis above) and that on a common stock basis a multiplier of 10 or more could be applied. While such a multiplier is high for a holding company, based on market standards of recent years, it is a fair average for operating company stocks and it is assumed that once EL is placed on an all-common basis, stocks of the operating companies (including United Gas) would be distributed to holders of the new common.

Some of these operating company stocks might be worth more than "ten times," but on the other hand increased Federal taxes might reduce the earnings (since a consolidated system return could no longer be filled). Ultimate market values will doubtless remain largely dependent upon future Federal taxation as applicable to these companies—post-war changes in revenues and rates are less important. Moderate gains for the system will accrue from bond refunding operations for susidiaries, now well under way.

Food Processing Advancing More Rapidly Than Food Production

Larger Volume Of Sales Has Resulted In Maintaining The Rate Of Profits On Turn-Over, Despite Higher Costs

By AUSTIN S. IGLEHART, President, General Foods Corp.

Production and processing of food in the United States reached record levels in 1943 and the entire food industry is being asked to outdistance such performances in 1944. Profits of food processors, after taxes, may not be changed much from those of 1942, although the tonnage and sales were larger. In the latter year net profits after taxes were slightly lower than in 1941.

Austin S. Igleheart

While total American food production was rising 24%, between 1939 and 1943, food processing advanced more than 38%. Total food output—crops plus livestock—last year was 5% higher than in 1942. Using the year 1939 as a base, figures of the U. S. Bureau of Agricultural Economics show the following percentage gains in food production: 4% in 1940, 7% in 1941, 18% in 1942, and 24% in 1943.

Although food processing last year advanced approximately at the same rate as food output, processing outdistanced primary food production in the last five years as war demands took ever-increasing tonnages of processed foods.

Food processing, in actual tonnages and in percentage of total primary food production, steadily has pointed upward since 1941. Using the Federal Reserve Board food manufacturing index, with 1939 as a base, the following percentage gains were registered: 6% in 1940, 18% in 1941, and 32% in 1942. Estimated rise of 38% for 1943 over 1939 is based on dollar sales of 50 American food processing companies, discounting such sales by the rise of wholesale quotations as being nearest to manufacturer's prices.

The 50 food processing companies, according to a statistical survey made by General Foods Corporation, represent a cross-section of the American food industry. They had plants in virtually every section of the country. They represented virtually every branch of the industry, such as: bakeries, canneries, cereal manufacturers, confectioners, dairies, dehydrators, meat packers, quick-freezers, sugar refiners, and soft beverage makers and bottlers. They varied greatly in size—from those with $2,000,000 assets to some with $300,000,000 in assets. Liquor and tobacco companies, so often included in widely circulated food statistical compilations, were excluded, because their problems differ from those of the food processors.

Sales of these 50 companies in 1943 were estimated at $8,200,000,000. They were $7,431,848,000 in 1942; $5,927,294,000 in 1941; $4,696,009,000 in 1940, and $4,244,510,000 in 1939.

Assets of these companies, in order to handle the almost doubled dollar sales volume, accompanied by the high physical volume, were increased between 1939 and 1942 by $506,761,000 or 19%. Total assets of these 50 companies were: $2,665,745,000 in 1939; $2,720,150,000 in 1940; $2,989,767,000 in 1941, and $3,172,506,000 in 1942.

Net income of the 50 companies, after taxes, in 1943 was expected to be about $245,000,000. This would be about 20% larger than the $197,392,000 net profits in in 1939. Meanwhile dollar volume had doubled. Net profits, after taxes, in 1940 were $215,742,000; in 1941 $239,878,000, and in 1942 $226,201,000.

Taxes, vital to finance the war, in 1943 were more than fivefold greater than taxes in 1939. In the latter year they were $50,720,000; in 1940 $72,205,000; 1941, $156,121,000; 1942, $268,987,000, and in 1943 (estimated) $300,000,000.

The way in which dollar volume of sales helped to reduce total costs of sales (which means here everything except taxes) is shown by the trend of costs of sales per dollar, excluding taxes, which were 94.1 cents in 1939; 93.9 cents in 1940; 93.4 cents in 1941 and 1942, and about 93.3 cents in 1943.

Profits, after taxes, per dollar of sales in 1939 were 4.7 cents; in 1940, 4.6 cents; in 1941, 4 cents; 1942, 3 cents, and in 1943 about 3 cents or a decline of 34% from those of 1939.

Taxes per dollar of sales meanwhile rose 208%. They were: 1.2 cents in 1939; 1.5 cents in 1940; 2.6 cents in 1941; 3.6 cents in 1942, and in 1943 (estimated) 3.7 cents.

Profits, after taxes, on the dollar of invested capital follow: 7.4 cents in 1939; 7.9 cents in 1940; 8 cents in 1941, and 7.1 cents in 1942.

Net sales in 1939 represented a turnover of invested capital of 1.59 times, in 1940 of 1.73 times, 1941 of 1.98 times, and in 1942 of 2.34 times. The rate of turnover in invested capital in 1940 was 9% greater than in 1939; in 1941 it was 25% more than in 1939, and in 1942 it was 47% greater than in 1939. In other words, in 1942 each dollar of invested capital produced $1.47 in sales volume for every dollar it produced in 1939.

N. Y. Analysts To Hear

The New York Society of Security Analysts, Inc., will hear J. W. McInerny, of Wood, Walker & Co., speak on "Interesting Opportunities in New York Central," at their meeting to be held on March 17.

On March 22, H. D. Hughes, technical representative of Carbide & Carbon Chemicals Corporation, will speak on "Recent Advances in Aliphatic Chemistry."

All meetings are to be held at 56 Broad Street, New York City, at 12:30 p.m.

Fagan & Co. To Admit

Abraham Ungerleider will as of today be admitted to limited partnership in Fagan & Co., 41 Broad Street, New York City, members of the New York Stock Exchange. In the past Mr. Fagan was a special partner in the firm.

Connecticut Brevities

On the first of March the city of Bridgeport sold to a dealer $454,000 refunding bonds due serially March 1 from 1946 through 1954 at 100.289 for a .90% coupon. These were subsequently re-offered in the market at prices ranging from a .45% to a .85% basis. Also sold were $450,000 interceptor bonds due serially March 1 from 1945 to 1954 at a price of 100.08 for a 1% coupon. Reoffering was on a scale ranging from a .35% to a 1.10% basis. This sale represents an all-time high in prices for Connecticut municipals.

* * *

The Connecticut Light & Power Co. showed a total operating revenue of $27,370,502 for the year ended Dec. 31, 1943. This was an 8.1% increase over the previous year. On the other hand, operating expenses increased 13%.

Net income was $3,699,313 against $3,586,506 or $2.56 per share compared with $2.50 in 1942. The preferred stock showed earnings of $11.01 per share against $10.67 a year ago, and fixed charges and preferred dividends were covered 2.14 times in both years. Equity per common share was $42.10 against $42.11 last year.

During the year, the company redeemed $7,038,000 of the 3½% debentures of 1956. Cash at the end of the year totalled $4,829,-954.

* * *

Due to increased demand from industrial and residential users, The United Illuminating Co.'s sales of electricity increased approximately 9.6% during the past year, bringing operating revenues to a total of $13,765,105. Expenses of operation of $5,646,830 were up 11.5% while maintenance expenses of $885,219 advanced about 67% over 1942. Earnings for 1943 were $2.09 per share compared with $2.10 for the preceding year.

* * *

The Bridgeport Brass Co. reports earnings for the year ended Dec. 31, 1943, of 57¢ per share against 87¢ in 1942—both figures excluding post-war refund. Net income was $1,287,520 as compared with $1,522,162 a year ago. Equity per common share increased from $13.93 to $14.78.

* * *

For the year ended Dec. 31, 1943, Bristol Brass Corp. reported earnings of $5.19 per share against $5.66 the preceding year. Equity per share was $54.07—an increase of $2.02 over 1942.

* * *

The Silex Company as of Dec. 31, 1943, showed net sales of $4,-548,722 against $2,881,528 for the previous year. Net income before taxes was $1,084,944 or an increase of 86.6% over 1942, while net income (after taxes) was $365,444 as compared with $286,368 a year ago—an increase of 27.6%. On a per share basis, earnings were $1.70 against $1.33 in 1942. State and Federal taxes show an increase of $424,500, being $719,500 in 1943 and $295,000 for the previous year. As of Dec. 31, the company had cash and U. S. Government securities totalling $1,040,818 and a back-log of orders in excess of 60% of the volume of 1943 sales.

* * *

The Southern New England Telephone Co. has two new members on its board of directors—Eugene E. Wilson, Vice-Chairman of the United Aircraft Corp., and Franklin R. Hoadley, President of the Atwood Machine Co., of Stonington. These men replace the late Thomas W. Farnam and the late James Lester Goodwin.

* * *

The Hartford Gas Co., completing its 94th year of service, reports the largest volume of gas sales in the company's history—5.6% ahead of last year. Net income for the year ending Dec. 31, 1943, was $399,527—an increase of $19,711 or 5.2% over last year's operations.

Earnings on the preferred stock were $13.32 per share as compared to $12.66 in 1942, while the common showed earnings of $2.26 against $2.13 for the previous year. Total taxes were 2% over the preceding year and 108% over 1935 taxes. During the year plant and property improvements totalled $137,155, the major improvements being made at the Front Street plant.

* * *

Total sales made by Veeder-Root, Inc., in 1943 doubled those of 1942. Net earnings per share amounted to $4.08 after deducting a reserve for contingencies almost the equivalent of $1 per share. This compared with $3.03 for 1942. At the year end, the company had current assets totalling $5,-808,841 of which $2,305,610 was cash and $917,836 in U. S. Government securities. Current liabilities were $2,772,951.

* * *

Niles-Bement-Pond Company reported gross profit on sales of $26,835,692 for the year ended Dec. 31, 1943, as compared with $20,680,480 for the previous year. Net income was $2,256,584 against $2,172,268 in 1942. At the end of 1943 there were 789,350 shares outstanding as compared with 712,100 a year ago, the additional shares being exchanged for capital stock of the Chandler Evans Corp. The earnings per share for 1943 were $2.86 as compared with $3.05 a year ago. These earnings include a post-war refund of $1.36 and $1.20 respectively. Current assets totalled $43,090,111 of which $14,998,259 was cash and $5,228,-071 was invested in U. S. Government securities. Current liabilities were $32,870,538. Equity per share was $22.37 against $19.84 in 1942.

Detroit Gets First Girl Trading Manager

Griswold Street, heart of Detroit's financial district, was rocked to its foundations this week by the news that pretty Miss Alice Farr will take over the job of manager of the trading floor at Hornblower and Weeks offices within a week or two.

Dark-eyed, dimpled, precedent setting Miss Farr started her financial career in 1936 when, fresh out of high school, she became a stenographer in the bond department of Dominick & Dominick, remaining with Watling, Lerchen when that firm took over the office. She later moved over to First of Michigan and from there went to Blyth & Company, where she is now employed. It was at the latter firm that she first worked on the trading desk.

Said Charles R. Perrigo, resident partner of Hornblower & Weeks: "We're glad to welcome her into the organization and I'm sure she'll do a great job. Her career on Griswold Street has demonstrated unusual ability in a field where all too few women try their hands."

Insurance Stock Index

The Mackubin, Legg Casualty Index registered a decrease of 1.7 points for the month of February, while the Fire Index showed an increase of .4 points for the month. Copies of the Index, giving comparative figures for 1942, 1943 and 1944, may be had upon request from Mackubin, Legg & Company, with a comparative statement of 1943 and 1942 fire and casualty insurance company earnings and liquidating values. Also available are memoranda on the Aetna Insurance Company, Fidelity & Guaranty Fire Corporation, and Reliance Insurance Company. Requests should be made to the Insurance Stocks Department, Mackubin, Legg & Co., 22 Light Street, Baltimore, Md.

Personnel Changes

(Special to The Financial Chronicle)

DETROIT, MICH.—**Francis J. Lynch**, formerly with Wm. C. Roney & Co., has become connected with **Watling, Lerchen & Co.**, Ford Building.

(Special to The Financial Chronicle)

GRAND RAPIDS, MICH.—**Claude M. Hatch** has been added to the staff of **Wm. C. Roney & Co.**, Grand Rapids National Bank Building.

(Special to The Financial Chronicle)

GRAND RAPIDS, MICH.—**J. Henry Geurkink**, previously with King, Wulf & Co. and Harper Weguson & Yonkman, is now with **Straus Securities Company**, Federal Square Building.

Sutphin With Hornblower

(Special to The Financial Chronicle)

HARTFORD, CONN.—**Henry H. Sutphin** has become associated with **Hornblower & Weeks**. Mr. Sutphin was previously with Merrill & Company of Hartford. Prior thereto he was with Roy T. H. Barnes & Co.

Michigan Brevities

Luke Leonard, special representative of B. C. Forbes' Investors Fairplay League, resigned to become Michigan representative of Vital Food Corp. of Chicago. . . . William Alfs, general counsel for the New York Central Railroad, was named Director of International Detrola Corp. . . . Paul H. Townsend, Vice-President and General Manager of the Huron Portland Cement Co., was elected a director of Federal Motor Truck Co. . . . And James Cope, Washington representative of the Automotive Council for War Production, arrived in Detroit to take over his new job of assistant to the President of Chrysler Corp.

A syndicate composed of Shields & Co., H. V. Sattley & Co., Inc., Crouse, Bennett, Smith & Co., and McDonald-Moore & Co., purchased $405,000 School District No. 2, Township of Lake, Macomb County, Mich., 1944 refunding bonds at an interest cost of 2.958%.

The bonds mature May 1, 1945 to May 1, 1966, both inclusive, and are being reoffered to yield 1.50% to 2.85%. The larger portion of the issue was sold the first day of offering.

The proceeds of the sale, together with $7,000 on hand in sinking fund, will be used to call for redemption on April 1, 1944, a total of $412,000 1937 refunding bonds, series A and B, due Oct. 1, 1966.

Matthew Carey, refunding agent for the district, reports that the new issue was offered to take advantage of prevailing lower interest rates and that the net interest cost for the life of the new bonds, after deducting premium and assuming full exercise of call provisions, will be $114,786.85. The interest cost at rates provided for in the 1937 issue would be $146,-644.20, so that a saving of $31,-857.35 or 21.72% has been effected by refunding.

Lewis F. Gordon, National President of the Financial Advertisers Association, was speaker at the annual banquet of the Michigan Group in the Book Cadillac Hotel the latter part of February.

One of the most successful to date, Earl Failor, Vice-President of the National Bank of Detroit, and C. B. Leonard, Assistant Vice-President of the Detroit Trust Co., were in charge of arrangements for the meeting.

Otto Wismer, President of the Bankers Trust, did an outstanding job as toastmaster.

News that at least two offers had been made for the purchase of the Grosse Pointe Savings Bank, located in Detroit's wealthiest suburban area, stirred banking circles last week.

Five bids were received for an offering of $40,000 1944 refunding bonds of School District No. 7, Troy Township, Oakland County, Mich., at a sale held Feb. 24. The successful bidder, L. T. Hood & Co. of Detroit, paid par plus a premium of $47.50 for the issue.

The issue will be dated March 1, 1944, with serial maturities of 2,000 each on May 1, 1945 to 1953, inclusive; $3,000,000 each on May 1, 1954 to 1959, inclusive, and $4,000 on May 1, 1960. The maturities of May 1, 1958-1960 are callable on and after Nov. 1, 1949, 1947 and 1945, respectively. The bonds bear interest at the rate of 3% to May 1, 1954, and 3.5% thereafter to maturity.

The proceeds of the sale will be used to call for redemption on April 1, 1944, an equal amount of 1937 refunding bonds, series A and B, due Oct. 1, 1962.

Somewhat of an innovation in Detroit is the service offered by one of the trust companies here to soldiers.

Those going into the armed services are given complete financial service absolutely free, with the trust company handling many details such as mortgage and insurance payments.

Although this service has not been advertised by other than word-of-mouth, an official of the firm reports that many fathers have availed themselves of it recently.

Negotiations have been concluded by the Miller Manufacturing Co. of Detroit, makers of special service tools for auto, aviation and other type engines, for the acquisition of controlling interest in the Rieke Metal Products Co. of Auburn, Ind., world's largest factory in production and sale of metal fittings for containers.

To consummate the Rieke deal, which involves 51% of the stock, Miller would issue 100,000 shares of $5 par convertible class A stock and increase the present common from 300,000 to 750,000 shares. The class A may be sold to provide the $712,500 purchase price and additional working capital, it was stated.

The "Forgotten Man" Who Can't Forget

The "Forgotten Man"? You know the expression
To depict a victim of the Big Depression.
But it doesn't fit, 'tis plain to see,
He's been getting the works since '33.

He was a real believer at the start,
But he's seen his country torn apart
By profligate waste and executive feud,
And by weasel words to him delude.

He didn't sign up for a One Man Show,
Knows it's the way dictatorships grow;
The Highest Court now a tawdry token!
"No Strike Pledge" much shattered and broken!

He was quite concerned when he got the dope
How Third Term collared the gangster vote;
He's much alarmed by waste of billions;
By crack-pot brain trust—boondoggling minions!

The living cost index he knows is a sham,
When he hasn't the points to buy a ham;
Finally much bored with Fireside Chats,
When he hasn't the dough to feed his brats.

He knows he's been played for a sucker
By railroad man and coal-mine mucker,
Who called the bluff and got a big raise.
But HE doesn't strike—he solicits no praise.

He struggles along at the same old pay,
He doesn't come under the eight-hour day;
He bears the brunt of quadrupled tax,
His worldly possessions are on his back.

He digs up his share of Red Cross quota,
By sacrificing his ice-cream soda;
Scrapes bottom for the War Bond Drive,
Then skimps along to keep alive.

He gets no gas and must trudge the road,
As "MY DAY" is flitting around the globe;
He can't afford liquor, or even buy beer,
But one thing he knows—a reckoning's near.

The "Forgotten Man"? You brain-trust jerk—
He's the White Collar guy—you have his shirt!
Out at the seat and down at the heel,
He knows whose to blame—The Phoney New Deal!

He's a patient guy and seldom hollers,
But now is white-hot under the collar;
Plans a house-cleaning job for Ides of November.
"Forgotten Man"?—you bet he remembers!

HARVEY C. EVANS,
621 S. Spring St., Los Angeles, Calif.
March 8, 1944.

Three Major Factors To Aid Post-War Jobs Cited By Wm. Moll In Market Ass'n Address

Outlines Need for Policies Now in Speech to Marketing Group

Postwar employment can be aided by planning now for prompt settlement of war contracts to speed reconversion, and careful disposal of the huge surplus of government-owned supplies, as well as the vast government holdings of plants and equipment, William J. Moll, executive of Geyer, Cornell & Newell, Inc., said in addressing a luncheon meeting of the New York merchandising group of the American Marketing Association at the Hotel Sheraton on March 9th.

"The way these major problems are handled will effect the jobs of millions of people," he said, "determine the existence of whole industries, and mark the future of the traditional American system of free enterprise."

About $75,000,000,000 in war contracts will have to be settled at the end of the war, and many manufacturers will have money invested in the contracts that will be needed to meet reconversion costs, payrolls and bills for new materials and supplies, Moll said.

"At the war's end the government will probably have $50,000,000,000 worth of equipment, supplies and materials on hand," he said. "The distribution of this surplus could change more than buying habits, for it could also upset the entire national economy in the change-over from war to peace unless handled properly.

"For instance, when the war is over, we will have enough shoes on hand to injure the shoe industry if they are dumped on the market. The same is true of airplane motors, airplane parts, and many other articles from shirts to ships that cut straight across a major part of American production."

Declaring that the government has invested $30,000,000,000 in industrial plants and equipment for war production, Moll said these holdings equal one-third of the total value of all private industrial companies in the United States.

"The government has become the biggest wartime industrialist and is in a position to become industry's greatest competitor in peace," he said. "Although most of the privately-owned companies now operating these plants will have the legal right to buy them after the war, many things stand in the way of their doing this. A satisfactory solution must be found for the problem as soon as possible so businessmen can plan for the post-war period with confidence."

Personnel Changes

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Lewis H. Vogelpohl** has been added to the staff of **Dempsey-Tegeler & Co.,** 407 North Eighth Street. Mr. Vogelpohl was previously with the Mercantile-Commerce Bank & Trust Company of St. Louis.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Evan James Maranville** is with **Barrett Herrick & Co., Inc.,** 418 Locust Street.

ST. LOUIS, MO.—**Clarence G. Eiler** has become connected with **Barrett Herrick & Co.,** 418 Locust Street.

ST. LOUIS, MO.—**Luman F. Matthews** has become associated with **Reinholdt & Gardner,** 400 Locust Street.

KANSAS CITY, MO.—**John A. Ruhl** is now with **Barrett Herrick & Co., Inc.,** 1012 Baltimore Ave.

Missouri Brevities

Ely & Walker Splits Stock

At a special meeting held early this month, stockholders of Ely & Walker Dry Goods Company approved the plan to split the first and second preferred stocks, $100 par value each, into shares of $20 par value, one share of old receiving five shares of new. All the rights and privileges of the old stock were retained according to E. P. Cane, President.

The common stock's par value was changed from $25 to $20 and two new shares given for each share of old. Considerable activity has developed in the common since delisting from the St. Louis Stock Exchange in November, 1943, and prices have advanced from the 27-28 level to the 4½-42 or 20¼-21 on the new basis.

Anheuser-Busch Reports

Adolphus Busch, III, President of Anheuser-Busch, Inc., in his annual report to stockholders states that, "although all major departments of the business were operating at the limit of practical productive capacity, many uncontrollable factors of cost have effected some small reduction in profit yield. 1943 operations resulted in a final net profit of $6,081,789, or $6.76 per share, compared with 1942 final net profit of $6,439,818 or $7.15 per share." Further growth in sales of dried vitamin bearing yeasts and yeast derivatives is reported together with full volume production of other products identified with the food industry such as bakers' yeast, corn syrup, malt syrup, table syrup, starches, and dextrines. Balance sheet of the company continues to reflect its usual strong liquid position, current assets of $21,518,566 comparing with current liabilities of $3,693,275. Cash and U. S. Government securities alone totaled $8,310,784. Company is without funded debt, bank loans, or preferred stock. A "deferred capital expenditure fund" consisting of $3,000,000 U. S. Certificates of Indebtedness and parent company post-war credit, or a total of $3,951,831, is shown among other assets and is to be used in financing improvements immediately after the war or when present restrictions permit.

Dividends in 1943 totaled $4 per share on the 900,000 shares of $20 par value capital stock outstanding and payments of 75¢ and $1.00 have been made so far in 1944.

Proxy Fight Develops in Champion Shoe Machinery

Concerned over continued deficits shown by Champion Shoe Machinery Co. of St. Louis, a group of local business men, many of whom being identified with local investment firms, have actively solicited proxies for the annual stockholders meeting. Letters have been sent out directing attention to the unfavorable operating results obtained by the present management in comparison with other companies in the same field. A tentative slate has been prepared for election to the board of directors and if enough proxies are received to elect a majority to the board, this group has signified its intention to study the company's affairs closely and make whatever changes they deem necessary to improve the company's operations.

S. A. Dobyne, President of the company, has directed a letter to stockholders, in which he endeavors to refute the statements made by the local group.

McQuay-Norris Stock Split Proposed

McQuay-Norris Manufacturing Co. is asking approval of its stockholders of a three-for-one common stock split at the annual meeting March 27. Recent action in raising the quarterly dividend rate from 62½¢ to 75¢ is thought to indicate a $1.00 rate on the new stock. Listed on the St. Louis and Chicago Stock Exchanges, the common stock was strong on the announcement.

Missouri Portland Cement Earnings Lower

Construction awards, off 55% in the territory served by the Kansas City plant and 75% less in the territory served by the St. Louis (Continued on page 1108)

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

In the February 17th issue of the "Chronicle" excerpts were given in this column from the reports to stockholders of a few leading fire insurance companies. This week further excerpts are presented. In another week or so it will be possible to give a fairly extensive comparative tabulation of 1943 operations of leading fire and casualty companies as reported in their annual "Convention" reports. Meanwhile, further gleanings from presidential reports to stockholders may prove of interest to investors and dealers.

AMERICAN SURETY CO.: Net premiums written in 1943 totaled $13,252,400, an increase of $185,443 over 1942. Operating results for the year ended Dec. 31, 1943, the sixtieth year of operation, compared with 1942, were as follows: net underwriting profits $1,208,660 (increase $195,647); net investment income, $874,861 (increase $32,638); Federal income taxes, $675,000 (increase $75,000); total net income after Federal income taxes, $1,408,522 (increase $153,286), equivalent to $4.70 per share. Mr. S. F. Lafrentz, president, stated that the Company's Home Office Building at 100 Broadway, New York City, was 97⅔% rented.

FIDELITY AND DEPOSIT CO.: The fifty-fourth annual report of this company was presented at the annual meeting of stockholders on Feb. 16, 1944 at the home office of the Company in Baltimore. Net premiums written totaled $10,540,174, a decrease of $755,382 from 1942. This decrease was entirely in the contract bond department as a result of the country-wide decline in building and construction; all other underwriting departments experienced an increase. The gain from underwriting was $2,745,290 and net investment income was $724,522, while the total profit from operations, before Federal income taxes and adjustment of contingency reserves, was reported at $3,460,483, compared with $3,062,261 in 1942. With regard to taxes, Mr. Frank A. Bach, president, said: "Taxes continue to increase. Federal and other taxes cost our earnings this year through payments and reserves $1,911,541 (equal to $15.93 per share of stock outstanding), an increase of $393,533 over 1942. We have been able to reduce our controllable expenses by operating economies, but the item of taxes is beyond our control." The closing sentence in Mr. Bach's report is as follows: "With full realization of the uncertainties which lie ahead we face the future confident of the ability of our organization, so far as it is within its power, to cope with situations as they arise."

HARTFORD FIRE INSURANCE CO.: Net premiums written in 1943 were close to $51,000,000, a reduction of $1,250,000 compared with 1942. The underwriting gain, as reported to the Insurance Department of Connecticut, was $3,110,005 ($2.59 per share), an increase of $1,428,541 ($1.19 per share) over 1942; investment income amounted to $4,529,603, an increase of $242,189 compared with 1942. With regard to taxes, Mr. C. S. Kremer, president, said: "Total taxes paid by the Hartford Fire Insurance Company Group in 1943 amounted to $6,003,221, which compared with a similar item of $5,045,017 in 1942; and with $3,774,126 in 1941."

HOME INSURANCE CO.: Net premiums written amounted to $61,567,060, a figure only fractionally below that of 1942. Ocean marine and automobile writings declined $6,070,000, but fire and allied lines increased nearly $6,000,000. Underwriting gain and net investment income, before Federal income taxes, amounted to $4,575,422 and $4,345,486, respectively; the Federal tax amounted to $2,050,088 and $683,949, respectively. Thus, statutory underwriting profits were equivalent to $0.84 per share and net investment income to $1.22 per share, compared with $0.64 and $1.50 respectively, in 1942. With reference to the Company's investments, Mr. Harold V. Smith, president, said: "Dollars for fire insurance premiums today are going in large part into U. S. Government Bonds, thus helping to bear the cost of war. This Company, for example, placed all of its new premium dollars during the last nine months of 1943 into War Bonds, in addition to its regular purchases of these securities."

SECURITY INSURANCE CO. (NEW HAVEN): Nineteen hundred and forty-three marked the 102nd year in the history of this company. Net premiums written totaled $7,703,078, a decrease of $731,307 from the 1942 total. A decrease of $1,666,803 in the ocean marine business was experienced, a decline which was largely offset by substantial increases in the fire and allied lines. An underwriting loss of $95,254 was reported, approximately $57,250 less than the loss reported in 1942; net investment income was $326,166, which was $35,646 below the 1942 figure. Combined earnings from underwritings and investments were $230,912 or $1.15 per share, vs. $1.05 in the previous year. Referring to the heavy fire losses of 1943, Mr. Peter J. Berry, president, made the following statement: "Industry has performed an outstanding job in producing war materials for our fighting forces. The stepped-up production has resulted, however, in increased fire losses due to employing inexperienced help and lowering of fire protection standards, along with increased congestion in the homes and in the factories. Consequently, in 1943 more property was destroyed by fire than in any year since 1932."

With regard to the matter of the Federal indictment of fire insurance companies at Atlanta in 1942, most of the presidents of the fire insurance companies commented on it in their reports, but refrained from discussing its merits. Perhaps one of the most interesting of these comments was that by Mr. George C. Long, Jr., president of **The Phoenix Insurance Company**, as follows: "Demurrer to the Federal indictment against company members and officers of the South-Eastern Underwriters Association, referred to in our last report, was sustained by the Lower Court in Atlanta, Georgia. Appeal by the Government to the United States Supreme Court has been argued and final decision by that tribunal may be expected in the near future. Bills are now before the Congress designed to reaffirm the traditional right of the individual states to regulate insurance and restating the intent of Congress to exclude insurance from the scope of the Sherman Anti-Trust Law when that law was enacted."

WPB Chairman Advocates Reduced Regulation in Peace-Time Economy

(Continued from first page)

many today who cannot understand why we do not permit an immediate return to large-scale civilian production. Now, as before, however, the War Production Board is determined to preserve a sound balance in its policy. That policy can be summed up as follows:

"We will expand civilian production as it becomes possible to do so without interference with the war program, but we will permit no expansion at the expense of essential military production. Today critical shortages in some areas of manpower of certain component parts and of certain materials make it necessary to move with great caution in permitting any expansion of civilian output whatever.

"In designating the areas and the plants which will be allowed to return first to civilian production, our sole criterion will be the public interest. Our decisions cannot be expected to satisfy every business concern which they affect. It will not always be possible, for example, to give identical treatment to competitive concerns. In order to obtain early production of items needed by civilian manufacturers in areas where manpower is available may have to be permitted to resume production of those items before manufacturers in critical manpower areas. Such decisions may cause a certain amount of heartache here and there; but if those decisions are demanded by the public interest they will be made.

"The economy must be kept in balance. The economic balance demands at this time that any expansion of the civilian economy be very gradual, with the needs of the armed forces paramount. That fact ought to underlie the near-term policy and plans of every industrial concern.

"Presently, of course, the collapse of Germany will enable us to return a large part of our resources to peacetime production. But let us recognize, once and for all, that this period of reconversion is still a considerable distance away. We are committed to total victory in this war, to the utter destruction of the forces which threaten the survival of American democracy; and we have a long way to go.

"Now, as in 1942, every group interest that does not coincide with the National interest has to be submerged. It is against the national interest for business concerns to begin jockeying for competitive post-war position. The nation cannot now afford to have the minds which run American business swing away from urgent war problems to post-war markets any more than it can afford to have workers leave war jobs in order to look for jobs in the civilian economy.

"Efforts to beat the gun on the return to civilian business will be unavailing. Their only result will be to slow up war production. No business concern needs to become agitated now about its position on the unknown day when Germany will surrender.

"I would not attempt to prophesy when that day will come, but it is obvious that regardless of when it comes, we will not be able to relax our economic controls over night. A sharp and sudden return to large-scale civilian production would throw the economy off balance. The public interest demands that the return be programmed to safeguard employment and living standards. From the time of the Nazi collapse to the resumption of large-scale civilian production a period of months is bound to elapse—it may be as much as six or eight months. Every concern that has a readjustment problem, like every worker who has an employment problem, will have time to act to insure its position in peacetime industry.

"By continuing to adapt their group policies to the needs of the nation, the leaders of American management and labor can add great strength to the war effort. And this strength is not merely economic, it comes not merely from a wise use of manpower, parts and materials, but also from high morale. Sometimes, I think we lose sight of the state of mind of the individual citizen as he does his war job. If he is worried and anxious and suspicious, his energies are bound to flag, and his actions may be unpredictable. But if he has the sense of being on a winning team in which all the players are pulling together, then he is tranquil of mind and full of vigor. You can help give America that confidence by continuing to demonstrate the all-out character of your participation in the war. Morale is not the responsibility of government alone. It is equally the responsibility of industry and of labor and of every other organized group in American life. Everyone of us, in fact, must accept an individual responsibility for the effect of his actions and statements and policies on the public mind. That is particularly true in an election year, when opinions tend to be exaggerated, and when feelings run high.

"We can help to maintain morale not only by directing our energies along the war beam, but also by using a little self-censorship on our words. There is a tendency here and there to disparage the other fellow's contribution to the war effort. That is dangerous. Consider, for example, the matter of strikes and work stoppages in war plants and mines. Like yourselves and like all of the American people, I have frequently been angry and resentful over such stoppages. I have wanted to see strong measures taken to prevent them. Yet, at the same time, I have every reason to know that the workmen in American plants, like the managers, are by and large patriotically devoted to the best interests of the country, and are doing a first-class production job. The best proof of this fact is in the figures of war production. If labor had not done a great job, we could never have reached our production goals. Clearly, we have to make a distinction between factual criticism of work stoppages, and unfair criticism of labor as a whole.

"In the same sense I resent hearing heedless criticism of the attitude of management. Undoubtedly, here and there, management, like labor, has been open to criticism. There are some weeds in every victory garden. But it is perfectly clear that management on the whole has been splendidly cooperative, and has done a magnificent war job. Had it been otherwise, we would not be winning this war today.

"Unfair criticism of government is equally dangerous. I think it is a bad mistake for any American, regardless of his party politics, to heap contempt on a constitutional American government. Naturally, we have to guard against possible abuses of the public interest by any group of officials. But I tell you plainly, that whenever a leader of opinion breeds contempt for representative government in the minds of the people, then whether he intends it or not, he is inviting chaos in this country.

"I have yet to see one good reason for Americans to fear their constitutional government. Because it is their government. They control it. It represents them. That is true not only of Congress but also of the Executive Branch. Take the specific case of the Government agency I know most about—the War Production Board. Although it works with industry, it is not dominated by industry. It has naturally borrowed many of its staff from the ranks of industry and commerce, but it has also borrowed freely from labor and from the trained administrators of government who are essential to any great public enterprise. These men do not represent their former group interests. They have worked steadfastly together for the benefit of the people as a whole, to speed victory in this war. In the truest sense of the words, they are public servants. This Government of ours is not industry's government, it is not labor's government, it is not Government's government; it is the government of all the people of the United States. So long as the people can change and modify their government, so long as it retains it representative character, they have no cause to fear.

"Factual criticism is healthy, it is democratic, it is necessary to successful popular government. But to spread unfair criticism in order to serve special interests is as vicious as it would be to spread disease germs in order to sell medicine. We know that by and large every major group in the country has genuinely subordinated itself to the nation's need in this war. When we criticize any group in American life, every one of us owes it to the nation to be sure of his facts and to set an example of restraint and accuracy.

"The unwarranted fears stirred up by heedless criticism drive people into taking extreme and dangerous positions. It is only unwarranted fear about the attitude of government that would make business seek a premature return to civilian production at the risk of the national war effort. It is only unwarranted fear of the attitude of management and government that would make labor become unduly agitated over cutbacks. I say that such fears are unwarranted because to me it seems unmistakable that our economic future, both for the near term and the long term, is full of bright promise. Never before has so much realistic thinking and intelligent planning gone into the preparation of an economic readjustment. This planning is being done not only by the Executive Branch of the Government, but by Congress, by industry itself, by labor, by farm groups and by thousands of individual communities; and all of these groups are collaborating with one another. Some of the plans that have been made may need improvement; and much planning remains to be done. My point is that the country is better prepared than ever before in its history to anticipate the problems that lie ahead, and to overcome them by wise action.

"When I place reliance on the sound economic planning that has been done, and is being done, I am thinking only of the period of transition, when controls will obviously be needed. I certainly would strenuously oppose any attempt to put the post-war economy in a totalitarian straitjacket. It has been my goal from the very start to limit detailed economic planning as nearly as may be to wartime production of military and civilian essentials. To regulate the peacetime economy in detail would be to do irreparable injury to the free enterprise system in the United States. Regimentation would almost certainly tend to choke off new competition, and to drain away the personal initiative which has been and is a source of ever-renewed strength to the nation.

"Those of us who want to see the free enterprise system not merely survive, but grow and develop, need to recognize that the long-range future of free enterprise hinges on its capacity to serve the needs and desires of the people for security and improved living standards. Security can be established and living standards can rise only in a national atmosphere of confidence. Certainly, the trend of the war and the outlook for the post-war economy justify us in feeling confident. The worst dangers which the nation must face now are the dangers to morale which arise out of selfish group behaviour, heedless criticism, and artificial fear.

"As individuals and as representatives of industry, you can go far to strengthen the national economy and the national morale. Your example in persistently supporting the all-out war effort and your self-restraint in actions and utterances cannot help but promote unity and confidence among the people. It is entirely possible that by exerting a constructive influence on public opinion at this time you can set the tone of the entire generation of American life that lies ahead. Unity and confidence are all we Americans need to fulfill the promise of our history. To me it seems beyond doubt that a unified America, victorious in war and confident of her peacetime future, will lead the world to such momentous achievements in the arts of civilized living as our minds can scarcely conceive."

Mutual Funds

In an article appearing elsewhere on this page, the National Association of Investment Companies reports on the 1943 year-end holdings of 90 investment companies. Mr. Paul Bartholet, Executive Director of the Association, summarizes in his covering letter the results of a separate study showing the changes in distribution of investment company holdings by major industry groups since the outbreak of war.

This study reveals that the combined holdings of 12 large funds during the past four years show substantial increases in the following groups:

Railroad bonds
Utility and other preferred stocks
Oil stocks
Bank and finance company stocks
Food and beverage stocks
Motion picture company stocks
Rubber and tire issues

Substantial decreases occurred in the holdings of

Metal and mining stocks
Chemical stocks
Steel stocks
Electrical equipment stocks

Mr. Bartholet draws attention to the "distinct trend away from industries most closely connected with the war effort and into those generally accepted as having good post-war prospects."

* * *

Last week **Distributors Group** issued a new folder, "The Effects of Peace on Steel." This folder emphasizes the distinctly abnormal market action which steel stocks have had during this war. Authoritative estimates of post-war demand for steel are quoted and the earnings of steel stocks are projected on the basis of the most conservative of these estimates.

Assuming a decline of 30% in steel production after the war, the folder gives the example of a typical steel company and shows that, with the elimination of the excess profits tax and the need for contingency reserve, the earnings of this company would actually increase 66%.

"Present undervaluation of steel stocks is an extreme example of the effects of mistaken popular judgment. Their present low prices reflect a misunderstanding on the part of many investors of the effects of peace. Contrary to general opinion, these effects will be constructive."

Distributors Group has also published an issue of **Railroad News**, discussing the improvement in rail bonds as a result of the debt reduction program now being carried out by the railroads. Quotations are taken from the March 13 issue of "The Outlook" published by Standard & Poor's.

* * *

Lord, Abbett is asking the aid of dealers and holders of **Affiliated Fund** shares in obtaining a sufficient number of proxies to permit Affiliated Fund to carry out its proposed refunding program. Proxies representing over half of all shares outstanding have already been received. However, certain of the proposals require a two-thirds favorable vote, and it is these additional proxies that the sponsor is now seeking.

In a recent letter, Lord, Abbett emphasizes the gain to shareholders which will result from this proposed refunding. "The gain . . . is so great that the expense of the operation will be gained back in the first six months, and thereafter net investment income will be greater by at least 3 cents per share per year. On the $10,000,000 principal amount (of debentures to be refunded), the difference between 4% and 2½% is $150,000 per year."

The latest issue of Lord, Abbett's **Abstracts** quotes the column, "T. G. M. Says," which appears regularly in the Boston "Daily Globe." "Investment Trusts Are Growing" is the title of the article, and it makes good reading for everyone interested in this field.

"At the end of 1943, the combined assets of 110 investment trusts amounted to $1,441,000,000, a gain of $333,000,000 during the year," states the article. "When all is said and done, a well-managed investment trust should be the ideal investment vehicle for people of small means, for it offers the only practical medium through which broad diversification of risks can be obtained. And it is only through broad diversification, properly supervised, that the small investor can hope to obtain a reasonably high rate of return without taking undue chances."

Keystone Corp., in a current issue of **Keynotes**, discusses "Investment for Capital Growth." After pointing out that two classes of investors are primarily interested in capital growth rather than income—investors who are in high personal tax brackets, and investors who want protection against inflation—the bulletin summarizes the characteristics of "Appreciation Preferred Stocks," "Speculative Common Stocks" and "Fast-Moving Low-Priced Stocks," three classes which are available through the respective series of Keystone Custodian Funds.

An earlier issue of Keystone depicts the price-earnings ratios of preferred stocks — income preferreds and appreciation preferreds. In both classes the 1943 price-earnings ratio is far below that of 1937, particularly so in the appreciation preferred class. As stated in the bulletin, this latter class of stock "is extremely volatile and should not be used where reliable income is a requirement. Suitable for inflation protection or where maximum appreciation possibilities are desired."

* * *

"When Is a Bond Not a Bond?" asks **George Putnam Fund** in its March **Portfolio Review.** The point made is that a "functional" type of portfolio diversification whereby investments are arranged according to the job they are expected to perform rather than on the basis of legal type is less confusing and more accurate even though in certain instances it may result in the placing of a bond in the equity section of the list.

* * *

"It seems self-evident that investors should request advice from experts.

"A convenient method for investors to benefit from experts' judgment is to purchase shares in a well-managed investment fund.

"Such shares should give investors a greater degree of safety, of income, of marketability and of potential appreciation—combined—than any other type of security.

"Yet how does one choose good management?

"It would seem that one should choose a firm or group of men whose sole interest is investment management—not conducted as a side line.

"It should seem that such an organization should have sufficient income to employ the best available brains. Because a comprehensive and scientific piece of management should have a definite bearing on results.

"Achievements of an organization should obviously have been above the average. And, finally, it should be thoroughly experienced."—From "Half a Century," a booklet issued to commemorate 50 years of Calvin Bullock investment management."

* * *

Investment Literature

National Securities & Research Corp.—Current issue of **Investment Timing** discussing "Unanticipated Developments in Commodity Loans." . . . **Massachusetts Distributors**—Recent issue of **Brevits** analyzing the present position of the market and pointing out some fallacies in the various "Averages." . . . **Selected Investments Co.**—An example in the current **Selections** showing how diversification paid in a specific instance in the portfolio of Selected American Shares. . . . **Hugh W. Long & Co.**—Current portfolio folders on **New York Stocks** and **Manhattan Bond Fund.** . . . **Lord, Abbett**—A revised portfolio folder on Union Common Stock Fund A and the monthly Composite Summary covering all Lord, Abbett sponsored funds. . . . **Distributors Group**—Revised portfolio folders on Railroad Shares, General Bond Shares and Low Priced Shares. . . . **Keystone Corp.**—A current issue of **Keystone Investor.** . . . **Leffler Corp.** — Descriptive leaflets on Axe-Houghton Fund and Axe-Houghton Fund B.

Dividends

Group Securities, Inc.—The following dividends per share payable March 31 to shareholders of record March 20, 1944:

Class—	—For First Quarter— Regular	Extra	Total
Agricultural	.05	--	.05
Automobile	.05	.02	.07
Aviation	.02	.03	.05
Building	.04	--	.04
Chemical	.04	--	.04
Electrical equipment	.05	--	.05
Food	.04	--	.04
Fully administered	.04	.04	.08
General bond shares	.11	.03	.14
Industrial machinery	.08	--	.08
Investing company	.04	--	.04
Low priced	.05	.03	.08
Merchandising	.07	.03	.10
Mining	.03	--	.03
Petroleum	.05	.05	.10
Railroad	.05	.03	.08
Railroad equipment	.05	--	.05
Steel	.06	--	.06
Tobacco	.05	--	.05
Utilities	.01	.02	.03

Scudder, Stevens & Clark Fund, Inc.—A dividend of 75 cents a share payable March 20 to stockholders of record March 9, 1944.

State Street Investment Corp.—A dividend of 50 cents per share payable April 15 to stockholders of record March 31, 1944.

Stocks Most Widely Held By Investment Co's

Oil stocks lead those of all other industries in popularity as investment company holdings at the present time, Standard Oil Company of New Jersey being the single most widely held issue. This is shown by a study of 1943 year-end portfolios issued yesterday by the National Association of Investment Companies. Utility stocks as a group, including both preferred and common issues, are close runner-up, but among individual issues, Montgomery Ward and the two big peace-time automobile producers, General Motors and Chrysler, follow Standard Oil of New Jersey in breadth of ownership among these investment funds.

The 10 most widely held stocks on Dec. 31, 1943, among 90 portfolios analyzed, were the following:

No. of Funds Holding Stock	Name of Stock—	No. of Shs. Held
54	Standard Oil of N. J.	331,446
53	Montgomery Ward	328,325
52	General Motors	230,984
48	Chrysler	182,825
46	International Nickel	317,100
44	Texas Company	277,276
44	General Electric	223,030
42	North American Co.	1,361,180
42	Socony-Vacuum	790,280
41	American Gas & Electric	381,100

This list, the Association points out, does not necessarily represent the issues which investment companies are currently purchasing, nor would the individual managements in many cases be likely to list these particular stocks if asked to name 10 outstanding investment issues. Most funds are continuously seeking investment opportunities among the less well-known issues which do not show up in a list based on breadth of ownership. There is also a wide difference among companies as to investment objectives and policies, which results in considerable variance in security holdings.

Adjustment of investment portfolios to the changing outlook is shown by comparison of recent holdings with those of four years ago, which was about the time the war in Europe started and before any real conversion of American industry to war production had occurred. Mining company issues, which were then second only to oil stocks, have declinde more than 50% in the total amount held by a representative group of funds; substantial decreases in holdings of chemical stocks, steels, aircraft and electrical equipment manufacturers have also taken place. However, signs that some investment companies are renewing their interest in certain stocks in these groups have appeared recently.

Large increases in holdings over the four years have been in railroad bonds (principally defaulted and second-grade issues), utility holding company preferreds, bank an installment finance company, food, beverage and motion picture company securities. Three groups in which combined holdings are still not large but represent big percentage increases over the end of 1939 are rubber and tire companies, drug manufacturers and the air lines.

Missouri Pacific and Chicago, Milwaukee & St. Paul obligations are the most widely held among defaulted railroad bonds, while Southern Pacific, Northern Pacific and New York Central, in that order, appear to be the most fa-

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Stock Market Awaits Invasion: Babson

(Continued from first page)

The enthusiasm generated by the news of a successful land invasion should move stock prices ahead. This first move must then be digested. The following course of the market for some little time may then be quite markedly affected by the success or failure of Allied progress in the various invasion theaters.

Current Factors Favorable For Rise

Prevalent good news would normally make stocks act well. For the most part, the tax bill favors investors. Results of the recent Bond Drive are gratifying. Some leading corporations have increased dividends. Annual reports show satisfactory results. Renegotiation is not unduly reducing previously reported profits. Money in circulation has reached astronomical heights. Loans on life insurance policies are extremely low. Household mortgages have been greatly reduced. Employment has been well maintained. Salaries and wages have continued high. Brokers loans are very low.

People have been getting out of debt. They are buying their quota of Government Bonds and at the same time piling up excess cash. Ultimately, the bulk of this money will go into the stock market. A deferred demand for stocks is accumulating just as is a deferred demand for all sorts of consumers goods. When the majority of investors decide that the time is right to fulfill their desire to own stocks, we may have a boom that will make prices exceed those of 1928-1929.

Most Investors Are Fickle

Investors are full of hope one day and in the lower ranges of despair the next. Peace stocks have been so touted that many investors became convinced that the European phase of the war would be over in a very short time. They sold their "War Babies" and went into peace issues. The establishment of a "second front" did not come when expected. We also experienced some hard fighting in the South Pacific. These same investors then decided that after all World War II was not quite ready to fold up. Hence, they stampeded back again into war stocks.

I stick to my forecast that the European phase of the war will not be over until after the November elections. It will then be a long, hard road to Tokyo. Consequently, I never went overboard on peace stocks. I have maintained that the best hedge, whichever way the war goes, is a diversified list of war-peace stocks. These are bound to benefit whatever may happen.

Best Policy for the Investor

Investors should not be bullheaded. It is sensible at times to take losses in order to free capital headed in the wrong direction. Moreover, remember no one ever went broke taking a profit. Hence, the successful investor must be a good seller as well as a good buyer. Generalship and intelligent staff work are as essential to the management of an investment portfolio as to the success of an army.

Investors should have a definite program based upon the broad trend. This now points upward. When this trend will get under way, however, is closely linked to the invasion time. Even a set program of this nature must be looked at broadly. The investor should also have his funds in stock groups behind the averages rather than in those groups ahead of the averages.

Meeting Of Nominating Committee Of New York Stock Exchange

The New York Stock Exchange announced on Feb. 25 that a meeting of the Nominating Committee would be held in the Board of Governors' Room of the Exchange on March 8, for the purpose of receiving suggestions for the positions to be filled at the annual election to be held in May. Those unable to attend were advised that nominees might be suggested by letter. It was also stated that "for the convenience of any members or partners who may wish to appear individually, the Nominating Committee will hold meetings on each Tuesday and Wednesday during March. Appointments may be arranged by communicating with John C. Korn, Acting Secretary of the Exchange.

The announcement states that vacancies will occur in and nominations are to be made for the following positions: Board of Governors, for the term of one year; a Chairman of the Board of Governors, who shall be a member of the Exchange, incumbent, John A. Coleman; for the term of three years: *Four Governors, who shall be members of the Exchange residing and having their principal places of business within the Metropolitan area of the City of New York, incumbents Francis M. Bacon 3rd, Robert P. Boylan, Henry Upham Harris, **Joseph Klingenstein, John K. Starkweather; *One Governor who shall be an allied member or non-member residing and having his principal place of business within the Metropolitan area of the City of New York, who shall be a general or limited partner in a member firm engaged in a business involving direct contact with the public, incumbents Albert H. Gordon and Francis T. Ward; Two Governors who shall be members or allied members or non-members of the Exchange residing and having their principal places of business outside of the Metropolitan area of the City of New York, who shall be general or limited partners in member firms engaged in a business involving direct contact with the public, incumbents Allan H. Crary and Charles C. Renshaw.

Trustees of the Gratuity Fund, for the term of three years: Two Trustees who are members of the Exchange, incumbents, Thatcher M. Brown and Laurence M. Marks.

Nominating Committee, for the term of one year: Five members of the Nominating Committee, three of whom shall be members and two of whom shall be allied members of the Exchange. It is pointed out that no Governor and no member of the present Nominating Committee is eligible for election to the Nominating Committee for 1945.

The following is the Nominating Committee for 1944: David W. Smyth, Chairman; Stephen A. Koshland, Secretary; F. Edward Bosson, Herbert F. Boynton and James G. Purcell.

*The number of Governors to be elected does not correspond with the number of incumbents shown above for the reason that the size of the Board of Governors will be reduced as provided in Article II of the Constitution.

**As provided in the seventh paragraph of Article II of the Constitution, Joseph Klingenstein is not eligible for re-election as a member of the Board of Governors.

Canadian Securities

The Government bill now in its last reading in the Canadian House of Commons to establish the $100 million Industrial Development Bank, provides another example of Canadian financial foresight. The primary object of the bank is to supply capital assistance to industry, with particular consideration to be given to the financing of small enterprises, and the whole scheme is part of a program which aims at a high level of post-war employment.

It is possible that this project was inspired by the astonishing wartime growth of new industries which have been established in the Dominion by European refugees who have received every encouragement from the Department of Trade and Commerce. Consequently, Canadian industry has not only tremendously increased in volume during the war but it has also become diversified to an amazing degree.

During the war period, it is conservatively estimated that at least 50 "refugee" industries have been established. Among them is the Bata shoe plant in Ontario, which, it is believed, will be responsible after the war for a substantial proportion of the Bata export trade. Other industries, mostly new departures for Canada, include diamond-cutting and industrial diamond manufacture, optical glass works, and new developments in the textile trade, notably wool-combing and the establishment of the largest flax-growing and processing plants in the world by the Heskey Flax Products Ltd. of Ontario.

A further interesting enterprise is the utilization of the hitherto neglected hemlock of British Columbia. A Czech refugee discovered that this wood, because of its lightness and freedom from odor, provides ideal material for food packing.

These developments are not accidental and moreover they provide an indication of things to come. Canada is the industrialist's paradise—cheap factory sites, an abundance of hydro-electric power at low rates, fresh water supplies everywhere, a tremendous wealth of raw material of every description, and last but not least a Government which does everything in its power to foster development of this kind.

With regard to the financial events of the past week, the principal feature was the Montreal debt plan and its consequent market repercussions. There was considerable activity in the city's outstanding issues at higher prices and further headway was made towards the successful completion of all arrangements in connection with the debt reorganization scheme. Otherwise, the market was comparatively quiet.

However, the short and medium term issues once more advanced and were marked up about 5 basic yield points generally. There was also a little more activity in the internal section of the market, but the "free" exchange rate still remained at 10 9/16% discount.

In this connection, it is interesting to note that little now is heard of the global exchange plans. There is, therefore, all the more reason to advance once more the only practical solution of the currency problem so far suggested. **That is, to restore the Canadian dollar to parity with the U. S. dollar, and in order to maintain unchanged the relationship of the Canadian dollar and sterling, to raise the value of the pound also 10%. Thus the pound would be automatically fixed in terms of the U. S. dollar at 10% higher than its present level, and an exceedingly difficult problem would thereby be very simply solved.**

Turning to the consideration of the possible future course of the market, a factor of considerable importance is the unusually large volume of issues which mature, or are likely to be redeemed this year. The total is over $140 millions and the principal issues involved are the following:

$57 millions Canadian National Railway 5s of July, 1969, which will probably be called on or before May 1 for redemption.

$18 millions Canadian Pacific Railway 5% equipment trust certificates which will presumably be met out of sinking fund account.

$26 millions Canadian Pacific Railway 5s of 1954, callable June 1; it is rumored that a private refunding operation has already been completed.

$18 millions Ontario 4½s of September 1.

$3 millions British Columbia 3½s of March 31, which have already been refunded.

$4 millions British Columbia 3¼s of December 15.

$5½ millions New Brunswick 3s of June 1 and July 1, which will shortly be refunded by a public issue.

In view of the fact that some of these issues will not be replaced, in addition to the dwindling supply of external bonds of Canada, and the present policy of the Canadian authorities in refraining from raising new money in this country, investors would do well to do their own financing well in advance to avoid a possible repetition of the wild scurry that took place in July last following the surprise redemption of the Dominion 2½s and 2¼s.

The Outlook For 1944

(Continued from page 1090)

cating, chemicals, rubber and meat packing. These are among the most essential for the war effort. On the other hand, production of lumber and cement declined sharply because of the curtailment in building construction, as most of the military and naval construction for war purposes was completed.

The Year 1944

This pattern of industrial production suggests that industrial activity as a whole is close to a peak for the war period. Contemplated armament expenditures confirm this conclusion. Recent estimates released by the War Production Board show that production of munitions in 1944 may rise 28% above the volume of 1943, but that it may be slightly less than the rate of production of munitions in the fourth quarter of 1943. Among individual items of munitions, the biggest rise in 1944 will be in aircraft, trucks and artillery. Output of Navy ships and merchant ships will also show some increase while tanks, small arms and construction will be curtailed sharply. Total war expenditures will only rise moderately from now on, and if Germany should be defeated during this year, they may be lower than the expenditures of last year.

The year 1944 may therefore prove to be the turning-point in the long and sharply rising trend of activity which caused the Federal Reserve Board Index of Production to rise from 109 during 1939, the year of the outbreak of war in Europe, to 247 in November 1943. As long as the war with Germany continues, no important decline in production is likely to take place, but once the war with Germany is over, a period of declining activity is likely to set in. The many difficult problems that have been tackled so successfully by industry since the war in Europe started, will then be followed by an entirely new series of problems. These will deal with the reconversion to civilian production, which is already going on to some extent, and the profitable utilization of the enormous increase in capacity that has been brought about by the war. In many respects these problems are more difficult than the problems of organizing and producing for war.

Effects on Security Prices

The question naturally arises as to the effect upon security prices of this important change in the underlying trend of business activity which might start this year. During normal times any sharp decline in business activity is usually accompanied by declining earnings, dividends and security prices. But these are not normal times, and the decline in business activity from the peak of the war boom should not have the same adverse effect upon security prices as during peace times. Common stocks as a whole did not reflect the rise in business activity that was generated by by the war. Many stocks are now selling at lower levels than four years ago. "War Stocks" are substantially below the average prices that prevailed in 1939 and many of the so-called "Peace Stocks" are also lower in price. The only ones selling at higher prices than in 1939 are the "Bridge the Gap" stocks, including such issues as motors, office appliance stocks, motion picture stocks and oils.

Corporate taxes, primarily the excess profits tax, will in all probability be reduced sharply some time after the war. Such a large proportion of corporate earnings is today paid out in taxes that any drop in earnings before taxes will have a relatively moderate effect on earnings after taxes in the case of most corporations. If excess profits taxes are eliminated or reduced sharply, earnings of many corporations will actually increase despite a drop in their volume of business. The accumulated deferred demand for many products and the large volume of savings available should insure a high rate of activity in a number of industries immediately following the war. These considerations all lead to the conclusion that the beginning of the decline in business activity that might come this year does not need to have a serious effect upon security prices.

The Importance of Selectivity

During the last few years, as a result of the character of the war boom, the greatest success in investment management has come from following a policy of selectivity in the choice of securities. Many individual securities and groups of securities have done relatively badly, while others have done well. The problems that will come with the conversion to peace are likely to call for a policy of even greater selectivity in choices of investments. Despite the over-all decline in business activity, employment and wages, which can be expected, many individual industries and companies may earn more money after the war ends. The selection of the securities of such companies, and the avoidance of securities of companies that might do relatively badly, is the job that lies ahead for successful investment managers.—From "The Broad Street Letter" issued by the Broad Street Sales Corporation, New York City.

Attractive Situation

Scherck, Richter Company, Landreth Building, St. Louis, Mo., have prepared an interesting analysis of Ely & Walker Dry Goods Co. which calls attention to the unusually large inventory adjustments which have been made, favorable current earnings, and large common stock equity. Copies of this analysis may be had upon request from Scherck, Richter Company.

Majestic Radio Opens Consumer Adv. Program

The Majestic Radio and Television Corporation caused the advertising world to raise its eyebrows and count Majestic as one of the really aggressive factors for post-war radio business.

Majestic opened its first consumer advertising campaign in key metropolitan newspapers with the Majestic Radio News, a column feature which is slated to appear twice a month. The feature of this column is a panel containing "The Standings of the Stars," a list of the rankings of the 15 top nighttime shows based on the Hooper Radio Reports. These standings will be published after each fortnightly Hooper Report.

Together with the Standings, Majestic publishes interesting facts about radio, news items, service hints, down-to-earth discussions of post-war radio. Parker H. Ericksen, Director of Sales and Advertising for Majestic, explained, "There isn't a baseball fan in America who doesn't look at the league standing every day during the season. The same is true of football, hockey and basketball fans. People are interested in how their favorites rate. There are more radio fans in the country than all the sports fans combined. Why shouldn't they have their own league standings? People are constantly arguing about which program is the best, or how one comedian has a greater following than another. Now Majestic is going to give them fuel for their fires. Aside from that," Mr. Ericksen continued, "we believe that the folks who are going to buy radios after the war when we can make them, deserve something more than a dramatic story of how we're helping to win the war."

Majestic is confining this advertising to radio pages of leading newspapers. Foote, Cone & Belding who conceived the idea, worked out a system for speed in handling these reports so that they appear quickly after the tabulation of the figures by Hooper. Foote, Cone & Belding was recently appointed by Majestic to handle its advertising. "Newspapers," said Mr. Ericksen, "seemed the most logical choice for these ads. They're news and it seemed to us they belonged on radio pages. Furthermore, radios are sold locally by local dealers and these ads will appear in the papers the dealers themselves recognize."

Both Majestic and Foote, Cone & Belding officials feel that this campaign will have widespread interest and will prove itself a vehicle that offers almost unlimited merchandising possibilities.

Baltimore Exchange Sells Its Building

Howard R. Taylor, President of the Baltimore Stock Exchange, announced on March 11 that the Board of Governors had confirmed the sale of the exchange's office building, 210 East Redwood Street, to Abraham Watner, of the American Building. This is learned from the Baltimore "Sun" of March 12, which added:

The sale, however, will have no effect on the exchange's operations, as a long-term lease of the quarters now used for local stock market activities has been arranged with the purchaser.

After owning the building in which it has operated throughout the 105 years of its existence, it was decided by members of the exchange that it would be advisable for the organization to retire from the real estate business, Mr. Taylor stated.

The present structure was built immediately after the Baltimore fire. Comprising six floors, the building contains numerous offices occupied by tenants.

Stocks Most Widely Held By Investment Co's

(Continued from page 1102)

vored among the bonds of solvent railroads.

50 STOCKS MOST WIDELY HELD BY INVESTMENT COMPANIES
December 31, 1943*

No. of Funds Holding		No. of Shares Held	% of Outstand'g Stock
54	Standard Oil of N. J.	331,446	1.2%
53	Montgomery Ward	328,325	6.3
52	General Motors	230,984	.5
48	Chrysler	182,825	4.2
46	International Nickel	317,100	2.2
44	Texas Company	277,276	2.5
44	General Electric	223,030	.8
42	North American	1,361,180	15.9
42	Socony-Vacuum	790,280	2.5
41	American Gas & Electric	381,100	8.5
40	Union Carbide	123,550	1.3
38	Continental Oil	201,930	4.3
38	Gulf Oil	226,030	2.4
37	Deere & Co.	264,075	8.8
36	Commercial Investment Trust	131,740	3.7
36	Westinghouse Electric	65,405	2.1
34	Pure Oil	358,930	9.0
34	Sears, Roebuck	147,200	2.5
33	American Radiator	363,400	3.6
33	Ohio Oil	270,820	4.1
33	Kennecott Copper	173,350	1.6
33	Goodyear	149,800	7.3
33	Phillips Petroleum	96,300	2.1
32	Commonwealth & Southern pfd	133,100	9.0
31	Paramcunt	357,283	12.2
31	U. S. Steel	121,160	1.4
31	International Harvester	102,225	2.4
30	Standard Oil of California	217,584	1.7
30	Goodrich	130,250	10.0
30	duPont	62,430	.6
28	Standard Oil of Indiana	148,965	1.0
28	Pennsylvania Railroad	137,400	1.0
27	National Dairy Products	202,890	3.2
27	Great Northern pfd.	134,600	5.4
27	U. S. Rubber	125,500	7.1
27	Pacific Gas & Electric	67,403	1.1
26	Commonwealth Edison	136,100	1.1
25	Greyhound	229,300	8.2
25	Atchison, Topeka & Santa Fe	100,200	4.1
25	United Aircraft	61,950	2.3
25	Johns Manville	53,450	6.3
24	Pan American Airways	171,333	8.8
24	National City Bank of New York	165,430	2.7
24	Chesapeake & Ohio	103,550	1.3
24	Western Auto Supply	79,000	10.5
24	Amer. Power & Light $5 & $6 pfd.	65,825	3.7
23	Electric Auto Lite	45,000	3.8
23	Amer. Steel Foundries	84,900	7.1
22	Pullman	150,600	4.6
22	Woolworth	81,600	.8

*Based upon an analysis of the portfolios of 90 funds which are members of the National Association of Investment Companies. Practically all companies of substantial size are included.

20 CORPORATE BONDS MOST WIDELY HELD BY INVESTMENT COMPANIES
*Dec. 31, 1943

No. of Funds Holding	Name of Issuer	Total Par Value Held
24	Missouri Pacific Railroad, 5s (various maturities)	$14,115,000
18	Southern Pacific Co. (mainly 4½s)	3,691,000
17	Chicago, Milwaukee and St. Paul ((various issues)	10,162,000
16	American and Foreign Power, deb. 5s 2030	4,059,000
16	Northern Pacific (various issues due 2047)	4,243,000
15	Associated Electric, 4½s 1953 and 5s 1961	2,536,000
14	New York Central (various issues)	4,097,000
14	New York, Chicago and St. Louis, 4½s 1978, 5½s 1974	2,799,000
12	American Telephone & Telegraph, 3s 1956	2,425,000
11	Cities Service Co., 5s 1950 and 1958	1,221,000
12	International Telephone & Telegraph, 5s 1955	1,643,000
12	Standard Gas and Electric, 6s (various issues)	2,371,000
13	Baltimore & Ohio (various issues)	4,192,000
11	Associated Gas & Electric System (various issues)	12,464,160
11	Southern Railway (various issues)	2,275,000
10	Interstate Power Co., 5s 1952, 1957 and 1965	2,132,000
10	New England Gas and Electric, 5s 1947, 1948 and 1950	1,749,000
10	Erie RR., income 4½s 2015	1,859,625
9	Pere Marquette 4½s 1980 and 5s 1956	2,338,000
9	Alleghany Corp., collateral trust 5s 1949 and 1950	2,269,000

*Based upon an analysis of the portfolios of 90 funds which are members of the National Association of Investment Companies. Practically all companies of substantial size are included.

DISTRIBUTION OF INVESTMENT COMPANY ASSETS BY INDUSTRIES

Combined Holdings of 12 Large Funds

	Market Value —Dec. 31, 1943—	Holding % of Total Holding	Market Value —Dec. 31, 1939—	Holding % of Total Holding
Total assets	$538,152,000	100%	$508,352,000	100%
Cash and equivalent	42,111,000	7.8	37,804,000	7.4
Bonds				
Railroad	23,712,000	4.4	6,723,000	1.3
Other	12,905,000	2.4	8,984,000	1.8
Preferred Stocks				
Utility	32,621,000	6.1	18,679,000	3.7
Other	12,412,000	2.3	5,811,000	1.1
Common Stocks				
Oil and refining	73,129,000	13.6	52,167,000	10.3
Retail merchandising	36,100,000	6.7	39,978,000	7.9
Public utilities	33,520,000	6.2	41,883,000	8.2
Building, household equipment	20,410,000	3.8	22,261,000	4.4
Bank and finance	20,293,000	3.8	12,586,000	2.5
Metals and mining	19,252,000	3.6	44,426,000	8.7
Chemicals	19,215,000	3.6	37,934,000	7.5
Foods and beverages	18,825,000	3.5	11,409,000	2.2
Motion picture, radio	18,591,000	3.4	5,942,000	1.1
Automobiles, trucks	16,851,000	3.1	22,046,000	4.3
Railroads	14,834,000	2.7	19,060,000	3.7
Farm equipment	14,383,000	2.7	17,111,000	3.4
Rubber, tires	10,546,000	1.9	1,682,000	.3
Steel and iron	8,538,000	1.6	18,478,000	3.6
Electrical equipment	8,037,000	1.5	16,819,000	3.3
All other	81,868,000	15.3	70,106,000	13.3

The Securities Salesman's Corner

Attracting Prospective Clients To Call At Your Office

Early last Spring a dealer in a medium sized city in the Middle West was faced with the dual problem of losing several of his salesmen and having to cover his clientele with reduced gasoline rations. As was the case with many dealers he had nearly always contacted his customers at their places of business or at their homes. Rarely did he have a visit from them at his office.

Faced with the necessity of covering his territory under severe handicaps almost beyond his ability, he decided that there was only one way to overcome the difficulty, which was to DEVISE SOME METHOD THAT WOULD BRING CLIENTS IN TO SEE HIM.

His first step was to procure a larger office located in the same building as before. He added some new furniture, put in several comfortable upholstered chairs, bought a box of good cigars and placed them in a handy drawer of his desk, and saw to it that a vase of flowers and an attractive lamp gave a homelike and pleasant effect to the office, for the special benefit of his clients who were on the distaff side.

The next step was not so simple—how to get them to come in. A study of the problem showed: (a) that his territory covered approximately the surrounding communities within a 35-mile radius of his office; (b) there were two categories of potential business open to him—his clients and those with whom he did not have an established contact; (c) there were three methods which he could use to transact business—the telephone, mail and by personal consultation at his office.

To his personal clients he addressed a mail campaign. He pointed out that due to the war-effort he was forced to continue his contact with them on the basis of more letters and correspondence and fewer calls by his representatives. But he stressed the fact that he desired to keep them even more completely informed REGARDING THE STATUS OF THEIR INVESTMENTS THAN EVER BEFORE. He brought out that the war itself, and the uncertainties of business and finance under present-day conditions, made it even more imperative that his clients were kept informed REGARDING THE SECURITIES WHICH THEY OWNED. He invited them to come in to his office whenever they were in the neighborhood. He stressed SERVICE and his desire to be helpful—he low-pressured SELLING new investments and placed emphasis upon HELPING HIS CLIENTS PRESERVE PRINCIPAL AND MAINTAIN INCOME.

Next he went to his local newspaper. He procured advertising rates on a campaign designed to bring in leads and new accounts. He allocated a fund to this purpose and started a consistent effort in this direction. His ads were informative—readable—interesting—in non-technical language—and covered subjects IN WHICH PEOPLE WERE INTERESTED. The value of checking up on the securities already held—increasing income from savings—how a soundly conceived investment program can help in building a "personal post-war plan—building principal through the purchase of selected equities—and an occasional ad on some special situation in which he was interested."

These ads were inserted every week. Always in the same section of the newspaper. A similar layout and typographical style was used for each ad; thereby familiarizing the public with his messages. Every ad suggested that telephone and letter inquiries were invited.

Leads began to come in. Then the proper approach followed in a natural course. This dealer used the telephone. He told the prospect he appreciated their inquiry. If it was a list of holdings which they sent in for analysis, he informed them that he was making a thorough check and they would hear from him. He invited them to come in to the office. He made it clear that they would not be obligated—HE DISARMED COMPLETELY—by his friendliness, his courtesy, his sincere willingness to serve them and his personality. He followed up these leads by letter. He wrote and asked questions about the lists, or specific holdings, he showed an interest. Several weeks followed and he had a workmanlike job completed on the prospect's holdings. He called again—he suggested they come in to the office and go over things together. By this time the prospect was beginning to say to himself—this fellow is all right—I think I'LL go in and see what he has to say.

When the prospect called—he was made to feel at home—he was taken behind the scenes of how and why HE NEEDED THE ASSISTANCE OF THIS DEALER. A selling job was done, NOT TO SELL A SECURITY BUT TO SELL THIS DEALER'S SERVICE, AND WHY THE INVESTOR NEEDED SOMEONE HE COULD RELY UPON TO HELP HIM BUILD AN INVESTMENT PROGRAM.

Today, this dealer's office is busy and customers telephone, write to him and call in person—the gasoline shortage will never bother him again—in fact, he likes it this way!

Schneider A Director Of Phoenix Silk Mills

At the annual stockholders' meeting of the Phoenix Silk Mills of Allentown, Pa., held on Mar. 8, 1944, at Allentown, Pa., Harry Schneider, an attorney of 285 Madison Ave., New York City, was elected a director of the company.

Will Be Reynolds Partner

C. Frank Fackrell will shortly become a partner in Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges. Mr. Fackrell will act as alternate on the floor of the New York Stock Exchange for Joseph H. Brown.

Nevil Ford Succeeds Randolph Burgess As Chairman Of War Finance Committee For N.Y.

Secretary of the Treasury Morgenthau announced on March 9 that W. Randolph Burgess has retired as Chairman of the War Finance Committee for New York, and that he has appointed Nevil Ford to succeed Mr. Burgess. Mr. Burgess, said the announcement, will continue to serve the Committee as Chairman of the Executive Committee. His retirement from the Chairmanship is in accordance with the understanding at the time he assumed the office last June. In addition to his responsibilities as Vice-Chairman of the National City Bank, Mr. Burgess is now Vice-President of the American Bankers Association. Secretary Morgenthau's announcement added:

"To accept the Chairmanship, Mr. Ford retires from the position of Executive Manager of the War Finance Committee. He has occupied this or corresponding positions as the Executive Officer of the organization since October 1941, shortly after the Defense Savings Staff was organized for the sale of savings bonds in New York State. He is on leave of absence from the First Boston Corporation, of which he is Vice-President and Director.

"The Third and Fourth War Loans were carried through in New York State under the leadership of Mr. Burgess as Chairman and Mr. Ford as Executive Manager. In these War Loans, New York State made about 20% of the total sales of the entire country, and exceeded its quota by 18% in the Third War Loan, and 11% in the Fourth. In both drives, the emphasis was placed on a wide distribution of sales to individual investors, and as a result, in the Third drive, it is estimated that sales were made to 3,700,000 investors as compared with 2,600,000 in the Second War Loan. In the Fourth War Loan, these figures were again greatly exceeded and sales were made to an estimated 5,300,000 buyers, or better than one buyer for every three inhabitants of the State. The organization has included more than 500,000 volunteer workers."

NASD 5% Profit Rule Threatens Access Of Small Business To Capital Markets

(Continued from page 1091)

the need of small business for long-term credit and particularly for capital on more favorable terms than have hitherto been available. As part of our national financial system, certain organizations now offer long-term capital loans. The cost of such loans to newer and smaller enterprises in many instances is so high that sound management cannot or should not avail itself of such credit. In the past, a new, small enterprise could most soundly expand by reinvesting profits. Because of high tax rates, however, that avenue to growth and strength of small business is being closed off.

The Government made its first attempt to meet the requirements of long-term credit for smaller concerns through the enactment of the Industrial Advances Act of July 19, 1934, which amended the Federal Reserve Act by the addition of section 13b and added section 5d to the Reconstruction Finance Corporation Act. The Defense Plant Corporation, a subsidiary of the RFC, as well as the Smaller War Plants Corporation have made financial advances in one form or other to smaller business to finance plant construction, conversion or expansion, or to purchase equipment, machinery or supplies.

But meeting the long-term accommodation needs of smaller businesses with equipment leases and contractual loans does not solve the problem. Long-term credit is inseparably interwoven with the amount of equity capital employed in the business of the prospective borrowers. Theamount of money invested as equity capital, sometimes referred to as the net worth of a business or as risk capital, has a definite relation to other factors of the business enterprise. In each group or segment of industry, these relations vary of course. Ratios of equity capital to working capital, to inventory, to current assets, to fixed assets, to current liabilities, to funded debt, to net sales, are well established for practically every class of business.

Sound management recognizes these relationships and is governed by them because they are the stop or go signals to successful results. Credit ratios are not myths; they are stark realities. Sound management heeds these signals. Unsound management passes them by, claiming that it can violate generally accepted criteria by virtue of ingenuity and resourcefulness or claiming that its particular business is different from every other one. Too often, otherwise promising small enterprises have failed because of reliance on short-term loans rather than on permanently invested capital.

The Government has proposed a number of steps to facilitate the flow of equity capital into smaller business establishments. Among them are the granting of credits or rate differentials to small business concerns and to investors in the equity position of small concerns as part of the national tax program. The U. S. Department of Commerce has evidently two things in view: (a) Tax credits on the amount of profits not withdrawn from a business by the owners of smaller concerns; and (b) credits on taxable incomes of equity capital investors in smaller concerns.

The emphasis on equity capital needs of small business is, if anything, not overemphasized. Let no one forget the experience in World War I. Prior to and during that war a very large amount of industrial expansion had been financed by extensions of bank credit, the obligations appearing on the corporation balance sheets as bank loans. This phenomenon seems to have been attributable partly to a lack of savings funds available for the purchase of industrial issues and partly to the belief that bank loans represented a flexible form of financing which could be readily expanded or contracted in the face of varying business requirements. But business had tremendous difficulties in connection with these bank loans in the 1920-1921 crisis and was very rudely awakened to the necessity of procuring corporate capital through the sale of securities in the investment market rather than from bank loans.

Higher prices will necessitate more capital being tied up in inventories. It is quite doubtful whether an increase in the efficiency of transportation can offset that need. The country may see an increasingly attractive field opened up in certain types of agricultural pursuits in which as a result of technological developments small corporations might find attractive possibilities. There is the likelihood in many lines of production for increasing decentralization. Power can be taken to the source of labor rather than the reverse being true. Subcontracting has given smaller business an interesting experience which might well be put to use fostering more decentralization, particularly in the light industries. Better roads and other transportatoin improvements will intensify these trends. Insistence upon equity financing will also place the national economy in a much more flexible and hence favorable position in successfully weathering any future business recessions.

Federal investments in Ohio industrial facilities are estimated to be $835,000,000. Illinois ranks second, after Ohio, with $665,000,000. Michigan, $645,000,000. Pennsylvania is fourth in rank with $580,000,000; Texas, fifth with $570 000.000. The seven states of the Great Lakes Industrial Region have received a Federal investment totaling $3,650,000,000 in manufacturing facilities; another $3,260,000,000 is distributed throughout the continental United States. Most of the productive facilities financed by the Defense Plant Corporation are of a type that will allow the production of items of general civilian use. It is this phase which makes the ownership and operation of these Federal commitments of such paramount importance.

It is generally agreed that the Government-financed plants represent in many cases low-cost production equipment. Thus these facilities may become of high value to interested parties in that this more efficient capital would aid in maintaining a better profit margin in a period when production costs are high, along with taxes and other operating expenses. Many underwriters feel that there is a large number of smaller business establishments which will need capital to bail out Government investments.

To summarize: The process of capital expansion requires the raising of funds from stock flotations as well as from bond issues. But because of greater risks involved, stock flotations must be looked to for most of the capital required in the development of new enterprises. In the very near future the need for equity financing will be particularly great because of the lack of working capital in mediumsized and smaller corporations, as well as because of postwar requirements for expansion.

Dr. H. G. Moulton, in his scholarly work on "Capital Expansion, Employment, and Economic Stability" (The Brookings Institution, 1941) emphasizes the need for the existence of the smaller securities houses and dealers to meet the capital needs of smaller business establishments. He states (pp. 159-60):

"Medium and small scale business enterprises constitute a very important segment of American economic life, particularly from the point of view of employment. The principal source of financial weaknesses of small-scale business enterprises is a shortage of working capital. It is evident that, typically speaking, they have not been able to build up capital out of undistributed earnings. The primary need, therefore, is for an expansion of equity capital through the sale of stock. *Loans to small-scale business enterprises by banks and Government agencies do not reach to the heart of the problem.*" (Italics mine.)

Ex-servicemen and others will need and want jobs in the post-war period. If our free-enterprise system cannot provide them, some other system will. Any one who has any doubt need only take a look at a very readable book published this week by the former chairman of the WPB's post-war planning committee, Robert Nathan ("Mobilizing for Abundance," McGraw-Hill, $2.00). The smaller concerns particularly cannot provide employment opportunities unless they are able to replenish their capital by being permitted access to the capital market. To do this smaller concerns need the smaller underwriting houses which in turn need the small dealers. Large underwriting houses are not interested in a $250,000 stock issue. Often even issues of $1,000,000 and above do not interest them if of speculative quality. To quote from "Investments" by Professors Dowrie and Fuller (1941): "Since so many thousands of issues, for one reason or another, do not lend themselves readily to listing on an organized exchange, it is obvious that over-the-counter dealers render an *invaluable* service in providing a market."

But now the 5% profit limitation rule of the National Association of Securities Dealers has thrown a monkey wrench into the investment machinery. Regardless of the question of the liberality of SEC profit allowances on new second-grade financing, when the primary distribution of such issues is completed, the securities are bought and sold by over the counter dealers who must comply with the 5% rule. If dealers must divide with their salesmen on the essential secondary market (no prospective investors will commit their funds unless ready marketability is assured) their profit limited to 5% as stipulated in the NASD rule, neither the small dealers nor the salesmen can survive in that type of security business under such conditions. To quote one smaller underwriting house: "The whole situation is so evident that the 5% rule ends all second-grade or speculative originations that common sense should be quickly injected by the SEC to terminate the 5% rule."

In the issue of February 24, I have set forth 10 points illustrating the threat to post-war employment opportunities in the smaller concerns as a result of the 5% rule. It was my intention here to stress the pressing need of smaller business establishments for funds, a need which cannot be filled unless the capital market for smaller issues is kept intact. No matter what interpretations may be placed by the NASD upon the construction of the wording of the 5% rule as a trading practice, as long as the profit limitation rule exists, capital markets are prevented from discharging the functions they must perform if our free-enterprise system is to continue. A competitive business needs no profit limitation. On top, the rule, as I have pointed out in my previous article, is no *profit* limitation; it is a highly discriminatory tax on gross income.

Surely Congress did not pass the Maloney Act to drive men out of business in the exercise of which they have given society good and faithful service. Unfortunately, most U. S. citizens have no conception of the social contribution of the smaller securities underwriters, dealers, and salesmen. In order to make a sale all these are requisites: scores of interviews; free investment advice; collection of coupons; shipments of bonds for payments keeping records of the changing affairs of corporations in which clients hold securities; personal visits to brokers, underwriters and corporation officials; and subscription to statistical services.

The entire issue has such far-reaching consequences for the national economy as a whole that a Congressional investigation is not only advisable but mandatory There are too many questions involved which only a body approaching the problem from an over-all point of view can properly evaluate and judge.

(1) What has been the intent of Congress under the Maloney Act and to what extent has this intent been violated?

(2) Is the Board of Governors of the NASD a representative body of the security business interests?

(3) Are the rule-making powers of the NASD employed in a democratic and constitutional manner?

(4) Is there a deliberate attempt to eliminate the smaller dealers?

(5) Is the security business a competitive business? If so, are legal profit limitations necessary or advisable?

(6) Just what should be the functions of the NASD?

Missouri Brevities

(Continued from page 1099)

plants, combined to reduce earnings of Missouri Portland Cement to $213,272 or 75¢ per share in the year ended Dec. 31, 1943. Balance sheet disclosed cash and Governments after all liabilities equal to $6.79 per share of common; net current assets after all liabilities equal to $9.13 per share; and book value of $29.58 per share. Stock trades in the 13-14 range.

National Candy Active

Despite the slightly lower earnings of $1,332,500 reported for 1943, compared with $1,380,481 in 1942, National Candy common has continued its activity on the St. Louis Stock Exchange, establishing another new high.

Difficulties experienced by its subsidiary, Clinton Company, in securing corn, ceiling prices on finished products unchanged despite higher raw material costs, and increased wages, are among the reasons given for the smaller profit. A chocolate coated 5¢ candy bar named "Bob Cat" was introduced by the company late in 1943, mostly in the St. Louis area, and has met with a favorable reception, according to Vincent E. Price, President. Distribution is to be broadened in 1944.

Comparative Data On Insurance Companies

White & Company, Mississippi Valley Trust Building, St. Louis, Mo., have prepared a tabulation of preliminary 1943 operating results pending the compilation and issuance of their 1944 Fire and Casualty Insurance Stock Manual. Copies of this interesting tabulation giving comparative figures for 62 companies may be had upon request from White & Company.

William Blair & Co. Is Formed In Chicago

CHICAGO, ILL. — One of the oldest Chicago business names is being revised today with the formation of William Blair & Company, a general partnership with memberships on both New York and Chicago stock exchanges. The firm, successor to the underwriting and general investment business of Blair, Bonner & Co., includes William McCormick Blair, Wallace M. Flower, Don G. Niehls, Leo H. Ostrander, and Daniel J. Ritter. Offices are at 135 South LaSalle Street, Chicago, Blair, Bonner & Co. will continue in business as William Blair Corporation, and expects to confine its activities to the supervision of investment accounts. Mr. Blair will be president and Messrs. Robert J. Kiep and P. S. Dickinson will be vice-presidents.

The name of Blair has been well known in Chicago business circles since 1842 when William Blair, grandfather to the present Mr. Blair, opened the first hardware business in that city. He later became a director of the Merchants National Bank, known as "The Blair Bank," of which his brother, Chauncey B. Blair was president. As a result of several mergers, this bank is now part of the present Continental Illinois National Bank and Trust Company.

The present Mr. Blair, who has been president of Blair, Bonner & Co., is also a director of Continental Casualty and Continental Assurance companies and of Interlake Iron Corporation. He is a trustee of the University of Chicago and other institutions.

Mr. Flower, who has been a vice-president of the predecessor company, has for the last two years been on leave of absence in Washington, as director of the Agency Coordination Division of the Smaller War Plants Corporation, and in the office of the Chairman of the War Production Board. He will take up his new duties as a partner in the firm about the middle of this month.

Mr. Ostrander comes to William Blair & Co. from Graham, Parsons & Co., where he was manager of the Chicago office. Mr. Miehls joined Blair, Bonner & Co. in 1938 as manager of its municipal department, while Mr. Ritter has been with that organization since its inception.

Also on leave of absence for the last two years has been Francis A. Bonner, Vice-President and Secretary of the predecessor company. Mr. Bonner, who is director of the credit policy office of the Office of Price Administration, plans to continue at his post in Washington until the end of the war.

Seise Elected Gov. Of Mtg. Bankers Ass'n

CHICAGO—A. H. Seise, President of the Illinois Mortgage Bankers Association, and President of the Northern Illinois Mortgage Co. of Rockford, Ill., has been elected a member of the Board of Governors of the Mortgage Bankers Association of America, H. G. Woodruff, Detroit, President, announced on March 11. Mr. Seise's term will expire in 1946. He fills a vacancy created by the election of L. E. Mahan, St. Louis, to the Vice-Presidency. Mr. Seise was an organizer of the Illinois Association.

To Admit New Partner

H. N. Whitney, Goadby & Co., 49 Wall Street, New York City, members of the New York Stock Exchange, will admit Leon G. McMorris as a partner in the firm on April 1.

ANNUAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1943, OF

THE TEXAS COMPANY

AND SUBSIDIARY COMPANIES (Excluding European Subsidiaries)

STATEMENT OF CONSOLIDATED INCOME ACCOUNT

GROSS OPERATING INCOME:		
Net sales (see Note 1)	$436,860,092.39	
Miscellaneous	22,856,095.48	$459,716,187.87
OPERATING CHARGES:		
Costs, operating, selling and general expenses (exclusive of depreciation and depletion) (see Note 1)	$328,256,674.18	
*Taxes (other than Federal income taxes)	14,314,122.84	
Amortization of drilling costs on producing wells, expenditures incurred on dry holes and unamortized drilling costs on wells abandoned during the year (The Company has since January 1, 1934, followed the policy of capitalizing drilling costs of producing wells, and amortizing such costs at the rate of 8% per annum except as to costs of wells located in Illinois which are fully amortized as incurred)	15,745,160.09	358,315,957.11
Balance		$101,400,230.76
NON-OPERATING INCOME (NET):		
Interest, dividend, patent and other income, less miscellaneous charges of $928,233.01		6,122,140.24
Balance		$107,522,371.00
INTEREST CHARGES:		
Interest and amortization of discount and expense on funded debt	$ 3,010,377.72	
Other interest charges	958,323.45	3,968,701.17
Balance		$103,553,669.83
DEDUCT:		
Depreciation and other amortization (see Note 3)	$ 30,811,878.52	
Depletion and leases forfeited	4,591,994.44	35,403,872.96
Net profit before provision for Federal income taxes		$ 68,149,796.87
DEDUCT: Provision for Federal income taxes (see Note 5)		17,260,000.00
Net profit for year 1943 (see Note 2)		$ 50,889,796.87
Appropriation for reserve for contingencies arising out of the war		8,000,000.00
Balance carried to earned surplus account		$ 42,889,796.87

*In addition, state and federal gasoline and oil taxes were paid (or accrued) to taxing authorities in the amount of $86,511,998.99.

STATEMENT OF CONSOLIDATED EARNED SURPLUS ACCOUNT

EARNED SURPLUS, DECEMBER 31, 1942	$167,848,344.82
BALANCE TRANSFERRED FROM INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1943	42,889,796.87
	$210,738,141.69
DEDUCT—Dividends declared during 1943	21,787,919.50
EARNED SURPLUS, DECEMBER 31, 1943	$188,950,222.19

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS ACCOUNT

CAPITAL SURPLUS, DECEMBER 31, 1942		$ 69,869,916.19
ADD:		
Excess of value assigned to properties acquired over par value of capital stock of The Texas Company issued therefor	$ 6,468,007.00	
Net adjustments in connection with the liquidation of a subsidiary company	11,414.18	6,479,421.18
CAPITAL SURPLUS, DECEMBER 31, 1943		$ 76,349,337.37

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash—		
In United States	$ 77,109,588.51	
In foreign countries	4,418,097.26	$ 81,527,685.77
Marketable securities (including U. S. Government short-term securities $12,438,400.00), at cost		13,182,650.00
Notes and accounts receivable—		
Notes receivable	$ 396,998.11	
Accounts receivable	37,222,344.39	
	$ 37,619,342.50	
Less—Reserve for bad debts	650,000.00	
	$ 36,969,342.50	
Accounts and claims receivable from U. S. Government (see page 3 of report to stockholders)	27,109,816.84	64,079,159.34
Inventories—		
Crude and refined oil products and merchandise, at cost determined on the first-in, first-out method (after elimination of intercompany and interdepartmental profits) which in the aggregate was lower than market	$ 83,483,050.44	
Materials and supplies, at cost	10,664,756.63	94,147,807.07
Total current assets		$252,937,302.18
SPECIAL DEPOSITS FOR REPLACEMENT OF PROPERTIES UNDER AGREEMENTS WITH CERTAIN U. S. GOVERNMENT AGENCIES.		7,270,090.20
LONG-TERM RECEIVABLES (Less reserve of $250,000.00)		1,410,132.23
INVESTMENTS IN AND ADVANCES TO EUROPEAN SUBSIDIARIES NOT CONSOLIDATED, less reserve of $5,300,000.00 (see Note 6)		7,941,355.27
INVESTMENTS IN AND ADVANCES TO COMPANIES OPERATING IN FOREIGN COUNTRIES, WHICH ARE NOT SUBSIDIARIES—AT COST $95,307,035.53 (of which $64,467,248.20 applies to 50% owned companies), less reserve of $28,000,000.00 (see Note 6)		67,307,035.53
INVESTMENTS IN AND ADVANCES TO COMPANIES OPERATING IN THE UNITED STATES, WHICH ARE NOT SUBSIDIARIES—AT COST (of which $7,289,400.00 applies to 50% owned companies) less reserve of $1,300,000.00		31,597,006.19
PROPERTIES, PLANT AND EQUIPMENT—AT COST (see Note 3):		
Lands, leases, wells and equipment (including drilling costs of producing wells completed since January 1, 1934)	$354,002,977.75	
Oil pipe lines and tank farms	69,516,286.75	
Refineries and terminals	212,414,697.91	
Ships and marine equipment	64,543,143.14	
Sales stations, facilities and equipment	104,301,834.00	
Miscellaneous	2,725,853.02	
Total	$807,504,792.57	
Less—Reserves for depreciation, amortization and depletion	392,151,706.60	415,353,085.97
PATENTS—AT COST (Less reserve for amortization of $1,734,190.84)		951,918.49
DEFERRED CHARGES:		
Prepaid insurance and taxes	$ 1,462,401.78	
Drilling costs on incomplete wells	1,413,556.63	
Other prepaid expenses and deferred charges	3,087,683.28	5,963,641.69
		$790,731,567.75

LIABILITIES

CURRENT LIABILITIES:		
Construction advances payable to U. S. Government (see page 4 of report to stockholders)		$ 6,850,156.00
Other notes and contracts payable (including $861,983.90 due in 1944 on long-term debt)		3,408,811.44
Accounts payable		29,306,538.78
Accrued liabilities		27,361,894.78
Provision for Federal income taxes (certain returns subsequent to 1933 are subject to final settlement with the U. S. Treasury Department)	$ 20,488,880.73	
Less—U. S. Treasury obligations held for payment of taxes	16,580,000.00	3,908,880.73
Dividend payable January 3, 1944		5,446,168.50
Total current liabilities		$ 76,282,450.23
LONG-TERM DEBT:		
3% Debentures, due April 1, 1959	$ 40,000,000.00	
3% Debentures, due May 15, 1965	60,000,000.00	
3½% Mortgage notes payable to U. S. Maritime Commission in annual installments of $746,108.00, in connection with purchase of tankers	10,445,512.00	
Construction advances payable to U. S. Government	12,911,531.00	
Other long-term debt	641,288.16	123,998,331.16
DEFERRED INCOME AND SUSPENSE CREDITS		2,101,931.08
RESERVES (As authorized by the Board of Directors):		
For benefits under employees' plans—excluding $1,600,000.00 included in current liabilities above	$ 14,325,327.64	
For foreign exchange fluctuations (see Note 6)	2,066,993.08	
For contingencies arising out of the war (see page 14 of report to stockholders)	20,000,000.00	
For other contingencies	7,000,000.00	43,392,320.72
CAPITAL STOCK AND SURPLUS:		
Capital stock, par value $25.00—Authorized 14,000,000 shares		
Issued 12,000,204 shares	$300,005,100.00	
Less—Held in treasury, 813,925 shares, at par value	20,348,125.00	
Outstanding 11,186,279 shares	$279,656,975.00	
Capital surplus	76,349,337.37	
Earned surplus (see Note 4)	188,950,222.19	544,956,534.56
		$790,731,567.75

CONTINGENT LIABILITIES — Reference is made to Notes 2 and 6 with respect to certain contingent liabilities. The Company's General Counsel reports that while it is impossible to ascertain the ultimate liability with respect to other contingent liabilities, including pending lawsuits, federal taxes, claims, guarantees, etc., in his opinion, the aggregate amount of ultimate liability in respect of such other contingent liabilities is not materially important in relation to the total consolidated assets of The Texas Company and subsidiaries.

The foregoing balance sheet and statements are taken from the annual report, dated March 15, 1944, to stockholders of The Texas Company, and should be read in conjunction with such report which contains the Notes to Consolidated Financial Statements and the certificate of Messrs. Arthur Andersen & Co., Auditors, attached to such financial statements. A copy of the report to stockholders may be had upon application to the Company. The said balance sheet, statements, and report are not intended to constitute an offer, solicitation of offer, representation, notice, advertisement, or any form of a prospectus in respect of any security of The Texas Company.

Some Factors In The Proposed Post-War International Pattern

(Continued from first page)

Bar man the watchtowers of the nation that give view far and near. Your eyes must be the first to see and you the first to make ready to meet the oncoming of tyranny. Upon the Bench and the Bar of the country rests the great responsibility of seeing that our liberties and free institutions are preserved. Legislators may be incompetent, executives may be dishonest, but if the Bench and Bar be honest and filled with integrity, then under the Constitution, the people are secure, and free institutions will still live with us. But security and liberty both take flight where the judiciary is corrupt.

The Constitution

We may say a beginning word about the Constitution and the duty thereto of you who are here. From those who should have revered that great document, we have had flippancy and derision. To many of the common people there has come a disrespect for and a desire to rid themselves of what they have been encouraged to think are the shackles of the Constitution. They are saying we should have a modern, an up-to-date Constitution, one suited to our times and conditions.

Knowing something of the sound doctrines regarding the Constitution which my friend, Preston Richards, has been teaching in these purlieus, there is no need to belabor here in this presence an argument that the Constitution is, in the matter of fostering and protecting human rights, the inspired crystallization of the wisdom of man and the embodiment of all his experience from the beginning. Being thus engendered of the ages, how idle seriously to think that a mere century and a half could render it obsolete. The matter is brought before you here only to urge upon you the duty which is yours and not to be pushed aside, of losing no chance to teach the people, in season and out of season, the priceless value of the government and free institutions set up under the Constitution. When human freedom is outgrown, the Constitution will be obsolete—but not before.

May I add one thought more: They of the Bench and Bar who for power or place or gain, shall traffic in or prostitute the principles of freedom that are basic to our republican form of government, will violate their solemn oaths, will betray their clients, and will be traitors to a lofty, even holy trust. They should be purged from our midst. Already too many of us have shown an easy willingness to let pass unchallenged encroachment after encroachment upon our liberties. The Bench and Bar of the nation must cease to temporize with tyranny. After quoting the words of the Master to the hypocritical Pharisees, that a "city or house divided against itself shall not stand," Lincoln added: "I believe this government cannot endure half slave and half free." He spoke of land-spread and government. Living today he might have phrased his principle: There can be no freedom that is half bondage; there can be no law that is half royal favor or half lawless force. There can be no partnership between liberty and slavery.

Strength at Home and Abroad

We have spoken thus because underlying our international relations of the future are our conditions at home. We cannot be weak within our borders, and strong outside them, either as a matter of force or as a matter of moral strength. We have built ourselves to our present rank in both force and morals, because of the form and past policies of our government, because we were a free people, unhampered in thought, in speech, and in action, because we were able to gather and enjoy the fruits of our own labors, unafraid, unspied on, unvictimized by government. If we shall change this now, we shall lose our place; we shall be generations building back to where we were a decade ago. Yet we have already traveled far along a new and evil way.

It has seemed that tonight we might with profit analyze some of the policies now operating in our foreign relations, to see if we could determine where they might lead us and what might be our lot thereunder.

The Four Freedoms

We shall pass over, for this purpose, our diplomacy for the last decade, a diplomacy which it seems has been the most provocative in all our history, with the possible exception of our discussions with Great Britain in the 40's and 50's of the last century over trans-isthmian communications. But we will make this one comment: It is now clear that our diplomacy during this last decade could lead only to war. Some of us said this at the beginning of the decade as well as now.

Of the things we shall consider tonight we may take first, because it involves principles basic to the Administration's whole foreign policy as now announced, the President's unilateral declaration of the essentials of security as embodied in the Four Freedoms—freedom of speech, freedom of religion, freedom from fear, and freedom from want. We shall pass over the additions made by other public and pseudo-public officials.

The first two of the President's freedoms are known to political science and help to speel individual liberty.

Perhaps we may assume that freedom of speech includes freedom of the press. These two run hand in hand. You know that these freedoms are relative terms and that with us there are the limitations of libel and slander. But whose freedoms are to be given in the world setup—ours, Britains, Russia's, or some new concept?

Who will determine this standard of freedoms?

The Atlantic Charter

We may at this point profit by reading the Atlantic Charter, signed and issued as you know by President Roosevelt and Prime Minister Churchill. Its principles are embodied in eight points. Some declared the purposes of the signers; others declared principles for world-wide application among all nations, including ourselves. These points are:

"First, their countries seek no aggrandizement, territorial or other;

"Second, they desire to see no territorial changes that do not accord with the freely expressed wishes of the people concerned."

If the Charter had been signed by Russia, these two announcements would give hope at least to heroic Finland, to Estonia, Latvia, Lithuania, Poland, and it might be, Rumania.

"Third, they respect the right of all peoples to choose the form of government under which they will live, and they wish to see sovereign rights and self government restored to those who have been forcibly deprived of them."

This is carefully worded, but the underneath principle might raise some question about India and Porto Rico, Egypt and the Boer South Africa, the Dutch East Indies, the Philippines, and other countries on the earth's surface not in the possession of the enemy states.

"Fourth, they will endeavor, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity."

This seems to forecast a **free trade** world. It would open up our trade and raw materials on "equal terms" to everyone. If Russia had signed, it would have been supposed to open up her trade and raw materials in like manner. Britain's prime needs, after food, are trade—markets—and raw materials.

"Fifth, they desire to bring about the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labor standards, economic advancement and social security."

This seems a pious and praiseworthy hope, provided that these things are not to be gained by other nations at the expense of our own, that is, provided it does not mean a leveling downward to a common standard, a procedure which is now openly urged by some who call themselves Americans.

"Sixth, after the final destruction of the Nazi tyranny, they hope to see established a peace which will afford to all nations the means of dwelling in safety within their own boundaries, and which will afford assurance that all the men in all the lands may live out their lives in freedom from fear and want."

Here are two of the Four Freedoms; but there is no mention of freedom of speech or of religion. The latter are vital to free peoples; they cannot be granted to a people and still keep them in subjection. But one can think of several countries where these two freedoms of speech and of religion would threaten the existing order. A despot might give freedom from want, and might at least for a time anesthetize them into freedom from fear. Freedom from want for India, China, and Asia, generally, will tax the resources of the world, to say nothing of the task of caring for Europe. Russia appears to be committed to this plan.

"Seventh, such a peace should enable all men to traverse the high seas and oceans without hindrance."

This is not a promise of freedom of the seas, but the statement of a conclusion which might or might not be realized, and might not mean at all what is meant by freedom of the seas.

"Eighth, they believe that all of the nations of the world, for realistic as well as spiritual reasons must come to the abandonment of the use of force. Since no future peace can be maintained if land, sea or air armaments continue to be employed by nations which threaten, or may threaten, aggression outside of their frontiers, they believe, pending the establishment of a wider and permanent system of general security, that the disarmament of such nations is essential. They will likewise aid and encourage all other practicable measures which will lighten for peace-loving peoples the crushing burden of armaments."

These are the lofty aspirations and the tried, and failed, machinery of the Treaty of Versailles.

The Charter was not incorporated in or referred to in the Four-Nation Declaration at Moscow, nor were the Four Freedoms, nor was the Charter referred to in the Declaration of Teheran, nor in the Allied-Turkish Statement at Cairo, nor the Cairo Communique by the United States, Great Britain, and China. It was mentioned in the Declaration on Iran.

Russia has apparently joined in no agreement or declaration on policy that embraced the Four Freedoms, except that freedom of speech, of the press, and of public worship were mentioned in the Moscow Declaration Regarding Italy.

With the President's interest in the Charter and the Freedoms in mind, the omissions noted could hardly have been a matter of chance, and if the omissions were by design, they could suggest a deep-seated cleavage on the whole program. If Russia is not willing to move forward on those principles of self-restraint that are embodied in the Charter, we may expect trouble ahead.

We must not overlook that the principles of self-restraint and of altruistic aspiration embodied in the Charter are as applicable to and against us as to and against any other nation. They are not something we are graciously to bestow or impose upon others, we remaining free to follow our own bent. What we do to others, we must permit others to do to us.

I need only to suggest here that to make effective these freedoms of speech, of the press (if it be included) and of religion, there must be complete cooperation thereto among the executive, the judicial, and the legislative branches of a government. The freedoms fail if any one branch is unwilling. Thus there must be control over the whole government to make them effective, and if there be any unwillingness, as there will be somewhere, say, in Timbuktu or somewhere else, this control must be from some outside source to bring these freedoms to the people; and of course, in the last analysis such outside control must be by force. Lincoln said: "No man is good enough to govern another man without that other's consent."

We are reported to be training men to head up the occupying forces of some foreign country; it may be they are to see that the freedoms are given to the people thereof. Who is going to occupy us to see that we keep the standards? And when we shall finish shortly our consideration of the freedom from **want** and **fear** you will appreciate that there could be excuse for some outside power to come in and make us meet our professions and promises on those accounts too.

Freedom From Want and Fear

Freedom from **want** and **fear** are not terms of art either in domestic political science, or in international relations. We must get their meaning elsewhere.

As defined by the President when he announced them, freedom from **want** meant "economic understandings which will secure to every nation a healthy peacetime life for its inhabitants." This is not too definite or clear. But explanations since made by him as well as the actions of the 44 United Nations Food Conference and of the since organized United Nations Relief and Rehabilitation Administration, have made clear that it is in the international mind to do what the President states has never been done before in all history, that is "feed all the peoples of the world as we now know human beings should be fed." That is a great concept, but a rather large order, having in mind India's nearly 400,000,000, China's 450,000,000, to say nothing of the suffering millions in the rest of Asia, in Europe, in Africa, in the Latin Americas, in the continents and islands of the seas; and then our own 130 odd millions.

As first defined by the President, freedom from **fear** meant "a world-wide reduction of armaments to such a point and in such a thorough fashion that no nation will be in a position to commit an act of physical aggression against any neighbor." This is a great concept also, but by no means a new one, either in theory or practice. Some of you will recall that the Central Powers in World War I were disarmed by the Armistice and the Treaty of Versailles, and that for the rest of the world of strong powers, President Harding called a Limitation of Arms Conference in Washington which entered into formal treaties providing for reduction of the naval armament of the great powers. The result of that plan we all now know.

But the Atlantic Charter, signed by President Roosevelt and Prime Minister Churchill, gave another and I think the true and originally intended meaning to the phrase freedom from **fear** and **want**. This Charter, as you will recall, provides in its paragraph Sixth, and I repeat the essential parts here, that the "national policies of their respective countries" would be that, after the "final destruction" of Nazi tyranny, a peace shall be established "which will afford to all nations the means of dwelling in safety within their own boundaries, and which will afford assurance that **all** the men in **all** the lands may live out their lives in freedom from fear and want." The Atlantic Charter was incorporated by reference into our understanding with Greece and Yugoslavia, and was noted in the Declaration on Iran, while freedom of speech, of the press, of political belief, and of religion were mentioned in the Moscow Declaration Regarding Italy.

Obviously, the Charter's declaration that a peace shall be established that will assure that "**all** the men in **all** the lands may live out their lives in freedom from fear and want," supplemented by the President's measure of feeding "all the peoples of the world as we now know human beings should be fed" and as they never have been fed before, to which may be added the statements of the Food Conference that each government accepts the responsibility of making it possible, so far as within their power, of providing each person with "adequate social-security measures, such as family allowances, social insurance, and minimum wages," all these aspirations and purposes take the principle out from a normal international operation between States themselves, and make it into a domestic operation for every country,—Germany, Japan, Italy, Holland, Great Britain, China, the United States, and all down the list. Furthermore, the thought behind it all seems to be that it is every nation's business to see that the stated standards are reached and maintained among all the other nations.

Now the Charter also affirmed, as we have seen, that the declaring powers "respect the right of all peoples to choose the form of government under which they will live," and the Teheran declaration affirmed (Russia was here) that the negotiators "look with confidence to the day when all peoples of the world may live free lives, untouched by tyranny, and according to their varying desires and their own consciences." But a free government is a government by uncontrolled majorities. I think the world has never seen any other kind of **free** government. Suppose a majority government in any State—Germany, Holland, Poland, Russia, Great Britain, or the United States—sets up a government which fails to operate so that "**all** the men" in that country are able to "live out their lives in freedom from fear and want" as finally defined. What then? As the President declared, no nation ever yet had such a government. Are any of us to be brought under compulsion to maintain the standards? If not, the standards will not be maintained. If so, then you have a military occupation and war.

A plan for providing this free-

(Continued on page 1112)

UNION CARBIDE AND CARBON CORPORATION AND SUBSIDIARIES

OPERATING IN THE UNITED STATES AND CANADA

CONSOLIDATED BALANCE SHEET

December 31, 1943

ASSETS

CURRENT ASSETS		
Cash		$ 75,092,180.20
United States Treasury Tax Notes		40,000,000.00
Marketable Securities (Cost or Market, whichever lower)		3,695,562.93
Receivables (After Reserve for Doubtful)		
Trade Notes and Accounts	$ 48,035,005.94	
Other Notes and Accounts	6,926,229.86	54,961,235.80
Inventories (Cost or Market, whichever lower)		74,378,066.91
TOTAL CURRENT ASSETS		$248,127,045.84
FIXED ASSETS (Cost or less)		
Land, Buildings, Machinery, and Equipment	$349,475,451.23	
Deduct—Reserves for Depreciation and Amortization	174,370,864.52	175,104,586.71
INVESTMENTS (Cost or less)		
Affiliated Companies in United States and Canada	$ 757,919.61	
Affiliated Companies outside United States and Canada	3,050,932.87	
Foreign Subsidiaries	20,971,577.56	
Other Securities	666,557.59	25,446,987.63
DEFERRED CHARGES		
Prepaid Insurance, Taxes, etc.		2,533,563.30
POSTWAR REFUND OF EXCESS PROFITS TAX *(See Note 6)*		8,244,921.72
PATENTS, TRADE-MARKS, AND GOODWILL		1.00
TOTAL ASSETS		$459,457,106.20

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable		$ 18,548,135.48
Dividend Payable January 1, 1944		6,958,341.00
Installments due within one year on Sinking Fund Debentures		1,800,000.00
Accrued Liabilities		
Income, Excess Profits, and Other Taxes	$ 83,989,779.65	
Interest	205,000.00	
Other Accrued Liabilities	4,001,350.09	88,196,129.74
TOTAL CURRENT LIABILITIES		$115,502,606.22
PROVISION FOR WARTIME ADJUSTMENTS *(See Note 2)*		2,500,000.00
DEFERRED LIABILITIES UNDER GOVERNMENT CONTRACTS		1,589,304.99
FIFTEEN-YEAR, 2½% SINKING FUND DEBENTURES OF UNION CARBIDE AND CARBON CORPORATION DUE SEPTEMBER 1, 1953, AFTER DEDUCTING SINKING FUND INSTALLMENTS DUE WITHIN ONE YEAR (as above)		22,800,000.00
TOTAL LIABILITIES		$142,391,911.21
RESERVE FOR POSTWAR CONTINGENCIES *(See Note 6)*		20,000,000.00
CAPITAL STOCK OF UNION CARBIDE AND CARBON CORPORATION—9,277,788 shares of no par value not including 136,649 shares held by the Corporation	$192,879,842.43	
EARNED SURPLUS	104,185,352.56	297,065,194.99
		$459,457,106.20

CONSOLIDATED INCOME AND SURPLUS STATEMENTS

Year Ended December 31, 1943

INCOME

INCOME		$156,378,292.39
Deduct—		
Depreciation and Depletion	$ 17,792,791.85	
Amortization	19,593,385.30	
Interest	767,447.02	
Income and Excess Profits Taxes *(See Note 6)*	79,882,279.12	118,035,903.29
NET INCOME		$ 38,342,389.10
(Net Income does not include Postwar Refund of Excess Profits Tax in the amount of $4,990,235.24)		
AMOUNT TRANSFERRED TO RESERVE FOR POSTWAR CONTINGENCIES *(See Note 6)*		5,535,766.15
AMOUNT TRANSFERRED TO SURPLUS		$ 32,806,622.95

SURPLUS

EARNED SURPLUS AT JANUARY 1, 1943		$101,546,964.35
Add—		
Amount Transferred from Net Income	$ 32,806,622.95	
Increase in Market Value of Marketable Securities at December 31, 1943	301,426.37	
Reduction of Valuation Reserve—Securities sold during the year	32,870.38	33,140,919.70
		$134,687,884.05
Deduct—		
Dividends Declared	$ 27,833,364.00	
Payments on Employees' Past-Service Annuities under Retirement Plan	2,669,167.49	30,502,531.49
EARNED SURPLUS AT DECEMBER 31, 1943		$104,185,352.56

NOTES RELATING TO FINANCIAL STATEMENTS

1—The principles used in preparing the accompanying consolidated statements for the year 1943 are as follows:

All subsidiaries that are one hundred per cent owned, and operate in the United States and Canada, are consolidated.

Current assets, deferred charges, current liabilities, and earnings of Canadian subsidiaries consolidated have been converted at the official rate of exchange. Other assets and liabilities of Canadian subsidiaries consolidated were converted at the prevailing rate at time of acquisition or assumption.

Foreign subsidiaries, all one hundred per cent owned, are shown as investments. Only that part of the income of foreign subsidiaries that was received during the year as dividends is included in income. Unaudited reports covering less than a full year indicate that the income of companies paying such dividends will exceed the amount of dividends paid.

Affiliated companies, less than one hundred per cent but more than fifty per cent owned, are also shown under investments. The equity in the net worth of some of these affiliated companies carried in investments at $3,155,231.17 increased $1,383,237.52 between January 1, 1938 (or date of acquisition whichever is later), and the date of latest unaudited reports received. Of this increase, $282,757.30 is applicable to the current period. No reports are available for 1943 for the remaining affiliated companies carried in investments at $653,621.31. The consolidated income does not include any part of the undistributed net income of affiliated companies.

2—Income for the year 1943 has been charged with $2,500,000.00 to provide for unusual adjustments which may arise in connection with wartime operations. This amount is shown on the balance sheet as Provision for Wartime Adjustments.

3—The Trustee of the Savings Plan for Employees holds Collateral Debentures of Carbide and Carbon Management Corporation secured by 88,475 shares of stock of Union Carbide and Carbon Corporation under plans for employees. As of December 31, 1943, the assets held by the Trustee amounted to $5,162,984.63, and the unpaid balance of amount borrowed by the Trustee in connection with the purchase of debentures was $3,600,000.00. Union Carbide and Carbon Corporation has agreed to maintain the assets in the Trust Estate at an amount sufficient to repay the indebtedness and permit the distribution of the Trust Estate to the persons entitled thereto.

4—Payments relating to years prior to July 1, 1937, were made to insurance companies in the maximum amounts acceptable to such companies to apply toward the purchase of Past-Service Annuities under the Retirement Plan for Employees. These payments were charged to surplus. Payments for the purchase of Future-Service Annuities were charged against income.

5—A review of the operations for 1942 under the War Profits Control Act has been made during the past year. Pending final settlement under the Act, a reduction has been made of $8,250,000.00 in the value of sales and of income before taxes for that year. After allowance of $7,174,592.90 paid in taxes, the estimated cash refund to the Government in the amount of $1,075,407.10 has been deducted in determining Income for the year 1943. This amount has been included in Other Accrued Liabilities. Also, a reduction in the Postwar Refund of Excess Profits Tax for the year 1942, amounting to $526,001.39, has been charged against the Reserve for Postwar Contingencies. It is impracticable to determine the effect of this Act on the operations for the year 1943. Therefore, no specific provision pertaining to 1943 operations has been made out of 1943 income other than the general provision for wartime adjustments against which possible refund under this Act and other adjustments arising out of war conditions will be charged.

6—Income and Excess Profits Taxes are charged against income after reducing such taxes by the amount of $1,429,100.00, which represents the Debt Retirement Credit permitted under the Revenue Act of 1942. No deduction has been made from such taxes for the Postwar Refund of Excess Profits Tax in the amount of $4,990,235.24, and consequently this amount is not included in net income. The Postwar Refund and $5,535,766.15 transferred from net income have been added to the Reserve for Postwar Contingencies.

AUDITORS' REPORT

UNION CARBIDE AND CARBON CORPORATION:

We have examined the balance sheet of Union Carbide and Carbon Corporation and its one hundred per cent owned subsidiaries operating in the United States and Canada, as of December 31, 1943, and the statements of income and surplus for the year then ended, have reviewed the system of internal control and accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Except that it was not practicable to confirm receivables from United States Government agencies, as to which we have satisfied ourselves by means of other auditing procedures, our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Subject to the omission from income of postwar refund of excess profits tax, which, we believe, constitutes a proper addition thereto, in our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of Union Carbide and Carbon Corporation and its subsidiaries consolidated at December 31, 1943, and the results of consolidated operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HURDMAN AND CRANSTOUN
Certified Public Accountants

New York, N. Y., March 11, 1944

Some Factors In The Proposed Post-War International Pattern

(Continued from page 1110)

dom from want has been already outlined in some fullness.

Freedom From Want

You will recall that in May-June of last year a 44 United Nations Conference on Food and Agriculture was held at Hot Springs, Va., at a nominal cost for the foreign delegates, with you and me apparently footing most of the bill.

The work of this conference has not by any means received the attention it so richly deserves. I urge you gentlemen to study it, for a plan was there outlined for the regimentation of the world in the production and distribution of foodstuffs, with aside observations on finance and industry. We will sketch a few only of the major conclusions of the conference as embodied in its Final Act.

These conclusions may be gathered into two groups: the scientific and the political. The first, while wordy, repetitious, and pretentious sometimes to the point of being almost smile-provoking, contains many admirable and desirable things. Perhaps it is not really a fault they are unreachably altruistic. The Final Act incorporates and reincorporates advanced theories on foods and food values. It plans to meet the dietary problems and necessities of the entire world, as seen by the experts met at the conference. (It had nothing to say about the curse of alcohol, nor of the poison of nicotine, nor of caffeine, nor opium and all its derivatives, nor of any deleterious drugs.) The documents annexed to the Final Act pointed out the dietary needs and diseases of our own South, of India's 400 millions, of China's 450 millions, of the peoples of tropical Africa, of Egypt, of Mexico, Chile, Bolivia, and elsewhere. Great Britain stood out as the only country mentioned and receiving only commendation. Russia escaped all mention. But the purpose of it all is good, just as ethical and philosophical standards are good.

However, I wish to say a few words about the political phases of the plan.

The underlying principle is that the establishing of "freedom from want for all people in all lands" is the "mutual responsibility" of all the nations, as likewise "coordinated action to establish such conditions of international security as well make possible an expanding and balanced world economy."

In summary, the plan provides for a control and regimentation of the production and distribution of foodstuffs throughout the world and among the nations of the world. The organization is not a magnified Red Cross to administer help to stricken areas throughout the earth, but a sort of super-state to supervise and direct the food resources of all peoples.

The aim is that in every country "each person" who is "without an adequate diet" shall have his diet improved "in the direction of obtaining the physiological requirements of health," with "adequate social security measures, such as family allowances, social insurance, and minimum wages." Furthermore (and the phrases may be ominous), there is to be "some form of direct action to make protective foods available free, or at low prices, to groups with inadequate diets." That is, if you need food, find it, and take it.

The plan contemplates the allocation of the production of particular foodstuffs to particular areas. For example, the increasing of herds in certain parts of Europe, and the holding back of the rebuilding of depleted livestock herds in other countries (this probably refers to us), and also a holding back of the production of any crops "which compete for acreage with essential foods."

A system of price control measures are to be set up to prevent "fluctuations in the prices of food, the instruments of production" (described in another place as "fertilizers and machinery"), and also "other necessities, including industrial goods."

The plan is to aim at a "worldwide policy of industrial and agricultural expansion," which will require "reorientation in agriculture."

Plans are to be devised "to ensure an adequate supply of credit to agriculture," at low rates of interest; aid is particularly for the small farmer.

Wages and hours are to come under consideration as to farm labor and industrial workers.

Land tenures likewise are to be studied "to promote the productivity and efficiency of agriculture and the welfare of its workers." Could this mean that the State is to take over the ownership of the land?

Agricultural populations are to be moved from overcrowded agricultural areas, both intra-national and international, and in such cases the organization is to support arrangements "to provide adequate safeguards for the settlers."

International commodity arrangements are to be made, involving "changes in the scale and character of production" of farm products in the one country or the other; "adequate reserves will be maintained."

There is to be brought about "an equilibrium in balances of payments" and an "orderly management of currencies and exchange."

International grade standards are to be established, containers are to be standardized; transportation charges are to be controlled; middlemen are to be eliminated, and marketing, processing, storage and distribution costs, and margins between producers and consumers are to be reduced.

To reach "an economy of abundance" it is declared to be "an integral part of this program to reduce barriers of every kind to international trade and to eliminate all forms of discriminatory restrictions thereon, including inequitable policies in international transportation, as effectively and as rapidly as possible."

One provision more—I quote it in full:

> "The democratic control and educational programs, which are features of the cooperative movement, can play a vital part in the training of good democratic citizens, and assist in inducing a sound conception of economic matters."

Now, gentlemen, please understand: All this is on a worldwide basis; each and every nation is involved; it is a two-way street; it is not alone what we are going to do for and to the others; it is what they are going to do for and to us. For we are only one out of a present 44 members of the organization (now raised by Russia to 59), and we are the one with the greatest present power of production, of diversification, of transportation, of available natural resources, and of financial power. We are the Santa Claus. But remember also, we have considerable numbers amongst our 130 millions who do not enjoy the affluence measured out by this document for the Australian bushmen, or the headhunters of Borneo.

And speaking of finances, our present ante to sit in on this gigantic game of strip resources and well-being and just for immediate war relief in stricken trans-atlantic areas—not counting the Grand Design of relief from want in all the world—is "1% of the national income of the country for the year ending June 30, 1943," or as fixed by a resolution of Congress, one billion three hundred and fifty million dollars annually. But as time goes on and we begin our relief to all the world, we shall have to put far greater sums in the pot, by loans or otherwise, to our less opulent and wiser members, to keep the game going.

The Final Act of the Food Conference provided for the establishment of an Interim Commission and a Permanent Organization. Neither seems to have been established to date. Instead, there has been established the United Nations Relief and Rehabilitation Administration under an agreement signed in Washington, Nov. 9, 1943, by the representatives of 44 nations. While designated as an **agreement**, it is in form a treaty under the tests heretofore applied in our constitutional law. However it is to be treated, it is understood, as an Executive Agreement and so not requiring the treaty action of the Senate, though imposing obligations upon us and upon all the other signatory States, including the payment of moneys from public funds. Fourteen of the nations realizing its character signed with reservations, making it subject to ratification in accordance with their constitutional procedures. For us, the agreement was signed by the President himself, and without reservation or reference to constitutional procedure.

Protection of Minorities

Having all the circumstances and conditions in mind, and taking into consideration certain minority influences that have been operative in the framing of all this, it is difficult indeed to escape the conclusion that these principles were invented and are fostered for the prime purpose of protecting the minority groups of Europe who have fled their native countries but wish to return thereto after the war—a purpose to make Germany, and Austria, and Poland, and the Balkan States, and perhaps Russia, a safe place in which they may live "in freedom from fear and want."

This fact becomes clear when we note the provisions of the international agreement covering primarily war relief, which stipulates "for the return to their homes of prisoners, exiles, and other displaced persons," and also properly lays it down that relief shall be distributed fairly, "without discrimination because of race, creed, or political belief," but adds that account shall be taken, however, of "needs caused by discriminatory treatment by the enemy during its occupation of the area."

Looking to the post-war period, and remembering that the fear and want concept is intended for permanent application, not temporary, we must not overlook that we ourselves have minority problems as old as the nation. We have the colored minority, we shall have a Japanese minority, and we have other minority groups that bid fair to bring trouble. We have always had some want amongst us. Who will bell this cat of America?

International Police

I suppose this is where this much touted international police force appears. A few airplanes, we are told, will be able to persuade the majority to treat the minority as someone else outside the country believes they should be treated. Since fear and want are to be eliminated, this airplane persuasion must of course not use fear. (Perhaps the airplanes are to be used merely to drop educational pamphlets.) But who will lay down and who will apply the rule as to fear or want—either for Russia or for us? Whose airplanes are going to bomb us into subjection without fear, so that the minority, not the majority, shall rule as somebody else thinks they should rule? Britain also has some minority problems in India, in Africa; the Netherlands have them in the Dutch East Indies, and other nations have them elsewhere.

I trust you will pardon my giving my own formula for international rule: It fits this situation: You never complain that some other power does what you do, unless he violates his own law by so doing. You never ask another power to do what you do not do, unless his own laws entitle you to ask for it. That is a sort of living-in-glasshouses formula.

Liberty, freedom, is the right of the majority to rule. The love of liberty is a fairly universal passion of humanity when free to express itself. But liberty was never implanted in the hearts of a people from the point of a bayonet, nor will it ever be from the nose of an airbomb. Can we keep a straight face and say that bombers and occupying armies are to bring subjection without fear,—that they will give freedom from fear through fear?

Our Finances

Having in mind the meeting of all these obligations incident to bringing the Four Freedoms to the peoples of the world, as well as the cost of maintaining our own homes and feeding and clothing and housing and educating our own children—with all this in mind we may give brief notice to our own financial situation. I believe I am reasonably accurate in these astronomical calculations.

With a gross public Federal debt, direct and guaranteed, of approximately 170.6 billions of dollars; with a projected expenditure for the future of 8 billions of dollars per month, of which 3 billions are to be raised by taxation and 5 billions by deficit financing, or a total of 60 billions of debt for the year, making a total debt of, say, 230 billions by Dec. 31, 1944; with a total war program authorized since July, 1940, of 344 billions; with a request for an additional 100 billions, making a total on this count of 444 billions; with constantly rising taxes and cost of living; with drastically and increasingly curtailed production of foodstuffs; with a reported almost saturated but still accumulating stock pile of ships, steel, copper, aluminum, small arms ammunition, and apparently other armaments, to say nothing of the still unused stock piles of aluminum cooking utensils and used rubber tires we collected with brass bands and uninformed hysterical enthusiasm; with a national spending philosophy which is described as holding "that public finance is really only a matter of bookkeeping, that a rising debt has no adverse consequences, and that without a constantly increasing debt we cannot have full employment and prosperity;" with the knowledge that Britain's total expenditures during the war period—July 1, 1940, to June 30, 1943, was only 60.9 billions of dollars, and Canada's only 9.8 billions of dollars, while our expenditures were 125.2 billions, and that apparently we have not lessened that ratio to date; with the forecast that our ante into the overhead cost of the game of the United Nations Relief and Rehabilitation Administration is to be 40% of the total (the United Kingdom gives 15% and Russia 15%, with driblets handed out to the other nations, the total for the whole British Empire being only 24.8% against our 40%); with our initial commitment for immediate war relief approximating 1.35 billions of dollars; with the recollection of the principle that sent millions of yards of our rayon to clothe the dusky beauties of North Africa while our own women folk went without; with a recollection of the shiploads of wheat we sent to the same place to feed starving natives, only to find these same natives with large stores of home-grown wheat, the export of which we had prevented and which we had to buy from them at fancy prices; with a partial knowledge of the billions we have virtually forced on Latin America who are reported now to fear more our economic dominance than they formerly feared our supposed armed imperialism; with an indisputable knowledge that we are bringing the whole world into a state of mind where they expect from America every conceivable help in any dreamed of amounts, by money and other assistance without any thought of the slightest responsibility on their part that they are ever expected to pay any considerable part of it back to us; with a monumental Santa Claus-minded control here, giving gratuities, not as the real Santa Claus, out of their own pockets, but on the contrary, out of your pockets and my pockets—with all this in mind it would be superfluous in me to say anything about our future finances. He who would discover them, must fathom the deepest abysses of the lowest financial hell. I have no desire to make the trip, but we may all have to make it together.

But let us assume we get the money somehow—that we discover a gold mine, or strike an oil well, or that Britain and France pay their first world war debt, or that Britain and Russia compensate for their lend-lease aid, or that the Latin Americas repay to us the great advances we have made to them, or that Britain says you go ahead and recoup from world trade, or that the nations pass the hat for us, or that everybody burns up the Government bonds he owns, so that somehow we come into funds—still it will take more than money to work out this plan. It will take grit and work and sacrifice from all of us, not merely the few; it will spell scant rations, long and longer hours, fewer comforts, cheerless days; it will demand of all, not the few, the highest order of patriotic devotion, civic virtue, moral courage, intense industry, and complete unity to a single purpose. And not only must we here in America have these things, but they must be the common possession of the peoples of the world.

Do you believe we and the world have the civic virtue, the moral force, the honesty, the spirituality, the brotherhood of man in our hearts, enough to carry all this through?

National Deficiencies

Where do we, ourselves, stand in these necessary qualities?

You know how near we are to Cleveland's dictum: "Public officials are the trustees of the people." You know that now we sometimes have a shamelessness that shocks. So also you know that great groups of our people expect to live without work as of right, and intend so to live; that our children, who tomorrow must carry on, are being corrupted by false economic, social, governmental, and religious doctrines, even in our public schools; that we are oppressed by a great mass of rules, regulations, and directives that are unconstitutional, that are the offscourings of legally dissolute bureaucracies, and that are making of us a lawless people, both by omission and commission; that we are unbelievably wasteful in food, materials, machinery, transportation, manpower, and above and beyond all, wasteful of the virtues that go to make character; that we are increasingly careless of our word and our promises, a carelessness that affects all classes and all vocations; that the Gov-

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Municipal News & Notes

The Memphis, Tenn., Light, Gas & Water Department plans to retire a block of $389,000 electric bonds of 1964 and has budgeted a sum of $400,670 to pay the principal, plus the 3% call charge. A further $756,359 of maturing bonds will be paid off during the present year, reducing the electric department principal debt to $11,191,000 from the original aggregate of $15,750,000 in June, 1939.

A grand total of $1,751,000 in bond principal and interest will be paid on the entire utility debt this year and this will leave $14,734,000 of outstanding bonds on the municipally - owned properties, according to the 1944 forecast of the division, of which Major Thomas H. Allen is President. The last of the gas department debt, which totaled $5,250,000 when the property was purchased by the city in 1939, will be paid off on June 1 next. After paying $394,760 in bond principal, the water department indebtedness at the close of the present year will be $3,543,000.

The forecast reveals the division expects to end the year with a net profit of $3,026,895. Its revenues are contemplated to be $14,682,111 and operating expense $10,341,805. Thus net revenue would be $4,340,206. Additional deductions of $508,658 for bond interest and $804,753 for sinking fund appropriations are planned.

Maj. Thomas H. Allen, president of the L. G. & W. Commission, already has announced a $4,500,000 construction program designed for the three departments which will consume a major part of the remaining net earnings of the division accumulated since it began operation.

The widespread building program is expected to get off to a fast start this year with expenditure of nearly $2,000,000 for work Major Allen said is "badly needed" because of demands made recently on the division for additional service.

After construction funds have been used or set aside from accumulated net earnings, the division plans to end the year with surplus net profits of $379,569.

Each year since the city began operation of the utilities, departments have set aside funds for depreciation. This money has been fed into a renewals and replacement fund, separate and apart from net earnings.

Major Allen said the "R. & R." fund now has a total of $3,753,000. This money, he said, is invested mainly in Government securities. Funds in "R. & R." by departments include: Gas, $811,000; electric, $940,000, and water, $2,002,000. An additional $1,862,080 is earmarked for operating expense for "R. & R." this year.

Anticipated revenues and expenditures by departments this year follow: Electric, $6,356,453 revenue and $5,436,576 deductions, leaving $919,877 net profit; gas, $6,401,267 revenue and $4,846,808 deductions, leaving $1,554,459 net profit; water, $1,924 391 revenue and $1,371,832 deductions, leaving $552,559 net profit.

Should the division find that it will be unable to carry on construction scheduled for 1944, Major Allen said money set aside for construction purposes will be used for calling electric bonds in advance of maturity. War Production Board priorities must be obtained for most material used by the division.

Mayor Walter Chandler has announced that $500,000 would be "contributed" by the division to the city treasury and a 15-cent reduction made in Memphis' tax rate of $2.10 on each $100 valuation.

In addition to this contribution, the division has budgeted $612,795 as the equivalent it will pay in taxes to the city, giving the city a total revenue of $1,112,795 from the utilities this year.

U. S. Supreme Court Rejects Coral Gables Debt Refunding

The U. S. Supreme Court on March 13, by a 4 to 4 voting split, affirmed rejection by the Fifth Federal Circuit Court of the debt refunding plan, involving approximately $9,000,000 obligations, promulgated by the city of Coral Gables in 1940. The high court granted a review of the case in November, 1943, following the decision of the Circuit Court, which held that the plan was not filed in good faith and not fair to opposing creditors.

Among the creditors who opposed the 1940 program were Ed C. Wright of St. Petersburg, and the American National Bank of Nashville, and they complained on the ground that the 1936 refunding program, adopted by the city before passage of the Federal Municipal Bankruptcy Act, had been abandoned; that discriminatory settlements with certain creditors were subsequently made, and that under the 1940 plan nonconsenting bondholders were being "bludgeoned into submission."

N. Y. State Net Debt Cut $72,000,000 Since 1938

Within the remainder of the present fiscal year and the next 10 years ending March 31, 1954, maturities of New York State bonds will total $212,158,000, or 52.5% of the outstanding serial bonds, according to the municipal department of R. W. Pressprich & Co., New York, which says in a study on the value of the State's bonds that these bonds will be paid, in all probability, without recourse to refunding, a practice of the State since 1849. This, according to the firm, emphasizes the fact that there will be a steady retirement of bonds.

In addition, the firm points out that on Feb. 1, 1944, the sinking funds for the $228,500,000 outstanding term bonds amounted to $148,694,881, and consistent with actuarial requirements these sinking funds will be further built up to meet the principal of the debt at maturity. The issuance of term bonds was discontinued in 1917, and no more term bonds may be authorized, as all new State bonds must be serial, according to the Constitution as amended in 1938.

The State's authorized but unissued bonds now amount to $407,570,000, these authorizations being for grade crossings elimination, highways and parkways, and housing. Each authorization has been approved by the people of the State through amendments to the Constitution.

Because of the accumulated surplus, as well as the change in the fiscal year, the State has been able to eliminate borrowing in anticipation of revenue. This is in contrast to net temporary debt of $144,364,706 on June 30, 1933, and the more recent high of $75,744,335 on June 30, 1939. On Feb. 1, 1944, the only unfunded debt consisted of $404,486 of notes in anticipation of appropriations, and $7,062,000 of bond anticipation notes, most of which have been funded by the bond offering of March 1.

Important to bondholders, says the study, is that gross and net funded debt have been substantially reduced within recent years. The all-time high of the gross funded debt was reported June 30, 1938, as $681,823,000. As of Feb. 1, 1944, including bonds sold March 1, the amount was $617,166,000. Moreover, the decline in the net is a better comparison of the change in the funded debt, as it gives effect to the accretion of the sinking funds. On June 30, 1938, this net funded debt was $541,299,157, whereas on Feb. 1, 1944, including the new bonds, it was $468,471,119. This is a reduction in six years of $72,828,038 or 13.4%.

Philadelphia Issues Tabulated

Yarnall & Co., Philadelphia, will furnish upon request a copy of their special circular containing a description of the outstanding bond issues of the city of Philadelphia. The study shows the principal amount of each issue, coupon rates, maturities, sinking fund holdings, form of bond and legal opinion. Requests for copies of the study should be addressed to Yarnall & Co., 1528 Walnut St., Philadelphia 2, Pa.

Montreal, Que., Default-Cure Debentures Offered

A Canadian syndicate of banks and investment houses, headed by the Dominion Securities Corp., and L. G. Beaubien & Co., made public offering last week of $48,433,500 series A refunding debentures, with coupon rates ranging from 2¼% to 3¼%, at a price of par. This financing is being carried out as part of the over-all debt refunding provided for in the plan recently adopted by the municipal government and authorized by the Quebec Legislature. Purpose of the current offering is to provide for payment of overdue bank loans and bond principal maturities. The city defaulted in principal debt payments several years ago, although it continued to pay interest on the maturities at the contract rate. The series A refunding obligations are dated May 1, 1944 and mature serially on May 1 from 1944 to 1953 incl. It is believed that a portion of the issue will be placed privately in the United States by the Dominion Securities Corp. and Harriman Ripley & Co., Inc.

The recent adoption of the plan for financial reorganization of the city climaxed protracted negotiations between representatives of creditors, city officials and the Quebec Municipal Commission, which has supervised the financial affairs of the city since the initial default. Aside from the current issue, the program calls for payment of contract rates on the remainder of the approximately $228,000,000 of net city debt, and 3¼% to 3¾% thereafter. Maturities will be extended from 9 to 16 years. Approximately $51,000,000 of additional bonds held in the city's sinking and working capital funds will be cancelled.

John Pershing Partner In Masslich & Mitchell Municipal Counsel

Admission of John Pershing as a partner was announced March 10 by Masslich & Mitchell, one of the outstanding municipal law firms in the country. Mr. Pershing has been associated with the firm since June, 1935, and his father is senior member of Pershing, Bosworth, Dick & Dawson, municipal bond attorneys of Denver.

The firm of Masslich & Mitchell, was formed in January 1929 by Robie L. Mitchell, senior partner, and Chester B. Masslich, has been identified as bond counsel with a majority of the public revenue bond issues brought out in recent years and introduced the modern trust indenture or trust agreement to secure such securities. This instrument was first prepared by the firm to secure the bridge revenue bonds issued by the City of Louisville for the construction of the municipal bridge over the Ohio River.

Among the other issues carrying his firm's legal approval which Mr. Mitchell considers the most interesting examples of self-liquidating public enterprises are the Bridge Revenue Bonds of the Commonwealth of Kentucky, the State of Ohio, and the State of Maryland, the Turnpike Revenue Bonds of the Commonwealth of Pennsylvania, the Tunnel Revenue Bonds of the City of Mobile, the Water Revenue Bonds of the City of Miami, and the recent issue of $20,000,000 Electric Revenue Bonds of the Puerto Rico Water Resources Authority.

The firm has furnished legal opinions on hundreds of issues, both general obligation and revenue, brought out by States, cities, counties, school districts, etc., in all parts of the country.

Some Factors In The Proposed Post-War International Pattern

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ernment has lost all sense of balance between taxation and successful business, and that business has lost its sense of proportion between wise and unwise expenditures because government is supposed to be paying such a large part of the expense; that never before have the people been so divided into classes as now, ready and of a temper to fly at one another's throats.

But I need name no more—though there are many—of the things that now hamper us, and will do so more and more, in our effort to get back to sound thinking and right living, to wise national growth and to the upbuilding of the prosperity and welfare of all of the people. Yet I wish clearly to make the point that, unless corrected, these matters I have touched upon will not only retard, if not make impossible, our national recovery, but are likely to stand as a bulwark against our successfully meeting any great international burden after the war.

If we are to be the savior of the world we must come to our task with the spirit and the virtues of a savior.

International Handicaps

We may now say something about the international moral fiber that the world has for use in coming to this task of world salvation.

We may say to begin with that the world has gone back a half a millenium in its conduct of international relations in time of war, and may we say further that no nation has to bear a greater blame for this than our own.

Lessening the Horrors of War

Three and a quarter centuries ago the great Dutch publicist, diplomat, theologian, and literateur, Hugo Grotius, brought forth his work **De Jure Belli et Pacis.** This work has deeply influenced the conduct of nations at war from his time on until the opening of World War I. Grotius stated these reasons for writing the treatise:

"I saw prevailing throughout the Christian world a license in making war of which even barbarous nations would have been ashamed; recourse being had to arms for slight reasons or no reason; and when arms were once taken up, all reverence for divine and human law was thrown away, just as if men were thenceforth authorized to commit all crimes without restraint."

From the time of Grotius until World War I, men had consciously tried ever to lessen the ills of war, and especially to relieve non-combatants—old men, women, and children, the sick and the wounded—from the ravages of war. Nations had sought to find ways to restrict as much as might be the theater of war, and to recognize and protect neutrals in their normal trade and travel. War was held a curse whose evils should be kept, so far as might be done, within the smallest limits and affecting the fewest number.

In this great march of humanity for a higher level of international life and relations among the peoples of the earth, this great country of ours took a leading and glorious part.

The first body of rules ever issued by any power for the control and guidance of its armies in the field, was that prepared by Dr. Francis Lieber and promulgated by Lincoln in 1863 for the use of the Union Armies in the Civil War. It went beyond the usual war practice of nations in protecting the weak and innocent. These rules are said to have been largely followed by the armies of France and Germany in the Franco-Prussian War of 1870, and to have been basic to all codes since drawn covering the laws and customs of war. This advanced code prohibited the use of poison in wells, or food, or arms; forbade inflicting of additional wounds upon a disabled enemy; declared that commanders should, as a rule, give notice of bombardments "so that non-combatants, and especially women and children may be removed before the bombardment commences;" it stipulated the sanctity of protective flags or signals for buildings containing works of art, scientific museums, astronomical observatories, precious libraries, so that they might be preserved; and so on with like protection for non-combatant life and non-military private property. This was in 1863, in a code—of our own volition. Holland, an unsympathetic British authority, characterizes the rules "as certainly more severe (that is, against the belligerents) than the rules which would be generally enforced in a war between two independent states."

The Hague Conferences of 1899 and of 1907 embodied in formal multi-partite conventions, all these principles, extending them in some instances, as for example, by specifically prohibiting in the First Conference the dropping of projectiles and explosives from balloons, and by inferentially doing so in the Second Conference.

The Convention on the Laws and Customs of War on Land of the Second Hague Conference 1907, had provisions: Forbidding the use of poison or poisoned weapons; the killing or wounding treacherously of individuals belonging to the hostile nation or army; the killing or wounding of an enemy who, having lain down his arms, or having no longer means of defense, had surrendered at discretion; it forbade any rule or practice that no quarter would be given, and likewise the employment of arms, projectiles, or material calculated to cause unnecessary suffering; enemy property was not to be destroyed or seized unless such destruction or seizure be imperatively demanded by the necessities of war; family honor and rights, the lives of persons, and private property, as well as religious convictions and practices, were to be respected; and pillage was formally forbidden. This provision must obviously be taken as calling for the sparing of women and children upon considerations pointed out by Grotius nearly 300 years before. It was also provided that: "In sieges and bombardments all necessary steps must be taken to spare, as far as possible, buildings dedicated to religion, art, science, or charitable purposes, historic monuments, hospitals, and places where the sick and wounded are collected, provided they are not used at the time for military purposes," all which were to be properly marked and notified to the enemy.

This summary survey has been given in order that you might gather, more or less clearly, the advance which humanity had made toward curtailing the horrors and suffering of war.

Our Backsliding

Now let us be unflinchingly honest with ourselves and then ask whether there is any one essential thing that was forbidden by these ameliorating codes that has not been practiced in this present war, and the most of them in World War I. The things over which we professed horror at the beginning of the war—the bombardment from the air of cities, towns, and villages, the wholesale destruction of property, the indiscriminate killing, including the aged, the infirm, the women and children—do we not now hail all these as achievements deserving highest praise?

It will not do to pass off all these operations and others as being merely a matter of retaliation on our part. We as well as the enemy have been aggressors, both in the last war and in this. Furthermore, that one nation violates a law is no proper justification for another nation to do so. Remember the old dictum: "Two wrongs do not make a right." Our love for peace, our actual record for peace, our boasted concern for humanity, should have led us to seek some arrangement with our enemies to curtail barbarous methods, rather than to try to outdo them. There is, moreover, the strongest reason for believing that the General Staff of every first class power in the world, including our own, spent their full effort between World Wars first and second in trying to develop methods and weapons that would wipe out peoples, not merely destroy armies and navies. All planned for a war of extermination. They will be at it again after this war, unless curbed.

Having in mind the day by day plan and effort to instill hate in the hearts of the peoples of one warring group against the peoples of other warring groups; having in mind the suffering, the indignities, the sickness, the woes and misery, the starvation which the one side has inflicted on the other; remembering the loss of husbands, sons, and kin, and the grief and anger this has built in the hearts of all peoples—having all this in mind, and this may be the worst curse of the war, can we not see how difficult it will be, after the war is over, for the nations to settle down to rebuilding the world even on the basis of brotherly love? Yet, if the rebuilding is on any other basis than kindness and brotherly love, it will be merely another chapter in the rule of force and hate, a precursor for another war. Our peace will be but another armistice of Versailles.

Union Now

There is one matter we might mention here as an incident to the post-war world—the propaganda now waging for our "union now" with Britain in a world super-state.

Some facts should be in mind. For hundreds of years, western Europe has feared and sought to make herself secure against the Russian Bear. This was one prime consideration of the great plan of Henry IV conceived in the brain of Elizabeth of England. This fear was one of the causes that wrecked the Holy Alliance. With Germany defeated and a prostrate France, there will be nothing between Russia and the Atlantic. The United Kingdom will be without her usual European protection worked out through alliances and balance of power arrangements. She now seeks aid from beyond the Atlantic. It would hardly do to form an open alliance against Russia; and both Britain and ourselves should be wary of an alliance with her. So the device is conceived of a "union" of states, which, however, would tie the nations together more securely than an alliance and be a greater threat to Russia.

But such an alliance would lead, and such a "union" will lead, sooner or later, to a counter-alliance by the other nations that would challenge the power of such a "union," so meaning either constant war for supremacy or a war of absolute conquest by the one or the other and a consequent enslavement of the conquered. Peace without liberty spells a stalemate in civilization and spiritual development. "Union now" has far more ill than good in it. Nor must America ever become a party to an attempted military domination of the world.

The propagandists for the "union now" plan, are trying to build a sentiment therefor by telling us how interested Britain is and always has been in our welfare, prosperity, and security; that she has been during the whole history of the Republic a sort of guardian angel watching over us; and that during the century and a half of our national existence we have been the hapless and helpless beneficiaries of British land and sea power.

Of course, this is not fact. We have grown and prospered in spite of, not because of Britain's power.

There have been occasions when the United States and Great Britain have risen to heights of forbearance and tolerance and peaceful intent, one towards the other, unequalled in the history of great nations. We may recall to our minds two of them—the Rush-Bagot Agreement for the limitation of armaments on the Great Lakes and the arbitration of the questions involved in the British construction and outfitting of Confederate raiders. We have also settled by equally peaceful means our northern and Alaskan boundary between Canada and ourselves. We began this peaceful course under the Jay Treaty of 1794. There was another incident, a gesture, with Dewey at Manila Bay, but in appraising this we should not forget the Casablanca incident between Germany and England, which showed their relationship.

But there is another side to the picture. We will sketch it out briefly.

British Guardianship Over Us

In appraising this guardianship we are entitled to remember that as we tottered forward after Yorktown, Britain refused to surrender forts and territory coming to us under the treaty of peace, driving us to the threat of war measurably to obtain our rights; so with the harassment of American commerce almost to destruction during the period of British Orders in Council and the French decrees, including the Berlin and Milan decrees; so when Britain, still clinging to our territory, incited the Indians on our borders to all the horrors and savagery of Indian warfare against our defenseless settlers, fired upon our vessels, stopped American vessels on the high seas, impressed American seamen, and then waged with us the War of 1812; so with her challenge with France of the Monroe Doctrine of which they now erroneously claim authorship, in La Plata (1846) with armed force; so we may remember when, the North and South being locked in a death struggle, Britain joined with France and Spain in an armed invasion and occupation of Mexico, contrary to the Monroe Doctrine, though, be it said to her credit, Britain retired from this venture when the imperialistic aims behind it became clear; we may remember, too, when during that same struggle of our Civil War, Britain permitted the outfitting of Confederate raiders to such an extent and such manner, that our Minister, Charles Francis Adams, was forced to point out to Earl Russell, the British Foreign Secretary, "It would be superfluous in me to point out to your Lordship that this is war;" nor may we forget the long disputes over our rights in the Northeastern Coast fisheries, which more than once brought us to the brink of war because of measures of exclusion visited against us by the Canadian Government; we may recall the British boundary dispute with Venezuela when we again had to threaten in order to bring about the observance of the Monroe Doctrine, and so also in the matter of the Pacific blockade of Venezuelan ports in 1903 by Great Britain and other European powers. We may not forget either the trade rivalries that have gone on since the beginning, and particularly when after the Civil War, our ships and commerce, driven from the seas by the Confederate raiders, built and fitted out in British shipyards, Britain seized the shipping of the world while we staggered forward again in an effort to regain our place. Nor may we forget that in the present British War Parliament already they are complaining about us and our possible interference with unhampered British trade after the war, nothwithstanding the enormous vital contributions we are making to her under lend-lease.

Let us be just to Britain, but not unhistorically maudlin.

World Organization

We may now touch one point only about a world organization.

In the eighth paragraph of the Atlantic Charter, the disarmament of certain nations is affirmed as necessary "pending the establishment of a wider and permanent system of general security."

In the Moscow Declaration, it was asserted by the four signatories:

"4. That they recognize the necessity of establishing at the earliest practicable date a general international organization, based on the principle of the sovereign equality of all peace-loving states, and open to membership by all such states, large and small, for the maintenance of international peace and security."

This was signed by Secretaries of State, not by the heads of States. Sometime some point may be made of that fact.

In the three power Declaration of Teheran—signed by President Roosevelt, Premier Stalin, and Prime Minister Churchill, the most powerful triumvirate in all history—the post-war setup was stated with greatest caution—indeed the whole Declaration is a model of care and circumspection. Here they said:

"Emerging from these cordial conferences we look with confidence to the day when all peoples of the world may live free lives, untouched by tyranny, and according to their varying desires and their own consciences."

A number of interesting questions "emerge," like the negotiators, from these various statements and others made by one or more of the signers, but we shall consider now but one—that which declares for "a general international organization, based on the principle of the sovereign equality of all peace-loving states, and open to membership by all such states, large and small. . . ."

The principle of the equality of sovereign states "large and small" is as old as the modern "society of nations," now renamed to meet the spirit of the times, "the community of nations."

The principle was announced 120 years ago by Chief Justice Marshall in these words:

"No principle of general law is more universally acknowledged than the perfect equality of nations, Russia and Geneva have equal rights. It results from this equality that no one can rightfully impose a rule on another. Each legislates for itself, but its legislation can operate on itself alone. A right, then, which is vested in all by the consent of all can be divested only by consent—as no nation can prescribe a rule for others, none can make a law of nations."

In this statement also are announced a number of principles that are basic to our whole existing world status and the status proposed in the post-war pattern. We will use only the dictum:

"Russia and Geneva have equal rights."

Applied to a world organization which is based on the "sovereign equality of all peace-loving States . . . large and small," the principle means that in such an organization the vote of Panama would equal the vote of the United States; the vote of Salvador would equal the vote of England, and the vote of Haiti, the vote of Russia—that is, this would have been true of Russia prior to her action on the 2nd of this month, when apparently she so divided herself up as to give her 16 or 17 votes.

If the vote of Russia shall be increased by this new move, then Russia will have 16 times as many votes as we have, nearly three times as many as Britain and her dependencies, within one vote of all the countries in continental Latin America, and within 10 votes of all the rest of Europe combined as of 1929. In any conference with only the United States and the British Empire, Russia will outvote us more than two to one, and in a conference just with ourselves, 16 to one, as stated.

In the Council created by the Food Agreement (U. N. R. R. A.), 44 nations are represented—Russia counting as one. In the new arrangement there will be 59 nations, out of which we shall have one vote, and Russia 16 or 17. The Council for Europe set up under the Food Agreement (U. N. R. R. A.) is made up of 11 countries of Europe besides Russia, and in addition Brazil, Canada, and the United States. Russia, under the new setup, will outvote all the others combined. Russia will likewise dominate the Committee on Supplies, and the Committee on Financial Control.

In any final permanent arrangement effort will no doubt be made, under some such pattern as the League of Nations Assembly and Council, to give to a few great Powers the control of the organization. But, for rather obvious reasons, that refinement will not be given out just yet. We must not discourage or throw suspicion in the minds of the small Powers.

It is not necessary to point out to you members of the Bar just what could happen to us in any world organization where we are one out of 59 in all matters of voting; nor how hazardous our situation could be if the organization should put us by its votes under any obligation as to military expeditions against recalcitrant members or as the financial aid and assistance to the indigents.

What Might Be Done

Someone will ask: What may we do to solve this situation?

First, this is a problem for all citizens, and not for a few interested and revolutionary bureaucrats. It is the problem of every industry, of every farm, of every profession, of every household, of every man and woman of the nation, for if the present plans shall carry through they will want our money to pay their bills, and want us and our sons to police the world. The problem is not insoluble, taken over the years. With courage and unselfishness we shall work it out. But it will not be solved by wishful thinking or by revolutionary design. It calls for common council, not for dictatorial decree; it calls for a united purpose of a united people, not for a selfish design fathered by an alien minority. The wisdom of the mass is always greater than the thinking of the few, however able the few may be.

Certain things may be mentioned as the **sine qua non's** of any permanent solution of the world disease:

Peace Based on Justice

We must have a peace based on justice rather than might; that is, it must be a peace upon terms that will leave all peoples willing if not anxious to carry them out, because that is a peace that is clearly an alternative to another war. No permanent peace will come unless this be done. The men who are fighting and their families want peace now and hereafter; they of America are not primarily concerned with questions of empire holding or empire building.

Along with this peace should come a will to increase the spirituality of the earth's peoples and a building up of a true spirit of the brotherhood of man by treating all men as brothers, not as enemies nor as menials or inferior orders of creation. Real peace will never come till the Gospel of Christ rules the hearts of men, until we shall yield obedience to the great commandment drawn from the statutes of Israel's Law-Giver: "Thou shalt love the Lord thy God with all thy heart, and with all thy soul, and with all thy mind. This is the first and great commandment. And the second is like unto it: Thou shalt love thy neighbor as thyself. On these two commandments hang all the law and the prophets." So spake the Master to the quibbling Pharisee.

And after the Christ had gone to the Father, James rephrased the principle: "If ye fulfil the royal law according to the scripture, Thou shalt love they neighbor as thyself."

When this time comes, then shall the world have peace from arms, and that higher peace promised by Him Who alone can give it, for He said: "Peace I leave with you, my peace I give unto you. . . . Let not your heart be troubled, neither let it be afraid."

Such a peace would eliminate at once all armed force, because a rule of force is always a rule of hate on both sides, and peace will never be born of hate. This would dispose of international police forces, occupying armies, and all the impossible tasks incident to alien domination. Since war lords know only armies and guns and brute force, none of them of the victor nations would like this, but we their peoples would welcome it as our redemption from bloodshed. For the people love the paths of peace and quiet and the orderly progress of an ever-increasing culture and advancing civilization and a constantly growing spirituality.

A solution by a rule of brute force would discard all the wisdom of the ages and take us clear back to the dawn of civilization. Surely we have grown too much through the generations to make this the best answer we can now make. Surely we shall not try to live through again the whole history of human kind, again using all the devices of armed peace and selfish power that have failed from the beginning.

World Disarmament

To bring us to our peace we should have total, not partial, world disarmament as the Atlantic Charter suggests. The reasons may be given in a sentence. You will no more have a world society of law and order by taking away the guns from a part of the gang and letting the others tote theirs, than you will by having all of them tote all the guns they can carry—and all history shows this last will not bring peace.

Moral Force

We must have a world organization for purposes of deliberation, but not for the purpose of waging wars and imposing sanctions. We must bring to bear in the solution of matters of world concern, that moral force of the world of which President Wilson righly thought so highly. As the situation stands today, we of America have lost our own moral force in world affairs—a force which was once very great; we speak now only as our brute force may sustain us. There is indeed no moral force left in all the world to whose voice the warring nations are as yet willing to hearken. We are now living under the law of the jungle where in cataclysms every beast fights to the death for his own life.

Are we Christians? We act like pagans.

Peaceful Adjustment of International Disputes

One other element I will name, that is, the peaceful adjustment of international disputes.

We ourselves have a great record for the adjustment of our international disputes by peaceful means, instead of by war and forceful compulsion. No nation has had a more effective or glorious past in developing the system than ourselves. We cannot even catalogue our achievements tonight—they are too numerous; but this much may be said:

By the first treaty (Jay Treaty, 1794) between ourselves and the Mother Country after our treaty of peace, we set up the system of arbitration of international difficulties, instead of settlement thereof by war. From then till now we have so worked out, peaceably, literally hundreds of cases that were possible causes of armed conflict. We have, over and over again, arbitrated boundary disputes—that ever-fruitful source of war. We have so settled many scores of claims of our citizens for injuries suffered at the hands of other countries. We have so adjusted questions touching rights of fishery in coastal waters recognized and secured to us by treaty, as well as questions touching invasions of our sovereignty, our rights as neutrals, our rights as a belligerent, our rights and duties on the high seas, the rightfulness of the decisions of our Supreme Court. We have even arbitrated the rightfulness of acts of war committed against us. Furthermore, where we have been convinced that judgments rendered by arbitral courts in our favor have gone beyond the demands of justice and equity, we have refunded the excess to the injured country. The record is a glorious one. It has helped to make of us a heretofore peaceful nation. It has been a strong bulwark against our shedding the blood of weaker nations and of our own sons. Yet in spite of this record of a hundred and fifty years, in spite of this custom or tradition we had built, I recall no announcement of any effort so peaceably to adjust the difficulties that lie behind the present holocaust. We have lost, at least for the moment, the temper to live at peace with our brethren of the world, our fellow Children of God.

But I must close.

I have touched tonight upon many matters and many incidents and principles. I have perhaps left you with few concrete. definite concepts or conclusions in your minds. This was inevitable, insofar as my abilities are concerned, for the field of inquiry was very broad and none I have named might wisely go unmentioned. But if I shall have left you with the conviction that the matter is too complicated to be settled by some rule o' thumb, or by some fireside chat, or by the **ipse dixit** of some ambitious, interested, would-be world leader; if I shall have left you with the conviction that great issues and basic human urges and passions are involved which could preserve or could ruin our system of society and government, even our civilization, all depending upon how the urges and passions shall be directed and used; if I shall have left you with the determination to know more about all this before you give your approval or disapproval of any plan that may be proposed; if I shall have left you with the knowledge that the situation in which we find ourselves is one of dire distress, and must be considered and solved without heat or rancor or partisanship, upon the utmost wisdom and highest patriotism—if I have been able to do this, my purpose in speaking to you shall be fully met. It has not been my purpose to try to tell you what to think or what to do.

Members of the Los Angeles Bar, this future of ours is a matter of concern for every citizen, for the task that lies ahead will rest with a heavy hand upon each of us. But the burden is yours, each of you, and yours not only, but the burden of your sons and your daughters, your grandsons and granddaughters, even for generations to come. For we may not waste away our strength, our civic virtue, our inheritance of free institutions, and recover them in a day. They were built by the generations of illustrious, patriotic ancestors who preceded us; they must be saved from destruction by ourselves, then rebuilt to even greater perfection by those who follow us. We can do it if we shall have the will to do it; our children can do it if we shall inspire them to its accomplishment.

We must come to the task of decision that now faces us, with the purest motives. Avarice, greed, selfish ambition, the thirst for power and place and dominion, must all be thrust from our hearts. We must come with the loftiest patriotism, with a single allegiance, undivided, unshared, undefiled, for the Constitution under which we live—so in effect runs the oath of office of each of you who grace the Bar of this Commonwealth. Our hearts and hands must be clean of all foreign **isms** and alien political cults. The Constitution and its free institutions must be our ensign.

For America has a destiny—a destiny to conquer the world—not by force of arms, not by purchase and favor, for these conquests wash away, but by high purpose by unselfish effort, by uplifting achievement, by a course of Christian living; a conquest that shall leave every nation free to move out to its own destiny; a conquest that shall bring, through the workings of our own example the blessings of freedom and liberty to every people, without restraint or imposition or compulsion from us; a conquest that shall weld the whole earth together in one great brotherhood in a reign of mutual patience forbearance, and charity, in a reign of peace to which we shall lead all others by the persuasion of our own righteous example.

This, gentlemen, is the destiny of our America. May God give us citizens strength to live for it, and the moral power to achieve it.

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.

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.

Guaranty Trust of N. Y. Situation Attractive

Guaranty Trust Co. of New York offers an attractive situation according to a bulletin prepared by Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this interesting bulletin may be had upon request from Laird, Bissell & Meeds.

Electronic "Master Mind" Saves Money & Labor Man Hours

(Continued from first page)

always been necessary to do the work of calibrating by hand, a painstaking, laborious process subject to human error," Mr. Ballantyne explained. "It was therefore decided that many advantages would be gained and very substantial savings effected if the task could be done electronically.

"Months of intensive research and development work followed, and finally resulted in the perfection of a special electronic instrument employing 126 tubes which can 'think,' calibrate, calculate, and record dial readings many times faster than any human being—all without danger of error."

Essentially the Philco calibrator consists of three parts. The first supplies a source of standard frequencies against which the Signal Corps frequency meter is calibrated. The second provides a means of mechanically continuously driving the dial of the frequency meter and electrically generating a sharp pulse every time the frequency meter is turned through "zero beat" with the standard signal. This standard signal, incidentally, is derived from WWV, the United States Government standard frequency station in Washington, which in turn is calibrated against the stars. The third unit of the calibrator automatically records and tabulates the dial reading.

For the purposes of this electronic "master mind," it was necessary to develop a special type of frequency modulation (FM) detector, because the problem of exact calibration is far more complex than ordinary broadcast detection. In this instance, a form of frequency modulation, highly involved as compared with ordinary broadcasting, has been put to work to perform a precision job.

"Not only is this electronic 'master mind' now saving manpower and money for the Government during the war emergency, but it contains the promise of important peacetime applications in industry after the war," Mr. Ballantyne pointed out. "It represents one of the many ways in which research, engineering, and production are all working in conjunction at Philco to further the war effort and to prepare to help create a higher standard of living when victory is won."

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; Long Bell Lumber Co.; Great American Industries; Mid-Continent Airlines; Richardson; Hartford Empire Co.; Central Electric & Tel.; Massachusetts Power & Light $2 preferred.

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 and also circulars on U. S. Radiator Corp., Jonas & Naumburg Corp., Fashion Park, Inc., and Oklahoma-Texas Trust, which are available to dealers only, may be had upon request from T. J. Feibleman & Co.

A Post-War Depression Can Be Licked: Walter D. Fuller

(Continued from page 1091)

you are. I don't know whether you are in either state of suspended animation. But suppose that the great gong should sound tomorrow. Suppose you should awaken to find that V Day has come and that the first round in the battle of peace is on. Are you going to be able to meet the new problems of sales and markets and competition? Are you going to be in the big battle for business or be as unprepared as we were at Pearl Harbor? Are you ready?

And, gentlemen, that is indeed a serious question. Upon the way that the business men in America answer it depends the future of this nation. That is not an exaggeration. I cannot overemphasize that all the freedom and liberty and democracy which we are fighting to preserve today, on battle fronts all over the world, can easily be lost when the war is won.

I emphasize it because the only way that we can save ourselves from economic disaster—and I mean disaster by default and not by dictation—after this war is, first, to realize our dangers and our opportunity. Then we can choose wisely.

We are teetering, ready to topple one way into state capitalism, or the other into the most abundant future that anyone can imagine. The groups of people who vision paradise or hell are simply looking over opposite sides of the teeter-totter. The inferno is certainly there on one side. Probably it takes a little less imagination to see it and to feel the heat of its fires than to visualize the paradise that is awaiting on the other side.

Let's be as realistic as possible today. One simple fact is that to speed war production the Government has invested 16 billion dollars in new plants. Another simple fact is that even in the midst of wartime prosperity we are a shell-shocked people from the 10 years of depression. We are very gun-shy about depressions. It also is a simple fact that with 16 billion dollars' worth of Government plants and equipment the American people are not going back either to apple-selling or leaf-raking. They are going to have jobs—either through our system of free enterprise or through a system of state capitalism.

Do you realize what the 16 billion dollars of Government investment represents in plants? The U. S. Government owns the greatest industrial empire in the world today, with the single exception of Soviet Russia. We have boasted of our great industrial empires of steel and oil, etc., of the past. The industrial empire of the Government today is greater than all of these.

The Defense Plant Corporation of the REC which has spent 7 billion of the total controls 1,774 factories, scattered all over the country. The Army, Navy and Maritime Commission have spent the other 9 billion. It is not known how many plants they financed, but it is safe to assume a similar number making a grand total of probably 3,500 plants and factories that are Government-controlled.

The House of Morgan in its heyday never dreamed such a dream of empire.

When the war is over the Government will control 92% of the magnesium capacity of America. And magnesium is one of the important metals of the future. The Government will control more than half the capacity for aluminum production. In aviation it will own 90%, or 10 times the privately-owned capacity. More than half of the important machine tool industry will be in the hands of the Government. It will control capacity for producing more than one-third of the peace-time rubber consumption. In steel and oil it will have capacity giving a controlling position. So in many other lines. In electric power, for example, with Boulder, Grand Coulee dams and TVA the Government has a hand on the switch of considerable electric energy. Other agencies have ownership in farm lands and banking institutions.

It may surprise you, too, to know that the largest publishing house in the world is not Curtis, it is not Life and it is not any other than the U. S. Government. Today the Government prints 441 publications, of which 241 are issued monthly, nine daily, 48 weekly and others on other periodical bases.

And still there are some people who think that post-war planning for their businesses is unimportant, or that they can do it before they go to bed some night, about as they would say their prayers. They think that the possibility of state capitalism is just another nightmare.

Some who have looked at these possibilities of state capitalism in the post-war days want to give up in despair, just as some people who stand on the rim of Grand Canyon have a mighty urge to leap overboard. Others, standing there, think how fortunate that nature has done the excavation work and want to build a skyscraper. Thank Heavens, the great majority of American business men, instead of wanting to commit economic suicide, are planning to build a stronger, healthier and happier nation for freedom-loving men.

They see the 3,500 or more plants which have been financed and built by Government as an opportunity for our economic system. They are thinking of these new and modern buildings and what can be made in them as a way to launch new products speedily. They are thinking of the more efficient machinery and how that will help to reduce costs. They are thinking of the opportunity to increase production and expand their markets and sales.

And those thoughts mean jobs in the post-war days. They mean payrolls and purchasing power. They mean prosperity and plenty instead of another depression and state capitalism. They mean employing our selling way of life to solve our economic and social problems. They are the road-maps to a real land of milk and honey in post-war days.

Recently I was talking with a group of businessmen in Newark about post-war planning, in connection with my activity as regional chairman of the Committee for Economic Development. One gentleman got up and said he had read a lot of pamphlets and listened to a lot of speeches and he had come to the conclusion that post-war planning was just a lot of bunk.

I found out that what he really meant was that a lot of bunk was being called post-war planning. I think it is time to debunk some of the fancy stuff that has been called post-war planning. If we do that I believe that we will see the opportunities ahead more clearly and understand how to meet them. The whole situation has been beclouded by the vaporizing of some people who seem to think that when the last shot is fired the curtain will automatically rise on a better world, that customers can be picked off the trees like ripe apples and that if we can produce a national income of 135 billion dollars or more everyone will get a great big juicy slice of the pie—a sort of painless, effortless, share-the-wealth Utopia.

That last shot will only end the war—it won't end the world we have known. People will still be people. They will be no purer, no meaner, no wiser, no sillier than they were yesterday. Human nature changes very, very slowly. And it is people that make the world in which we live. It is people that work and save, that buy and sell, that are the employes and the customers of business and industry.

It will still be human nature for boy to meet girl. Women will keep on having the babies. Men will put on their pants—as they always have—one leg at a time.

Fundamentals don't change. Business will be entirely a matter of an incentive to buy as well as to sell. A dollar will go only so far, whether it is pre-war or post-war. Everyone will want a fair-er share of the fruits of our American civilization. And only those who earn it will get it. Men will work harder and be more productive for a big pay envelope to take home on Saturday nights than for all the promises of security. Jobs will be more important than doles. Women will want labor saving devices and their husbands will find ways to get them.

But there is one thing that will be different. Competition will be different. Competition will be tougher. There will be more of it, both within each industry and for the consumer dollar. Competition in peacetime will be the most vital, aggressive force you can imagine.

There not only will be the competition from those who plan to utilize the new plant capacity, there will be competition from the new products that this war has speeded to reality and there will be competition from every firm that wants to continue to stay in business. The consumer dollar will be the most sought after thing in this world.

I know of one rather prosperous company that has been in business for 100 years. It has been a family business. It has grown slowly. It sold its products in a field where there wasn't much competition and no one aggressively tried to increase the market. That company is now planning for the next 100 years. And I can tell you its plans are entirely different. It isn't going to be isolationist in business any longer. And it isn't going to be complacent about selling. The owners have concluded that the firm can't live another 10 years unless it does a real selling job. And to make certain that complacency is dead in that company the family has decided to take the public into partnership through sale of stock.

There is another company that became rather prosperous making shoes. No one in that company could tell you who wore their shoes. They just made them. Someone must buy them at the other end because they continued to disappear. They have been good shoes, obviously. But the idea that the company should know something about the customers, about what peope want, what they want to pay for shoes, how long they expect them to last, has just crystallized in that firm. Now they are getting their market research program underway and in the days ahead they are going to sell the people of this country a lot more of their shoes.

The Research Department of my company recently completed a survey behind the scenes of American business. It is a survey of the post-war planning done by 350 of the largest companies in 22 major groups of industry. We found that airplane companies plan to make cameras, optical equipment, farm implements, household appliances and building material as their way of helping to dive-bomb another depression. And airplane and Diesel engines for airpower will be made by machinery and equipment companies, while firms which have made tires will turn out light-metal items and household furnishing suppliers will expand into boats and prefabricated houses.

It sounds like a topsy-turvy world ahead. It's going to be a world of competition, and competition is the essence of free enterprise. Competition is the yeast in our daily bread of progress. This new competition means that the bars are coming down and the sky is the limit. The sacred cows are dead.

That is the way that American industry is accepting the challenge of the future. Business is tackling the post-war job in the same all-out way that it tackled the war production job. And it can succeed as gloriously.

The handwriting is on the wall—those who survive in the post-war world will deserve to live and grow and prosper because they will have done the necessary, sound sales-planning job and then carried it through. They will have fully understood that we can produce all that we can sell. The record of war production proves that. Our bottleneck of tomorrow is our sales ability. We can break it only with realizing the importance of marketing and merchandising and by packing into our selling the dynamite that will blow open the flood-gates.

Here, in the auto capital of the world, you know the social significance of salesmanship. The auto industry took an invention that once was called the plaything of the rich and made it a national economic necessity. Salesmanship did that. Salesmanship and a constantly improved product pushed up production of passenger cars from a few thousand a year to a peak of 4,600,000.

You in Detroit have taught the world a lesson in selling—a lesson which all American business men must learn for a successful post-war economy. Just as after the first World War, when the auto industry, by aggressive selling, licked a depression and lifted America to new heights of prosperity, Detroit and the auto industry will have another opportunity when this war ends to show how to make dynamic selling the servant of all America — the saviour of our way of life.

Every company faces the tremendous job of rebuilding markets when peace comes. Markets are intangible, but they are as important as plants and machinery. Like plants and machinery, you get them only by planning for them and spending money to build them.

I imagine that someone may be thinking that with national income at 135 billion dollars or more, we won't have to worry much about markets. There is only one way to get a national income of 135 billion dollars. That way is by selling, selling and more selling. National income doesn't grow on trees. It grows on salesmen's order books. You don't have sales because you have national income—you have national income because you have sales. National income is the measuring rod of our sales effort. It can be high, as it must be if we are going to escape depression—or it can be low, as in the years of the '30s, when selling was our idle opportunity—but high or low, national income is simply the figure that selling effort rings up on the American cash register.

Some people think that with a backlog of about 100 billion dollars of savings, or purchasing power, and tremendous unfilled wants and needs, that there is going to be a bountiful crop of orders to share when peace comes. Such thinking is complacency of the kind that needlessly prolonged the last depression. It is far more dangerous now. That is the fallacy of believing that purchasing power and markets are the same thing. Does a good salesman count a bright prospect as an order in the bag? Purchasing power is just a prospect. A salesman who fails to turn prospects into contracts is courting disaster.

If business looks at purchasing power and figures it is orders on the books it will be disastrous. Good intentions not implemented can pave the road to more want amidst plenty. And that kind of a road can lead right straight to state capitalism this time. Certainly there will be no delaying with further pump priming experiments. Pump priming, you remember, was a theory of getting purchasing power into the hands of the public. With a backlog of one hundred billion dollars the public obviously won't need purchasing power or pump priming. They will need jobs. And if it is left up to the government to provide some form of relief, the pattern the next time, well may be productive employment in the plants built with 16 billion dollars of the people's money. The temptation may be too great for any administration to resist if the necessity for relief in some form arises, because the selling job is inadequate to turn purchasing power into markets and jobs and payrolls.

It is pleasant to dream that in the post-war world all we will have to do is turn a crank, producing goods, and that the buyers, somewhat as the Assyrians "will come down like the wolf on the fold, their pockets gleaming with silver and gold," to paraphrase Lord Byron. But it isn't being realistic. Those who think they can succeed tomorrow without aggressive selling are living in a never-never land.

Purchasing power is a static thing. To be complacent about purchasing power is like assuming that there is electricity because there are wires. It doesn't mean anything in either case until someone throws the switch. When selling throws the switch and turns purchasing power into markets the engine of our economy runs. Markets alone are dynamic. They are created, they grow and they die.

"Markets After the War" the study made by the United States Department of Commerce, discussing purchasing power says "Granting that human wants are inexhaustible there is also inertia to change."

In this study the department says, "Even before the war there were notorious examples of consumer groups who showed a distressing preference for part-time employment rather than the more adequate food, clothing and housing which could be bought with a full pay envelope.

"This is a challenge to business enterprise. Can the whole gamut of goods and services be made so attractive and can they be sold so effectively that the consumer will be willing to work about the same number of hours as in 1940 (an average of 28.1 per week in manufacturing) to obtain them? This calls for better market analysis, more sales research, more imagination and ingenuity in developing new products or new markets for old ones, more strenuous efforts to improve promotion and distribution."

Do you think the public is just waiting for a chance to go on a wild spending spree? The "Wall Street Journal" three months ago, discussing a WPB survey of the need for civilian goods, said that Washington was surprised by the few complaints about shortages and particularly by the disinterest shown by these citizens who were questioned as to whether they wanted new washers, ironers, radios and other consumer goods.

Incidentally, that is a great testimonial for the importance of advertising in our national economy. It is a case history of what happens to wants and desires when they are not constantly stimulated through advertising and selling. It is evidence that there was an idle opportunity in the depression years of the '30s, when we had idle plants, idle money and idle men. Then we had the opportunity to sell more aggressively and create additional wants and desires, which in turn would have increased productivity, employment and payrolls. But in the '30s we did not open the door to the knock of that opportunity. Tomorrow must be different. Let me emphasize that this WPB survey is likewise an illustration of the problem and opportunity that the post-war days present to every manufacturer and distributor of goods.

Optimism that the public will spend without selling effort, even with money jingling in its pockets, got a jolt last Christmas time. The stores were offering toy wagons with wooden wheels, some synthetic goods and some merchandise at pretty high prices. What happened? Did people trample over each other getting to the counters? Did they go on a spending binge, regardless of price and quality? Supplies were short, but there were plenty left over. People still want their money's worth. Human nature doesn't change very rapidly.

In these days the American people are getting lessons in thrift and conservation which may stay with them a long time. Keeping up with the Joneses has lost a lot of its glamour.

A great many peple have accumulated a money reserve for the first time in their lives in this era of high wages and liberal overtime. If you thought another depression was around the corner would you hurry out to spend your savings when the gong of buying opportunity sounds? Isn't it more logical to expect that many will want to live out of income and keep the backlog?

We have had a lot of surveys showing that the public planned to buy millions of automobiles and other millions of washers and ironers and other modern conveniences when the war is over. They have been worthwihle surveys. But what about the remainder of the American public?

The National Planning Association found that 55% of the people questioned have no plans for important post-war purchases. Only 11% said they would go out and spend right away and 73% said they would save for a while. This was a survey among people who have a backlog—who could spend if they wanted to. It was made among owners of war bonds.

That need not be frightening. It is not necessarily pessimistic. It doesn't foretell that we will be hell-bent for another depression as soon as the war is over. It simply means that at the moment 55% of the people do not have an incentive to buy. It is a challenge. It is an opportunity for those who must do the necessary selling job, creating the necessary desires for things we can produce. It is a challenge for selling to be so compelling that people will be more productive and thereby lick another depression in a real American way. Whether we meet the challenge is up to each and every business man in America to be more aggressive than ever before in his life. We can throw the switch that turns purchasing power into the dynamic force of markets and orders on the books, jobs in the plants and payrolls on Saturday nights.

The new products that are now in the laboratories, speeded to reality by the necessities of this war, will face some of the same inertia as the early automobile and telephone. The desire for them will have to be created. They will have to be sold to the American people, in most instances. And sold against the products which have created buying patterns. The survey made by our research department shows that 58% of the major industries in America are planning to come on the market, after the war, with new products. It will take a year or more, in many cases, to get them into production. That will be a period for creating appetites. These new products have the potential of creating jobs only as they create new markets. If they simply switch demand from one product to another they will fail to promote very much economic progress.

Our problem of tomorrow is jobs, yes. But the problem of jobs is the problem of marketing with advertising and selling. One good salesman can provide more jobs, with his order book, than all of those post-war planners who simply dream of a better world. Selling has built America into a mighty nation from a thin strip of civilization along the Atlantic Coast in 1790, when, perhaps, 95% of the people were ill-fed, ill-clothed and ill-housed, by present day standards.

It is because, in America, the incentive to buy has been made as strong as the incentive to sell that we have outdistanced those lands which have greater natural resources, larger populations, the time advantage of older civilization or other favorable positions.

By developing the incentive to buy still further, making it stronger and more dynamic than it ever has been before in our national life, we can bring into reality the better world, a dramatic, satisfying post-war world. That is the opportunity which lies ahead.

And I can tell you that in the offices of many of America's factories, stores and service establistments definite plans already have been made and are being made to take full advantage of the opportunity of tomorrow. You will see evidences of many of those plans on the balance sheets in the annual reports which now are being issued. I saw one the other day of a packer who had set aside $2,000,000 and labeled it as "post-war reserve." You will find evidences in many other statements which represent plans to rebuild distribution, to reconstruct markets, to do a more aggressive and constructive advertising and selling job than was ever contemplated before.

There is one manufacturer who has a complete layout of ads, merchandising tie-ups, sales promotion and dealer programs all wrapped up and ready for the day when the big gong sounds announcing the go-ahead. Another has gone so far as to get his ads in the hands of publications so they can be run on signal as soon as the war ends. This does not indicate the wishful thinking that the war is going to end tomorrow. It indicates preparedness and an aliveness to the intense competition that is ahead for everyone in American industry.

These instances illustrate one thing that is especially important. It is that post-war planning is not something new. Businessmen have been planning ahead all their lives. Planning is the very essence of American management. Post-war planning is just good old-fashioned business planning applied to a particular period. That period calls for more aggressive planning than ever before. We shall succeed with the vision which sees sales opportunities, chances for market expansion, better distribution methods, and needs for new products where they have been undeveloped before.

That is all there is to it. And that, gentlemen, is all there is to licking a post-war depression. It is all there is to most of the problems of the post-war world. If we do the selling job there will be employment and payrolls. If we do the selling job there easily can be a national income of 135 billion or more. If we do a selling job we will have the cooperative aid and encouragement of Congress and of Agriculture and Labor towards the removal of any handicaps which stand between the American people and prosperity. Worries about our gigantic national debt and about the high level of taxation and about the threat of State capitalism can be swept away with such encouragement and with orders on the books of American industry and customers at the counters of American stores.

We can do it if every businessman does his duty, by himself and by his country, while there still is opportunity knocking. We have nothing to fear, as President Roosevelt one said, but fear itself.

"Rule" And Ruin

(Continued from page 1091)

playing Jehovah? We daresay, by and large, security dealers were a law-abiding group long before the NASD came to life.

"To adopt, administer and enforce rules of fair practice and rules to prevent fraudulent and manipulative acts and practices, and in general to promote just and equitable principles of trade for the protection of investors;"

How about the equitable principles of trade for the protection of the brokers and dealers, the fellows who pay the fees, the dues and the assessments which make the operation of NASD possible? What about the papa of the NASD, the SEC; hasn't it surfeited the market with so-called "equitable principles of trade for the protection of investors"? Can the NASD, in any sense pretend to be a trade organization? Is the illegal adoption of the "5% spread philosophy" any protection to either investors, brokers or dealers? If that philosophy is permitted to stand, is any American industry safe from the undemocratic principle of ceiling spreads?

Is it a protective principle of trade for an association to lay down a rule governing the all-important trials of its Business Conduct Committees, and then, for the purpose of avoiding review by the SEC, to claim it is merely an interpretation? Does this type of evasion demonstrate sincerity in the performance of duty on the part of a policing agency? We contend, if anything, it shows inexcusable opportunism of a political nature.

Under the present setup, the powers given by the Maloney Act, and those supplied by the NASD constitution and by-laws, the Business Conduct Committees hold the very commercial lives of NASD membership in the palms of their hands. The men composing these committees probably know the trade practices and customs of the security field, but what do they know of the duties of trial judges? Have they ever studied the laws and rules of evidence? Each person tried is a defendant. Do they advise him of his legal rights; for example, the right to be represented by counsel? Is it true, as reported, that defendants are led to believe, they are amongst friends, and it is not necessary to make a legal matter of the hearings? Then the Business Conduct Committees proceed to apply the axe.

Much has been said about governmental administrative agencies which act in a tertiary capacity; (1) they are the investigators; (2) they are the prosecutors; and (3) they are the trial judges. This has been pointed to as a great evil, and numerous bar associations throughout our country are weighing this subject in response to a determined public demand. Well, the NASD acts in all these capacities and is not above a wee bit of entrapment on the side.

In the old days when it was illegal for an Indian to have a drink, many of them were enticed to bars, and then arrested. The NASD survey out of which the "5% spread" arose smacks of this.

There is a forthright way of doing what the National Association of Securities Dealers attempted. After all, the contemplated "5% spread" was altogether revolutionary and would affect the very continuance in business of a considerable portion of the dealers in securities. As we see it, the entire membership should have been apprised of what was intended, and its authority sought to make the survey. If such authority were granted, every security dealer in the country, whether he was a member or not, should have been invited to fill out the questionnaire. This would have resulted in more complete data. After this had been authorized and done, then the total membership should have been given the opportunity to vote on the adoption of any rule based on NASD findings.

There is rightful rebellion in the ranks. NASD members are realizing that they are the suckers who have been paying for a policing job which threatens partial extermination. Where they expected sympathy, understanding and cooperation, they are hoisting their own halters. Of this they will have no more.

Security dealers both in and out of the organization, are unrelentingly determined to kill the "5% spread rule." Illegally invoked, hypocritically interpreted, the death knell of this monster is in the offing. Its parent is also in considerable jeopardy for there is talk of testing the constitutionality of the Maloney Act.

America Unafraid

(Continued from page 1090)

cial fear. The fear of vast forces of production and of vast millions of trained human beings released after the war; the fear of Jim Crowism and anti-semitism, of the chaos latent in anti-racial and anti-religious hatreds. Even the fear that our returning veterans may be seduced by some Huey Long and used to promote these hatreds and cleavages.

Mr. DeVoto asks that we acknowledge the facts that have begotten these fears, drag them into the open and face them.

What are the facts? Why are we afraid of the future?

There are probably many reasons.

But I should place first among them the loss in the past decade of our self-reliance.

Frightened by the panic of 1929 and discouraged by the depression that followed, as a people we turned to Government for help. For eleven years—half a generation—instead of leading us to the solution of our own problems, Government has paternalistically tried to solve our problems for us. At first, scared and humbled by contemplation of the mess we had made of things, we drank in assurance, and submitted gratefully to any demands made upon us.

It was Government's theory in the '30's that the cause of our trouble stemmed from the reckless 20's when, it contended, our productive capacity, industrial as well as agricultural, had been allowed to expand far beyond our needs. Therefore, it argued, restriction of industrial production, limitation of farm crops, and reduction of livestock would furnish the answer to declining prices which, it maintained, had been created by the excess. At the same time, it accepted the governmental principle of the '20's that if the United States were locked up and a nationalistic economic policy pursued, we could all somehow live in prosperity through the simple process of taking in each other's washings. But it made a novel addition to that principle: the washings must be kept small. And like Government of the '20s it didn't feel that what happened to the economies of other countries was of any great importance to ours.

As a people we accepted the theory of a nationalistic economy without much question, only a few realizing that that produced limited markets. But a policy of government-made, domestic scarcity offended our traditional beliefs and seemed contrary not only to nature but to reason. However, since by the use of the extraordinary powers we gave it, the Government seemed to have taken us through the bank crisis successfully, and since we still remembered with horror the desperate days of '29 to '32, we doubted our own judgment and felt that Government should have a chance to try out its ideas.

Government also claimed that it could redistribute the possessions of the country in such a manner that all would be cared for and all but the purely greedy would be happy. That sounded good. We encouraged it to try.

We were ready to admit that in some ways we had abused our freedom and used it to harm our neighbors. And so we listened sympathetically to the claim that Government regulation of some of our activities would increase the general well-being. In voluntarily submitting to such regulation we somehow found our lives subject to minute controls of various sorts. We hadn't expected this. But perhaps it was necessary.

Certainly it was plain that we had to delegate power to the Federal Government if it was to take over the burden of our problems. And perhaps there was something in the Government's argument that it could better regulate our affairs if its representatives had discretionary powers that would give them greater flexibility of operation. Sometimes, though, the discretion demanded seemed pretty wide ranging and the use made of it alarmingly arbitrary.

We found it hard at times to reconcile Government's methods with some of our cherished and time-honored concepts. We had always believed in government by law—the system which men in English speaking countries had struggled for centuries to obtain. Under that system a man's rights were defined and so long as he stayed within them, he could be both independent and safe. But Government, in experimenting for our welfare, set up a system under which the rules were being constantly changed—sometimes right in the middle of the game—and no man knew just what were his rights or responsibilities.

It seemed to be true, too, though this was at first hard to believe, that representatives of the Government favored certain groups among us and had it in for others. Also they seemed actually to stimulate disputes between various groups in order that the Government might be able the more easily to manipulate them for what it considered the greater social advantage. These things worried us for we had always believed it the obligation of Government to represent all groups and classes of citizens and, so far as possible, to bring about harmony among them.

Part of the Government's plan for solving our problems was to spend money from the Federal Treasury, widely and steadily. This was on the theory of pump priming. And we watched anxiously for results. But the pumps had to be primed again and again in order to keep any water flowing.

And although the process did take care of some of those out of work, it didn't produce any solution of the growing problem of unemployment.

It gradually became plain to us that there was a constantly widening expanse between Government intake and Government outgo. But radio speeches filled our homes, reassuring us and almost making us believe that by some arithmetical legerdemain the more extravagant the expenditures the further off would be the day of accounting. If anyone showed alarm at Government's financial juggling, he was called reactionary.

As the years went on the myth of an all-wise, benevolent Government was carefully cultivated. Somehow the most ordinary citizen, transposed from the streets of Concord, New Hampshire, to Washington, was transformed into a person of extraordinary endowments, rare foresight and unexpected gifts, particularly if he had never gone through the chastening experience of running in an election.

Of course, he always needed more power than that granted him originally, in order to function properly.

Power in fact was the Government's answer to everything. If it failed to solve the problems its citizens so trustingly gave it, the reason was simple: it hadn't had enough power. Each new grant of power demanded another. And year after year we voted that power.

But as the years passed doubts of the ability of Government to solve our problems for us were becoming convictions. For the unemployment lists remained long, alarmingly long; the Federal deficit was increasing, the national debt was becoming frighteningly large; our economic and social life had not found either peace or plenty. We were torn by bitter and warring groups; our rights and liberties were being impinged upon to a point that began to seem unnecessary and unendurable. The bright boys taken to Washington from the home towns began to lose their glamour and to look as we remembered them, quite ordinary—in fact in some cases, a little tawdry, and in all cases, avid for power.

And we began to see that overcentralized control, planned scarcity and purely nationalistic economic policies, which had been Government's recipe for solving our problems, were not only failing to revive our own economy, but were in part the cause of the economic decline of the European democracies just at the very time that they needed strength to resist the growing forces of totalitarianism.

Then the war came and all problems were swallowed up by that great problem. In the full use of our energies for a great purpose and in the unity that grew out of that effort, temporarily we found release from what in comparison seemed the minor worries concerning our domestic policies of the past decade.

But with the spectacular Russian victories on the eastern front, the successive allied victories in Africa and the South Pacific, and with the mobilization of allied strength for the invasion of Europe, despite our consciousness of the tragedies and sacrifices still ahead (and personally, I am afraid we have not yet realized how great those sacrifices will be), in spite of that consciousness, we are beginning to visualize the days when the war will be over. And in our hearts, remembering our own failures in the '20's and our Government's failure to solve our problems in the '30's, we almost fear to face those coming days of peace.

The nation that has become the arsenal of democracy, the production wonder of the world, hesitates and doubts its own capacity. Some men, remembering nostalgically and with rose colored glasses what they now think of as the expansive, free and uncontrolled days before the first World War, are saying that the solution of our problems lies in releasing our economic life from *any* regulation and in returning to the states practically all the administrative functions of the Federal Government. Men of this school of thinking also believe that the American economy is adequate in itself to produce a high standard of well-being in the United States and that America's strength is sufficient even in a modern world to secure her safety and make cooperation with other nations, except in pious platitudes, unnecessary.

There is another school of thinking, to which the present administration apparently belongs, that would give to the Federal Government even greater control, minute and detailed power of direction over our economic and social life. And this school finds the solution of our relationships with other countries not in using our power to advance our democratic ideals or in the establishment of workable instrumentalities for cooperation among the nations but in the muddy game of international politics.

There are some of us, however, who believe that neither of these attitudes represents a solution. For we know that in a complex modern industrial life the Federal Government, operating by law, not by caprice, must exercise regulatory authority to insure the freedom of our citizens. By the same token we know that Governmental problems which in their nature are not national in scope are best administered when administered locally. We know that large discretionary and arbitrary powers granted to any Government, either national or local, are corrupting to those who possess them and hazardous to the fundamental rights of the citizen. We know that the real hope of social advance lies not in deficit spending or in an economy of scarcity but in an ever-expanding economy; that the route to such an economy lies not with the Government but with the initiative and self-reliance and the character of our individual citizens. We also know that even these qualities, so preeminently American, can find a fruitful field for operation only in the unlocking of America's economic doors, only in the abandonment of narrow nationalistic policies, only in a world of peace secured by real and tangible cooperation among the nations.

America afraid?

Not if we have the courage to face the facts.

We have never lacked energy. If now we have the insight to recognize our own strength, the imagination to encompass the possibilities of the future and the moral strength and foresight to pursue the policies necessary to the realization of those possibilities; if we have the intelligence to forget both the roaring '20's and the enfeebling '30's, we can make the days ahead the greatest we have ever known.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1096)

either bought stock themselves or advised others to do so.

* * *

Buying stocks when they're in disfavor is one thing. Buying them because some predetermined level has been penetrated is another thing. In the first case, the buying is usually sound, or at least not influenced by psychological factors. In the second case, the buying is almost completely dominated by the spirit of the mob. The desire, or the fear of being left off the band wagon, is an overwhelming influence.

* * *

Last Friday's, Saturday's, Monday's and part of Tuesday's market was given over almost entirely to psychological buying. It was particularly true of Monday's and early Tuesday's transactions. In some places this new buying is explained as relief at the passing, or, rather, the approach, of March 15 and its tax day. But whatever the reason, the fact remains that the market did go up and take offerings which were overhanging for many a long week. The problem now arises, what of the market from here on.

* * *

The first sign of what to expect was given in Tuesday's afternoon trading. Here and there a couple of stocks slipped down without any apparent effect on the rest of the list. But this side-slip in the face of rosy-hued optimism cannot be shrugged off as unimportant. For it indicates that the market is reaching, or has already reached, a level of surfeitedness. I subsequently feel that we are now headed for one of two things. First, a sudden setback to about 137-138 or, failing that, a period of dullness during which stocks will sag to levels anywhere from five to seven points. Latter stage may take anywhere from a few weeks to a few months to run its course.

* * *

Summing up, it means that this is no longer the time to think of buying. It is the stage at which some selling should begin. So far as readers of this column are concerned, the only stock they hold is American Steel Founders, bought at 25 and now about 27½. It will be remembered that in the column of March 2 advice appeared that between 27 and 28 stock would run into offerings and profits were to be taken. Where these were unacceptable, a stop of 24 should be adhered to. If you still hold the stock, I suggest raising the stop to 25.

* * *

During the past few weeks I have recommended a number of stocks at specific prices. A few times we almost got them but never did one of these sell low enough for confirmation. I now suggest that all unfilled buying orders be cancelled until further advice. I expect to furnish you with a new list as soon as other signals I'm looking for materialize.

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.]

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.

Calendar Of New Security Flotations

OFFERINGS

FRUEHAUF TRAILER CO.
Fruehauf Trailer Co. has filed a registration statement for 60,000 shares of 4½% convertible preferred stock, par value $100 per share.

Address—10940 Harper Avenue, Detroit, Mich.

Business—Company is the largest manufacturer of truck-trailers in the United States.

Underwriting—Lehman Brothers, N. Y., and Watling, Lerchen & Co., Detroit, head the underwriters, with names of others to be supplied by amendment.

Offering—Price to public to be supplied by amendment.

Proceeds—From the estimated net proceeds approximately $3,428,712 will be used to redeem at $107.50 per share all of the outstanding 5% convertible preferred stock of the company within 70 days after receipt by it of the proceeds from the sale of the new issue of preferred stock. The balance of proceeds will be added to working capital.

Registration Statement No. 2-5312. Form S-1. (3-4-44).

Offered March 16, 1944, by Lehman Bros. and Watling, Lerchen & Co., and Associates, at $103 per share.

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

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

Offerings will rarely be made before the day following.

THURSDAY, MARCH 16

STATE BOND AND MORTGAGE CO.
State Bond and Mortgage Co. has registered accumulative savings certificates Series 1207-A $1,000,000, and accumulative savings certificates Series 1217-A $4,000,000.

Address—26½ North Minnesota Street, New Ulm, Minn.

Business — Since its incorporation in 1914, the company has been actively and continuously engaged in the business of issuing and selling face amount certificates. Investment company.

Underwriting—Will be sold by the company's own sales organization.

Offering—Offering price of Series 1207-A is 94.03 to 96.60 and of Series 1217-A 83.30 to 85.68.

Proceeds—For investment.

Registration Statement No. 2-5310. Form A-2. (2-26-44).

Amendment filed March 13, 1944 to defer effective date.

WEDNESDAY, MARCH 22

UNIVERSAL PICTURES CO., INC.
Universal Pictures Co., Inc., filed a registration statement for $7,500,000 3¾% sinking fund debentures, due March 1, 1959.

Address—1250 Sixth Avenue, New York City, and Universal City, Cal.

Business—Engaged in the production of motion pictures.

Underwriting—Dillon, Read & Co., head the group of underwriters. Names of others will be supplied by amendment.

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

Proceeds—Net proceeds will be applied to the prepayment, on or about March 18, 1944, of $5,035,000 principal amount of secured notes outstanding and to the redemption at 102 on or about April 18, 1944, of $1,983,000 face amount of the company's ten-year 5% convertible debentures, due April 1, 1950. Any remainder of net proceeds will be added to the general funds of the company.

Registration Statement No. 2-5311. Form A-2. (3-3-44).

SATURDAY, MARCH 25

WASHINGTON NATIONAL INSURANCE CO.
Savings and Profit Sharing Pension Fund of Washington National Insurance Company Employes has filed a registration statement for $500,000 being estimated amount of employees contributions during the three years' period following March 28, 1944.

Address—610 Church Street, Evanston, Ill.

Business—Retirement plan for employees of company.

Underwriting—No underwriter.

Offering—Under operating fund for employees the offering consists of participations in the savings and profit sharing pension fund of Washington National Insurance Co. employees. Participating employees must contribute 5% of compensation but in no case more than 5% or more than $250 per year.

Proceeds—For investment.

Registration Statement No. 2-5313. Form C-1. (3-6-44).

COMMONWEALTH INVESTMENT CO.
Commonwealth Investment Co. has registered 100,000 shares of capital stock, $1 par value.

Address—2500 Russ Building, San Francisco, Cal.

Business—Diversified open-end, management investment company.

Underwriting—North American Securities Co.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5314. Form S-5. (3-6-44).

DATES OF OFFERING UNDETERMINED

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

CERTAIN-TEED PRODUCTS CORPORATION
Certain-teed Products Corporation has filed a registration statement for $6,737,300 4% cumulative income debentures (subordinated) to be due Oct. 31, 1973; 134,746 shares of common stock, $1 par value, and certificates of deposit for 67,373 shares of 6% cumulative prior preference stock.

Address—120 South LaSalle Street, Chicago, Ill.

Business—Business consists generally of manufacturing and selling asphalt roofing, shingles and related products, wallboard and gypsum products, boxboard and various other products.

Underwriting—Paul H. Davis & Co., Chicago, is named principal underwriter. or dealer manager and company will pay to selected dealers a commission for the deposit of shares of preference stock pursuant to an offer of exchange.

Offering—The company offers to the holders of the outstanding 67,373 shares of its 6% cumulative prior preference stock the right to exchange such shares for the new income debentures and shares of common stock on the basis of $100 principal amount of income debentures and two shares of common stock for each share of 6% cumulative prior preference stock. The registration statement states that the company proposes, under certain conditions, to issue to the holders of the 625,340 shares of common stock presently outstanding, common stock purchase warrants entitling the holders in the aggregate to purchase, at a price to be announced later, 208,446 additional shares of common, and to issue and sell such shares of common stock not taken up by the warrant holders. The company also proposes, under certain conditions, to issue and sell $5,500,000 principal amount of new senior debentures and to apply the proceeds of the sale of the new senior debentures, together with other funds, to the redemption of the outstanding debentures. There are $7,100,000 face amount of 20-year 5½% sinking fund gold debentures, Series A, due March 1, 1948, now outstanding. The interest rate of the new senior debentures has not been finally determined, but will not exceed 4½% per annum. The income debentures will be subordinated to the new serior debentures and to other indebtedness of the company. The company reserves the right to revoke the offer of exchange unless within a certain date holders of not less than 57,250 shares of the preference stock accept the offer. The proposal to issue common stock purchase warrants to present common stockholders and the procurement of a commitment for the purchase of any common stock not subscribed for by common stockholders and the issue and sale of the new senior debentures is contingent upon the exchange offer being declared effective by the company.

Proceeds—The proceeds to the company of the income debentures and shares of common stock offered will consist of shares of the preference stock exchanged and all such shares of preference stock will be retired and the capital of the company will be reduced by the sum of $100 for each share retired. For each share of common issued pursuant to offer, the sum of $1 will be deducted from capital surplus account and credited to capital account represented by such share.

Registration Statement No. 2-5241. Form S-1. (10-27-43).

Registration statement effective 4 p.m. EWT on March 10, 1944 as of 5:30 p.m. Dec. 15, 1943.

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).

Amendment filed March 7, 1944, to defer effective date.

HART, SCHAFFNER & MARX
Hart, Schaffner & Marx has filed a registration statement with the Securities and Exchange Commission for 120,000 shares of common stock, par value $10 per share. Of shares registered a number to be later specified, all issued and outstanding, are to be sold for certain stockholders.

Address—36 South Franklin Street, Chicago 6, Ill.

Business—Consists principally of the manufacture and sale at wholesale of the better grades of men's suits overcoats and topcoats, including, in recent years, military uniforms, and, to a small extent, women's suits and coats.

Underwriting—Blyth & Co., Inc., heads the group of underwriters, the names of others to be filed by amendment.

Offering — The presently outstanding common stock is to be changed from $20 par value to $10 par value and 2½ shares of new stock issued for each present share, which will increase outstanding common stock from 142,313 shares to 355,782½ shares. A portion of the new shares are to be acquired by the underwriters from certain stockholders and offered to the public at a price to be set by amendment. The shares being sold are a portion of the holdings of certain members of the Hart, Schaffner and Marx families principally.

Proceeds—The proceeds from sale of the stock go to the selling stockholders. Price to selling stockholders is to be named by amendment.

Registration Statement No. 2-5309. Form A-2. (2-25-44).

Hart, Schaffner & Marx March 13 filed an amendment to its registration statement correcting the amount of stock to be offered to 120,500 shares and naming the underwriters who will be Blyth & Co., Inc.; A. G. Becker & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Central Republic Co. (Inc.); McDonald-Coolidge & Co.; Hallgarten & Co.; Hemphill, Noyes & Co.; Johnston, Lemon & Co.; Kebbon, McCormick & Co.; Newburger & Hano; Shuman, Agnew & Co.; Sutro & Co., and Whiting, Weeks & Stubbs, Inc.

MICHIGAN CONSOLIDATED GAS CO.
Michigan Consolidated Gas Co. has filed a registration statement for $38,000,000 first mortgage bonds, 3½% series due 1968, and 40,000 shares 4¾% cumulative preferred stock, par $100 per share.

Address—415 Clifford St., Detroit, Mich.

Business—Engaged in the natural and manufactured gas business in Michigan.

Underwriting—Securities are to be offered for sale at competitive bidding and names of underwriters will be supplied by amendment.

Offering—Prices to the public will be supplied by post-effective amendment.

Proceeds—Company intends to use the proceeds from the sale of the bonds and the preferred stock, together with a portion of the proceeds from the sale of additional shares of common stock, to redeem on or before Jan. 20, 1944, the entire issue of first mortgage bonds, 4% series due 1963, outstanding in the face amount of $36,000,000; to redeem the entire issue of 4% serial notes, due Aug. 1, 1944-48, outstanding in the face amount of $4,150,000, and to redeem on March 1, 1944, at $110 per share, the entire issue of its 6% preferred stock, par $100 per share, of which 20,000 shares are outstanding.

Registration Statement No. 2-5252. Form S-1. (11-13-43).

Amendment filed Jan. 22, 1944, to defer effective date.

Registration statement effective under notice of deficiency 5:30 p.m. EWT on Feb. 10, 1944.

NORTHWEST AIRLINES, INC.
Northwest Airlines, Inc., has filed a registration statement for 139,460 shares of common stock, without par value, of which 117,460 shares will be offered to the company's present common stockholders and the balance to be issued under options.

Address—1885 University Avenue, St. Paul 4, Minn.

Business—Engaged in air transportation with respect to persons, property and mail, and in the performance of contracts with the United States in connection with the prosecution of the war.

Underwriting — Auchincloss, Parker & Redpath head the underwriting group. Others will be named by amendment.

Offering—Holders of record at a date in January, to be named, of the company's common stock will be given pro rata rights to subscribe to an aggregate of 117,460 additional shares of common stock, in the ratio of one share for each two shares then held, at a price to be named by amendment. The subscription warrants will expire at 3 p.m. on Jan. 15, 1944. The underwriting group will purchase the unsubscribed shares and offer them to the public at a price to be named by amendment.

Proceeds—The entire net proceeds will be available for general corporate purposes pending specific application of such funds, and it is expected they will be invested temporarily in securities of the United States Government. It is considered desirable that the company at this time provide itself with funds with which to meet its future responsibilities and opportunities. It is expected funds will be used for the acquisition of additional flying, communications and other equipment, the construction of hangars, the purchase of machinery and other facilities in connection with its present routes and such new routes as may hereafter be acquired or participated in by the company. It is probable, although not certain, that additional flying and other equipment may become available for commercial operations before the termination of the war. As additional flying and other equipment becomes available, the company must be in a position promptly to place orders sufficient for its needs. In carrying out the program, the company may find it necessary to provide additional funds through the sale of additional securities, bank borrowings, the issuance of equipment trust certificates, or other financing, although the company has no present plans for any such other financing.

Registration Statement No. 2-5279. Form A-2. (12-23-43.)

Amendment filed March 3, 1944, to defer effective date.

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

Address — 624 South Boston Avenue, Tulsa, Okla.

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

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

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

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

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

Amendment filed Feb. 23, 1944, to defer effective date.

PUBLIC SERVICE CO. OF OKLAHOMA
Public Service Co. of Oklahoma has filed a registration statement for $1,500,000 5% preferred stock, cumulative, par $100 per share, and $6,600,000 first mortgage bonds, Series A, 3¼%, due Feb. 1, 1971.

Address—600 South Main Street, Tulsa, Okla.

Business—Engaged principally in generating, purchasing, selling electric energy and also natural gas and selling water.

Underwriting—None involved in issue of stock which is for exchange purposes Bonds will be offered for sale at competitive bidding and names of underwriters will be supplied by amendment.

Offering—The company is offering to the holders of 24,255 publicly held shares of $6 preferred, without par value, of Southwestern Light & Power Co., principal subsidiary of Oklahoma, the right to exchange, on a share for share basis, 15,000 of such shares of Southwestern for a like number of 5% preferred shares of Oklahoma. Subscriptions to be reduced pro rata in case the holders of more than 15,000 shares of Southwestern accept the exchange offer. Middle West Corp. has agreed to purchase from Oklahoma at $100 per share and accrued dividends, 2,500 of said 15,000 shares, less such number of shares thereof in excess of 2,500 shares as may be subscribed for pursuant to the exchange offer, and American Public Service Co. has agreed to purchase from Oklahoma, at $100 per share and accrued dividends, 10,000 shares of said 15,000 shares of 5% preferred, less such number of shares thereof in excess of 5,000 shares as may be subscribed for pursuant to the exchange offer. No underwriting commissions will be paid by the company in connection with the exchange offer. Offering price of bonds will be filed after the result of competitive bidding by the filing of a post-effective amendment.

Proceeds—Pursuant to authorization in December, 1943, by the Securities & Exchange Commission, Oklahoma will, upon the dissolution of Southwestern, principal holding company of Oklahoma, acquire assets of Southwestern subject to the liabilities of Southwestern at date of acquisition. Oklahoma will acquire the properties of the subsidiary subject to $6,648,000 face amount of the subsidiary's first mortgage bonds, Series A, 3¾%, due Dec. 1, 1969. The net proceeds, to be received by Oklahoma from the sale of the bonds of Series A registered, together with general funds of the company, are to be applied to the redemption, at 105%, of such bonds of subsidiary.

Registration Statement No. 2-5275. Form A-2. (12-21-43.)

Registration statement effective 5:30 p.m., EWT, on Jan. 10, 1944.

PUBLIC SERVICE CORP. OF TEXAS
Public Service Corp. of Texas has filed a registration statement for $800,000 5% 25-year first mortgage bonds.

Address—Burk Burnett Building, Fort Worth, Texas.

Business—Public utility corporation.

Underwriting—Keystone Pipe & Supply Co., Butler, Pa., is named underwriter, parent of registrant.

Offering—There will be no principal underwriter, but the bonds received by the Keystone Pipe & Supply Co., parent of registrant, will be offered to holders of its preferred stock in exchange for same. The basis of exchange is to be $100 par of the bonds for $100 par value of preferred stock. The underwriter is not bound to take all the securities registered. The underwriter is the owner, however, of 24,096 shares of the preferred stock of the registrant and has agreed to accept at par the bonds registered in exchange for registrant's preferred stock which it owns.

Purpose—The securities are to be offered by the registrant in exchange for its outstanding preferred stock and by the underwriter (Keystone Pipe & Supply Co.) in exchange for its outstanding preferred stock. The basis in each case is one $100 par value in bonds for $100 par of preferred stock. The balance of the preferred stock of the registrant outstanding in the amount of $5,875 will be called in by the registrant and retired.

Registration Statement No. 2-5274. Form S-1. (12-21-43.)

Amendment filed Feb. 25, 1944, to defer effective date.

Withdrawal request filed March 7, 1944.

THE SOUTH COAST CORPORATION
The South Coast Corporation has filed a registration statement for $1,500,000 first mortgage 5% bonds due Dec. 31, 1955.

Address—Carondelet Building, New Orleans, La.

Business—Consists primarily of the cultivation of sugar cane and the manufacture and sale of products and by-products resulting from the processing of sugar cane, including raw and refined sugars, syrups, black strap molasses and bagasse.

Underwriting—Paul H. Davis & Co. and others to be named by amendment.

Offering—To be named by amendment.

Proceeds—Will be applied to the redemption, at the principal amount thereof plus annual interest, of the $998,405 in principal amount of general mortgage 15-year 6% income bonds, due Sept. 1, 1950, and balance added to working capital and may be applied to the reduction of current bank loans and the purchase of supplies and raw materials.

Registration Statement No. 2-5291. Form S-1. (1-21-43.)

Amendment filed Feb. 25, 1944, to defer effective date.

UNITED GAS CORPORATION
United Gas Corp. registered $75,000,000 first mortgage and collateral trust 3¼% bonds due 1958

Address—2 Rector Street, New York City

Business—Production and sale of natural gas; part of Electric Bond and Share System

Underwriters—None

Offering Terms—Bonds will be sold to institutional investors, whose names will be supplied by amendment, at 99.34%

Proceeds—To redeem $28,850,000 United Gas Public Service 6% Debentures due 1953; to pay 6% demand note of $25,925,000 to Electric Bond and Share; to repay $2,000,000 open account debt to E. B. & S.; and to purchase from United Gas Pipe Line Co., $6,000,000 of its 1st & Coll. 4% bonds due 1961. Balance will be used in part to reimburse treasury for capital expenditures and possibly to pay accumulated dividends of $9,502,490 on companys $7 preferred stock

Registration Statement No. 2-4760, Form A-2 (5-15-41)

United Gas Corp. filed amendment with SEC on Feb. 21, 1942, stating that it had been unable to further extend the purchase agreements with 14 insurance companies covering the proposed private sale to such insurance companies of $75,000,000 of the company's first mortgage and collateral trust 3¼% bonds, due 1959. This amendment states: "These purchase agreements expired on Feb. 16, 1942. The corporation intends to continue negotiations to the end that its bonds shall be either sold privately, by renewal of the aforesaid agreements or otherwise, or offered to the public as circumstances shall dictate in order to obtain the best possible price."

Amendment filed March 2, 1944, to defer effective date.

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

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

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

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

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

Purpose—For merger and refunding.

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

Amendment filed Feb. 28, 1944, to defer effective date.

(This list is incomplete this week)

"Our Reporter On Governments"

By DONALD MacKINNON

As forecast on Feb. 17 in this column, on March 2 Secretary Morgenthau announced plans for refunding all notes and bonds, issued or guaranteed by the Treasury, which mature or could be called on or prior to June 15, 1944. . . . Along the Street some disappointment was evident inasmuch as the only issue made available to commercial banks—the 1½s of 9-15-48—was priced close to the market. . . . All three securities, the 1½s, the 2¼s of 59/56, the 2½s of 70/65, are currently offered at 100.6. . . . The latter two bonds have moved up about 3/32s, and the 2¼s are expected to advance slowly against the day—9-15-46—when commercial banks may purchase this issue in the open market. . . . We believe that investors will be glad to pay 100.14 for the new 1½s within the near future. . . . As a matter of fact, the majority of commercial bankers who have expressed their opinion to us are well pleased with the 1½s. . . .

Seldom before, if ever, has the Treasury refunded only bonds and notes so far in advance of maturity or call date on such a huge scale—$4,730,000,000. . . . Other than CIs, Bills and Debentures, two issues of Federal Land Bank bonds may be called for payment on 7-1 and 7-15-44, and the $196,000,000 involved may be paid off in cash. . . . On 9-15-44, two notes totaling $918,000,000 mature; $1,037,000,000 Treasury 4s may be called prior to 12-15-44. . . . Inasmuch as CIs, Bills and Debentures offer no problem, the Treasury and the Federal Reserve Banks may be said to be in a position prepared to cope with contingencies that might develop. . . .

SELLING PRESSURE

Are Treasury and Federal Reserve officials, by this recent exchange offering, house-cleaning against the days when the repercussions of screaming invasion headlines may prove to be a test of their combined abilities to control possible market disturbances? . . . If this is the case, what sections of the market might require support if selling pressure materializes? . . . Partially exempts? . . .

At the close on 3-13-44, the five longest partially exempts had advanced from 24/32s to 32/32s against 2-1-44 bids. . . . Some profits have been taken recently, and of size sufficient to cause declines of about 8/32s from the highs of the current move. . . . What investors holding such issues would be interested in selling in the event a decline does materialize? . . . Commercial banks, or other investors who presumably need partial tax exemption? . . . Perhaps, but we believe that, in the main, commercial banks have acquired partially exempts on a sound net yield basis several points below current prices. . . . In such cases there is no incentive to sell unless one believes that the market might collapse temporarily—a conclusion generally conceded to be highly improbable. . . . When an investor is in excess-profits brackets, any profit-taking operation obviously mitigates against the liquidation of any obligation producing relatively high net income. . . . Therefore it can be said that excess-profits conscious investors owning, for example, the 2¾s of 65/60, surely are not interested in selling, BUT, on the contrary, would purchase additional tax-exempts given a favorable opportunity. . . .

HIGH TAXES AND COMMERCIAL BANKS

There are some commercial banks and other investors who, as yet, do not feel the impact of high taxes because losses may be established to offset profits—and would undoubtedly sell at the drop of a hat to conserve existing gains. . . . At least, commercial banks in this classification are decreasing at a fairly rapid rate, so that profits accepted eagerly a year ago are no longer as attractive as they once were, which attitude is born of inability to substitute, for an unknown period, low coupon bonds for Governments owned which provide considerably higher and satisfactory current return. . . . There remains, however, the unknown factor—the professional trader. . . . Any attempt to measure his constantly changing conclusions is fruitless indeed. . . .

In spite of the fact that long partially exempts may be vulnerable at present levels, we believe that the psychology of the investors owning such obligations has changed completely during the past few years from concern to indifference with regard to market fluctuations, and in many cases a downright reluctance to abandon established positions regardless of costs. . . .

This statement is made as a result of conversations with hundreds of investors, most of whom are commercial bankers, who evidence a tremendous interest in and actual need for fully or partially exempt income as an important factor which conributes to the growing strength of their respective institutions. . . . During the past 10 years these gentlemen have been engaged in the process of or have completed liquidation of investments which have been subjected to question or criticism by regulatory authorities. . . . Doubtful assets have been eliminated—their banks are sound and safe, and are going to stay that way. . . . While they have experienced material decreases in loans, deposits have increased and net earnings have grown largely as a result of careful selection of conservative, top-grade investments. . . .

Many of these bankers, especially since 1941, had correctly analyzed future increased earnings and had wisely provided some measure of tax exemption, and have taken advantage of the major opportunities afforded in 1941, 1942 or 1943 to buy any one or all of the four longest partially-exempt issues at prices ranging as low as 108.16 to 109.16—or a cost averaging two to three points below current levels. . . . May one expect investors who have been fortunate enough to make such worthwhile commitments to liquidate, even though they may believe that a decline of two or more points is possible—even probable? . . . We believe not. . . . After all, the amortized book values are somewhat lower than costs, which fact further reduces any possible interest in selling. . . .

Partially-exempts must be amortized; and, under the 1942 Revenue Act, can be amortized to the call date rather than maturity. . . . Consider, then, the most remote call date on the 2¾s of 12-15-65/60. . . . The 1942 Revenue Act arbitrarily reduces this issue, for amortization purposes, to a maturity of 16 years and 9 months. . . . The present asked price (3-13-44) is 112.3; the amortizable premium is the equivalent of about 22/32s annually. . . .

Granted the 2¾s of 65/60 might decline 22/32s from current levels, but we believe the odds are against such market action. . . . Let's assume that price fluctuations will occur. . . . What practical difference would such declines and advances mean, when investments are made on a sound net income basis, and the premiums involved advantageously amortized to call date? . . .

LOWER PRICE HAZARD

The real hazard which would make for lower prices is a reduction of excess-profits taxes. . . . With no such change expected until post-war years, with 52% of all fully or partially exempt Governments outstanding called or callable within the next five years, in the face of the invasion, in the face of liquidation by Mutual institutions expected at the time of the Fifth War Loan, in the face of other factors which could cause declines, we continue to believe that long, partially-exempts will prove to be valuable property. . . . It will be most interesting to observe what percentage of holders of recently-called obligations will choose to accept cash rather than taxable issues and may elect to invest cash so received in partially exempt Governments. . . . Only 1% of the total refunding operation, or about $47,000,000, might produce a noticeable effect in strengthening the present weak market, and such action might develop within the next few days, inasmuch as the books on the exchange offering closed on 3-15-44. . . .

So far we have discussed only the partially-exempts. . . . What about taxables? . . . If one is to admit that the largest premiums are the most vulnerable—and we do not—the 2½s of 54/52 at 104; the 2½s of 58/56 about 103.17; and the 2¼s of 55/52 should encounter lower prices. . . . We believe that investors holding such bonds will continue to retain their commitments, and do not expect to see these issues lose any material percentage of present premiums. . . . We believe that the entire taxable market will act very well, and that certain bonds—for example, the 2s of 9-15-53/51—present advantageous investment opportunities now. . . .

Summarizing, we believe that:

(1) Holders of partially-exempts will retain—and when possible buy additional obligations of this classification. Why sell when profits will increase taxes?

(2) Because of the increasing demand for the sharply decreasing supply of partially-exempt income, prices of issues providing such income will remain relatively firm in the face of imponderable factors, and will advance over current markets within the near future.

(3) The Federal Reserve Open Market Committee can and will successfully exercise whatever controls may be required in order to maintain orderly markets in Government obligations.

Interesting Situation

Aeronautical Products, Inc., offers an interesting situation according to a memorandum issued by Mercier, McDowell & Dolphyn, Buhl Building, Detroit, Mich., members of the Detroit Stock Exchange. Copies of this memorandum may be had from the firm upon request.

Interesting Realty Issue

R. H. Johnson & Co., 64 Wall St., New York City, have issued an interesting study of Hotels Statler Co., Inc., which offers interesting possibilities at current levels the firm believes. Copies may be had upon request from R. H. Johnson & Co.

January Rail Results

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have issued an interesting circular giving January rail results. Copies of this circular may be had from the firm upon request.

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