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This Is America

By GEORGE E. SOKOLSKY*

Willard H. Dow, President of the Dow Chemical Co., made a statement concerning his company to the Truman Committee of Congress in which he said:

George E. Sokolsky

"(The company) was founded by my father, Dr. Herbert H. Dow, on an idea which he worked out as a student in the Case School at Cleveland. He had discovered that by passing an electric current through brine from the Ohio wells he could liberate bromine, and by blowing out the treated brine in a wooden tower he devised, he could separate and recover the bromine. . . . My father had a basic idea. . . . My father

*Mr. Sokolsky's articles, titled "These Days," are a feature of the New York "Sun" and the above is reprinted from its issue of March 22, by permission of that publication and King Features Syndicate.

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Planned vs. Free Markets After The War

By MORDECAI JOSEPH BRILL EZEKIEL*
Economic Advisor to the Secretary of Agriculture

Government Economist Favors, In Most Cases, Planning By A Responsible Bureaucracy—Holds The Modern Tendency Is To Permit Planning Only On Condition That It Is Operated Or Controlled By A Public Agency.

All production is planned. No farmer harvests a crop, no manufacturer makes a product, unless some one has first planted seed or built a factory. The question, however, is whether those production decisions of individuals are made solely in response to the price on a competitive market, or whether they are made in response to an appraisal of the economic situation which, in some organized way looks beyond the price itself and which involves some conscious program as to future developments.

Mordecai Ezekiel

In wartime, there is no question but that production must be planned, and planned under public direction. During the war, the Army, Navy, Maritime Commission, and Lend-Lease Administration plan the market on the basis of an ascending scale of demands that strains our productive capacity to the limit. Our great in-

*Address delivered at the Forum Session of the 259th meeting of the National Industrial Conference Board at the Waldorf-Astoria Hotel, New York City, on March 23, 1944.

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By HUGH B. COX*
Assistant Solicitor General, Department of Justice

Holds Free Economy Aided by Anti-Trust Laws—The American, He Says, Does Not Like To Have the Government Tell Him How to Run His Business—If Free Economy is Desired "We Must be Prepared to Pay the Price and Assume the Burdens of Economic Freedom."

Any discussion of a free as opposed to a planned economy must in the end be a discussion of the nature of the forces that control or regulate the market. An economy in which economic power is diffused and the operations of the market are the result of independent choices made by a number of traders is a free economy in the commonly accepted sense of the term. On the other hand, an economy controlled or regulated by centralized or concentrated power is not free, whether it is described by the word "planned" or by some more invidious term.

Hugh B. Cox

In either kind of economy there

*Address delivered at the Forum Session of the 259th meeting of the National Industrial Conference Board at the Waldorf-Astoria Hotel, New York City on March 23, 1944.

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Chester Bowles Favors Early End Of Price And Rationing Controls

OPA Administrator Looks Forward To Time When All War-Time Controls Can Be Abandoned—More Optimistic Regarding Prospect Than Most Others, He Says.

"There is no group of people in the country who are quite as anxious to be rid of price control and rationing measures as those of us who work for OPA," it was stated by Administrator Chester Bowles in favoring the "Chronicle" with his views of whether such measures should be continued in the post-war period. The "Chronicle," it will be recalled, recently published a large number of comments made by various personalities in Government, business and financial circles on this subject. These expressions were given in our issues of Feb. 17, Feb. 24, March 2 and March 9.

Chester Bowles

In his letter of March 18 last, to the Editor of the "Chronicle," Mr. Bowles said that "No one will be happier than I when the pressure of forces generated by the war subsides sufficiently to allow abandonment of all war-time controls" and pointed out that in the case of the soft goods industries, clothing, shoes, etc., this should be possible more quickly than may be feasible insofar as the products of heavy industries are concerned, such as automobiles, refrigerators and household equipment. The text of his letter reads as follows:

"No one will be any happier than I when the pressure of forces generated by the war subsides sufficiently to allow abandonment of all war-time controls. Just

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Progress Toward International Economic Cooperation

Mr. Fowler Views Most Basic Problem That Of Trade Barriers—Without A Substantial Increase In International Trade Over Pre-war Levels, We Shall Fall Far Short Of The Goal Of Full Productive Employment, Here Or Elsewhere, He Avers

By WILLIAM FOWLER*

Chief of the Division of Commercial Policy, Office of Economic Affairs, Department of State

It is fortunate that we can assemble here today to discuss, with a sense of realism, of confidence, and of urgency, the kind of international economic cooperation that will be needed if we are to have prosperity and security for more than two- or three-score years after this war.

Wm. A. Fowler

If nations now our Allies had not stubbornly held back the Axis forces we might well be standing alone today in a last-ditch fight. If we had not awakened to our mortal danger, even before Pearl Harbor, and put our great producing forces into cooperation with the fighting forces of the democratic nations; if we had not, after Pearl Harbor, linked our producing and our fighting forces with those of the other United Nations to form one gigantic fighting machine—we probably would not be here today discussing post-war problems.

Through wholehearted cooperation we have been able to remove any question of ultimate

*Address delivered before the Citizens Conference on International Economic Union, held at the Statler Hotel, Washington, D. C., on March 4, 1944.

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Gold Stocks

By MILAN D. POPOVIC*

This is not intended to be a review of monetary system or a discussion of theoretical gold standard. It is only a practical consideration of the position of gold metal from the viewpoint of its owner, that is, the stockholder in the mines, in the light of plain economics, principally the factors of supply and demand.

On that basis it would seem that the gold securities contain too many negative elements for even speculative holding, not to speak of the conservative investment. The reasons for this bearishness are not new; they were in existence for years and through the recent period in which gold stocks rose and almost doubled in price. So, contrary to this opinion, the market says that the gold stocks are good investments as many of them sell at prices which even discount future expansion.

M. D. Popovic

The market action follows majority view, correct or not, and in this as in most other instances again it is indicated that the relatively unthinking investors dominate the market scene. In the light of points discussed here they are wrong and I don't know whether I shall be proved right tomorrow or five years hence, or ever, but as an investor trying to

*An address made by Mr. Popovic, who is analyst for the Blue Ridge Corp., earlier this month before the New York Society of Security Analysts, Inc.

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Ontario Would Ban Stock Sales By Long Distance Telephone

TORONTO, ONT., CANADA—The Ontario Mining Commission has filed a report in the Ontario Legislature urging a ban on the sales of securities in other provinces or in the United States by long-distance telephone calls from Ontario. The report also recommended the extension of the present Ontario regulation prohibiting security sales by personal visits to residences or by telephone calls "to include long-distance telephone calls or telegraph messages emanating from the Province of Ontario and that such regulation be rigidly enforced."

The ban on telephone sales and a number of other regulations were suggested as amendments to the Ontario Securities Act, but the Commission recommended passage of a new measure including some of the provisions of the old act as well as the Commission's new proposals.

The report says the Commission is convinced from evidence at its hearings "of the urgency for immediate corrective measures in respect of the sale of securities in Ontario," and adds that "evidence before the Commission indicates that fraudulent practice in the sale of securities to the public has reached serious proportions," which if allowed to continue "must inevitably reflect upon the Provincial Government and hamper the financing of legitimate mining development."

STANY Inaugurates Program Of Forums

The Security Traders Association of New York are this year inaugurating a series of forums on subjects of especial interest to members. Chairman of these forums, is William Pflugfelder, of Pflugfelder, Bampton & Rust.

The first forum will be held on April 14 at the New York Curb Exchange, Board of Governors Room, at 4:30 p.m. Speaker will be Arthur Knies, of Vilas and Hickey, who will present current events affecting trading in railroad securities. An open question period will follow Mr. Knies' address.

The second forum will be on utilities and will be held in May. Further details will be announced later.

Eyman Opens New Dept. For Pulis, Dowling

Pulis, Dowling & Co., 25 Broad St., New York City, members of the New York Curb Exchange, announce the formation of an investment department under the management of Carl E. Eyman. Mr. Eyman was formerly with B. W. Pizzini & Co.

Magid Joining Army

Samuel E. Magid, Vice-President of Hill, Thompson & Co., Inc., 120 Broadway, New York City, is leaving shortly to join the U. S. Army.

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Must Government Controls Be Continued After The War To Protect Small Business?

Urges Governmental Encouragement Of Individual Enterprise Through Adjustment Of Taxation—Recommends Early Sale Of Surplus Government Plants And Materials

By HON. HAROLD H. BURTON*
U. S. Senator from Ohio

The question is to what extent, if any, must government controls be continued after the war to protect small business?

Hon. H. H. Burton

My answer is that the protection of American business, small and large, as well as the protection of American labor and American agriculture does not depend primarily on governmental controls. In a secondary sense, some continuance of governmental controls will help them all. If, however, governmental controls become the dominant or primary element of our postwar policy, they are likely to wreck, rather than to save, business, labor and agriculture.

America will face her postwar recovery under the greatest handicap in her history. Her taxes will far exceed those before the war and her debt will be at least ten times what it was before the war. We must pay these taxes and service this debt. The bonds evidencing our national debt are held by

*Address delivered at the American Business Congress, Hotel Waldorf-Astoria, New York City, March 17, 1944. Senator Burton is a member of the Senator Truman Committee investigating the National Defense Program.

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5% Poll Results

In view of the controversy that has arisen amongst dealers in securities regarding the "5% mark-up limitation rule" and in order to arrive at some idea as to whether or not the industry favors such a limitation, the "Chronicle" is conducting a poll of all members of the NASD and all non-member dealer firms in order to ascertain the true facts. If trade custom is altered by the Association it will affect non-members too. Hence, the polling of both members and non-members of the Association. Editorial comment will be reserved until complete returns are in. We give below a tabulation of the returns as they stand at press time (evening of March 29th):

RETURNS FROM NASD MEMBERS	
Total Ballots Returned	457
Number Favoring (approx. 17% of those already cast)	77
Number Opposed (approx. 83% of those already cast)	380
RETURNS FROM NON-MEMBERS	
Total Ballots Returned	39
Number Favoring (approx. 6% of those already cast)	2
Number Opposed (approx. 94% of those already cast)	37

New Jersey Court Upholds Right Of State To Serve Subpoenas By Mail On Dealers

The New Jersey Court of Errors and Appeals on March 9 decided that the Attorney-General of the State had authority under its Blue Sky law to serve subpoenas by mail on Clifford Wilfred Edwards, John H. Roberts and John M. Baird, Canadian security dealers, requiring them to appear for examination and give testimony and produce books, before they or their agents could engage in business in New Jersey. The defendants contended that a personal service was required, and that service by mail outside the limits of the State was unconstitutional.

In rendering its judgment, the Court said:

"The inherent difficulty, if not the impossibility, of serving any notice upon the defendants within this jurisdiction appears by their own statements. Baird admits that he resides in Toronto, Dominion of Canada, and has his office there; Roberts, that he is a British subject, resident and domiciled in Toronto, and the editor of a newspaper there; Edwards that he, too, resides there. No one of these three denies that he proposes to come within the State and traffic in securities."

"The case loses much of its difficulty," continues the decision, "if it is considered that the Attorney General's position is analogous to that of a licensing officer, and that the decrees go no further than to enjoin a dealer from engaging in the security business within the State until he shall have gone through the procedure of appearing and submitting the facts incidental to the application. The salient questions then become whether the proposed business is a fit subject for licensing and whether the legal principle may be given application in certain instance without requiring all security dealers to proceed in that manner.

"The propriety of subjecting dealers in securities is clear," continues the Court. "True, control under our statute is not, either by the legislation or in practice but in operation against all dealers ... but the law is applicable to all dealers and is not, we believe, discriminatory . . . It is, we think, within the reasonable exercise of the police power of the State to give freedom of business activity to security dealers, subject to inquiry at the instance of the State's ranking legal officer, and to restraint, upon refusal to submit to inquiry."

Small Business And The Capital Markets Under NASD's 5% Rule

By RAYMOND MURRAY

Small business has lots of friends and ought to have. Without small business there would be no big business. In fact big business is generally made up of an assemblage of small businesses. Then in addition the big business of small businesses is still further dependent on hundreds of other small businesses for its life. That is, business is all interdependent. A complete description of the businesses on which a giant motor car manufacturer depends would be a whole catalogue of small enterprises located in many diverse parts of the country and in many different countries. One of the most successful motor car parts businesses I know started in a deserted barn with an unemployed draftsman, an accountant, a metal worker and a few hundred dollars borrowed from a loan shark at 42% per annum. But the interesting thing about this business is that it started in the thick of the depression of 1934 and has made a big success. Today it is a business of several millions of dollars per year, or was in 1939-40. It consisted of a good idea, a few ener-

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Edward E. Chase Says Business Taxes Should Be Simplified

Holds Present Laws Are Patchwork Of Confusions And Complexities, And Put Premium On Trickery

In opening the discussion on Federal Tax Simplification at the 74th quarterly meeting of the New England Council at New Haven, Conn., on Mar. 17, Edward E. Chase, President of the Council, who is also President of the Maine Securities Co. of Portland, Me., stressed the necessity for simplification of the existing Federal business taxes.


Edward E. Chase

"We are not presenting a complaint about the amount of business taxes, which for the sake of sound fiscal policy should perhaps be increased during the war," he said. "Our aim is to remove or lighten the burden of the complexities, to eliminate the absurdities, and to reconcile the conflicts in interest between business as a service agency and business as a collection agency."

Continuing his address, Mr. Chase said:

"We all know that the tax collecting function has upset all the old rules. Business organizations cannot operate efficiently when every business decisions is weighted by a tax problem. Experience is no longer a reliable guide. In a business where being right four times out of five once meant success, it may now be necessary to be right every time. The relative ratio of risks and rewards has become distorted, and incentives and expectations cannot be computed. Nothing will stay put while you fix something else. The complexities create new pressures, new incentives, new and unforeseen consequences.

"One cannot turn around without encountering a former absurdity which has been made logical by the tax system. It has put a premium on trickery and brought into existence a new profession of experts in tax avoidance. Everything has been turned upside down. A business subject to excess profits tax is advised to charge off its doubtful accounts, because it is more profitable to lose the money than to pay a lawyer to collect it. We have all been solicited to contribute to causes and organizations on the ground that we can make the contribution for the most part at Government expense—though it would be hard to show that any cause deserves support or needs money more than the Government.

"An insolvent real estate corporation, having no assets except a broad charter and a faint spark of legal vitality, acquired the profitable business of an aviation appliance firm which was subject to excess profits tax at the top rate. By offsetting these profits against the accumulated deficits in the real estate corporation, the tax liability was changed greatly. Apparently new wealth was created by this maneuver, for the stock of the formerly insolvent corporation increased in value, and investors were urged to buy it in order to share in the opportunity created by the smart scheme to avoid Federal taxes. This deceptive device was openly termed a tax umbrella.

"I have heard of a company which made a lot of money on munitions; and in order to keep it, instead of paying 80% in taxes, the management went into the development of oil leases by drilling on shores. The losses would be offset by reduced taxes, while profits could be avoided by capping wells and leaving the oil in the ground.

"There are numerous examples where a business concern, by legitimate devices of recapitalization or transfer of ownership, without changing the business or its ability to pay taxes, has reduced greatly its tax liability. And new businesses have been organized solely for the purpose of buying established enterprises where former owners could achieve a tax status more favorable than they would otherwise possess. Constructive corporate reorganizations have been prevented by the tax penalties incident to a sound financial structure. And while the Government advocates the payment of debts as an anti-inflation measure, the tax system confers an advantage upon any corporation which owes more than it should.

"I do not know what are the long-term aims of our Government. Also the question, "What are we fighting for?" seems to have many answers. But whatever our aim may be, and whatever it is for which we fight, I will venture to predict that when our purposes are made known we shall find the present system of taxation working against them. If we are for encouraging individual initiative and small beginnings, taxation has been put to work in opposition. If we are for equality of opportunity, we find taxation at work to destroy it. I have even found taxation operating to increase racial intolerance. If we are for stability, taxation promotes a state of flux in values and in ownership. If we want to muster our productive manpower, taxation mobilizes a horde of bookkeepers. And if we want only decency, we see that taxation has undermined its foundations by turning faults into virtues and by making shrewd and smart what we once called fraudulent.

"Let me repeat that this discussion is not a bellyache about the dollar burden of Federal taxes. My personal view is that neither President nor Congress nor Mr. Willkie has come near to the amount which should be raised in taxes. We have not even borrowed adequately, as we find when we study the terms and times on which our loans are outstanding. From the standpoint of sound finance, tax collections are insufficient, and every war loan has been a failure.

"We ask only for relief from the burden of confusions and complexities of a tax law which is a patchwork of improvisations. In the hope of making a contribution to that end, this discussion has been instituted."

NASD Against Gleason

SEC Annuls Ouster Of NASD Member—Interprets Right Of National Securities Dealers Association To Discipline For Overcharging

The Securities and Exchange Commission has just issued a release covering its "Review of Disciplinary Proceedings" against Sherman Gleason & Co.

These proceedings originated in District No. 14 before the Business Conduct Committee of the NASD.

Sherman Gleason, who is the sole proprietor of Sherman Gleason & Co., was charged with excessive mark-ups, failure to keep a position book and comingling firm with customers' securities.

Being found guilty of these alleged offenses by the Business Conduct Committee of the NASD, he was fined $250.

Gleason also failed to respond to a general questionnaire promulgated by the same District Business Conduct Committee and was expelled from the NASD.

Applying to the SEC for a review of this disciplinary action, Gleason claimed bias on the part of the Conduct Committee which tried him. He further contended that his dealings were conducted according to the accepted standards and customs of the securities business basing retail prices on over-the-counter quotations appearing in the Boston newspapers, that he had never sold any security above the newspaper quotations, and that he invariably handled the other side of the transaction, without a commission or profit, i.e., he sold what the customer offered in trade at no cost to the customer.

With respect to the NASD questionnaire, Gleason claimed the denial of his request that the matter be held in abeyance until the SEC passed upon his petition for review, was arbitrary.

SEC Criticizes NASD And Its Business Conduct Committee

The following are some of the extracts, findings and comments of the SEC taken verbatim from its "Release" in this case.

"No data were introduced on prevailing markets in the securities at the time of sale. Gleason's defenses that he did business on 'the same basis . . . that is employed by all other houses of my type and size in the city of Boston' and that his 'business has at all times been operated according to the custom and usage prevailing in the securities business in the city of Boston'; that he took no commissions in selling for customers and made less than 1% in net profit were, as far as

(Continued on page 1322)

Alfred McGowan Is Joining Wyeth & Co.

Alfred J. McGowan is becoming associated with Wyeth & Co., 40 Wall Street, New York City, members of the Los Angeles Stock Exchange. Mr. McGowan was formerly with Gill & Co., specializing in guaranteed and minority railroad securities. Prior thereto he was manager of the trading department for Dresser & Escher, was with Van Alstyne, Noel & Co., Pizzini & Co., and Joseph Walker & Co.

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.

Kaiser & Co. Is Now N.Y. Exchange Member

Leland M. Kaiser has been elected to membership in the New York Stock Exchange. Mr. Kaiser is a general partner of Kaiser & Co., well known San Francisco investment banking firm specializing in State and municipal bonds. Other members of the firm include Edwin R. Foley, general partner; Walter D. Heller and Allen E. Meier, special partners.

In addition to the San Francisco office in the Russ Building, the firm maintains an office in New York at 25 Broad Street under the management of Charles C. Horton. The firm is also a member of the San Francisco Stock Exchange.

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.

Analysis Of Latin-American Defaults

Dr. Max Winkler Takes Issue With Sen. Hugh Butler That There Are $1,720,000,000 Of Latin-American Bonds In Default—Contends Only Four South and Central American Nations Are Not Paying Interest In Whole Or In Part

Taking direct issue with Sen. Hugh Butler from Nebraska that "Latin American countries have $1,720,000,000 of bonds in default" and that "they refuse to pay even interest on these loans made to them," Dr. Max Winkler declared on March 23 that more than four-fifths of all external obligations of Latin American governments and political subdivisions, outstanding in the American market in the amount of about $1,346,500,000, are receiving interest in whole or in part while less than one-fifth, or about $277,200,000, is in complete default.

Dr. Max Winkler

Dr. Max Winkler, member of the brokerage firm of Bernard, Winkler & Co., and associate professor of economics at the College of the City of New York, spoke at the Round Table on Latin America held at the New School for Social Research at 66 West 12th Street.

In view of the "much maligned and greatly abused foreign bonds, this showing," Dr. Winkler said, "is much more impressive than past and current criticism of American foreign investments suggests. It may well be doubted whether any other category of securities dealt in on the American market and comprising rails, industrials, utilities or real estate obligations can point to a more satisfactory performance.

"Of the twenty Latin American countries, fourteen have bonds outstanding in the American market. Ten are meeting interest on their direct obligations, either according to the original loan agreements or on the basis of recently effected settlements.

"Only four republics remain in complete default, including Bolivia, Costa Rica, Ecuador, and Peru. In the case of El Salvador under a recent agreement disbursements will undoubtedly be made to bondholders in the near future."

Analyzing the bond issues of the four countries now in default, Dr. Winkler stated that in the case of Bolivia and Peru the original issues were effected under circumstances "which suggested that bondholders would be bound to experience difficulties eventually. These issues amount to well over one half of the entire amount of Latin American dollar bonds in default."

As for the Colombian and Costa Rican obligations, the continuation of the default in view of the improvement in the economic and financial conditions in these republics would seem inexcusable, Dr. Winkler said. "The half million Cuban bonds listed as being in default cannot be laid at the doorstep of that country," he continued, "but is due largely to the attitude of U. S. governmental agencies, which for some mysterious reasons do not permit bondholders to exchange their investments for new obligations which the Cuban Republic created several years ago.

"The only dependable remedy for Latin American defaults lies in a modification of policies on the part of lending countries," Dr. Winkler suggested. "It is more than a coincidence that the defaults on Latin American bonds commenced with the enactment by the United States Government of one of the most rigidly protective tariffs in our history. Unless existing barriers to the free movement of goods and services are either removed entirely or drastically reduced, debtor nations will be able to meet their obligations only as long as creditor nations are willing and able to extend new credits with which to discharge old ones. Such changes are vital if we are genuinely desirous of avoiding a repetition of the experience of American investors in Latin American securities following the hectic days of the 1920-30 decade."

J. H. de la Vergne Is With Weil & Arnold

(Special to The Financial Chronicle)

NEW ORLEANS, LA.—J. H. de la Vergne has become associated with Weil & Arnold, Canal Building. Mr. de la Vergne was previously with White, Hattier & Sanford, White, Dunbar & Co., Inc., and the Whitney National Bank of New Orleans.

New York IBA Group To Hold Dinner April 11

The New York Group of the Investment Bankers Association of America is sending out invitations to a dinner to be held at the Hotel Pierre on Tuesday, April 11, 1944.

The guest speakers will be Clifford N. Folger, Folger, Nolan & Co., President of the Investment Bankers Association of America, and Emil Schram, President of the New York Stock Exchange.

F. Kenneth Stephenson, of Goldman, Sacks & Co., is Chairman of the Executive Committee, and Richard De La Chapelle, of Shields & Co., is Chairman of the Dinner Committee.

Public Utility Securities

United Corporation Plan

The United Corporation on Jan. 27, filed with the Securities and Exchange Commission the initial step in its voluntary reorganization plan to comply with Section 11 of the Utility Act. An offer is to be made under the plan to the preference stockholders to exchange their holdings (up to 1,244,356 shares, or one-half the total amount) for a bundle of securities and cash—each share obtaining 1½ shares of Philadelphia Electric common◆ (currently selling at 20 on the Stock Exchange), ¼ share of Delaware Power & Light common (14¼ over counter) and $3.75 cash (originally $5 was proposed, but a dividend of $1.25 was paid Feb. 14). Total value of the package would be $37.30 compared with the current market price of 34⅛ for United preference.

The exchange offer would be effective for ten days, but could be extended an additional 140 days. If more than one-half the preference stock is tendered, the distribution would be made on a pro-rata basis, as it is not intended to retire more than half the preference stock at this time. Consummation of the plan would mean distribution of United Corporation's entire holdings of Delaware Power & Light and would reduce its holdings of Philadelphia Electric to 155,540 shares, or about 1½% of the company's voting stock. Giving effect to the plan and using year-end market-values, United Corporation's remaining holdings would be as follows:

	Approx. Value	Percent
Statutory Subsidiaries—		
Columbia Gas & Electric, common	$10,246,138	15%
Niagara Hudson Power, common	6,707,683	10
Niagara Hudson Power, B warrants	27,287	--
Philadelphia Electric, common	3,402,437	5
Public Service Corp. of N. J., common	20,166,152	30
United Gas Improvement, common	10,615,890	16
Other Companies—		
American Water Works & Electric, common	425,263	1
Commonwealth & Southern, common	1,348,703	2
Commonwealth & Southern, warrants	15,703	--
Consolidated Edison, common	4,587,750	7
Consolidated Gas of Baltimore, common	2,206,137	3
Lehigh Coal & Navigation, common	407,904	1
Cash (Adjusted)	6,861,094	10
Total	$67,018,141	100%
Amount per share	*$53.86	

*The stock is callable at 55, but in liquidation stockholders would presumably receive 50 plus arrears ($53.75).

In determining whether to accept the plan and tender holdings of preference stock, stockholders are naturally interested principally in the calibre of Philadelphia Electric. The stock, now listed on the Exchange, was distributed some months ago to holders of United Gas Improvement (although a very small amount, less than 3%, had previously been in the hands of the public and traded over-the-counter). The company reported share earnings of $1.37 last year (adjusted to the new stock basis for the entire year) and paid $1.40 of which 20¢ was an extra dividend. Based on the current $1.20 rate the yield is 6% and the price-earnings ratio 14.6.

In the exhibits filed by United Corporation in support of its plan before the SEC, Philadelphia Electric's earnings for 1944 were estimated at $1.44 and for the post-war period at $1.80 to $2.00 (based on possible tax reductions and other adjustments). Delaware Power & Light earnings were estimated at $1.17 in 1944 (against $1.24 last year) and $1.64 to $1.84 in the post-war period (before deducting 14¢ amortization of plant acquisition adjustments). Estimated income from the "package" (including 6% on the $3.75 cash) was estimated at $2.27 in 1944 and $2.95 to $3.30 in the post-war period. Thus, stockholders relinquishing their United preference stock might hope eventually to obtain their original $3 income rate.

A number of detailed tables analyzing earning power of Philadelphia Electric were presented. After adjusting Federal taxes, depreciation accruals, size of plant account, new stock basis, and refunding savings, so as to place all years on an approximately comparable basis, share earnings of Philadelphia Electric during the period 1936-1944 had a range of $2.12-$2.46 based on a 25% normal tax (with no excess profits taxes); and a range of $1.64 to $1.92 based on a 40% tax rate.

Philadelphia Electric sold up to 22 in January but declined to 20 on news of the distribution plan. In 1940 the old stock sold as high as 39½, and the 1943 range for the new stock was 22-17 (the low being registered while the stock was on a "when issued" basis).

◆The old stock is not strictly comparable with the new because of the reclassification in 1943 when UGI distributed its holdings.

Additional Views Anent Dr. Lutz's Suggested Post-War Tax Policy

In an article bearing the caption "A Post-War Tax Program," which appeared in the "Chronicle" of Feb. 10, Dr. Harley L. Lutz, Professor of Public Finance, Princeton University, suggested a program for allocation of tax sources between the various levels of government—Federal, State and local—which, in his opinion, "appears to offer the maximum possibilities of automatic restraint upon the abuse and the destructive use of the taxing power." A number of letters have been received commenting on Mr. Lutz's article, some of which appeared in these columns recently. Others appear herewith:

MARK C. MILLS
Department of Economics, Indiana University

Professor Lutz' program for post-war taxation is forthright and provocative. The most arresting features are the proposals to discard the progressive net income tax as a source of Federal revenue and to rely upon a flat-rate tax on individual gross income and a general sales tax. In many respects these proposals are in direct opposition to current trends of thought. It is doubtless true that the proponents of net income tax before 1916 never dreamed that it would be necessary to push progression so far nor to adopt rates so high as those now in use.

As Professor Lutz doubtless realizes, there would be much opposition to these proposals on the grounds of the regressivity of both the sales tax and of the gross income tax. Despite this objection to the gross income tax, it is true that on the whole it has been successful in the States that have used it. In part, this success has been due to the low rates employed. While theoretically regressive in its results, the rates have been so low they have not given rise to serious difficulties and the yield has been remarkably good. With rates as high as would be necessary if the gross income tax were used as a major Federal revenue, there would probably be much more opposition to the tax than the States have encountered. Furthermore, in the few instances in which gross income taxes have been used by the States they have been used as a substitute for the sales tax rather than as a complementary source of revenue. The proposed sales tax, while it would arouse great opposition, would probably be easier to administer than the "spendings tax" which has been proposed at various times by the Treasury.

The proposal to allow the States to use net income taxes on business and progressive net income taxes on individuals raises interesting possibilities as does also the proposal to leave inheritance taxes of all kinds to the States. In both cases there would doubtless be, as Professor Lutz suggests, much competition between States with respect to rates and other advantages offered to industry. Such competition between States might be a potent factor in the relocation of industry after the war.

The effect of the present heavy Federal taxes upon saving and investment has been obscured by full employment growing out of the war effort and by the fact that the Government itself has provided a large part of the new capital which has gone into industry. Obviously, if the Government were to withdraw its support and to continue high taxation of business incomes, the prospect of expansion would be very different from what it has been in the past. Professor Lutz is realistic in his treatment of this problem.

ADAM L. GIMBEL
President, Saks Fifth Avenue

I read Dr. Lutz's article with great interest and am in agreement with his views, and you can rest assured that I will give it to others in my organization to read.

C. A. PHILLIPS
Dean, The State University of Iowa, College of Commerce

The "Chronicle" is to be congratulated upon the publication of such an able contribution. Dr. Lutz thinks deeply and soundly.

Kyle, Albert Frank's Philadelphia Manager

The appointment of Milton T. Kyle as manager of the Philadelphia office of Albert Frank-Guenther Law, Inc., advertising agency, has been announced by Emmett Corrigan, Chairman of the board. Mr. Kyle has been associated with the Philadelphia office for the past 10 years. He started his advertising career 28 years ago as a newspaper man in Philadelphia. In 1929, he opened the Philadelphia office of Doremus & Co., from which he resigned in 1934 to become associated with Albert Frank-Guenther Law.

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; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Brockway Motors; Consolidated Dearborn.

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.

Bosworth And Lanius Join Merrill Lynch

(Special to The Financial Chronicle)

DENVER, COLO.—Edwin M. Bosworth and Paul B. Lanius have become associated with Merrill Lynch, Pierce, Fenner & Beane, First National Bank Building. Mr. Bosworth had been in the investment business for himself in Denver for the past 35 years. Mr. Lanius has recently been with A. D. Wilson & Co. Prior thereto he was in the investment business for himself in Denver.

Cartwright a Director

Clermont Cartwright, Vice-President of Hill, Thompson & Co., Inc., has been elected a director of Richmond Ice Company, of Richmond, Virginia, and of the Raleigh Ice & Coal Company, Raleigh, N. C.

Railroad Securities

The rail market has been in a notably jittery condition in recent weeks, with short spurts of pronounced strength interspersed with sudden withdrawals of bids for all classes of speculative securities. Successes in the Pacific, heavy bombing of Germany, and the incredibly rapid advances of the Russian Armies have in general more than offset the implications of the stalemate in Italy and have brought about recurring waves of peace optimism. This peace psychology has been furthered by political news leading to hopes of early defections by various of Hitler's satellite nations and hints of impending important further consultations of United Nations' leaders.

The recurring hopes of an early peace have in turn been dampened from time to time by publicized statements of Allied military leaders, set-backs such as the Japanese invasion of India, and a more realistic appraisal of the still formidable strength of the German fighting forces as demonstrated on the Italian front. As peace hopes periodically dim more weight is given, marketwise, to the tangible factors of current and early future earnings, and the unquestionably strong finances of the industry.

Also, when the immediate idea of an early peace fades into the background there is a greater tendency to remember the vast backlog of demand for civilian goods being built up and the consequent prospect for a sustained period of good general business in the post-war period. Regardless of the predictions of Mr. Ford that railroads will be abandoned entirely, there are few investors or speculators who doubt that the railroads will participate fully in any post-war prosperity period. It is only for short intervals during sudden waves of peace psychology that emotions overshadow reason, and bearishness prevails.

Despite the relatively violent swings that have been witnessed in recent weeks the general trend has continued upward. Most students of rails and rail securities are confident that this upward trend will continue, naturally with further recurring periods of temporary weakness.

In the closing days of last week selected reorganization securities again displayed signs of independent strength. For some time previously this group had been more or less in the doldrums. Strength in the reorganization group rests largely on expectations or hopes of specific developments in the individual proceedings. The near term future is rich in potentialities for such developments.

One recent tangible development has been announcement of payment early in April of interest on bonds of the Missouri Pacific group. These distributions were authorized last year but payment was held up by court appeal. It is hoped in some quarters that an appeal for additional payments will be forthcoming in the relatively near future. Cotton Belt is also expected to ask for permission to distribute some cash to bondholders as soon as conflicting groups can come to an agreement as to how such payments should affect security distributions under the reorganization plan.

In addition to the interest payment possibilities there are prospects of completion of intermediate steps in a number of reorganizations shortly. It is expected that the ICC will present its final modified plan for St. Paul to the courts by the Middle of April. The Rock Island plan should also be submitted to the courts shortly, and a final plan for Missouri Pacific is considered long overdue. Hearings have finally been set on the Seaboard new securities and as this is merely a technical matter, with the Commission not required to rule on the method of allocation of the new bonds, the decision should not be long delayed. Thus it is possible that two new groups of securities, St. Paul and Seaboard, may be added to the "when-issued" list shortly. All of these potentialities, added to the usual seasonal hope of appeals for interest payments, are calculated to sustain the recent speculative interest in the reorganization group over the next few months, and even in the face of probable unfavorable year-to-year earnings comparisons.

Irving Lundborg & Co. To Be NYSE Members

SAN FRANCISCO, CALIF.—With the acquisition by Murray Innes, Jr., of the New York Stock Exchange membership of the late George C. White, Irving Lundborg & Co., Kohl Building, members of the San Francisco Stock Exchange, will become members of the New York Exchange.

Partners in Irving Lundborg & Co. are Robert F. Mulvany, George John Otto, Mr. Innes, Harry E. Jonas, general partners and Alfred P. Otto, a limited partner.

J. M. Kimball And Others Join Townsend, Dabney

(Special to The Financial Chronicle)

PORTLAND, ME.—John M. Kimball, M. E. Callahan, Charles C. Chase, and Richard P. Knight have become associated with Townsend, Dabney & Tyson, Fidelity Building. All were previously with Harry A. Rounds Co., of which Mr. Kimball was President.

Must Government Controls Be Continued After The War To Protect Small Business ?

(Continued from page 1299)

every bank, insurance company, church, trustee and practically every family in America. Default on it would mean depression, unemployment and suffering. It would open the door to such a totalitarian regimentation of our scarcity as to make us wonder whether we had won or lost the war.

To carry these taxes and this debt, we must create a condition of abundance. We must have a production of real wealth in America that will substantially exceed our production before the war. We have the high records of war production, we have the plants, the materials, the tools, the new inventions, the skilled workmen, the skilled supervision, the manpower for distribution and operation, and we have an ample demand here and abroad for our products.

To finance such development calls for a flexible flow of capital into countless enterprises. It calls for dynamic initiative and effort such as can be the product only of individual enterprise. It calls for a minimum of governmental expenditures for non-productive supervision and reporting. It calls for a minimum of delay in making business decisions. It calls above all for stability and reasonable assurance of stability for a substantial number of years ahead so that private plans can be made and investments can be risked upon the probability of future developments. It calls also for governmental protection of fair practices and for governmental protection against economic dictatorships that can be as bad as political dictatorships.

Our primary obligation is to win the war and secure international peace and stability. This makes sound foreign policy a domestic necessity.

Our secondary obligation is to adjust the reins of governmental controls so as to encourage the vigorous development of private initiative, private employment, the investment of private capital and the development of small, as well as large, private enterprises. Equally important is the need for passing from our war economy to our peace economy as smoothly and quickly as possible so that there may be no unnecessary moment of unemployment and no unnecessary delays in production.

In the place of the governmental direction of business, we urge governmental encouragement of individual enterprise through the adjustment of taxation. This is an appropriate field of indirect governmental control. The first need is to reduce governmental expense so as to reduce the need for taxes. The second need is to adjust the burden of the taxes so as to encourage the investment of large and small private capital in new and productive private enterprise, the turning back into further productive enterprise of the earnings of industry, and the cordial sharing of the earned proceeds with those who labor to produce them. The burdens of regimentation and of taxation fall with especial weight upon the small businessman and especial attention needs to be given to relieving him of unessential reporting, the encouragement of his use of the corporate form without unfair handicaps of taxation, the announcement of tax policies as far in advance as possible so that the businessman may have a long-term basis for postwar planning.

Rationing of the consumption of particular items of which there is a continuing shortage and retention of price control in the interest of checking price inflation where shortages exist will be needed.

Our emphasis should be on the freeing as quickly as possible of the means of production so as to reduce all shortages. This means the early inventory and sale of surplus governmental plants, tools, materials and supplies not needed for the war or for essential civilian requirements.

It is in the field of non-essential civilian articles that the scope for discretion comes.

Here the policy can tend toward either a maximum or minimum of governmental guidance and control of materials and of governmental selection of individual producers. The Truman Committee of the Senate, of which I am a member, in its recent annual report recommends a minimum of such control.

We recommend the release of surplus materials even during the war. We urge private enterprise to pick up these materials for all simpler uses of them that can be made, especially by small business, while larger and more complicated uses of them is impossible because of the military or essential civilian needs for some critical incidental items such as electric motors or ball bearings.

The Committee expressly states "that we should have confidence in the operation of the free democracy for which the war is being fought. The Committee therefore believes that a manufacturer should be allowed to make any article he desires to make and thinks he has the facilities to make providing:

"1. Basic commodities . . . that are required . . . are not required for the manufacture of war or essential civilian items;

"2. The proposed manufacturing operations are not undertaken in an area . . . having an acute manpower shortage; and

"3. The manufacturer has not been offered a contract or subcontract for a war item, or notified . . . that a contract probably will be offered him in the immediate future."

On the other hand, constructive governmental control will be needed to protect the war industries, the production of articles for essential civilian needs and for a limited number of less essential civilian articles that will face a temporary shortage of materials for their production.

We recognize the need for continued protection of small business against monopoly and unfair methods of trade and competition. We believe that the best protection for small business is to win the war, provide a stable international peace, adjust taxes so as to encourage the use of private capital in productive enterprises and assure impartial administration of labor laws.

We believe that the best protection for small business is to give it the benefit of governmental attention, consultation and cooperation, but to free it, and all other business, as much as possible from governmental control.

Coburn & Middlebrook Open Portland Branch

(Special to The Financial Chronicle)

PORTLAND, ME.—Coburn & Middlebrook are opening a branch office at 465 Congress St. Associated with the office will be John V. Chapman and Frederick B. Webster, both previously with Townsend, Dabney & Tyson, and Martyn H. Shute.

United Steel Workers Declare Wage Rise Is Not Inflationary

Arguing before a War Labor Board panel, on March 25, for a 17-cent hourly wage increase, CIO United Steel Workers denied that such an increase would have any inflationary impact, it was said in an Associated Press dispatch from Washington, on March 25, which also had the following to say:

David J. McDonald, union secretary, said the demand had been attacked on two fallacious grounds: First, that increases in steel prices would be necessary, and, second, that the wage increase is not in the national interest because it is inflationary.

Mr. MacDonald said the union's brief "demonstrated beyond doubt that the steel companies are in such an excellent profit position that they can pay the wage increase without raising the price of steel products.

"A wage increase that is met out of excessive profits can in no sense be called inflationary. If steel prices do not rise, then the prices of the products fabricated with steel will not rise. Hence, there will not be the impetus for a general inflationary wave of new price rises.

"The companies are using the theory of the so-called inflationary gap as an argument to keep wages frozen. This theory has been widely publicized and has become a major argument in support of wage freezing.

"Some officials and economists have tried to panic the country with wild predictions that the inflationary gap for a given year will be $40,000,000,000 or $60,000,000,000.

"On the basis of this false forecast, they then attacked the efforts of workers to adjust the Little Steel formula upward so that wages will be stabilized at the level of the real rise in wartime living costs.

"Significantly, not one of these scares has actually materialized."

What 200 Leading Stocks Will Do By Best And Worst Post-War Estimates

The Value Line staff has estimated the post-war sales and earnings per share of common stock of 200 leading companies under three different national income assumptions:

1. A national income of $135 billion (an optimistic assumption, since it implies almost full employment of the available working force of the United States).

2. A national income of $120 billion (which is moderately optimistic, in that it assumes that all but about six million of our working forces of 57 millions will be employed after the war).

3. A national income of $100 billion (a pessimistic assumption, since it implied unemployed of 11 million of the available working force of 57 millions. In 1932, by comparison, there were 13 million unemployed in this country).

In a special introductory offer, four consecutive weekly editions of the whole Value Line Survey are offered at only $5. Subscribers will receive Ratings and Reports on all the 200 leading common stocks (including 1944 earnings estimates and post-war earnings estimates under three national income assumptions); two Fortnightly Commentaries; a Report on the Value Line's Supervised Account; a Report on 37 Value Line Special Situations. Because the fee for one month's service is well below the $85 annual rate, this offer is restricted to those who have not already had a one-month trial within a year.

Write to The Value Line, 347 Madison Avenue, New York City.

Real Estate Securities

By JOHN WEST

Grant Building 2½-5s Paying $62.50 Interest April 1—1943 Earnings 11¼% On Outstanding Bonds

The 40-story Grant Building having a rentable area of about 400,000 square feet with a 5-story, 237 car ramp garage, is one of the outstanding office buildings in Pittsburgh, Pa., the heart of the steel industry.

A voluntary reorganization of the funded debt was effected in December, 1937, which placed the property in a position to meet varying conditions. Fixed interest charges of 7% were eliminated and replaced by provision for 2½% fixed interest plus 2½% contingent interest, depending upon earnings cumulative to the extent earned. A sinking fund provision calls for the use of 50% of earnings above 5% bond interest for the purchase and retirement of bonds.

Earnings for each year 1938-1943 have been in excess of full interest requirements, but for a period the directors deemed it advisable to allow the contingent interest to accumulate in order that the funds could be used for structural changes and to make available a full unfinished floor for occupancy and to enlarge the electric system and equipment. These changes have been of considerable benefit to the property as the following schedule of earnings will show reflecting 1942 and 1943 earnings in comparison with prior years.

For Year	Surplus Earnings Over 5%
1938	$45,098.83
1939	34,973.66
1940	5,199.04
1941	10,346.02
1942	89,323.00
1943	178,538.36

Contingent interest payments per $1,000 bond have been made as follows; the total payment of $62.50 being made April 1 includes $12.50 fixed and $50.00 contingent interest and cleans up all contingent interest accumulations.

April 1939	$25.00
1940	25.00
1941	5.00
1942	10.00
1943	35.00
1944	50.00
	$150.00

Amounts available for sinking funds per indenture terms have been as follows:

From 1938 earnings	$20,016.09
1939	14,953.50
1940	66.19
1941	5,173.02
1942	44,661.50
1943	89,269.18

As at Dec. 31, 1943, the corporation had accelerated sinking fund requirements by expending $28,886.44 in excess of the above amounts and had purchased in total $327,200 bonds for retirement, reducing the outstanding funded debt to $2,918,800. Now that all contingent interest accumulations have been paid, the corporation may, if it so desires, subject to working capital limitations, use all surplus earnings above full 5% interest requirements for the retirement of funded debt so long as bonds may be purchased at sufficient discount to make such a precedure practical. On the basis that 1944 earnings are at the same level as 1943, the sum of about $178,000 would be available for funded debt retirement instead of the $89,000 indenture requirement.

The record of this property since reorganization in 1937 has been quite satisfactory, each year earnings being sufficient for 5% interest and sinking fund. The bonds trade plus accrued interest at 2½% and go ex the contingent interest each Mar. 15. Based on full interest payments the yield at present market levels is high and the prospects for larger sinking fund operations give a speculative appeal.

Too Many Probes Says Congressman Cochran

The House on March 27, with proposals pending to create two more special investigating committees, received a suggestion that it set up a committee to co-ordinate committees and then change its name to "the House of Investigations." An Associated Press dispatch from Washington on that day, given in the New York "World Telegram" reporting this, added:

"It's about time we slowed down on this thing of setting up special committees every time we turn around," declared Chairman Cochran (D., Mo.) of the Accounts Committee. "At the rate we are going now, we might as well refer to the House as the House of Investigations."

Whimsically suggesting a "committee to co-ordinate committees," Representative Bulwinkle (D., N. C.) declared. "It is unfortunate that we spend so much time investigating."

Representative Cochran was expected to elaborate on his views when the House considers legislation soon to create a special 21-man committee to study postwar military planning.

He estimated that special committees and investigations already are costing "more than a million dollars" a year and much of the work, he said, is "overlapping and duplication."

Situation Looks Good

Steel Products Engineering Company offers interesting possibilities according to a memorandum being distributed by Scherck, Richter Company, Landreth Building, St. Louis, Mo. Copies of this memorandum may be had upon request from Scherck, Richter Company.

Investment Banker Discusses Philanthropy

Col. Allan M. Pope, President of the First Boston Corporation, was guest speaker on the Welfare Council Forum broadcast over Station WMCA last Sunday evening. Colonel Pope discussed with Robert P. Lane, Executive Director of the Welfare Council of New York City, the subject, "A Businessman Looks at Philanthropy."

Allan M. Pope

In his talk, Colonel Pope described philanthropy as "big business" and suggested some of the reasons why practical businessmen have an active interest in social welfare and health, observing, "The old-fashioned notion that business thrives on exploitation and poverty has long been exploded." He also pointed out that business firms are themselves entering the welfare field in a variety of ways by providing special services for their employees.

Colonel Pope is particularly well qualified to talk on this subject, for besides being one of our leading investment bankers he is also President of the Welfare Council, which is a federation of 700 health and welfare agencies in New York City.

"Ready Reference" List Of Ins. & Bank Stocks

White & Company, Mississippi Valley Trust Building, St. Louis, Mo., have prepared the current issue of their "Ready Reference" Insurance and Bank Stock List, including some interesting suggested retail offering prices. Copies of the list may be had upon request from White & Company.

OUR REPORTER'S REPORT

Public offering of the $18,000,000 of Oklahoma Natural Gas Co. first mortgage bonds, sold in open competition on Tuesday, could come today if that is in the plans of the purchasing banking syndicate.

But judging by the indisposition of the successful group to even discuss prices or respond to inquiries from wholesalers in the wake of the award, there was some doubt in investment quarters on whether the bonds would reach the public.

To such interests the transaction bore all the earmarks of a private operation in which the bankers were able to bid for the bonds with full assurance of being able to place the issue without recourse to usual sales channels.

In other words, the general assumption was that the banking firms which obtained the bonds had acted in the capacity of "agent" with bids already in hand sufficient to absorb the full amount.

That, too, would explain why the bankers were able to pay such a seemingly high price, 101.0939, for the issue as 2⅞s. It may be that another group likewise was acting in the capacity of agent, since a second bid for 2⅞s, this one 100.599, also was entered.

At any rate, it is the first 2⅞% issue to make its appearance in the utility field in quite a spell, and the Street naturally is agog. Three other bids, all naming a 3% coupon, ran from ½ to more than a full point above the winning tender.

The group which received the award of the 180,000 shares of preferred stock on its bid of 50½ for a 4¾% coupon is reoffering the stock at a price of $52.

Michigan Consolidated Gas

Yesterday's reoffering of Michigan Consolidated Gas Co. first mortgage bonds and preferred stock, sold in competitive bidding on Monday, found investors in a receptive frame of mind.

Demand was reported as quite brisk with a goodly portion of the inquiry originating from around Detroit and other middle western points.

Dealers here reported that indications were the bulk of the bonds had moved out, though a bit of work might be required to clean up the remaining balance. Meanwhile the 40,000 shares of preferred likewise was moving in a manner satisfactory to the sponsors.

Brooklyn Union Gas

Investment quarters hear reports that Brooklyn Union Gas Co. is engaged in exploring the advisability of undertaking the refinancing of its outstanding indebtedness.

Conversations are said to have been held by interested parties including at least one of the larger of the life insurance companies. Such an undertaking could foot up to a total of around $48,000,000.

But of the outstanding debt some $30,000,000 is non-callable before maturity, a fact which would require direct negotiation with holders or a proposal attractive enough to prompt conversion.

However, since no less than $20,000,000 of the non-callable obligations matures within the next two years, $14,736,000 of first mortgage 5s on May 1, next year, it may be that this program will remain in the background for a spell, at least.

Two Stock Issues Help

This week's volume of new offerings was swelled a bit by the marketing of two small issues of new preferred shares for industrial companies.

Yesterday brought public sale of 25,507 shares of 6% cumulative preferred stock, $100 par value, of Champion Paper & Fibre Co., with proceeds designed to finance contemplated capital expenditures when conditions permit.

Tomorrow another bank group will offer a block of 30,000 shares of series D 4% cumulative preferred stock of the Minneapolis-Honeywell Regulator Co.

Here again the proceeds will be added to working capital for general corporate needs.

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

There are presented this week two tabulations which speak for themselves and need little explanation or discussion.

In Table I will be found a tabular comparison of the 1943 and 1942 earnings, on a per share basis, of thirty well known stock fire insurance companies, which represent a fair cross-section of the industry. Earnings are reported for the parent company only, and thus exclude earnings of any partially or wholly owned subsidiaries. Federal income taxes have been applied to underwriting profits.

In Table II will be found, for the same companies, 1942 and 1943 surplus, unearned premium reserves, and liquidating values per share. The latter figures are exclusive of the parent companies' equity in subsidiaries.

It will be noted that 1943 underwriting results were very favorable compared with those of 1942, when heavy marine losses were experienced by some companies. Twelve companies showed slight improvement in net investment income over the previous year, but the majority reported fractional declines. The surplus of all the companies at the year-end was substantially above the 1942 year-end figures, as also was liquidating value per share. Unearned premium reserves also were moderately higher in the great majority of cases. All in all, 1943 was a substantially better year for the fire insurance companies than was 1942.

TABLE I

Name—	*Net Underwriting Profits Per Share 1942	1943	Net Invest. Income Per Share 1942	1943	Total Net Oper. Profits Per Share 1942	1943
Aetna	—$0.48	$0.84	$1.91	$1.75	$1.43	$2.59
Agricultural	— 1.30	1.16	4.31	4.13	3.01	5.29
American Alliance	0.27	—0.11	1.40	1.38	1.67	1.27
American Equitable	— 0.33	—1.11	1.37	1.62	1.04	0.51
Bankers & Shippers	— 0.57	0.60	5.90	4.72	5.33	5.32
Boston	—20.37	7.10	31.23	31.73	10.86	38.83
Continental	0.15	0.93	2.34	2.32	2.49	3.25
Fidelity-Phenix	— 0.14	1.15	2.62	2.63	2.48	3.78
Fire Association	— 1.75	—0.09	4.08	3.95	2.33	3.86
Franklin	— 0.85	—0.25	1.59	1.33	0.74	1.08
Glens Falls	— 0.20	1.73	1.53	1.48	1.33	3.21
†Great American	— 0.19	0.32	1.26	1.25	1.07	1.57
Hanover	— 0.23	0.61	1.45	1.54	1.22	2.15
Hartford	1.03	2.41	3.03	3.23	4.06	5.64
Home Insurance	— 0.78	0.85	1.63	1.45	0.85	2.30
Ins. Co. of No. America	— 0.18	2.19	3.84	4.01	3.66	6.20
Jersey Insurance	0.00	0.20	2.56	2.28	2.56	2.48
National Fire	0.34	1.32	2.54	2.45	2.88	3.77
National Union	5.42	5.62	11.00	10.95	16.42	16.57
New Brunswick	— 0.56	—0.76	2.15	1.96	1.59	1.20
New Hampshire	0.12	—0.24	2.21	2.26	2.33	2.02
North River	— 0.88	0.16	1.12	1.12	0.24	1.28
Pacific Fire	0.20	1.90	6.65	5.60	6.85	7.50
Phoenix	— 0.11	0.54	3.52	3.43	3.41	3.97
Prov. Washington	— 0.62	1.09	1.71	1.78	1.09	2.87
St. Paul F. & M.	4.54	5.61	13.47	13.53	18.01	19.14
Security (New Haven)	— 0.16	1.47	1.96	1.85	1.80	3.32
Springfield F. & M.	2.86	—1.05	5.51	5.57	8.37	4.52
United States Fire	— 0.92	0.60	2.52	2.63	1.60	3.23
Westchester	— 2.99	0.79	1.71	1.73	—1.28	2.52

*After adjustment for change in premium reserve equity and Federal income taxes.
†Exclusive of Great American Investing Company.

TABLE II

	Surplus ($000 omitted) 12-31-42	12-31-43	Unearned Premium Reserves ($000 omitted) 12-31-42	12-31-43	Liquidating Value Per Share 12-31-42	12-31-43
Aetna	$23,265	$26,614	$23,047	$24,456	$53.31	$58.48
Agricultural	3,949	5,019	6,995	6,788	81.22	89.45
American Alliance	2,967	4,016	2,369	2,494	23.05	26.71
American Equitable	2,251	3,073	5,312	5,762	26.88	31.89
Bankers & Shippers	1,887	2,382	3,399	3,467	106.17	119.22
Boston	13,041	15,259	5,510	5,577	608.17	683.00
Continental	65,189	81,051	23,667	23,941	39.83	47.81
Fidelity-Phenix	51,231	65,272	18,270	17,950	41.53	50.80
Fire Association	9,107	11,584	9,677	9,567	74.89	87.05
Franklin	7,237	8,744	7,004	7,343	21.73	24.64
Glens Falls	6,167	10,442	9,214	9,634	*24.71	*33.59
Great American	22,619	28,292	16,350	16,742	*22.85	*26.50
Hanover	4,662	6,450	6,982	7,225	28.64	33.35
Hartford	69,895	79,395	39,277	41,991	81.34	90.16
Home Insurance	39,305	41,563	49,592	49,068	24.71	28.73
Ins. Co. of No. America	65,643	76,900	27,033	28,855	73.71	83.70
Jersey Insurance	1,058	1,301	2,153	2,246	58.38	64.00
National Fire	26,016	28,687	18,123	19,740	76.53	83.17
National Union	6,378	7,097	9,928	10,763	208.16	227.31
New Brunswick	1,519	1,891	1,787	1,866	32.34	36.37
New Hampshire	7,796	8,611	5,637	5,988	43.50	46.69
North River	12,160	14,248	7,612	7,728	21.51	24.18
Pacific Fire	2,823	3,303	3,907	4,027	134.65	147.85
Phoenix	43,763	48,457	10,506	11,001	89.94	98.09
Prov. Washington	5,572	6,642	5,744	5,952	36.23	40.08
St. Paul F. & M.	23,614	26,761	12,008	12,684	241.03	261.47
Security (New Haven)	4,765	6,886	5,412	6,024	44.65	56.48
Springfield F. & M.	14,636	15,965	16,182	16,557	130.54	137.94
United States Fire	18,642	22,293	12,476	12,780	51.26	58.81
Westchester	7,845	10,182	6,909	6,912	29.02	34.87

*Excludes equity in wholly owned investing companies.

Planned vs. Free Markets After War

By HUGH B. COX

(Continued from first page)

is certain to be some intervention by the Government, even if it does nothing more than enforce the ordinary police regulations against theft, fraud, and similar offenses. Here the line must be drawn on the basis of the nature and extent of the governmental intervention in the market. On one side of the line, the Government intervenes only as a kind of umpire to prevent fraud, force, or oppression and to enforce rules of fair play. On the other side of the line, the Government directly controls or regulates the operations of the market; that is to say, it makes or directs the decisions as to investment, production, price and distribution that in a free market are made by owners and managers.

Sometimes attempts are made to distinguish between planned and free economies on the basis of whether the controlling power is in private or in public hands. This distinction is illusory. An economy in which power is concentrated in the hands of a few private persons or groups is just as truly a planned or regimented economy as one which is run directly by the Government. In fact, a private group that throughout an industry fixes prices, suppresses invention, or denies newcomers an opportunity to enter the market is in effect exercising governmental power. When a planned or regimented economy gets to its last stage, the distinction between public and private power tends to disappear. You then get the kind of condition that exists in Germany in which it is impossible to tell where the big combinations and the cartels end and the Government begins.

These contrasts that I have drawn are not realistic because they are framed in absolute terms. No economy since the industrial revolution, at least in Western Europe or this hemisphere, has ever been either completely free or completely controlled. The economies of different countries have developed in different directions. Within particular countries the economy has not been wholly one thing or the other. In our own country, for example, the power of the Government, from a very early date, has been exercised to influence the economy or to control some of its operations. It is also true that in our country, at times and in particular areas of the economy, a high measure of control has been concentrated in private hands.

Traditionally, however, this country has adhered to the belief that the best economy is a free economy—that is to say, an economy not controlled or regulated by concentrated power, either in public or in private hands, but one in which the citizen, within limits, is free to make his own decisions and to use his own energy and property as he sees fit. We have believed that this is the economic policy most likely to lead to full employment, full production, and an adequate standard of living for the entire population. We have also believed that this policy is most likely to create an atmosphere in which political democracy can live and flourish; it was for this reason that the founders of liberalism fought for free enterprise and against monopolies and restraints of trade. In short, we have believed that this policy was most likely to create the kind of society in which all of us wish to live.

It is true that we have often deviated from this principle. Some of the deviations, the tariff for example, are of long standing; others are more recent. But by and large, we have tried to preserve a competitive economy and a free market. In the future as in the past we shall probably deviate from this policy in certain respects. For example, the national and local Governments will doubtless carry on public works programs and, in some instances, they will intervene to protect or to conserve exhaustible natural resources. Nevertheless, I assume that most Americans still believe in a free economy and that to that extent debate about fundamentals is unnecessary. Our task is to apply the general principle to the specific problems that we shall face as we move from war into peace.

This may not be easy. It is generally recognized that the pressures of war have led to concentrations of power, both in the hands of Government and of private interests. The dissolution or diffusion of power once concentrated is never an easy process. We shall undoubtedly succeed in doing it. But in the interval, while the power is still concentrated and before its diffusion is wholly achieved, we shall be confronted with opportunities and suggestions for its use that should be measured strictly against the standard of our basic belief in a free market. Many of these suggestions may be made in the name of order and security; we shall be told that they must be adopted to protect legitimate investments, to prevent economic chaos and to avoid catastrophic unemployment. In many cases these appeals may be made by persons or groups who sincerely believe in the principle of a free market but who, in their quite natural desire to protect their own interests, overlook the basic inconsistency between the specific proposals they urge and the general doctrine in which they believe.

I can illustrate the kind of inconsistency I have in mind by reference to a pamphlet that appeared in England about a year ago. This pamphlet, entitled "A National Policy for Industry," represented the considered views of a large group of English industrial leaders as to the economic policies which should be followed in England after the war. The pamphlet begins with praise of the system of private enterprise and an eloquent description of its benefits. Toward the end of the pamphlet, however, the writers express concern about the evil consequences that may follow from what they describe as "the uncoordinated action of competing firms." They say that it appears to be "an essential condition of progress that the relations between firms, between different industries and between industry as a whole and Government should be more fully and comprehensively organized in some form of permanent association. Otherwise there will continue to be loss and friction through forms of competition which are wasteful and uneconomic." The pamphlet then proposes the organization of a kind of hierarchy of trade associations and industry committees in which apparently the government will participate, to regulate and coordinate this competition. Thus, a document that begins with praise of a system of private enterprise concludes by proposing what appears to be the NRA with an old Etonian accent.

In this country, too, we may expect that there may be similar conflicts between basic principles in which we believe and specific proposals that may be advanced from time to time by particular groups, who, quite naturally, are preoccupied with their own immediate problems. These conflicts will pose difficult questions about the use of the powers of the govment in the transition period. We are likely to be beset with arguments, many of them persuasive, designed to induce the government to exercise powers, given for the purposes of war, to achieve ends that in many respects will be inconsistent with the existence of a free market. For example, we may expect to hear suggestions that many of the war-time controls over the economy should be extended for an indefinite period after the end of hostilities. Similarly, in the period of transition the agencies of the government may be urged to use those controls for the purpose of equalizing competitive conditions, to bar newcomers from an industry until established concerns have fully resumed peace-time production, or to recreate competitive conditions as they existed at some time in the past prior to the war emergency.

Not all of these arguments will be without merit. It may well be that some measures may be necessary to make sure that the sudden elimination of war-time controls does not give the economy too abrupt a shock. But the continued exercise of these governmental powers for an indefinite period after the end of hostilities, or their use to regulate or control competitive conditions, whatever immediate advantages might follow, will not encourage the future existence and operation of a free market in this country. In this connection, the letter that Mr. Donald Nelson, Chairman of the War Production Board, wrote to Senator Maloney of Connecticut, on March 7, 1944, which has been publicly released, is significant and encouraging. Mr. Nelson says in that letter that it is his view "that controls should be relaxed whenever they cease to be necessary to war production." He also says: "If the government were to attempt to prevent new competition, there would clearly be grave danger of shackling the country with a regimented economy for a long while to come. Such action would require detailed planning of all production by a government group—a development which I would strenuously oppose. In my judgment, it is all-important to maintain a competitive economy. I do not believe you can have a democracy and at the same time forbid new competition."

Similar problems may arise with respect to the disposal of the vast amounts of surplus property that the government will hold when hostilities cease. We may expect to hear it suggested that the plants that the government owns should be held off the market, or perhaps even dismantled or destroyed if the operation of those plants will produce more goods than the market can take at reasonably competitive prices, or will threaten the security of existing investment. Similarly, it may be said that the supplies that the government holds should not be sold in such quantities that the economy will be unduly or improperly disturbed or that chaotic marketing conditions will follow. It is doubtless true that the government should not be indifferent to the conditions in the market where it sells its property; this would be true, if for no other reason, because the government will wish to obtain a fair and reasonable price and that price will be influenced by market conditions. Furthermore, situations will exist in particular industries that may require special treatment. But it is to be hoped that we will not embark upon any general policy of scrapping plants or materials or withholding them from the market because we believe prices are too low, or capacity too great, or that competitive conditions should be controlled and stabilized.

It is interesting to note one aspect of the arguments that will be advanced in favor of such a policy; in substance these arguments will justify the exercise of governmental power for some of the same reasons that are often advanced to justify the activities of private groups who have combined to restrain trade or monopolize commerce. The economic reasoning is as bad in one case as in the other.

It seems unlikely that those who may advance the suggestions will have seriously considered the nature of the power they are asking the government to exercise. If a government agency is not going to sell a plant because it thinks the plant will produce more goods than the market can take at reasonably competitive prices, that agency must decide what is a reasonably competitive price. If it is to withhold goods from the market because the sale would create disorderly market conditions, it must draw the line between those conditions that are orderly and desirable and those that are disorderly and to be avoided. A government agency that makes decisions of this kind is engaged in regulation of the market; it is making decisions that in a truly free market should be made by the traders themselves.

The problems raised by these suggestions can be illustrated by a hypothetical example. Suppose that some enterprising and courageous business man, Henry Kaiser or Andrew Higgins, should wish to buy a plant because he believes that he can sell its product and make a reasonable profit; suppose that in reliance upon his own judgment he is prepared to pay a fair price for the plant. Should the government refuse to make the sale because, in the judgment of an administrative official, Mr. Kaiser's or Mr. Higgins' prices would be unreasonably low or would create disorderly marketing conditions? In short, is this the kind of decision that should be made by the government, or by the business man who relies upon his own efficiency and resourcefulness?

Both during the transition from war to peace and afterwards, we shall be faced with problems caused by restraints of trade imposed by private groups. For the past 50 years we have dealt with the concentration of power in private hands by the methods provided by the anti-trust laws. It is sometimes said that these laws have not been effective, and that they have neither prevented the concentration of economic power in private hands, nor prevented practices that restrain trade and destroy the freedom of the market. It is true that at different times, the laws have been enforced with different degrees of effectiveness. It may also be true that, judged by absolute standards, the law may not have been completely successful. But it can hardly be said that the anti-trust laws have been ineffective. We have only to look at the economic systems that exist in England and on the continent of Europe, particularly in Germany, to see that so far, at least, this country has escaped the extreme forms of industrial concentration. A number of causes have doubtless contributed to this result. We owe something to the variety and extent of our resources and to the temperament of our people. But certainly the existence of anti-trust laws—both Federal and State—and the consistent recognition for 50 years by both major political parties of the soundness of the public policy embodied in the laws, have been substantial causes of our good fortune.

In any event, the effectiveness of the anti-trust laws depends ultimately upon what we do with them. If we will insist upon their vigorous and impartial enforcement, they will provide admirable tools for preserving a free economy. The laws possess a number of advantages as means of preventing private restraints of trade.

In the first place, they represent the kind of exercise of governmental power that is best designed to preserve a truly free economy. By enforcing the laws, the government acts as a kind of referee. It enforces certain rules of fair play and punishes practices that tend to destroy a free market. The enforcement of the laws, however, does not require the government to substitute its judgment for the judgment of the managers and owners of business, or to make decisions that should be left to competitive economic forces.

In the second place, the anti-trust laws permit a case-by-case approach. Their enforcement does not require us to superimpose some rigid and uniform system of rules upon all situations and all industries.

Finally, because the laws are enforced through the traditional processes of the common law, their enforcement is subject to certain desirable checks and balances. On the criminal side, the prosecutor in most cases presents his case to a grand jury; in every case a verdict must be returned by a petit jury unless the defendant waives that right. Thus, the common sense of the community serves as a check on the prosecutor. On both the criminal and equity side of the court, the judiciary, an independent, impartial and coordinate branch of the government, makes sure that there is fair play as between the litigants.

This last advantage is sometimes overlooked or minimized by those who believe that in this field we should substitute control or regulation by an administrative agency for the traditional processes of the law. Doubtless the administrative process has the advantage of elasticity and sometimes of speed. It is probably also true that the members of administrative bodies in time gain a kind of expert experience that is not possessed by the ordinary jury or judge. Great as these advantages are, they seem, at least in this field, to be outweighed by the merits of the traditional judicial process. Furthermore, proposals for the use of administrative regulation in this field require careful consideration for another reason; in some instances they may assume that the government will abandon its role as umpire and assume responsibility for making managerial decisions.

It has sometimes been suggested that it would be well if the Department of Justice or some other government agency could give advisory opinions about the application of the anti-trust laws, or advance approval to particular proposals made by industry. This proposal raises administrative and legal difficulties that cannot be discussed within the compass of this paper. But apart from these difficulties there is a real danger that an agency that gives an advance approval or an administrative ruling may gradually assume powers of regulation. The transition from a process which involves simply an indication of what is forbidden to a decision as to what must be done is not inevitable, but it is easy. Administrative machinery that begins by giving advance rulings may end by approving codes of fair practice. The country attempted an experiment of that kind in the

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Mutual Funds

"Are Stock Prices Too High?"

Under the foregoing caption, the current issue of **Lord, Abbett's Abstracts** offers some timely comments on the current position of the stock market. A comparison is made of the current "spread" between the yields available on representative stocks and high grade bonds at the present time with the spreads which existed at previous high points in the market.

The bulletin reports that as of a recent date the Dow-Jones Industrial Average offered a return of 4.53%. At the same date, Barron's high grade bond average showed a yield of but 2.60%.

This spread of almost 2% is contrasted with the **negative spread** which existed in 1929 and the spread of only .50% and .35% which existed in March, 1937 and September, 1939, respectively.

States the bulletin: "Considered on this basis, common stock prices have a long way to go before they are too high by this yardstick." For example, it is shown that for the Dow-Jones Industrial Average to appreciate to a 3% basis, on present dividends, it would have to rise to 210. In other words, to establish a spread of .40% with the present high grade bond yield of 2.60%, the Dow-Jones Average would have to move up 60 points, or 43%.

* * *

"Railroad Shares Are Still Undervalued," writes **Distributors Group** in a covering letter on its new folder entitled, "An Investment Opportunity in Discount Railroad Bonds." The letter goes on to state:

"To reestablish their normal relationships of former good years, discount railroad bonds on average would have to advance 35% to 40% above present levels."

The folder contains an illuminating chart showing the relationship in price between high grade and discount railroad bonds over the past 29 years. This chart emphasizes the current abnormal spread in price between these two bond groups.

A forecast of higher ratings for railroad bonds was published last week by Mr. Frank L. Valenta, Vice-President in charge of the Investment Research Department of Distributors Group. "It is our firm conviction," writes Mr. Valenta, "that an upward revision in many railroad bond ratings appears almost inevitable during the current year."

Dr. Max Winkler, consulting economist to **National Securities & Research Corp.**, discusses "Foreign and Domestic Demand—Solid Basis for Peace Economy" in the current issue of **Investment Timing**. Dr. Winkler's conclusions are optimistic. "Unlike the conditions that devloped following World War I, this time we can anticipate a solid basis for our peace economy."

* * *

The **Broad Street Letter** issued by **Broad Street Sales Corp.**, also contains a factual article on "Post-War Deferred Demand." A detailed analysis of the passenger automobile industry including the rubber companies is presented in the article. Here, too, the conclusion is optimistic. "The foregoing summaries appear to substantiate the expectations that the consumers durable group as a whole will exceed the 1937 level of activity in the post-war period."

* * *

George Putnam Fund, in its current monthly portfolio folder, gives a report of the annual meeting held Tuesday, March 7. At that meeting Mr. Putnam pointed out that "the current market value of each of the three principal parts of the portfolio was in excess of cost, and that the total current value of the Fund was over $500,000 in excess of the net capital paid in by investors." Total net assets on March 9, 1944, were $8,629,000, as compared with $6,690,000 a year earlier.

* * *

Massachusetts Distributors, in the current issue of **Brevits,** presents an interesting discussion of the contrasting methods of protecting shareholders in this country and Great Britain. The trend in Great Britain is toward the creation of a new office of "public shareholder" to be set up under the Crown. Every company would be required to issue one share, fully paid, of each class of its stock to the Board of Trade, which would vest formal ownership in the public shareholder, whose function it would be to institute any civil action which, in his opinion, was required for the public interest and the better protection of the shareholder. Stockholders requesting intervention by the public shareholder would be required to submit supporting data.

* * *

Hare's Ltd. has published a new folder, "Fire Insurance Stocks Presently Merit the Attention of Investors." The folder contains a summary of the current position of leading fire insurance stocks.

Investment Report

Massachusetts Investors Second Fund, Inc. reports net assets at $9,623,705 on February 29, compared with $8,477,964 a year earlier. Asset value per share rose during this period from $9.01 to $10.00 per share.

Dividends

Fundamental Investors, Inc.—A quarterly dividend of 22¢ per share payable April 15 to holders of record March 31, 1944.

Investors Mutual, Inc.—A dividend of 10¢ per share payable April 15 to shareholders of record March 31, 1944.

Manhattan Bond Fund, Inc.—An ordinary distribution amounting to 10¢ per share and an extraordinary distribution amounting to 10¢ per share payable April 15 to holders of record April 5, 1944.

Massachusetts Investors Trust—A quarterly distribution of 19¢ per share payable April 20 to shareholders of record March 31, 1944.

George Putnam Fund—A dividend of 15¢ per share payable April 15 to shareholders of record March 31, 1944.

Securities Dealers Protest NASD 'Spread' Ceiling

By J. BURR BELL

(Reprinted from the Post-Standard, Syracuse, N. Y., March 26, 1944)

Dealers in unlisted securities are much disturbed over the decree of the Board of Governors of the National Association of Security Dealers, which places a 5% ceiling on "spreads" between purchase and sale prices of such securities. They contend that this limitation leaves them with little or no profit when time and effort are required to service the investor, pointing out that retail distribution of small issues is usually difficult because of their limited marketability.

This is a matter in which the public has a great deal at stake. For example, if brokers have no incentive for retailing stocks and bonds traded in on the Syracuse securities market, many small investors in this city and Central New York are going to find themselves without the services which have been of value to them in the past, because the broker cannot afford to bother with their affairs.

According to local brokers, it seems probable that, unless relief is forthcoming, small-lot trading in unlisted Syracuse stocks and bonds will virtually cease. If such a situation develops, countless investors may lose money because their securities lack marketing facilities.

Several local brokers when asked about NASD's 5% rule argued that it is not only un-American but tends to favor the comparatively few large firms dealing in unlisted securities, at the expense of thousands of small dealers. They expressed the hope that revocation will come, either through NASD or the Securities and Exchange Commission.

Congress and the Administration profess to be extremely solicitous of the welfare of small business. On the other hand, NASD, a product of the Maloney Act, intentionally or unintentionally hits small business.

SEC permits 16% or more underwritings. "How can an underwriting job in securities designed for over-the-counter trading be carried out successfully in the future unless markets are maintained for these securities?" the small dealer is asking.

Planned vs. Free Markets After War

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NRA; there seems to be no general enthusiasm for its renewal. The American does not like to have someone else tell him how to run his business. He does not like to have the government do it. He does not like to have his competitor do it.

I am not suggesting that the anti-trust laws, considered alone, will insure a free market. Other measures and other problems will have to be considered. In any event, this is not the kind of thing that can be accomplished by any particular statute or mechanism. An attitude of mind is required; we must wish to live in a free economy and we must be prepared to pay the price and to assume the burdens of economic freedom.

You sometimes hear it suggested that economic trends are inevitable and that we are bound to drift into some kind of a collectivized, cartelized, or paternalistic economy. No economic condition is inevitable unless we make it so. We must guard against the weariness which many of us will feel and which always follows to some extent any national undertaking as momentous and exhausting as the war. We must remember that wars are fought not for themselves but for the peace that follows. We must not drift into an economic order that we do not voluntarily choose. If we approach the problem of the transition period and of the post-war world with faith in our purpose, we shall be able to establish and to maintain a free and democratic economy.

FIC Banks Place Debs.

A successful offering of two debenture issues for the Federal Intermediate Credit Banks was concluded recently by Charles R. Dunn, New York fiscal agent for the banks. The financing consisted of two issues, viz.: $12,300,000 0.80% consolidated debentures, dated April 1, 1944 and due Oct. 2, 1944 and $17,755,000 0.90% consolidated debentures, dated April 1, 1944 and due Jan. 2, 1945. Both issues were placed at par. Proceeds, together with other cash funds, will be used to retire $50,375,000 debentures becoming due April 1, 1944. As of April 1, 1944 the total amount of debentures outstanding will be $293,985,000.

Canadian Securities

By BRUCE WILLIAMS

It is encouraging to note increasing indications that serious thought is now being given to the question of Canadian immigration. The most practical step taken so far was the recent visit to London of Colonel Drew, Premier of Ontario, with the object of bringing to the attention of British industrialists the opportunities offered in Ontario for the establishment there of British factories in the post-war period. From London, there are reports of discussions concerning the removal of the entire British aviation industry to Canada, as Britain itself is too exposed to bombing risks. However, by far the most ambitious project yet presented is the "Satellite town plan," which envisages the establishment and maintenance in Canada and other Dominions of brand new towns, which would carry on the particular industry of the parent city or community in the mother country.

Canada is admirably suitable for this type of development. In the past any mass immigration has been almost entirely diverted into agricultural channels with very poor results. Never before has any real attempt been made to utilize Canada's tremendous industrial potentialities. Moreover, Britain is hard put to maintain its present population whereas Canada's greatest deficiency is the manpower necessary to develop its vast neglected natural resources.

The passing of Jules S. Bache, head of the firm of J. S. Bache & Co., recalls the story of financial perspicacity and faith in the future of the Canadian gold-mining industry which brought immense returns. Shortly after the 1918 armistice, Mr. Bache acquired a large holding in Dome Mines Ltd. and assumed the management of the company at a time when, because of the war, the mines were not producing and dividends had been suspended. At the end of 1943, however, this company had paid $56,000,000 in dividends. This experience is more than likely to be repeated at the termination of the present emergency period. Although manpower has been diverted from the gold-mining industry during the war, nevertheless there has been extensive prospecting which has uncovered promising new gold fields, especially in the North West Territories and Northern Manitoba. Consequently, with a full resumption of activity after the war, there is the distinct possibility that Canadian gold production will far surpass its previous peak level. Also in the post-war period, there are likely to be similar developments arising from important discoveries of oil.

It is, therefore, all the more gratifying that the Ontario Mining Commission has just concluded an investigation into the undesirable activities of certain security firms operating in the Province of Ontario which have recently received considerable publicity on this side of the border. The Commission has made sweeping recommendations for the safeguarding of the investing public which undoubtedly will meet with the full approval of the Ontario Legislature, and will result in the elimination of an undesirable few who have rendered a great disservice to the financial community and the mining industry in Canada.

With regard to the securities market for the past week, there is very little to be said. The tone remained steady to firm but activity was at a very low ebb. Although the official opening of the Sixth Victory Loan drive is still a few weeks ahead, the Canadian dealers are now almost entirely occupied with preliminary work in this connection. Thus the Canadian side of the market was almost inexistent and business here was restricted to a few switching operations and transactions resulting from the clearing up of the Montreal situation.

There was also little trading in the internal issues and but slight fluctuations in the Canadian dollar rate in the "free" exchange market. This absence of spectacular movement has diverted attention from this section recently, but this does not detract from the attractiveness of the internal issues at the present level. Furthermore, recent political developments give confirmation to the idea of the "key currency" approach to the whole question of currency stabilization which, in all probability, would involve the preliminary restoration of the Canadian dollar to parity with the U. S. dollar.

In view of the Victory Loan drive activities, the market, in general, is likely to remain quiet with little fluctuation. However, the probable call on April 1 for the redemption on June 1 of approximately $26,000,000 Canadian Pacific Railway 5s of 1954 might give rise to a certain volume of replacement operations.

Faroll & Co. And Jos. Faroll & Co. Will Be Formed

Faroll Brothers will be dissolved as of March 31st, and on April 1st Faroll & Company, with offices at 208 La Salle Street, Chicago, and Joseph Faroll & Co., with offices at 29 Broadway, New York City, will be formed.

Partners in Faroll & Company will be Barnett Faroll, who will acquire the New York Stock Exchange membership of the late Cyril de Cordova; John H. Newman, Edward M. Rosenthal; Clinton S. Beach; Harry H. Wickham; and Thomas Y. Wickham. Mr. Barnett Faroll also is a member of the Chicago Stock Exchange and the firm will have several memberships in the Chicago Board of Trade.

Partners in Joseph Faroll & Co. will be Joseph Faroll, member of the New York Stock Exchange, Chicago Board of Trade and Associate member of the New York Curb Exchange; and Winfield H. Schweickart. Both were resident partners in New York of the dissolving firm of Faroll Brothers.

The Market

Share trading has been quite active in recent days but investors should not reach any erroneous conclusion as to the type of market we have been having. By and large, the speculative activity has been in the lower priced speculative railroad equities and similar issues. Investment stocks, to the contrary, have participated hardly at all in the market's activity or strength—General Electric, Union Carbide, American Telephone & Telegraph and other issues of this group have remained on the side lines, so to speak. We make this point because so many investors talk about the "current bull market in Wall Street." This seems to us to be a misnomer or certainly a mis-characterization, for the bull market, as we have indicated, has been in the speculative low priced category almost exclusively and this is a point, to put it mildly, not without significance. * * * This is not to say, of course, that one of these days the market may not become more well rounded and a rising price trend witnessed in the more conservative investment type of stock. But if this does not occur in reasonable time, we would be inclined to adopt a rather conservative over-all attitude toward equity prices.—Ralph E. Samuel & Co.

F. Eberstadt & Co. Sells Elliott Co. Preferred

F. Eberstadt & Co. announced March 29 that the offering of 50,000 shares of 5½% cumulative convertible preferred stock (par $50) of Elliott Co. has been oversubscribed and the books closed. The stock was formally offered March 28. Proceeds from the sale will be applied to the redemption of 1,458 shares of 7% cumulative preferred stock and 9,852 shares of 6% cumulative preferred stock, the balance of approximately $1,205,000 to be added to working capital.

The new preferred stock is convertible into common stock at $18 until April 1, 1949, at $20 for the next five years and at $22.50 for the next five years. It is redeemable at $54 per share for five years and at $52 thereafter, and is subject to an annual sinking fund equal to 10% of net income available for dividends on junior stocks.

According to the prospectus, the company intends to apply for listing of the preferred stock on the New York Curb Exchange.

Canadian Business Continues At High Level

The Bank of Montreal in its business summary dated March 22 states that "the past month has witnessed no material change in the general level of business operations, which remains high." The bank further states:

"The peak of production on war contracts has been definitely passed, however, and there is a progressive shift, gathering momentum every month, toward the greater production of civilian goods. The latest report of the Wartime Prices and Trade Board, dealing with its operations for the nine-month period ended Dec. 31, 1943, asserts that 'the beginning of the end' of shortages is emerging, although somewhat dimly so far, in the picture of civilian supplies. War orders are still of sufficient volume to keep the primary iron and steel industries very busy. The operations of the textile mills are on a lower scale than a year ago. The packing plants have been very busy, and there is at present such a surplus of meats in the country that it has been found possible to suspend the rationing of meat. The production of base metals remains high, but the shrinkage in the output of gold has continued. The newsprint mills are maintaining a fair scale of production. In February, new contracts awarded in the construction industry were valued at $16,229,000, nearly double the January figure but well below the figure for February, 1943, $19,019,000. The flour-milling industry remains very active."

Stafford & Co. to Admit

George A. Downey will shortly become a partner in Stafford & Co., 39 Broadway, New York City, members of the New York Stock Exchange. Mr. Downey will act as alternate on the floor of the Exchange for William F. Stafford, Jr.

Planned vs. Free Markets After War

By MORDECAI JOSEPH BRILL EZEKIEL

(Continued from First Page)

crease in industrial production since 1940, with output now more than doubled, shows what American industry is capable of when it is sure of markets for its products.

With respect to post-war markets, two extreme sets of ideas are abroad in the world. One set holds that the major thing we need to do to create full employment is to enable private businesses to buy and sell in free markets without restraints or guidance, except those necessary to prevent monopoly or restriction of competition. This philosophy is represented in our domestic affairs by the anti-trust acts and the Federal Trade Commission, and in international policy by the trade agreement program and Article VII of the Lend-Lease agreements. This set of ideas is peculiarly American, and we are its chief exponent.

The other set of ideas holds that some kind of administered, planned, or scheduled production and exchange are necessary if business affairs are to be conducted with any degree of order. This concept seems to be dominant in England and among Continental businessmen who stress the need for planning by organizations of private businessmen, and who minimize the danger of resulting monopolistic actions. It is used by the great international cartels and the concerns, French, German, British, and American, which make up these cartels or cooperate with them, to justify their monopolistic activities, including some practices which would not be condoned by the exponents of planning.

A second variant of the same idea stresses the need for planning, but with public agencies or governments participating to insure that the general welfare is safeguarded. This form of the idea is present in the farm program of the U. S., with its governmentally - assisted support prices, production goals, and ever-normal granary operations, and in the parallel farm programs of most other great agricultural nations before the war. Our direction and advance scheduling of wartime production by WPB and War Food Administration, and the war-time integration of production and exchange among the Allies through all the various combined boards, represents an extreme development of such government - controlled planning to meet war-time needs. The full national planning of investment, production, and consumption in the Soviet Union is, of course, the single case of complete national planning of the internal economy as standard peacetime practice.

A thoughtful unofficial statement of the British point of view which supports planning under government auspices was made by Lord de la Warr, one of Britain's leading labor peers, in a speech last January. He said:

". . . Maximum production and maximum consumption is only possible in a world that is socially and economically organized. Why? Why not encourage everybody to produce as much as they like and then sell to a free market? Plenty will make for cheapness and cheapness will enable everyone to buy. All very easy, is it not? The only answer is that we've tried it and we are not sufficient fools to try it again. And therefore we know in fact that we will not get to maximum production unless producers in all countries have security of market and of price to enable them to make long term plans based on confidence."

The Federation of British Industries, which supports the private-planning method, gave a detailed statement of their views in their recent report on International Trade Policy. That report said:

"An orderly world economy presupposes a certain measure of guidance on broad objectives, the ultimate aim being to encourage the expansion of industry, but not to interfere with the day-to-day conduct of detail. . . .

"International action, based on existing machinery, might be taken to examine the problems of post-war raw materials. . . . International arrangements for semi-manufactured goods and manufactured goods in the making of which fashion or variety plays a large part might present great difficulties.

"Industries should examine this problem to see if it is possible or desirable to negotiate international arrangements with similar industries in other countries. The proposed International Economic Council should be entrusted with the task of coordination and ensuring that these arrangements operate in the common interest."

The American preference for competition instead of planning after the war has been clearly stated by Eric Johnston, of the U. S. Chamber of Commerce, who told the British Chamber of Commerce, in London, on Aug. 18, 1943:

"Virtually alone among the world's great nations, the United States has legislated emphatically and repeatedly against artificial monopoly and artificial trade practices. Our laws utterly forbid such domestic devices as the dividing of markets, the allocating of outputs, the fixing of prices by trade groups. . . . It follows that no American can intelligently and sincerely promise you any cooperation in any system of world-wide controls. Our law is unsympathetic toward it; and our temperament is utterly hostile toward it. The average American would call it economic imperialism, and he is against it."

This American position is reaffirmed by the National Association of Manufacturers, in its pamphlet on "Jobs—Freedom—Opportunity." It recommended that business should:

". . . Make every effort to bring about the ultimate restoration of competition, restricted or eliminated as a result of the war, and thereafter do everything possible to maintain a healthy vigorous competition; for it is through competition we get the rivalry among business enterprises which leads them to produce new and better things at lower prices for consumers."

With respect to foreign trade, the NAM report added:

"Fair competition is equally applicable whether it concerns domestic or foreign trade. Fair competition under a system of prices determined in a free market affords the best utilization of human and natural resources, capital, engineering, etc. Governments cannot be trusted to replace the system of free prices developed under the free enterprise system by central 'economic planning' or other artificial measures which experience shows are dictated by special interests rather than by the general economic welfare."

Despite this difference of opinion on competition, all students of post-war problems agree that we cannot establish or maintain prosperity unless we keep busy—unless we find ways of providing useful work for all those who wish to work, of enabling the workers to share in the consumption of what they have produced, and of maintaining such a flow of buying power as to support continued high activity. Some emphasize not merely high employment but highly **efficient** employment. They stress wage systems which encourage high individual output, encouragements for technological progress which maintain or accelerate improvements in methods of production, and incentives to the replacement of obsolete plants and to the prompt utilization of newly discovered methods or processes.

Efforts to plan markets through private actions may tend to run counter to this general objective of full and expanded output. Cartel and monopolistic arrangements have the avowed purpose of maintaining prices of the particular industry concerned at stabler and higher levels than would otherwise obtain — in the words of the Federation of British Industries, "to protect both producers and consumers from the loss and risk for which extravagant fluctuations of market conditions have been responsible in recent times." Unfortunately, such "protection" to the producers can come only from maintaining prices and profits higher than would otherwise prevail under the same conditions, or from preventing or delaying the introduction of technological improvements. In either case, the higher prices mean lower sales; the lower sales in turn mean lower employment, less production, and less consumption. While the profits of the industry may be higher, the rest of the economy has less goods and less work.

This is, of course, the classical argument against monopolistic restrictions. It may be well, however, to contrast this general argument with the alternatives which the producers and consumers may face in particular industries in the post-war period.

We must recognize that no planning for a single industry or a single market can cure the difficulties of general depression or general stagnation. Efforts to correct conditions of general unemployment by shoring up individual industries are merely applying patchwork to a general problem. The following illustrations do not attempt to deal with this general problem of the level of production as a whole, but rather to consider where advance scheduling may be useful in specific limited circumstances.

Certain products are produced under conditions where pure competition may increase immediate output, but actually reduce the eventual volume and amount of production. In certain fisheries, and in sealing, and whaling, excessive catches may reduce the natural reproduction rate, or even destroy the resource. In the case of lumber, unrestricted cutting can similarly threaten future lumber supplies. Competitive drilling of oil wells may waste a large part of the oil which would otherwise be recoverable. In each of these cases, planned utilization of the resource, including even restriction of the rate of current production, may serve to secure or sustain the maximum yield. Planning in such cases may therefore be in support of long-run abundance rather than of scarcity. Whether such production planning inevitably calls for sales and price planning as well, and whether the arrangements should be privately administered or under public control, raises other issues not discussed at this point.

A differenet set of problems will exist in certain industries that have been greatly over-expanded as a result of the war. Shipbuilding, aircraft, aluminum, and magnesium, are cases in point. Both here and abroad productive capacity for war purposes has been expanded far above potential peacetime needs, even for full employment. One alternative in settling the affairs of these industries would be to employ pure competition. That would involve knocking down all the government-owned plants to the highest bidders, encouraging all the plants to try to keep in production, and then standing on the side-lines and applauding while over-production and low prices encouraged expanded uses for the product. This would drive some of the concerns into bankruptcy, and finally narrow down the field to those plants whose production was needed by the expanded market. A second alternative would be for governments, either individually or collectively, to do some planning for the future of these industries, as to potential market needs, stand-by needs for security purposes, etc.—and then to scrap some of the government-owned plants and limit the disposal of the remainder accordingly. A third alternative would be to permit the concerns now operating the plants to plan future production and sales, either with or without government participation or control. Completely free post-war production and markets are a possibility in industries of this type—but a possibility that present owners or operators would be likely to contemplate only with a shudder. Yet planning for such new industries may seriously underestimate the expansibility of the market. Who would have correctly foreseen in 1918 the potential expansion of the auto market in the 20's?

A quite different situation is presented by industries where good times tend to produce an over-expansion in output several years later, or bad times tend to create an undue contraction. The hog cycle, the housing cycle, and the ship-building cycle are all examples of industries where pure competition tends to produce exaggerated and recurrent swings in production above and below the point of price equilibrium, with resulting losses and instability to producers, and with idle capacity and workers much of the time. It is conceivable some form of planning might be developed for such industries which would lessen the specific industrial fluctuations without harm, or even with benefit to, the rest of the economy.

Then there are the producers of primary commodities, such as sugar, wheat, and cotton, who in times past have found themselves faced with a continuing excess production above what the markets would take at any price, yet where low prices did not reduce output sufficiently to eliminate the oversupply. In the long run, perhaps, enough of the producers might have starved to death or lost their farms to have balanced output with demands, but humans are peculiarly unwilling to cooperate in economic laws which work only by regarding them as pieces of machinery which can be laid aside to rust until there is need for them again. Farm producers of these basic commodities have felt that they were attempting to live by free competitive principles in a society that was everywhere else bound or supported by monopolies or restricted prices, and so have turned to domestic programs of price supports and regulated production and even prices, with international commodity agreements as auxiliaries to the domestic controls. To be fundamentally helpful, these supports to existing production need to be accompanied by efforts to shift surplus capacity or surplus workers into other lines of production where opportunities are greater. While the farmers of the world hope that the expanding world economy as envisioned at the Hot Springs Food and Agriculture Conference will make such commodity controls unnecessary in the future, they will no doubt insist on maintaining them as defensive measures ready to be used to protect farm standards of living if and when the need should arise again.

A different planning problem confronts the many communities which today are making plans for maintaining employment after the war, under the stimulus of the C. E. D. and other agencies. Many of these communities are considering developing new industries. Some may decide to build new cotton mills. Many may decide to start the production of plastics. If the initiation of these enterprises is left solely to the uncoordinated choice of each community, many more new mills may be established in these lines than the country can use. If that happens, a period of excessive production, price-cutting, and bankruptcy would result before a new balance is struck. The alternative is some form of planning—some adding up of what is proposed to be done in each industry, some matching up proposed capacity with potential demand (even at minimum prices), and some assigning or prorating of proposed capacity. Again, by whom or how the job might be done would influence the results of the planning. The absence of planning might increase the number of disappointed towns, bankrupt concerns, and idle plants. Obviously, any effort to plan or control such types of new development would be contrary to our established concept of a free enterprise system. Yet it is also true that when we do face the enormous shift from our expanded war economy to a peace economy, there will be need for an exceptionally large volume of new investment. If too much of this new investment is poorly planned and unwisely made, we may have a resulting waste of potential resources of extraordinary magnitude.

The cases outlined cover only a small portion of the situations that might be presented. The problems of public utilities and concerns under public ownership have not been touched upon at all. Even so, the cases mentioned serve to indicate something of the complexity of the problem of free versus planned markets, and something of the difficulties that may be encountered in trying to apply any single rule to their solution.

Where we do decide that a particular situation does justify or necessitate some form of concerted production or market planning, we must then face the issue, who is to do the planning? No matter who does it, the act of planning involves the establishment of an administrative mechanism to collect the necessary facts and reach and administer the necessary decisions. Planned markets are administered markets. The administrative mechanism, or bureaucracy, if we prefer to call it that, may be set up under public auspices or private. If it is set up privately, it is responsible only to the special-interest groups which run it. It can then influence the general welfare of the producers, workers, and consumers affected by its operations, without public accountability for its actions. If it is set up under public auspices, on the contrary, it is responsible to governmental authorities. In this country, for example, that means not only public reporting of its operations, but also being subject to be called before legislative committees or other democratically-elected bodies for full and complete explanation and report both of its operations as a whole, and any detail of them. Publicly-controlled planning is planning by a public responsible bureaucracy. Privately-controlled planning is planning by an uncontrolled irresponsible bureaucracy. That is the reason why, in those cases where planning — limitation or regulation of competition — appears to be necessary, the modern tendency is to permit such planning only on condition that it be operated or controlled by a public agency, responsible to the whole people, and to prohibit planning by one of the interested parties, responsible only to its own interest group.

On this one point American opinion and liberal British opinion are in agreement. The Americans I have cited before agree that private groups should not be permitted to engage in market planning without public control. Lord de la Warr says, "we certainly should not be prepared to give such power over our lives to any but a public body." Even the Federation of British Industries recognizes the need of an International Economic Council to supervise their proposed planned "world trading system," though they are vague as to how far this would be a public agency, and how far a private one.

Public control agencies are always in danger of being captured by the private interest groups which they are established to regulate. That possibility is generally recognized, and methods to prevent it happening can be sought. A further complication, however, is not so generally recognized. Democratic governments such as ours have a diverse structure, and many lines of influence through which public attitudes and interests may influence official action. Planning by public agencies may thus tend to substitute for the competition of the market a competition between alternative plans of action.

In conclusion, we may say that there may be situations where the free market does not work toward either abundance or toward sustained high production. If planning is to be used to deal with these situations, it must be planning by public agencies truly responsible to the will of all the people.

This Is America

(Continued from First Page)

tried out his plan in 1889 in a shed at Canton, Ohio, with about $300 put up by friends. The money ran out in a few months and the little concern folded up. But my father learned something and in the next year came to Midland, Mich., and in 1890, with several thousand dollars, started what developed into our present company. He made his idea work and in ten years was the principal American manufacturer of bromine. In those ten years he gathered around him a group of resourceful, hard-working men. . . . I imagine our yearly pay rolls far exceed the value of all the lumber ever sawed in Michigan."

Man With An Idea

The significance of his story is that a man had an idea, that he got his friends to put up a few hundred dollars, that failure did not stop him or his friends and that in the end he succeeded in producing an outstanding unit of productivity of value to the nation. This company, beginning at scratch, is now probably the largest producer of magnesium.

It was just like Thomas Edison. I don't suppose any one failed as often as Edison did. There was no government in those days to tell him whether his electric light or motion picture or the phonograph or his batteries or any of the other products of his mind and laboratory were socially necessary, whether they would throw folks out of work, as Petrillo now insists when he stops records from being made. Edison just went on tinkering to his heart's content and there were always some friends about with loose change to take a chance on an idea.

I suppose the inventor of the fountain pen must have been a curiously queer duck. For the Lord knows how many years men had put their brushes, quills and pen points into the ink, but along came a fellow who said that he would put the ink into the pen. Do you remember how the early fountain pens used to squirt ink all over one's fingers and clothes? But who can deny the value and utility of the fountain pen? And I suppose lots of money was lost before the first money was earned and kept.

Free to Venture

And so it was with many things we call the necessities of American life. Men made them because they wanted to. Men put their savings into them because they wanted to. They were free to lose their money backing their own judgment. They were free to look like crazy monomaniacs who relentlessly pursued a single idea, if that is what they wanted to do with their lives. They were free to risk, free to venture, free to fail—and free to succeed in usefulness. And some were rewarded for their ingenuity, for their risk, for the value of their final product. And they were free to keep or to waste their earnings. It was theirs to do with as they chose.

It is because of that freedom in the United States that Germany and Japan are not winning this war since obviously we could not have been made ready in the 18 months or two years at our disposal. We have been making ready for decades, not as a government but as a free people. And when the call came the free people were ready. They—thousands of them—did this amazing job of productivity—and they were able to do it because such men as Dr. Dow had ideas and such men as his friends put their dollars behind ideas—and they did it on their own, without coercions, according to their private judgments.

California Savings And Loan Associations Continue Growth

By NEILL DAVIS

Executive Vice-President, California Savings and Loan League

The 172 savings associations of California reported combined assets of $411,139,663 at the close of 1943. Of this total Federal savings and loan associations accounted for $216,598,386 and State-chartered institutions $194,541,277. The gain for the 12-month period was $56,148,570 or 15.85%.

While the increase was consistent during the year, savings and loan associations generally showed an accelerated rate of growth with the influx of new funds continuing into 1944. Although associations have become large purchasers of War Bonds, much of this new money has found profitable employment in war housing and refinancing of home ownership. The volume of new loans was the largest in 1943 of any year since the '20s.

Neill Davis

A gain of $17,185,920 or 22% was scored by the 19 savings and loan associations in the City of Los Angeles during the 12-month period. Aggregate assets as of Dec. 31 last were $96,652,135. A substantial growth was made by many savings associations in other leading cities of the State, a few of which are enumerated below:

City—	Assets 12-31-43	Per cent Gain
Berkeley	$11,583,801	7.7
Beverly Hills	9,425,126	24.28
Oakland	7,670,117	28.14
Palo Alto	5,202,323	7.78
Pasadena	13,972,137	13.91
San Diego	16,801,081	13.73
San Francisco	23,915,084	14.15
San Jose	31,324,609	15.15
Santa Barbara	13,564,773	10.50
Stockton	8,476,288	4.59

Managers of many savings and loan associations in California have taken an active interest in the sponsorship of Home Planners' Institutes. The purpose is to educate prospective home owners through the guidance of experts in all phases of planning so they may be able to get a better home for their money, in essence a postwar planning program. It takes the form of a series of talks arranged usually by the Adult Education Department of the schools in the particular city, in cooperation with individuals and concerns allied with home building and financing. The first to get under way was in Pomona and much credit is given for its success to Fred B. Palmer, President of the Pomona First Federal Savings and Loan Association, and Vice-President of the State trade organization. He has explained the organization and procedure by request to groups in many other cities.

N. Y. Analysts To Hear

On Friday, March 31, William Prescott Watts of Stroud & Co. will address the New York Society of Security Analysts, Inc. on the Growth Factor in Railroad Analysis and Changing Trends in Traffic.

The meeting will be held at 56 Broad Street, New York City, at 12:00 p. m.

The Society announces that there will be no forums during the first week of April.

Thrift Practice Education By Savings And Loan Associations

By GEO. M. EASON

Postwar planning is the vogue for municipalities, civic groups and many other organizations having an eye to the future but it remained in the hands of farsighted savings and loan institutions in Los Angeles County to organize a program of Thrift Practice Instruction for public, parochial and private schools for future benefit to the industry as a whole and to simultaneously make a contribution of service to the Treasury Dept. for the duration.

George M. Eason

Fundamentally the success of the individual savings and loan association is predicated upon an understanding and an appreciation of Thrift Practice by investing members. A practice which has made possible the development of a reservoir of resources which is put to good use at mutual profit by the association in its respective community. Educating the public in Thrift Practice is of continuing active interest to the industry.

When the schools savings association was organized in 1942, definite plans of action were defined which included the following Articles of Association written by a superintendent of schools and a member of the executive committee:

Aims and Objectives

Sec. 2.01. Organized at the request of the Los Angeles City Superintendent of Schools, this Association has as its purpose the instruction, in the public, private, and parochial schools of the County of Los Angeles, as a regular part of their curriculum, in the principles of thrift and economy, the economical management of affairs, respect for property, and the inculcation of the importance of systematic saving and home ownership.

Sec. 2.02. The Association does not contemplate pecuniary gain or profit to its members.

Sec. 2.03. The aims and objectives of the Association shall be accomplished by stimulating and supplementing regular classroom teaching. This will be accomplished by supplying added materials of instruction and by conducting and sponsoring contests and activities consistent with the emphasis of the times.

Sec. 2.04. Patriotic ideals and the interests of our democracy shall be paramount as purposes which the teaching encouraged by this program shall serve.

Sec. 2.05. Realizing that the youth in the schools are in a most impressionable state of mind, it is recognized that motives of the program must bear upon character and citizenship lessons which are idealistic in purpose, yet most practical and workable in their development and expression in the school, home, and community life of the child.

Sec. 2.06. The program as developed and sponsored shall be subject to change and improvement as experience and need indicate.

At long last the industry was to have an opportunity for effective representation within the system of education which had heretofore been reserved for banks and banking.

For the duration the schools savings and loan association sponsors of the "Schools-at-War" education program in the 11 Southern California Counties for the War Finance Committee, Treasury Department, further an effective Patriotic Thrift Practice Program in the schools. It is the considered opinion of the executive officers that the sum total annual expense averaging $60 per million assets per member association is an exceptionally low cost program in relation to the value returns to the industry in terms of public relations, and a definite tieup in the field of education. Its postwar potentials offer the industry exceptional opportunity. In the meantime, school students are exposed to educational processes which outline the value of the industry to the community in which it serves.

Officers of the Association are: President, Geo. M. Eason, President of the Standard Federal Savings & Loan Association; Vice-President, T. A. Gregory, President of the Long Beach Federal Savings & Loan Association; Secretary-Treasurer, F. W. Kafitz, Vice-President - Secretary of the Union Federal Savings & Loan Association; Executive Committee, C. A. Carden, President of the Quaker City Federal Savings & Loan Association; Hugh H. Evans, Vice-President - Manager of the Western Federal Savings & Loan Association; Neill Davis, Executive Vice-President of the California Savings & Loan League; F. B. Palmer, President of the Pomona First Federal Savings & Loan Association; and Vierling Kersey, Superintendent of the Los Angeles City Schools.

Home Building Job For Private Enterprise Says Roosevelt

The statement was made by President Roosevelt on March 8 that the task of providing new homes that will be needed by millions of American families after the war "is primarily a job for private enterprise." The President's views were indicated in a message to the opening session of a three-day national conference on post-war housing sponsored by the National Committee on Housing held at Chicago. The President added that:

"Government must continue, however, to lend appropriate assistance to private enterprise in this undertaking, and to assume direct responsibility for doing only that part of the total job which private enterprise is unable to do itself."

The foregoing is from Chicago advices March 8 to the New York "Herald Tribune" which likewise reported:

He (the President) emphasized that the home building industry, by meeting the demand for millions of new homes that will arise after the war, will be able to "play a most important role in post-war America" by furnishing employment in all sections of the country.

"The goal to be sought here at home, when peace comes, is full employment," Mr. Roosevelt noted. "We must plan now to employ the men and women who will be released from war industry when victory is won at a wage that provides decent standards of living. One of the most important of these standards of living is a decent home — whether it be owned or rented."

Mrs. Samuel I. Rosenman, of New York, chairman of the committee, who read the President's message, also asserted that the American people were looking forward to post-war housing construction as "a mighty force to keep this nation pulled up in the bootstraps of prosperity."

Despite the President's insist-

Officers Of California Savings Loan League

Officers and directors of the California Savings and Loan League for 1944 are:

President: E. L. Barnett, Santa Rosa Building and Loan Association, Santa Rosa, Calif.

Vice-President: Fred B. Palmer, Pomona First Federal Savings and Loan Association, Pomona, Calif.

Executive Vice-President: Neill Davis, Los Angeles, Calif.

E. L. Barnett

Board of Directors: E. L. Barnett; Fred B. Palmer; W. J. Bowman, Albany Federal Savings and Loan Association; E. O. Ecklund, Riverside County Mutual Building and Loan Association, H. R. Erkes, State Mutual Building and Loan Association; Frederick R. Peake, Community Federal Savings and Loan Association of Berkeley; Phil G. Thomson, Republic Federal Savings and Loan Association of Los Angeles; and Charles K. Fletcher, Home Federal Savings and Loan Association.

Chairman of Federal Savings and Loan Division: W. J. Bowman.

ence that post-war housing will be primarily the responsibility of private industry, other speakers at today's conference devoted their attention chiefly to financing of public housing projects after the war and came to the conclusion that Federal and State governments will have to provide the lion's share of the funds for the post-war rehabilitation and reconstruction of the nation's larger cities.

Simeon S. Leland, Chairman of the Federal Reserve Bank of Chicago, advocated the use of government funds to finance urban housing and other city public works.

California Savings & Loan League Holds Midwinter Conference

The California Savings and Loan League held its annual midwinter conference Feb. 23, at the Biltmore Hotel, Los Angeles. President E. L. Barnett presided. Speakers included: Fritz B. Burns, "Present-Day and Post-War Aspects of Home Building"; Rolland A. Vandegrift, Legislative Auditor for the State of California, "The Taxpayer in Post-War Planning"; Verne Orr, Vice-President, Chrysler Motors of California, "Industry's Contribution to Victory"; W. C. Mullendore, President, Los Angeles Chamber of Commerce, "Let's Face Some Facts"; H. Merle Smith, Division Manager of the United States Savings and Loan League, "When the Lights Go on Again"; Dr. Alfred Britt, Professor of History, Scripps College, "New Industry and Old in a Post-War World," and a demonstration of patriotic thrift practice instruction presented by Los Angeles City and County School Savings and Loan Association.

A second meeting was held in San Francisco, at the Clift Hotel, Feb. 25, with President Barnett presiding. Speakers were: Honorable Frank C. Mortimer, Building and Loan Commissioner of California; Rolland A. Vandegrift, Fritz B. Burns, H. Merle Smith, Ernest Ingold, "A Peddler Looks Fordward"; J. Fraser Rae, Industrial Plastic Consultant, "Post-War Plastics Development for California." The San Francisco meeting was held in conjunction with the annual stockholders' meeting of the Federal Home Loan Bank of Los Angeles.

Present officers and directors of the California Savings and Loan League:

Officers—E. L. Barnett, President (Secretary, Santa Rosa Building and Loan Association, Santa Rosa); Fred B. Palmer, Vice-President (President, Pomona First Federal Savings and Loan Association, Pomona); Neill Davis, Executive Vice-President.

Directors—E. L. Barnett, Secretary, Santa Rosa Building and Loan Association; Fred B. Palmer, President, Pomona First Federal Savings and Loan Association; Charles K. Fletcher, on leave, Lieutenant in the Navy Reserve; H. R. Erkes, President, State Mutual Building and Loan Association, Los Angeles; Frederick R. Peake, President, Community Federal Savings and Loan Association of Berkeley; E. O. Ecklund, Secretary-Treasurer, Riverside County Mutual Building and Loan Association, Riverside; W. J. Bowman, President, Albany Federal Savings and Loan Association, Albany; Phil G. Thomson, Executive Vice-President, Republic Federal Savings and Loan Association, Los Angeles.

Purchases Of War Bonds By California Savings & Loan Associations Mount

Make Record Sales Of War Bonds To Public, Too

By HUGH H. EVANS

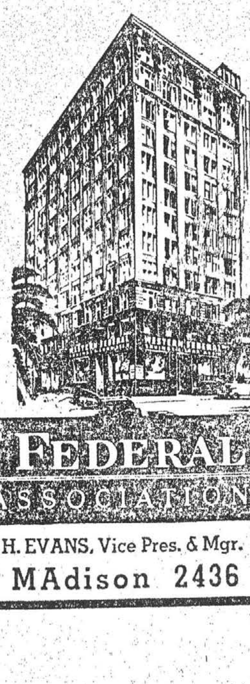
Savings and loan associations in California began the year 1944 with a record of $80,316,000 in sales of War Bonds to the public and purchases of government wartime securities for their own account.

While all the reports have not yet been completed, California institutions have purchased so far during the Fourth War Loan drive an additional $17,575,000 for their own account.

During the same Fourth War Loan drive savings and loan associations sold to their members and the public more than $8,000,000, and through the efforts of the officers and employees made additional sales to the public in the amount of approximately $4,400,000, making a total participation in the Fourth War Loan drive of almost $30,000,000.

While the figures are not complete, it is safe to say that more than 12% of the assets of all savings and loan associations in California are now invested in Government bonds.

Throughout the United States our industry has accepted a new responsibility to its communities and to the country. They have enthusiastically entered into the sale of bonds to the public and also in the purchase of bonds for their own account. The first 20 months of the Treasury's campaign our industry participated to the extent of $259,000. In 1943, we have accounted for a total of $1,181,000,000, and since the start of the campaign our participation has reached in excess of $2,000,000,000.



California Savings And Building-Loan Associations

Assets as of December 31, 1943

(Compiled by California Savings and Loan League)

Association	Assets
Alameda	
Central B&LA	$6,007,039
Albany	
Albany FS&LA	618,373
Alhambra	
First FS&LA of Alhambra	2,321,215
Mutual B&LA of Alhambra	960,399
Altadena	
*First FS&LA of Altadena	3,454,280
Anaheim	
Anaheim B&LA	1,580,347
The Savings, Loan & Building Assn. of Anaheim	1,781,559
Arcadia	
Greater Arcadia B-LA	353,652
Atascadero	
Atascadero Guarantee B-LA	121,340
Auburn	
Central California FS&LA	262,997
Bakersfield	
First FS&LA of Bakersfield	1,010,874
Kern County Mutual B&LA	1,123,645
Banning	
San Gorgonio B-LA	392,752
Bellflower	
First FS&LA of Bellflower	2,483,681
Berkeley	
Berkeley Guarantee S&LA	5,338,830
Community FS&LA of Berkeley	2,985,621
Fidelity Guaranty B&LA	3,259,350
Beverly Hills	
Beverly Hills B&LA	654,536
First FS&LA of Beverly Hills	6,512,943
Southland FS&LA	2,257,647
Burbank	
Burbank B-LA	484,370
Surety Bond B-LA	1,196,723
Carmel-By-The-Sea	
Carmel B&LA	163,291
Chula Vista B-LA	
Chula Vista B-LA	766,965
Claremont	
Claremont B&LA	1,617,940
Colton	
Orange Belt FS&LA	1,416,160
Compton	
Compton FS&LA	1,481,121
Corona	
Corona Mutual B&LA	22,615
Coronado	
Coronado FS&LA	1,083,497
Covina	
First FS&LA of San Gabriel Valley	1,150,400
El Centro	
Imperial Valley B&LA	344,048
Escondido	
Escondido FS&LA	329,681
Fillmore	
Ramona B-LA	902,572
Fortuna	
*The Fortuna B&LA	96,968
Fresno	
Fresno Guarantee B-LA	2,814,140
Fullerton	
First FS&LA of Fullerton	715,578
Fullerton B-LA	269,934
*Mutual B&LA of Fullerton	222,791
Glendale	
Fidelity FS&LA of Glendale	1,539,011
Glendale FS&LA	6,702,802
Hemet	
Hemet FS&LA	259,302
Hollywood	
First FS&LA of Hollywood	4,715,922
Hollywood B&LA	3,138,120
Huntington Park	
First FS&LA of Huntington Park	2,357,600
Huntington Park BLA	1,378,529
Inglewood	
Inglewood FS&LA	3,797,307
*Peoples' B&LA	447,135
Peoples FS&LA	4,429,221
Laguna Beach	
Laguna FS&LA	2,471,242
La Habra	
*La Habra Valley B&LA	495,617
La Jolla	
La Jolla FS&LA	1,514,059
Long Beach	
First FS&LA of Long Beach	962,765
Long Beach B&LA	3,321,599
Long Beach FS&LA	13,988,653
Los Angeles	
California FS&LA	6,197,064
Coast FS&LA of Los Angeles	25,898,342
Great Western S&LA	1,424,391
Home B&LA	363,359
Liberty S&LA	388,919
Lincoln S&LA	1,825,192
Los Angeles American B&LA	432,732
Los Angeles FS&LA	6,905,975
Metropolitan FS&LA of Los Angeles	3,105,152
Pioneer S&LA	105,175
Republic FS&LA	2,417,422
Security FS&LA of Los Angeles	568,312
Southern California B&LA	12,752,347
Southern FS&LA	744,750
Standard FS&LA	3,160,849
State Mutual B&LA	15,269,808
Union FS&LA	1,436,523
Western FS&LA	11,529,434
Wilshire FS&LA of Los Angeles	1,831,564
Madera	
Madera Mutual B&LA	570,516
Marysville	
Marysville Guarantee B&LA	713,399
Merced	
Merced Mutual B&LA	253,411
Modesto	
Modesto B&LA	1,956,218
Monrovia	
Monrovia Mutual B&LA	2,427,931
Monterey	
Educational B&LA	387,391
Montrose	
Intervalley B&LA	1,137,587
Napa	
Napa B&LA	1,452,961
Newport Beach	
Newport Balboa FS&LA	883,871
North Hollywood	
North Hollywood FS&LA	1,265,842
Oakland	
First FS&LA of Oakland	3,374,558
Golden West S&LA	1,919,005
Oakland FS&LA	1,340,189
*Prudential B&LA	199,226
Thrift FS&LA	837,139
Oceanside	
Oceanside FS&LA	724,586
Ontario	
Euclid S&LA	980,561
Orange	
Orange B&LA	2,569,671
Oxnard	
Oxnard B&LA	600,607
Palo Alto	
Home Foundation B&LA	1,629,528
Palo Alto Mutual B&LA	3,572,795
Pasadena	
Atlas FS&LA of Pasadena	780,462
First FS&LA of Pasadena	3,779,174
Investors Mutual B-LA	2,028,078
Mutual B&LA of Pasadena	5,719,511
Pasadena B&LA	1,664,912
Paso Robles	
Paso Robles Mutual B&LA	359,528
Pico	
Pico-Rivera B-LA	1,015,686
Pomona	
Home-Builders' Loan Assn.	9,151,544
Pomona First FS&LA	7,253,266
Porterville	
Porterville Mutual B&LA	520,030
Redlands	
Redlands FS&LA	2,129,311
Redondo Beach	
American S&LA	1,024,142
Redwood City	
San Mateo County B&LA	1,379,508
Riverside	
Citrus Belt B&LA	717,558
Riverside County Mutual B&LA	1,536,286
Sacramento	
Capital FS&LA	4,273,824
Fort Sutter FS&LA	508,154
Sacramento Guarantee B-LA	988,661
Salinas	
Salinas Valley S-LA	712,851
San Bernardino	
First FS&LA of San Bernardino	1,178,565
Santa Fe FS&LA	2,483,835
San Diego	
Central FS&LA of San Diego	1,372,956
First FS&LA of San Diego	5,088,855
Home FS&LA of San Diego	1,612,926
*San Diego FS&LA	8,423,015
Silver Gate B&LA	303,329
San Francisco	
Bay View FS&LA	3,299,308
California Sav. & Loan Co.	3,349,811
Citizens' FS&LA	3,387,530
Eureka FS&LA of San Francisco	1,732,713
Franklin S&LA	1,537,093
Golden Gate FS&LA	1,282,572
Home FS&LA of San Francisco	2,477,450
Home Mutual S&LA	3,166,645
San Francisco FS&LA	3,204,885
The Western Loan Assn.	470,987
San Jose	
First FS&LA of San Jose	1,813,063
Guaranty B&LA	7,712,133
Independent B-LA	6,010,618
Nucleus B&LA	3,517,674
San Jose B-LA	6,068,013
Surety B&LA	6,203,108
San Luis Obispo	
Guarantee B-LA of San Luis Obispo	933,874
San Mateo	
Peninsula FS&LA	866,667
San Mateo Mutual B&LA	959,635
San Pedro	
First FS&LA of San Pedro	596,194
San Rafael	
Marin County Mutual B&LA	367,257
Santa Ana	
First FS&LA of Santa Ana	1,612,563
Santa Ana B&LA	2,179,605
Santa Barbara	
First FS&LA of Santa Barbara	3,177,244
Santa Barbara Mutual B&LA	7,418,772
The Loan & Bldg. Assn of Santa Barbara	2,968,757
Santa Clara	
Santa Clara B&LA	759,390
Santa Cruz	
Santa Cruz County B&LA	1,761,022
Santa Maria	
Santa Maria Guarantee B-LA	869,523
Santa Monica	
Century FS&LA	1,677,030
First FS&LA of Santa Monica	1,552,905
Santa Paula	
Santa Paula B&LA	858,548
Santa Rosa	
Santa Rosa B&LA	1,705,036
Sausalito	
Northwestern B&LA	806,282
The Sausalito Mutual Loan Assn.	145,977
South Pasadena	
First FS&LA of South Pasadena	1,304,683
Stockton	
San Joaquin B&LA	2,731,475
State B&LA	2,643,492
Stockton	
Stockton Land, Loan & Building Assn.	3,101,321
Tulare	
Guarantee B-L Corp. of Tulare	260,567
Tulare FS&LA	468,322
Turlock	
Turlock Guarantee B-LA	1,818,242
Van Nuys	
Provident B-LA	1,155,603
San Fernando Valley FS&LA	2,138,709
Visalia	
Visalia B&LA	406,181
Watsonville	
Watsonville FS&LA	646,165
Whittier	
Quaker City FS&LA	3,000,823
Whittier B&LA	2,733,565
Wilmington	
First FS&LA of Wilmington	431,693
Wilmington Mutual S&LA	603,816
Total for California	$411,133,573

*Nonmember of California Savings and Loan League.

Chicago Home Loans In Feb. Exceed Those Of Any Previous Feb.

February advances of the Federal Home Loan Bank of Chicago to Illinois and Wisconsin member home financing institutions totaled $1,661,699 and were more than twice the dollar volume of any previous February in its history. A. R. Gardner, President, reported to the Federal Home Loan Bank Administration in Washington on March 16. He pointed out that seasonal patterns in lending, established by the reserve institution during peace time, are being frequently contradicted because of the varying needs of the member savings, building and loan associations in the war economy.

GENERAL FOODS CORPORATION AND WHOLLY OWNED SUBSIDIARY COMPANIES IN THE UNITED STATES AND CANADA

COMPARATIVE CONSOLIDATED BALANCE SHEET DECEMBER 31, 1943, AND DECEMBER 31, 1942

ASSETS

	Dec. 31, 1943		Dec. 31, 1942	
CURRENT ASSETS:				
Cash		$ 11,983,961		$ 20,574,969
U. S. and Canadian Government securities at cost, which is not in excess of market, less $6,320,000 applied in reduction of Federal tax liability (1942—$6,000,000)		7,277,811		8,252,405
Accounts and notes receivable:				
Customers' accounts	$16,484,577		$ 12,013,790	
Miscellaneous, including deposits and working funds	1,946,657		1,547,728	
Notes, drafts and acceptances receivable	150,802		106,562	
	$18,582,036		$ 13,668,080	
Less—Reserve for discounts and for doubtful accounts and notes	378,925	18,203,111	293,677	13,374,403
Inventories, at average cost or market, whichever is lower:				
Raw materials	$44,876,900		$ 26,208,728	
Finished and semifinished stock	17,050,451		15,519,641	
Supplies	1,856,745	63,784,096	1,678,851	43,407,220
Total current assets		$101,248,979		$ 85,608,997
OTHER ASSETS:				
Investments in and advances to subsidiary companies (not consolidated) at proportionate amount of book value of net tangible assets, which is less than cost:				
Domestic and Canadian companies, less reserve of $185,367 ($174,239 in 1942)	$ 838,082		$ 712,480	
Great Britain and Bahama Islands companies	431,408		462,908	
Assets of wholly owned Philippine Islands subsidiary	420,901		420,901	
Amount receivable from U. S. Government for assets requisitioned	2,633,000		2,633,000	
Estimated postwar refund of excess profits tax	1,600,000		600,000	
Loans to employes	84,387		91,364	
Other stocks and bonds, at cost, less reserve	625,459		505,467	
Long term notes and accounts receivable, less reserve of $100,000 ($80,000 in 1942)	713,998	7,347,235	570,523	5,996,643
PROPERTY ACCOUNTS: (Note 2)				
Land, factory sites, etc.	$ 3,905,022		$ 3,596,832	
Buildings, docks, etc.	20,928,545		18,002,982	
Machinery, equipment, motor trucks, vessels, etc.	41,346,779		35,751,498	
	$66,180,346		$ 57,351,312	
Less—Reserves for depreciation	33,924,342	32,256,004	27,760,575	29,590,737
TRADE-MARKS, PATENTS, AND GOOD WILL (Note 6)		1		1
DEFERRED CHARGES TO OPERATIONS:				
Prepaid advertising expense and supplies	$ 499,878		$ 514,629	
Prepaid insurance premiums and other expenses	1,085,863		1,110,823	
Purchase contract rights—balance unamortized	181,729	1,767,470	206,232	1,831,684
		$142,619,689		$123,028,062

LIABILITIES

	Dec. 31, 1943		Dec. 31, 1942	
CURRENT LIABILITIES:				
Acceptances and drafts payable	$ 305,857		$ 21,206	
Preferred dividend payable	168,750		168,750	
Foreign drafts discounted	71,869		19,611	
Accounts payable, including taxes withheld	8,052,884		5,517,911	
Accrued expenses	604,250		506,345	
Salaries, wages, etc., payable and accrued	640,091		468,294	
Accrued miscellaneous taxes	1,576,839		1,289,968	
Federal and foreign income and excess profits taxes, after deducting $6,320,000 of U. S. Government Tax Series Treasury Notes (1942—$6,000,000)	18,794,278		15,835,085	
Total current liabilities		$ 30,214,818		$ 23,827,170
NOTES PAYABLE TO BANKS				
Due 1947 under revolving credit agreement		—		1,500,000
RESERVE FOR CONTINGENCIES		4,942,712		3,471,212
DEFERRED CREDIT				
Arising from requisitioning of assets, less Federal tax thereon		721,825		721,825
CAPITAL STOCK AND SURPLUS:				
Preferred stock:				
Authorized—350,000 shares without par value				
Issued—150,000 shares $4.50 cumulative preferred (involuntary liquidation preference $100 a share)	$15,000,000		$ 15,000,000	
Common stock (Note 6):				
Authorized—6,000,000 shares without par value				
Issued 5,590,774 shares (1942—5,359,751 shares) including 85,778 shares held by a subsidiary company for conversion of its Class A stock in hands of public	55,400,109		48,402,798	
	$70,400,109		$ 63,402,798	
Capital Surplus, statement attached (Note 6)	—		$ 2,350,224	
Earned Surplus, statement attached (Note 4)	$37,065,615		$ 32,744,156	
Less—Amount allocated in respect of common stock reacquired and held in treasury, at average cost (1943—15,311 shares; 1942—105,311 shares)	725,390		4,989,323	
	$36,340,225		$ 27,754,833	
Total capital stock and surplus		106,740,334		93,507,855
		$142,619,689		$123,028,062

COMPARATIVE CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

	Years Ended Dec. 31, 1943		Dec. 31, 1942	
Net sales (including $3,716,885 bulk raw material sales in 1943—$25,198,995 in 1942)		$259,858,252		$231,506,460
Cost of goods sold, including freight charges	$185,857,000		$163,325,089	
Selling, administrative and general expenses, and other charges	38,260,570	224,117,570	35,264,439	198,589,528
Profit from operations		$ 35,740,682		$ 32,916,932
Other income:				
Dividends and interest	$ 222,151		$ 243,792	
Royalties and miscellaneous income	464,503		642,391	
Proportionate share of profits of subsidiary companies not consolidated	49,508		28,049	
	$ 736,162		$ 914,232	
Less—Interest expense	31,997	704,165	121,130	793,102
Profit before provision for taxes and contingencies		$ 36,444,847		$ 33,710,034
Provision for estimated income and excess profits taxes:				
Federal income taxes (including surtax)	$ 7,892,000		$ 7,416,000	
Federal excess profits tax (Note 5)	12,200,000		10,300,000	
Foreign income and excess profits taxes (Note 5)	708,000	20,800,000	684,000	18,400,000
Profit before provision for contingencies		$ 15,644,847		$ 15,310,034
Provision for contingencies		1,500,000		1,500,000
Net profit for the year		$ 14,144,847*		$ 13,810,034*
Earned surplus at beginning of year		32,744,156		28,537,770
		$ 46,889,003		$ 42,347,804
Dividends on stock in hands of public:				
On preferred stock ($4.50 per share)	$ 675,000		$ 675,000	
On common stock (1943—$1.60 per share; 1942—$1.70 per share)	8,660,713	9,335,713	8,928,648	9,603,648
Total		$ 37,553,290		$ 32,744,156
Excess of cost of treasury stock reissued over quoted market value at dates of issuance, less amount charged to capital surplus		487,675		—
Earned surplus at end of year (amount allocated for reacquired stock not deducted) per balance sheet (Note 4)		$ 37,065,615		$ 32,744,156

*Equivalent, after deducting preferred stock dividend requirements, to $2.42 ($2.50 in 1942) a share of common stock outstanding at end of year.

NOTES TO FINANCIAL STATEMENTS

1. Net current assets and deferred expenses of Canadian subsidiary companies and the results of their operations have been reflected in the accompanying financial statements at official rates of exchange at the close of the year; property accounts have been reflected on the basis of approximate cost of exchange.

2. Properties are stated at cost, excepting certain properties appraised at sound values in 1916 and 1926; the balance at Dec. 31, 1943 of the appraised values in excess of cost, not yet covered by depreciation, was $756,989—($798,786 in 1942). Depreciation provided for 1943 aggregated $3,122,726 ($2,563,155 in 1942).

3. Renegotiation of 1942 business with U. S. Government departments resulted in a net refund of $28,500 which has been charged against the reserve for contingencies. No specific provision has been made in respect of 1943 business, but the net amount refundable, if any, will not have a material effect on the profits for the year.

4. Of the amount of earned surplus at Dec. 31, 1943, $9,298,284 was not available for dividends on the common stock (unless payable in common stock) being restricted by the preferred stock provisions of the certificate of incorporation of the parent company (as amended).

5. Estimated Federal and Canadian excess profits tax postwar credits, amounting to $1,500,000 in 1943, have been deducted in determining the provision for excess profits taxes. Of this amount $600,000 (debt retirement credit) was applied in reduction of the current tax liability.

6. The increase of $6,997,311 in the common capital stock account reflects the book value of the net tangible assets of businesses acquired during the year 1943 for 231,023 shares of original issue stock. Intangible assets also acquired for such newly issued shares amounted to $2,753,130 (as measured by the excess of the quoted market value of such shares over the net tangible assets), which amount, pursuant to the authorization of the Board of Directors, was credited to capital surplus account. In accordance with the company's consistent policy of carrying intangibles at the nominal figure of $1.00, the amount of these intangibles was simultaneously written off against capital surplus, so that neither of these transactions appears in the statement of capital surplus annexed hereto.

ACCOUNTANTS' OPINION

To the Board of Directors and Stockholders of
General Foods Corporation February 23, 1944

We have made an examination of the consolidated balance sheet of General Foods Corporation and wholly owned subsidiary companies in the United States and Canada as at December 31, 1943, and of the related statements of profit and loss and surplus for the year 1943. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and surplus present fairly the position of the companies consolidated at December 31, 1943, and the results of their operations for the year 1943, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.
56 Pine Street, New York 5, N. Y.

The Consolidated Balance Sheet for General Foods Corporation at Dec. 31, 1943, and related financial statements have been prepared under my supervision and, in my opinion, present fairly the position of the companies consolidated as of that date and the results of their operations for the year.

Feb. 23, 1944. MARVIN W. KIMBRO, *Controller*

CANADIAN PACIFIC RAILWAY COMPANY

Sixty-Third Annual Report of the Directors of Canadian Pacific Railway Company, Year Ended December 31, 1943

To the Shareholders:

The financial results of operations showed a moderate improvement over 1942 which, however, was not in proportion to the increase in traffic handled. As a result of governmental regulations rates, both passenger and freight, were maintained at the 1941 level. On the other hand operating costs, both labour and material, and taxes advanced substantially.

The volume of traffic handled in 1943 surpassed what might have been thought possible a year ago. Freight, passenger, mail and express traffic all reached levels never before attained.

In meeting the enormous wartime demands for transportation your Company's organization and facilities were subjected to rigorous tests. Heavy snowfalls and sleet in the first quarter of the year created operating difficulties; the shortage of labour curtailed the maintenance programme; the amount of new equipment procurable fell short of requirements; and wartime restrictions limited the provision of additions and betterments to facilities. The continuance of heavy enlistments in the armed services of members of the staff created problems not only of replacement but also of training and supervision. In spite of all obstacles, however, your Company succeeded in meeting the demands made upon it.

The unprecedented record of operations for the year ended December 31, 1943, is set forth in detail below:

Income Account

Gross Earnings			$297,107,791
Working Expenses (including taxes)			247,896,224
Net Earnings			$49,211,567
Other Income			16,270,751
			$65,482,318
Fixed Charges		$21,795,836	
Interest on bonds of Minneapolis, St. Paul & Sault Ste. Marie Railway Company, guaranteed as to interest by your Company		703,764	
			22,499,600
Net Income			$42,982,718
Dividends on Preference Stock:			
2% paid August 3, 1943—£564,070		$2,521,391	
2% payable February 1, 1944—£564,070		2,521,391	
			5,042,782
Balance transferred to Profit and Loss Account			$37,939,936

Profit and Loss Account

Profit and Loss Balance December 31, 1942			$201,250,483
Balance of Income Account for the year ended December 31, 1943			37,939,936
			$239,190,419
Deduct:			
Loss on lines abandoned and on property retired and not replaced		$3,460,902	
Amount transferred to Rolling Stock Depreciation Reserve for extraordinary post-war retirements	$20,000,000		
Less amount of excess credit transferred from Steamship Depreciation Reserve	16,649,095		
		3,350,905	
Exchange adjustment in respect of steamship insurance recovered in sterling—net		780,714	
Miscellaneous—Net Debit		363,680	
			7,956,201
Profit and Loss Balance December 31, 1943, as per Balance Sheet			$231,234,218

Net Income of $42,982,718 was $2,628,451 greater than in 1942. Subsequent to the end of the year, a dividend of 2 per cent. on the Ordinary Stock, amounting to $6,700,000, was declared from the earnings of the year 1943, payable March 31, 1944. This dividend is not deducted from the Profit and Loss balance at December 31, 1943, shown above.

Railway Earnings and Expenses

The comparative results of railway operations were as follows:

	1943	1942	Increase
Gross Earnings	$297,107,791	$256,864,091	$40,243,700
Working Expenses (including taxes)	247,896,224	208,676,402	39,219,822
Net Earnings	$49,211,567	$48,187,689	$1,023,878
Expense ratios:			
Including taxes	83.44%	81.24%	2.20
Excluding taxes	72.82%	71.54%	1.28

Gross Earnings were $40,243,700, or 15.7%, greater than in 1942, a year in which the earnings had reached their highest previous level. In each quarter of 1943 the earnings were higher than in the corresponding quarter of any previous year in your Company's history.

Freight Earnings increased by $22,045,259, or 11.3%. This result can be attributed principally to further expansion of the Dominion's industrial output, the enlarged export trade brought about by improved shipping conditions and the development of heavy grain movements both to Atlantic coast ports for export and to points in Eastern Canada and the United States to provide winter feed for livestock. Owing to the joint policy of the Canadian and United States Governments in diverting more ship tonnage to the grain traffic, it was possible to transport to lake ports a large amount of the grain which had accumulated in country and terminal elevators.

Earnings from grain and grain products increased $12,200,000, or 37%. Grain handlings on your Company's lines were 257 million bushels, compared with 181 million bushels in 1942, and were slightly in excess of the 1925-1929 average of 254 million bushels. It is estimated that the wheat remaining to be moved by all railways from the Prairie Provinces amounted to 470 million bushels at the end of the year, approximately 60 million bushels less than at the end of 1942.

Ton miles for the year totalled 24,950 million, compared with 22,600 million in 1942 and 18,423 million in 1928. Owing to greater dispatch in the handling of cars the large increase over 1928 was actually accomplished with 5 million less car days. The average revenue per ton mile was 0.87 cents, showing little change from last year's figure of 0.86 cents.

Passenger Earnings increased by $11,830,792, or 30.1%. Owing to continued heavy movements of the armed forces and a sustained high level of civilian travel, the volume of passenger traffic surpassed previous records. The average passenger journey of 150 miles compared with 156 miles in 1942.

Other Earnings increased by $6,367,649, or 29.4%. Express revenues were the largest since 1921. Revenues from sleeping and dining cars, from news services and from demurrage all reflected the general increase in business activity and travel.

Working Expenses increased by $39,219,822, or 18.8%. Exclusive of taxes, the increase in expenses was $32,592,157, and the ratio of expenses to gross earnings was 72.82% compared with 71.54% in 1942. Several factors contributed to the increase in the ratio. The wartime cost-of-living bonus paid to employees amounted to approximately $14,000,000, an increase of $2,000,000 over last year. The bonus rate of $4.25 per week which had been in effect since August 15, 1942 was increased under Order-in-Council P.C. 5963 to $4.60 per week, effective November 15, 1943. Higher prices for locomotive fuel added approximately $3,000,000 to the year's expenses and many other material costs were higher. As a result of the extreme weather conditions of the first quarter of the year, there was an increase of $1,200,000 in the cost of snow and ice removal.

Maintenance of Way and Structures Expenses increased by $8,840,465. During the year 1,736,337 treated and 1,252,608 untreated ties were placed in track, 539 single track miles of new rail were laid, and rock ballast was applied to 72 miles of track. Tie plates to the number of 2,894,905 and rail anchors to the number of 1,341,298 were installed. The examination of rails for hidden defects by the Sperry detector car covered 8,890 miles of track.

Shortages of labour and material continued to be acute and the year's maintenance programme was again restricted in the main to immediate traffic requirements. The amount set aside in the year's accounts for special maintenance reserve was $3,500,000. Depreciation on bridges, buildings and other structures was accrued for a full year, and amounted to $5,640,423.

Maintenance of Equipment Expenses increased by $8,133,266. Locomotive repairs involved an expenditure of $12,608,896 and included the shopping of 703 engines for heavy repairs. The maintenance of freight train cars cost $11,750,766 and included heavy repairs to 24,857 cars. Cast steel truck frames were applied to 1,745 cars, replacing arch bar truck frames. Stabilized trucks were applied to 278 refrigerator cars. Passenger train car repairs cost $7,382,426, including the general overhauling of 1,243 units. To meet the heavy demands of travel 19 buffet parlor cars and 8 compartment observation cars were converted to first class coaches. The shopping programme was limited by the necessity of keeping a maximum of equipment in service and an amount of $2,700,000 was set aside, representing the difference between the actual expenditure and that which would have been made under similar traffic conditions in peacetime. Charges for depreciation amounted to $13,953,484 for rolling stock, $1,549,119 for shop and power plant machinery, and $126,080 for inland steamships. At the end of the year, 92.4% of locomotives and 97.6% of freight cars were in serviceable condition, compared with 93.2% and 97.7% respectively at the end of 1942.

Transportation Expenses increased by $12,733,268. The ratio to gross earnings was 32.18% compared with 32.27% in 1942 and for the fourth successive year constituted a new low record. Increased wage costs and higher prices for fuel and other supplies added to the expenses of train operation but these were wholly offset by the increased earnings per train mile. Slight variations in operating factors are shown by the following indices:

	1943	1942
Freight train load—gross tons	1,729	1,711
Freight car load—tons	33.7	31.9
Freight train fuel consumption—pounds per 1,000 gross ton miles	106	101
Freight train speed—miles per hour	15.9	16.7
Gross ton miles per freight train hour	27,435	28,514
Passenger miles per train mile	132	110

Tons carried one mile and passengers carried one mile increased 10% and 25% respectively but the additional business was handled with an increase of only 5% in train miles.

Other Working Expenses increased by $9,512,823. Railway tax accruals amounted to $31,548,645, an increase of $6,627,665, and included a provision of $27,750,000 for the estimated amount of Dominion Income and Excess Profits taxes, in respect of which the final liability has not yet been determined. Traffic expenses were decreased by $88,630. Expenses of dining and buffet service increased $615,635, and news service expenses were greater by $546,951.

Other Income

Other Income amounted to $16,270,751, an increase of $409,717, or 2.6%.

Dividend income increased by $31,964. Dividends received from The Consolidated Mining and Smelting Company of Canada, Limited, were again at the rate of $2.50 per share.

Net income from interest, exchange, separately operated properties and miscellaneous sources increased by $401,261. Improved economic conditions in Western Canada resulted in a significant increase in interest payments received by your Company on its land contracts. Interest income from the steamship replacement and maintenance funds was considerably larger, while the Exchange account showed a marked decrease, principally due to changes in the trend of interline traffic. The continued development of important war projects in Northwestern Canada brought increased earnings to the Northern Alberta Railways, from which your Company benefited.

Net earnings of ocean and coastal steamships were $2,133,530, a decrease of $754,748. There was a marked reduction in ocean earnings owing to higher costs and a smaller fleet, but this was partially offset by an increase of $1,242,888 in the net earnings of coastal steamships.

Net earnings of hotel, communication and miscellaneous properties increased by $731,240. All of your resort hotels were closed during the 1943 season, but new records of business volume, largely arising out of travel connected with the armed services and war industry, were established at many of your Company's large city hotels, and earnings showed an improvement of $503,336. Net earnings of the communications department increased by $260,533. The high level of general business activity was responsible for a considerable increase in ordinary commercial messages, and in addition new contracts were entered into for the lease of long distance telephone facilities. Postal Telegraph, Inc., your Company's principal connection in the United States, was merged with The Western Union Telegraph Company on October 8, and mutually satisfactory arrangements were completed for interchange of traffic with the new system. Net earnings of miscellaneous properties decreased $32,629. The provision for depreciation of hotel, communication and miscellaneous properties amounted to $2,651,357.

Fixed Charges and Guaranteed Interest

Fixed charges decreased by $1,159,667, principally as a result of the debt retirements made without refunding. Guaranteed interest on Soo Line Bonds decreased $35,189.

Dividends

Dividends amounting to $5,042,782, being at the rate of 4% on the non-cumulative Preference Stock, were declared out of the Net Income for the year.

A dividend of 2 per cent. on the Ordinary Stock, payable March 31, 1944, was also declared from the earnings of the year. This represents a disbursement of 50 cents a share, amounting to $6,700,000. Provision for the payment of this dividend is not reflected in the financial statements for 1943, as the declaration was made after the end of the year. The last previous year in respect of which dividends were declared on the Ordinary Stock was 1931, the final quarterly payment of 1¼% being made on April 1, 1932.

Profit and Loss Account

The major item in the charge of $3,460,902 for loss on lines abandoned and on property retired and not replaced pertains to the retirement of leased spur lines and trackage of the Columbia & Western Railway Company which formerly served certain mining properties in the Province of British Columbia.

A net charge of $3,350,905 to Profit and Loss resulted from an appropriation of $20,000,000 made for extraordinary post-war retirements of rolling stock and a credit transfer of $16,649,095 from steamship depreciation reserve. The appropriation to augment rolling stock depreciation reserve was made in anticipation of charges which will arise when it becomes possible to replace certain types of rolling stock by units incorporating the latest technological improvements. The transfer from steamship depreciation reserve was necessary to correct an unbalanced relationship between that reserve and steamship investment. This condition had developed through successive losses in the fleet, accompanied by credits to the reserve of the entire amount recovered in respect of basic values of steamships sold or lost, which under the British Government War Risk Re-insurance Scheme included a substantial element representing compensation for increased cost of tonnage replacement.

Land Accounts

During the year 135,352 acres of agricultural lands were sold for $702,470, an average price of $5.19 per acre. Included in this total were 224 acres of irrigated land, sold at an average price of $29.74 per acre.

Cash received on land account totalled $4,651,399, including $706,345 for rents and royalties from coal lands and gas and petroleum rights. The generally improved cash income position of Western farmers is reflected in increased land account receipts. Disbursements for land and irrigation expenses, including taxes, were $1,391,297, leaving net cash receipts of $3,260,102. This was an increase of $2,099,354 over the previous year.

The concessions granted in 1942 to land contract-holders were continued, with minor exceptions, throughout the 1943 crop year. The total amount of assistance to holders of farm contracts since 1932, when this policy was inaugurated, has been $21,311,811.

Balance Sheet

A reclassification of certain assets has been effected in order to group them more consistently in relation to the manner of reporting the earnings and expenses for the various properties. The investment in Hotel, Communication and Miscellaneous Properties has been segregated and shown under a separate caption. Investments in all controlled companies, other than in those leased railway companies which are comprised in the railway system from which your Company's gross earnings are derived, have been merged under a single caption "Stocks and Bonds—Controlled Companies." Investments in Jointly Controlled Railway Companies have been transferred to Miscellaneous Investments.

Finance

Serial Equipment obligations to the amount of $4,154,769 matured and were paid, and Consolidated Debenture Stock to the amount of $268,000 pledged under Series "D" was released and cancelled. On January 25, the balance of $3,085,385 due to the Dominion Government on the Equipment Lease dated December 15, 1937, was prepaid. Securities and cash on hand with the Trustee of the Equipment Trust maturing July 1, 1944, increased by $2,457,944, and in addition the Trustee, under authority of the Trust Agreement, purchased and cancelled $665,000 of the Equipment Trust Certificates.

On March 1, The Union Trust Company of Pittsburgh as Trustee entered into an agreement under which $18,000,000 principal amount of Equipment Trust Certificates was issued, guaranteed as to principal and interest by your Company. This issue, designated as Series "F", maturing in equal semi-annual instalments from October 1, 1943 to April 1, 1953, inclusive, is payable in currency of the United States of America and bears interest at 3% per annum. Under the arrangements for this issue, equipment which cost, at the time of construction, $26,000,904 in Canadian funds, is leased to your Company at a rental equal to the instalments of principal of and interest on the Equipment Trust Certificates.

The $10,500,000 3% Convertible Collateral Trust Bonds, maturing October 1, 1945, were called for redemption on April 1, and the $19,000,000 4½% Collateral Trust Gold Bonds maturing September 1, 1946, were called for redemption on September 1. The funds to meet these two issues were deposited with the respective Trustees. During the year $120,500 principal amount of matured but unredeemed Collateral Trust Bonds was paid, and the amount remaining unpaid on an aggregate principal amount of $1,100,500 of such issues has been deposited with the respective Trustees and eliminated from current liabilities. In addition the following securities were purchased and cancelled—3½% Convertible Collateral Trust Bonds due 1951 to the amount of $2,000,000 and 5% Collateral Trust Gold Bonds due 1954 to the amount of $600,000. Consolidated Debenture Stock to the amount of $41,183,200, pledged as collateral to the issues of Collateral Trust Bonds of which the above mentioned bonds formed part, was released and cancelled.

On February 1, 4% Serial Secured Notes to the amount of $350,000 and 3% Serial Secured Notes to the amount of $287,400 were redeemed, and Consolidated Debenture Stock to the amount of $1,092,000 was released and cancelled. On March 10, $3,750,000 principal amount of 4% Notes was refunded by the issue of notes to the same amount, at the reduced rate of 3%, such notes being secured in the same manner and maturing on the same dates as the notes retired. In connection with this refunding Consolidated Debenture Stock to the amount of $700,000 was released and cancelled.

On December 1, 3½% Serial Secured Notes due December 1, 1945, to the amount of $2,000,000 were prepaid. On such prepayment Consolidated Debenture Stock to the amount of $1,200,000 was released and cancelled, and 60,000 shares of capital stock of The Consolidated Mining and Smelting Company of Canada, Limited were released.

During the year, $156,200 principal amount of matured but unredeemed 4½% Sinking Fund Note Certificates were paid. Provision was made to meet the unpaid balance of this issue aggregating in principal amount $503,700 with a corresponding reduction in current liabilities.

On October 22, the 5% First Mortgage Debenture Bonds of the Lacombe and North Western Railway Company amounting to $273,700 matured and were paid.

The financial transactions referred to above resulted in the net retirement of $28,981,398 of bonds, notes and other obligations, the discharge of a contingent liability of $273,700, a reduction of $44,443,200 in the amount of Consolidated Debenture Stock pledged as collateral, and the return to the Company of the balance of the pledged capital stock of The Consolidated Mining and Smelting Company of Canada, Limited.

Pensions

Charges to working expenses for your Company's proportion of pension allowances, its contribution to the Pension Trust Fund and levies in respect of employees who come under the United States Railroad Retirement Act amounted to $4,592,683. In view of the further rise in the level of employment and increased rates of pay, your Directors authorized an increase from $700,000 to $1,000,000 in the special contribution made annually to the Pension Trust Fund to assist in meeting the anticipated peak period of cost under the pension plan.

The number of employees pensioned during the year was 776. After allowing for deductions owing to death and discontinuance from other causes, the total number on the pension payroll at the end of the year was greater by 412 than at the end of 1942.

Distribution by ages was as follows:

Under 60 years of age	317
From 60 to 64 years of age, inclusive	652
From 65 to 70 years of age, inclusive	2,440
Over 70 years of age	1,805
	5,214

Wage Negotiations

The representatives of all classes of employees affiliated wtih international organizations presented to the Canadian railway companies a request for increases in basic rates of pay sufficient to establish the same, or substantially the same, rates of pay as those paid like classes of employees of United States railways. The companies replied that they were not prepared to enter upon negotiations on the basis of this request, it being their view that it disregarded the wartime wage policy of the Government. On September 15, the employees applied to the National War Labour Board for an order directing the railways to grant the increases, and later filed a brief in support of the application. A reply to the employees' brief is in the course of preparation.

Canadian Pacific Air Lines, Limited

During the year further steps were taken by your subsidiary company, Canadian Pacific Air Lines, Limited, in the development of a coordinated air transportation system. For the movement of essential personnel and cargo carried in connection with vital continental defence establishments in Northwestern and Northeastern Canada, additional modern aircraft were allocated to your Air Lines. To provide for the traffic referred to, extensive new radio communication installations were also required, as well as additions to ground equipment, shops and airport facilities. To finance these capital expenditures your Company advanced an amount of $2,027,000 during the year.

Transport planes of your Air Lines were flown 6,133,751 miles in revenue service during 1943, an increase of 17% over the previous year. Passenger miles totalled 24,031,000, an increase of 82%; mail pound miles were 926,994,000, an increase of 91%; and freight pound miles were 1,825,774,000, an increase of 18%.

That part of the activities of the British Commonwealth Air Training Plan involving your Air Observer Schools and Overhaul Plants was considerably expanded during the year. Aircraft operated by the personnel of your Air Observer and Elementary Training Schools flew over 57,000,000 miles. At the end of the year your Air Lines, including the Training Schools and the Overhaul Plants, had approximately 9,500 employees.

While there was a substantial increase in the volume of traffic handled as compared with the previous year, expenses increased in greater degree, owing largely to the cost of operating and maintaining aircraft under existing wartime conditions. In addition, the cost of pilot training was heavy, and there were non-recurring charges for reorganization and development. The operations for the year resulted in a moderate loss, which, however, was not unreasonable in all the circumstances. Provision for the accumulated loss to the end of the year, amounting to $236,573, was made by a charge to Other Income.

Detailed study has been made of the possibilities of further development of your Company's air activities, and a number of new routes and extensions of existing routes in the international as well as the domestic field will be proceeded with whenever this is permitted by Government policy.

The interim policy announced by the Government would exclude private operators from the field of international operation, while in the United States many applications by competing air lines for licenses to operate between points in the United States and points in Canada are being pressed for hearing before the Civil Aeronautics Board.

Your Directors feel that, if Canada is to occupy the place in air transportation which its geographical situation and the abilities and experience of its citizens in this field justify, there is urgent need of an air policy which will afford Canadian industry an opportunity equal to that enjoyed by the citizens of other countries.

Minneapolis, St. Paul & Sault Ste. Marie Railway Company

Net earnings of this Company were $5,141,093, or $1,156,659 greater than in 1942. Gross earnings amounted to $26,585,111, an increase of $3,954,269. The increase in earnings resulted primarily from business connected with the war. Working expenses for the first time included charges for depreciation of road property, amounting to $484,977, which were made in conformity with a general order of the Interstate Commerce Commission, effective January 1, 1943. The year's expenses also included provision for the back pay, and taxes

thereon, of non-operating employees covered by the wage agreements reached on January 17, 1944, and made retroactive to February 1, 1943.

The plan of reorganization which had been accepted almost unanimously by the security holders voting thereon, was confirmed by the District Court of the United States in and for the District of Minnesota, Fourth Division, on June 18, 1943. In accordance with the provisions of the plan three reorganization managers were designated to put it into effect and carry it out under the supervision and control of the Court and subject to any requisite approval of the Interstate Commerce Commission. One of the reorganization managers was designated by your Company.

Preparatory steps in connection with the issue of the new securities are now being taken, and it is expected that they will be available in the near future.

The Duluth, South Shore and Atlantic Railway Company

Net earnings of this Company were $1,000,744, compared with $946,969 in 1942. Gross earnings were $4,300,194, an increase of $156,318. Passenger and express traffic both exceeded 1942 levels, but freight traffic declined slightly, owing to less ore being handled.

The District Court of the United States in and for the District of Minnesota, Fourth Division, delivered judgment in favour of your Company on December 27, 1943, in the action instituted by Hugh W. McCulloch and other bond holders to which reference was made in the Annual Report for the year 1940. The plaintiffs have ninety days in which to appeal against this judgment. The time within which a plan of reorganization of the South Shore shall be filed has been extended to June 1, 1944.

Rates and Services

The record volume of traffic moving necessitated the imposition of further limitations on passenger service by the Transport Controller. Parlor car service was suspended between the cities of Ottawa, Montreal and Toronto, and restrictions were placed on the number of sleeping cars and the number of extra passenger trains and of extra sections of regular passenger trains which could be operated. Effective April 15, he also directed Canadian railways to cease selling reduced fares for public holidays and for week-end travel. An order curtailing train service to summer resorts was followed shortly afterwards by the suspension of all tourist excursion fares.

In the interest of greater utilization of freight cars and other transportation facilities and of expediting the movement of freight traffic, the Transport Controller also issued orders requiring the loading of freight cars to their maximum capacity and prescribing minimum weight loads for specific commodities.

In conformity with the regulations of the Wartime Prices and Trade Board, freight rates on Canadian traffic remained at the level in effect in the base period in 1941. An annual loss of approximately $2,000,000 in revenue on international traffic will be sustained by your Company as a result of the suspension from May 15, 1943, by the Interstate Commerce Commission, of the general freight rate increase which had been granted to United States carriers in 1942.

New rolling stock placed in service during the year included 5 Pacific type and 20 Mikado type locomotives; 5 Diesel switching locomotives; 1,400 box and 500 70-ton gondola cars; and 50 cabooses.

To provide for the greatly increased patronage of Windsor Station in Montreal, a number of improvements to accommodate and serve the travelling public have been completed. The station coffee shop has been remodelled and its capacity doubled, a public announcement system has been installed, and the main entrance to the station has been structurally altered to improve its appearance and to increase the accessibility of the concourse to travellers.

The installation of the automatic block signal system between Chapleau and Schreiber, designed to expedite traffic on the Algoma District, was nearing completion by the end of the year. This improvement will not only increase the capacity of this line, but will give greater safety and dispatch in operation.

Wartime Activities

The transportation needs of the Dominion continued to expand in 1943 owing to the increase in production of munitions of war and the intensification of hostilities abroad. Your Directors report with satisfaction that in no instance did traffic congestion develop or failures occur in supplying essential transportation. The record of the year's activities again demonstrates that efficient rail transportation is a vital force in the prosecution of the war.

The labour turnover was more than three times the normal rate, and operating difficulties were for this reason accentuated. The training of inexperienced employees has presented a serious problem to your officers and senior employees. Patrons of your Company have helped greatly by accepting the unavoidable inconveniences which attended the movement of passenger and freight traffic during the year.

Railway facilities were extended to meet the demands of expanded production. During the year 34 miles of industrial tracks were provided to serve 104 new plants throughout the Dominion.

The Valentine tank project, which was begun at your Company's Angus Shops in 1940, was completed during the year. A total of 1,420 tanks, including large quantities of spare parts required for battle damage repairs and ordinary maintenance requirements, were produced at a cost which compares most favourably with results achieved by other contractors. Shop facilities released from tank production are now being used for the production of main marine engines and condensers for frigates and corvettes along with many other important items for the Navy.

Naval guns and mountings of various types continued to be produced in quantity at the Ogden Shops in Calgary, involving the full use of the former locomotive erecting shop at that point.

The inspection of locomotives and rolling stock, which are being manufactured in Canada for the Indian State and the Jamaica Government Railways, was undertaken by your Company. In addition to specifying materials and approving workmanship, the contract with the Indian State Railways calls for supervision of re-erection of the locomotives when they reach the Far East.

The organization and experience of your purchasing department has been at the disposal of the Department of Munitions and Supply and the Navy, Army & Air Force Institutes since the outbreak of the war.

Four members of the staff of your Air Lines were awarded the Air Medal of the United States of America for meritorious service in the search for, and rescue of, army personnel from a stranded transport plane.

Your ocean steamships and part of your coastal fleet were operated throughout the year under the Ministry of War Transport of the United Kingdom. Some 53 honours have been won by officers and men of your fleet in various parts of the world. The exploits for which these awards have been made reveal the leadership and resourcefulness of the men serving in your ships.

Patriotic appeals and campaigns have evoked enthusiastic response from officers and employees. In the five Canadian Victory Loans, your Company and its employees have subscribed a total of $90,756,850. Of this amount $67,142,000 has been taken by your Company and by its Pension Fund and the Pension Fund of the Canadian Pacific Express Company. An average of 31,382 officers and employees were purchasers of War Savings Certificates throughout the year under the payroll deduction plan.

Quebec Conference

Your Company had the privilege of setting aside the Chateau Frontenac for the accommodation of more than seven hundred persons engaged in connection with the Conference of the leaders of the United Nations which took place in Quebec in August. A number of special trains were operated to provide transportation for the distinguished delegates and their staffs. The exceptional suitability of this famous hotel for the purpose, and the well co-ordinated services of your Company, including rail, communications, air transport and express, contributed greatly to the success of the Conference. Appreciation for your Company's part in the arrangements of the meeting has been expressed by Conference principals, as well as by Government officials of the countries concerned.

It was fitting that such a rare distinction should have fallen to the Chateau Frontenac in the year which marked the fiftieth anniversary of its opening in 1893. In recognition of this unique event in its history, an etching of the Chateau appears on the front cover of the Report.

Reconstruction and Re-establishment

A good deal of attention is now being directed to post-war economic plans. The great extent of the unused natural resources, and the opportunity for a considerable increase in population to benefit by them, combine to give ground for the assumption that it is possible to plan for an expanding economy in Canada. The study of post-war activities by your Company was assigned to a committee of senior officers, and an interim report was prepared which by request was presented during the year to the Special Committee of the House of Commons on Reconstruction and Re-establishment.

Your Company expects to play its full part in the post-war internal and external commerce of Canada, and the instructions to the committee of officers were to prepare plans and schedules of improvements to your property to place it in a position to participate fully in that period of active employment and business expansion which may reasonably be anticipated to follow upon the termination of hostilities. The studies are, of course, concerned solely with such improvements or extensions as are considered prudent investments.

Your Directors believe that it will be wise to plan for a programme of five to ten years which would, in addition to its direct benefit to the earning power of your property, act as a valuable stimulus to employment and business activity in the country.

Capital Expenditures

In accordance with licences granted by His Majesty's Government in the United Kingdom, measures have been taken looking toward the replacement of some of the Beaver class freight vessels lost by enemy action during the war, and for this purpose, in anticipation of your confirmation, your Directors authorized an appropriation of $11,409,900. Other capital appropriations for the year 1943 which were approved by your Directors, subject to your confirmation, totalled $4,371,388, of which $2,967,094 was for the purchase of 650 50-ton wood-lined box cars.

Your approval will also be requested for capital appropriations of $24,478,980 for the present year. The principal items are as follows:

Replacement and enlargement of structures in permanent form	$290,430
Additions and betterments to stations, freight sheds, coaling and watering facilities and engine houses	2,356,437
Tie plates, rail anchors and miscellaneous roadway betterments	1,186,540
Replacement of rail in main and branch line tracks with heavier section	999,418
Installation of automatic signals	726,582
Additional terminal and side track accommodation	337,571
Additions and betterments to shop machinery	692,577
New rolling stock	16,800,239
Additions and betterments to rolling stock	545,008
Additions and betterments to communication facilities	486,927

The appropriation for new rolling stock makes provision for 25 Pacific and 10 Mikado type road locomotives, 10 Diesel switching locomotives, 2,190 freight car units and 3 work units.

Branch Lines

In order further to serve the fruit-growing district in Southern British Columbia it is proposed to seek the authority of Parliament to extend the line of the Kettle Valley Railway Company, which is leased to your Company, from Haynes to Osoyoos, a distance of approximately 10 miles, and to issue securities not exceeding $50,000 per mile in respect of this extension.

Revision of Traffic By-Laws

In view of amendments to the Railway Act and changes in traffic conditions, it was deemed advisable that the Traffic By-Laws of your Company should be revised and your Directors have approved certain appropriate changes therein, involving the repeal of By-Laws Nos. 64, 76, 84, 89 and 94 and the enactment in lieu thereof of By-Law No. 99 containing Traffic Rules and Regulations of your Company, which will be submitted for your approval and confirmation.

Stock Holdings

The holdings of the Capital Stock of your Company at December 31 were as follows:

	ORDINARY		PREFERENCE		TOTAL
	No. of Holdings	Percentage of Stock	No. of Holdings	Per-centage of Stock	Per-centage of Stock
Canada	25,796	19.12	163	.61	13.64
United Kingdom and other British	16,067	53.42	26,487	96.35	66.14
United States	13,180	21.23	75	.33	15.04
Other Countries	3,442	6.23	581	2.71	5.18
	58,485		27,306		

Changes in Directorate

It is with deep regret that your Directors record the loss by death during the year of two members of the Board, Sir Edward Wentworth Beatty, G.B.E., of Montreal, Chairman of the Company, in March, and the Rt. Hon. Reginald McKenna, P.C., of London, in September.

Fitting tributes were paid to the outstanding services rendered by Sir Edward to your Company and to the Dominion of Canada, in a resolution passed by the Directors at their meeting held in April, 1943, and also by the President and the Shareholders as incorporated in the Report of Proceedings of the Annual General Meeting held at Montreal in the following month.

The Rt. Hon. Reginald McKenna, P.C., was appointed a Director in 1926. During his association as a member of the Board resident in London, Mr. McKenna gave counsel and rendered service of the highest value to your Company and to the Dominion of Canada. He occupied a distinguished position in public affairs, and he will be regarded as a great Imperial statesman who showed the noblest qualities of leadership when the safety and freedom of all men were in dire peril.

Mr. George W. Spinney, C.M.G., was appointed a Director and Mr. Aimé Geoffrion, K.C., was appointed a member of the Executive Committee to fill the vacancies caused by the death of Sir Edward Wentworth Beatty.

Retiring Directors

The undermentioned Directors will retire from office at the approaching annual meeting. They are eligible for re-election:

Mr. D. C. Coleman
Hon. Charles A. Dunning, P.C.
Mr. John W. Hobbs
Mr. R. S. McLaughlin
Sir Edward R. Peacock, G.C.V.O.

Officers and Employees

The officers and employees of your Company in all branches of its service have evinced their keen appreciation of the vital importance of transportation to the war effort of the United Nations, and your Directors gratefully acknowledge the competence and

fidelity with which they have met the heavy demands of the past year. The repatriation, during the year, of several of your employees who had been interned in the Far East afforded great satisfaction. Anxiety is felt for those who still remain in enemy hands.

Your Directors report with pride that, up to the end of the year, 17,067 employees of your Company were on active service with the armed forces of the United Nations. It is a matter of deep regret that 377 of these employees have lost their lives in the common cause.

For the Directors,
D. C. COLEMAN,
President.

Montreal, March 13, 1944.

Canadian Pacific Railway Company

General Balance Sheet December 31, 1943

Assets—		
Property Investment:		
Railway, Rolling Stock and Inland Steamships	$810,442,460	
Improvements on Leased Property	96,813,831	
Stocks and Bonds—Leased Railway Companies	129,693,871	
Ocean and Coastal Steamships	36,971,006	
Hotel, Communication and Miscellaneous Properties	101,872,734	
		$1,175,793,902
Other Investments:		
Stocks and Bonds—Controlled Companies	$ 65,402,759	
Miscellaneous Investments	33,949,193	
Advances to Controlled and Other Companies	32,142,105	
Mortgages Collectible and Advances to Settlers	2,290,803	
Deferred Payments on Lands and Townsites	26,659,459	
Unsold Lands and Other Properties	20,553,229	
Maintenance Fund	13,450,000	
Insurance Fund	10,387,121	
Steamship Replacement Fund	47,879,560	
		252,714,229
Current Assets:		
Material and Supplies	$ 30,079,986	
Agents' and Conductors' Balances	14,096,152	
Miscellaneous Accounts Receivable	19,815,732	
Dominion of Canada Securities	17,021,872	
Cash	43,525,516	
		124,539,258
Unadjusted Debits:		
Insurance Prepaid	$ 216,051	
Unamortized Discount on Bonds	1,110,811	
Other Unadjusted Debits	2,906,234	
		4,233,096
		$1,557,280,485
Liabilities—		
Capital Stock:		
Ordinary Stock	$335,000,000	
Preference Stock—4% Non-cumulative	137,256,921	
		$ 472,256,921
Perpetual 4% Consolidated Debenture Stock	$397,826,229	
Less: Pledged as collateral to bonds, notes and equipment obligations	102,388,000	
		295,438,229
Funded Debt	$133,313,600	
Less: Securities and cash deposited with Trustee of 5% Equipment Trust	17,395,856	
		115,917,744
Current Liabilities:		
Pay Rolls	$ 4,771,158	
Audited Vouchers	10,450,212	
Net Traffic Balances	4,237,461	
Miscellaneous Accounts Payable	3,398,302	
Accrued Fixed Charges and Guaranteed Interest	1,629,973	
Unmatured Dividend Declared	2,521,391	
Other Current Liabilities	21,050,660	
		48,059,157
Deferred Liabilities:		
Dominion Government Unemployment Relief	$ 2,447,223	
Miscellaneous	3,648,720	
		6,095,943
Reserves and Unadjusted Credits:		
Maintenance Reserves	$ 13,450,000	
Depreciation Reserves—Road	83,630,820	
—Rolling Stock	115,859,100	
—Steamship	26,856,648	
—Hotel and Other	12,888,176	
Investment Reserves	17,648,413	
Insurance Reserve	10,387,121	
Contingent Reserves	5,105,446	
Unadjusted Credits	5,353,560	
		291,179,284
Premium on Capital and Debenture Stock		34,565,952
Land Surplus		62,533,037
Profit and Loss Balance		231,234,218
		$1,557,280,485

ERIC A. LESLIE,
Vice-President and Comptroller.

To the Shareholders,
Canadian Pacific Railway Company:

We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1943, and having compared the Balance Sheet and related schedules therewith, we certify that in our opinion it is properly drawn up so as to show the true financial position of the Company at that date, and that the Income and Profit & Loss Accounts correctly set forth the result of the year's operations.

The records of the securities owned by the Company at December 31, 1943, have been verified by an examination of those securities in the custody of its Treasurer and by certificates received from such depositaries as are holding securities for safe custody for the Company.

PRICE, WATERHOUSE & CO.
Chartered Accountants.

Montreal, March 10, 1944.

Gold Stocks

(Continued from page 1298)

reduce risks I cannot help believing that no investment account should contain gold mining stocks at this time. This, however, does not exclude the interesting speculation that may be existent in some gold mine which can turn out gold at a very low cost. It applies to the high-cost mines and those which discount future rise in price of gold.

On the favorable side for gold stocks is the first and most commonly quoted point, the traditional history of gold with its impregnable position as the best monetary basis. Gold was always gold and it always will be. The most durable, acceptable, and compact wealth that the world has known. Therefore it is stated that we can expect it to continue to be so.

The second favorable point is that the most powerful countries, Britain, Russia, and the United States have such a large stake in the existing gold and its future output that it is inevitable that they will see to it that it continues as the monetary basis. In other words, the "vested interests" are strong enough to impose their selfish wishes on the world.

On the basis of these two factors the optimism of the speculator points to the fact that "the price of gold always moved upwards" — a false premise — and with his appetite sharpened by the devaluation of 1934 he already discounts further rises in the price of gold.

Let us examine these arguments and see how valid they are. In the first place we admit that gold was the safest value since the beginning of civilization. We also accept the fact that gold performed an economic function, but this performance is not an inherent quality of gold. It was created by circumstances and may be obviated by them too. Gold served as a means of facilitating and simplifying barter, as a common denominator of value, and as a store of purchasing power. These functions were performed also by a great number of other materials, silver, copper, wampum beads, shells, etc., etc. They all served at some time in the same manner but none of them for as long or as well as gold.

Looking at all these different moneys we find that what made them suitable for performing the function were certain common attributes, that is, uniform quality and, the most important, their rarity and the difficulty of obtaining them. As soon as they became common, they ceased to be serviceable as money. The following story from "The New Yorker" illustrates the point:

"The Yap natives once used stone discs for money, quarrying it hundreds of miles away in the Palau Islands and bringing it back by canoe. The distance kept money scarce, and a disc only three fingers in diameter would buy a pig, until an Occidental opportunist named O'Keefe arrived with a whole schoonerful of stone money and bought everything on the island. Since then the people of Yap have just sat around—haven't even had the spirit to get dressed and go down to Wall Street."

So we see what happens when money becomes plentiful. What is the position of gold in that respect? Until relatively recent times mining and refining methods were so difficult and costly that new output was relatively small. Now, however, due to exploration and improvement in mining methods, the volume has been tremendously stepped up. Some simple figures on world production support that.

Period	Ozs.
1800-1850	2,000,000
1851-1900	35,500,000
1901-1910	182,600,000
1911-1920	205,800,000
1921-1930	185,400,000
1931-1940	317,500,000

In 1938 alone when the output was 38,030,000 ozs., it exceeded that of the entire 19th Century. The result of this was that 15 major world countries which held roughly 100,000,000 ozs. of gold in their central banks in 1900, by 1920 held 350,000,000, and by 1938 52 countries held a total of 730,000,000 ozs.

While in the past the metal was rare and hard to get, now we accumulate it at an annual rate which may be not far from 10% of the total accumulated through history up to 1900, assuming that central banks held ¼ of the metal in existence, and this rate of output was still rising when war started. So the parallel with the stone money on the Carolines and gold is not as far-fetched as it might seem.

Apart from this factor of amount of gold on hand there was also the element of improvement in the method of its use. Very early in history it was learned that hard money can be substituted by tokens and by paper promises to pay, which greatly reduced the need for coin. Subsequently the improvement in credit and banking eliminated even that, so that the preponderant part of world trade is now done by bookkeeping, its increase following in direct proportion the development of civilization.

How efficient these methods were is illustrated by the fact that the Bank of England in its heyday when it was the center of the world's trade used not more than $250,000,000 of gold as its collateral. Year-end figures for the period 1894-1913 showed a maximum balance of £42,000,000 or about $250,000,000.

So even prior to the last war we learned to operate with a negligible amount of metal on hand. Subsequently another function of gold, that of determining values of currencies, was effectively replaced. In the post-war disarrangement of currencies, all of them gradually tended to become managed by government fiat and bookkeeping control, so that by 1938 no country was on a pure gold standard, excepting Albania. In this country we arbitrarily devalued the dollar in order to raise business activity on the textbook theory based on the principle that the price of gold determines values and amount of credit, therefore trade. Nothing happened in trade except that gold mines were given a 75% bonus. In other words, we did not devaluate the dollar, since its purchasing power remained unchanged, but we raised the price of gold. So everybody, particularly Russia, increased gold output to get more dollars to buy more American goods. One result was a tremendous increase in gold output which about doubled from 1933 to 1939, and all of it was being shipped here in exchange for goods, clearly indicating the excessiveness of our price simply on the basis of supply and demand factors. We got a tremendous quantity of it, all of which under no circumstances can be of use as a monetary basis. The high price also reduced the flow of metal to industrial consumption. In fact, the trend was reversed. We all know of the "old gold" buyers of the past ten years. And even India, the traditional absorber of gold, in some recent years was exporter on balance. In 1935-44 U. S. absorbed 60% more gold metal than was produced throughout the world.

At the same time large economic units such as Germany and Russia learned to run a domestic economy entirely without gold coin. They had managed currency which allowed both of them a tighter control of their internal business, purchasing power, and even international trade, than under the semi-automatic gold standard methods. So in addition to other adverse factors it has been clearly demonstrated that an economy both domestically and in foreign trade can be run without gold.

All of this was reviewed in order to drive home the points that:

1. We now have more gold than we need for monetary purposes.

2. We are producing more of it at a fast pace, likely to be increased further, even on the present prices.

3. The price is higher than the "use value."

4. We have learned that our domestic banking and international trade can be run on managed currency so that our gold needs are smaller and decreasing.

How well recognized the problem is, is indicated in the quotation from the testimony of Mr. Marriner Eccles, Chairman of the Federal Reserve Board, before the House Banking Committee:

Mr. Eccles: "I do deny that the amount of the gold reserve, or the gold requirements have anything to do with the price level, which means they have nothing to do with the value of currency."

Mr. Smith: "Aren't you, in effect, saying there is no relation whatever of gold in this country to our currency?"

Mr. Eccles: "That is right."

Mr. Smith: "There is no relation whatever?"

Mr. Eccles: "That is right."

Mr. Smith: "You then take the attitude we are completely off the gold standard?"

Mr. Eccles: "Yes, completely."

Mr. Smith: "I am rather astonished. It makes no difference then whether we have an ounce of gold or whether we have 700,000,000 ounces?"

Mr. Eccles: "It has made no difference to Russia for 20 years; no difference to Germany for a long while. Most of the countries of Europe had to give up the idea of the gold reserve. Their currencies have gone into managed currencies . . . the Russians have mined gold as a commodity to sell to the democracies and get foods that they wanted to get and they haven't looked upon gold as a necessary item to support their currency."

In other words, gold is good for teeth and for selling to Mr. Morgenthau at the arbitrarily inflated figure of $35 an ounce, not much otherwise. Mr. Morgenthau is sitting on the world's largest amassed pile of it, and there is nothing he can do with it, except to increase the problem by buying some more from Britain or Russia, which means giving away public money for gold.

Against these facts there are serious professors and publications who propose a further increase in the gold price. The results would be further aggravation of the problem rather than a solution of it. In support of their contention they quote the fact that in the free gold markets of Lisbon, Cairo, India, and China the price of gold is many times the official U. S. price. They ignore the fact that their measuring rod is a fictitious one. We know that, for instance, a meal in Chungking at the official rate of exchange costs some fabulous sum of dollars, so that obviously it means nothing to translate the same currency in terms of gold. Also the fact that disarrangement of world credit created distrust and a desire for tangible wealth plays its part.

Another point mentioned as an indication of the strengthening of the gold picture is the fact that the U. S. after years of accumulation has lost some $700,000,000 of gold in the past year to the neutrals. The reason for that is that for the first time since 1888 we have an unfavorable trade balance in the sense that we are exporting on lend-lease a large amount without receiving payment. No wonder certain neutrals are building up cash and gold balances in this country.

But returning to the original two points in favor of gold, the fact still remains that we should not and probably will not go entirely off the gold standard. We can be sure that the U. S. will do its best to impose some way whereby our hoard will be of some use. Unfortunately our bargaining position is not good, because most foreign countries have also learned to get along without gold so they can take it or leave it. They will take it only at a price.

Consequently, while the long-range future of gold is not exciting, there are certain practical considerations which have direct bearing on investments. We should not forget that monetary silver has been passe these 40 years but still silver mines have been making money. In fact it may be a good parallel. The same illogical way our silver policy was handled will probably be followed in the case of gold.

Specifically, as the White Paper implies, there will be a distinction made between gold in existence and that still to be mined. We may have an international monetary price of gold of so much, and a different price for that newly mined. In this country it probably would be much lower because we do not need more gold. In some foreign countries it may be even higher. Another possible means of curtailing production may be some kind of quotas for new metal. Anyhow it is evident that in this country we must discourage new gold production in order not to endanger and aggravate the problem of our existing stores of metal.

When the war ends we shall find ourselves in possession of a lot of goods that the world will need urgently, but we know that other countries have no gold or other wherewithal to buy these goods, so some way must be found to facilitate the trade, probably by credit through a central bank. Incidentally it is almost a foregone conclusion that international trade in the future will be government regulated even in the U. S., which will mean trade by bookkeeping entries rather than by exchange of money.

In what way could the U. S. enhance the process of trade? There is one obvious way, which is devaluation of the dollar in terms of foreign money values. We shall probably strive to make it easy for the others to get our dollars so that they can buy more of our goods and gold. The latter is particularly important. In order to get rid of gold we shall have to make it cheap in terms of francs, kronas, etc. This would mean lowering of the dollar value of gold in their terms. This process has already started by our deliberate setting of high exchange ratios with francs, for instance, which permits the French to buy more dollars for fewer francs.

The result of this is that in the future the American tourist and importer will be at a disadvantage rather than advantage as in the past. Already in Germany and Russia, for instance, it costs more to live than in the U. S. in terms of dollars. Similarly American labor will proportionately get less so that "cheap foreign labor" will become high priced and, as a consequence, the tariff wall would be automatically higher, further endangering gold trade.

If this line of reasoning is generally correct, what is the practical effect of all this on the investor?

1. It is obvious that all talk of higher prices for gold is a bit far-fetched and optimistic.

2. Domestic mines are likely to be put on production quotas and may receive less for their new metal.

3. Foreign mines will fare differently, probably better, particularly in countries with small output.

Looking in that light at some outstanding gold stocks it would appear that they are more than amply priced. The foregoing probabilities, while not certainties, are reasonable risks that must be given consideration in any appraisal of gold securities making them unattractive holdings.

Oklahoma Pfd. Offered By Banking Group

A banking group headed by Stone & Webster and Blodget, Incorporated, is offering today 180,000 shares of Oklahoma Natural Gas Company cumulative preferred stock, series A 4¾%, $50 par, at $52 per share and accrued dividends from Feb. 15, 1944.

Net proceeds from the sale of the preferred stock, together with not more than $6,500,000 to be obtained through a new bank loan and proceeds from the sale of $18,000,000 first mortgage bonds, will be applied by the company toward the redemption of substantially all its present funded debt, and all its currently outstanding preferred stock. The company plans to redeem: $16,500,000 of first mortgage series B 3¾% bonds; $3,678,000 of first mortgage series C 3% bonds; 58,000 shares of $5.50 convertible prior preferred stock; 91,055 shares of $3 preferred stock; and to pay the principal amount of a $3,500,000 bank loan maturing serially to Oct. 1, 1946.

Upon completion of the present financing, the capitalization of Oklahoma Natural Gas Company will consist of: $18,000,000 first mortgage bonds; a $6,500,000 bank loan at 2⅜%, maturing serially April 1, 1945, through April 1, 1950, subject to reduction depending on the amount of prior preferred stock converted into common stock; $80,000 of property purchase obligations; $9,000,000 of series A preferred stock; and $8,250,000 of $15 par value common stock, disregarding possible conversions.

The new preferred, which carries voting rights, is subject to redemption at $55 per share before Feb. 1, 1949; at $54 if redeemed on or after Feb. 1, 1949, and before Feb. 1, 1954; and at $53 if redeemed on or after Feb. 1, 1954, together with all dividends accrued or in arrears.

Revitalized Rails Enter New Phase, Survey Shows

In a new booklet dealing with the investment merits of selected railroad bonds, Halsey, Stuart & Co., Inc., 201 South La Salle Street, Chicago, Ill., express the opinion that "Today's railroads are a revitalized and, to a large extent, a reorganized industry both from the standpoint of operations and financial structure. The industry is one for which the public has new respect and appreciation growing out of its courageous pre-war accomplishments and its amazing wartime record of achievement. Instead of being a declining industry it appears to be entering a new phase of development which, if not as expansive and dynamic as in its earlier phases, promises to be at least more stabilized and certainly no less necessary to the growth and well being of the nation." The booklet, a copy of which may be obtained from Halsey, Stuart & Co., upon request, surveys the railroad situation at various stages — pre-war, wartime and current—also discusses their post-war outlook. It concludes by outlining recommended standards for investment selection in the railroad field.

Tomorrow's Markets Walter Whyte Says—

Near-term rally possibilities still present in market—Long-pull outlook, however, is becoming increasingly drab.

By WALTER WHYTE

Nothing has happened since the previous column was written to change the belief that a broad top is in the making so far as long-pull potentialities are concerned. At the same time the possibility of a sudden intermediate rally does not detract from the longer-term picture. The question is, should one dispose of long-term holdings in anticipation of the anticipated storms or buy a couple of stocks in order to be aboard the potential rally. Both methods have their points.

* * *

To get out of all long-term stuff without regard to market action, based on present indications, is not wise. To give a blanket opinion one would have to be in possession of more information. Securities are bought for various reasons. Yield is one, safety is another. Knowledge of some event within the company that would make the specific issue sell higher in the future is still another. Yet all the reasons can be disregarded in favor of the objective. It is assumed that long-pull buying is undertaken for one thing—profits. I know a great many people will insist that profits are not the motive, that yield is the primary objective. Yet a handsome yield must take second place if the price of the security declines. On one thing, however, everybody can agree, safety. But to seek safety in the stock marekt is to seek the will o' the wisp. For if you finally attain safety you've lost profit potentials and probably yield as well.

* * *

In my own experience I've found that four times a year all long-pull stuff should be sold and then re-analyzed. If the same factors which guided the buying in the first place still obtain, then the securities can be bought back. Of course, the tax situation, not to mention brokerage fees, will have to be taken into consideration. But those questions everyone must solve for himself. No generalized opinion can apply personally.

* * *

The reason for such quarterly liquidation is found in the fact that few of us can view impartially anything we have an interest in. The holder of, say Steel, can see nothing but good for it. But let him sell the stock and his opinion will change. If it doesn't, then the stock is still a buy.

* * *

So much for the long-pull stuff. Now how can the theory be applied to shorter-run indications?

* * *

First, a closer study of daily market fluctuations must be made. I try to do this by giving you the results rather than the method used. If, for example, I think a stock is going higher, I advise its purchase but at the same time I limit its purchase to a specific level or range and attempt to protect this buying by a stop. There are times when I have been overcautious. If so, it is because a weekly column has to anticipate many things that a daily follower of the tape can act upon almost immediately.

* * *

Last week, for example, the signals for a downturn were beginning to show themselves. Yet I could see that the buying public with a whetted appetite could change what looked like a down market to an up market. But no public, members of it each working independently, can control a trend. So I concluded that from the highs of last week a reaction would occur from which a rally would follow. Following this reasoning, I recommended a list of stocks I thought would make money if bought at specific levels. These were American Car & Foundry, 36, stop 35; American Locomotive, 16, stop 15; Bendix, 35, stop 34; J. I. Case, 36, stop 34; Electric Auto-Lite, 38, stop 37; National Lead, 20, stop 19; United Aircraft, 28, stop 27; U. S. Steel, 50, stop 49; and Youngstown Sheet & Tube, 37, stop 35. Of this list, the last, YB, came in at 36. The rest are still some points away. There is another stock which looks like something—Servel. Buy it at 18 with a stop at 16½.

* * *

If any more of the above come into the list by next week I shall give you levels at which to take profits. But no matter how strong they become, I advise against chasing them.

* * *

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.]

NASD Against Gleason

(Continued from page 1300)

the Committee's determination shows, not considered. Nevertheless, Gleason was found guilty of the charge of unfair pricing.

"In our view, the Business Conduct Committee's procedure in this case suffered from far more serious deficiencies than the 'inexpertness' found by the National Committee. Business conduct committees, sitting in a quasi-judicial capacity, are in the difficult and vulnerable position of businessmen trying a competitor. Under such circumstances, they are bound to observe the highest standards of fair procedure. In so doing, they must not in any way discourage or abridge a respondent's exercise of any right which their rules afford or which simple justice demands, including the right to counsel. They should take every reasonable step necessary to insure that their deliberations are not affected by the personal prejudices of any of the participants in the proceeding. In cases of this type, their decisions ought to be supported not merely by peremptory conclusions, but by articulated findings and a reasoned consideration of the relevant facts of the case.

"The hearing on Complaint No. 20 was deficient in these respects; it was injudiciously handled; it violated Gleason's fundamental rights."

and further

"The spread between bid and asked appearing in the "Herald" quotations is completely arbitrary. Up to the Summer of 1941, for each security which it quoted, the "Herald" was furnished with a bid by a local house selected by the Quotation Committee of the Boston Securities Traders' Association under the supervision of the NASD. An asked price would then be determined in the office of the "Herald's" financial editor by a process of adding some arbitrary amount to the bid, varying with the price level of the issue, and then making various adjustments for individual issues wherever it was believed such adjustments were needed.

In the summer of 1941, however, a much more rigid method for determining newspaper quotations was introduced. At that time the Boston Securities Traders' Association, with the NASD acting in a supervisory capacity, furnished the "Herald" with a list showing, for each security, the name of the dealer who would supply a daily bid to the newspaper, the amount by which that bid was to be "dropped" to arrive at a bid to be published, and the amount of "spread" which was to be added to the "dropped" bid to obtain an asked price to be published. Each afternoon the paper calls the dealer on its list and receives a bid; it lowers that bid by the indicated amount (usually ⅛ or ¼) and obtains a published bid price; it then adds the indicated spread to the published bid price to obtain a published asked price. In some issues a variant of these procedures is followed, wherein the bid is not dropped for publication, the original dealer's bid being published. The drops and spreads are arbitrary, in any case, and are changed frequently.

Accordingly, the quotations have never reflected transactions nor have they reflected even bona fide expressions of trading interest among securities houses.

Decision of the SEC

In passing upon Gleason's petition for review, the SEC affirmed the fine of $250 and the censure, upon the ground that "such penalties would not have been excessive even had they been based upon the unfair pricing charge alone." The Commission, however, reversed the expulsion action of the NASD.

In view of other parts of the decision, it is difficult to reconcile the sustaining of the fine and the censure. These are:

(a) The warning that the appearance of an attorney for Gleason—one in fact appeared for him—might prejudice the Business Conduct Committee against him;

(b) The criticism of NASD supervision of newspaper quotations;

(c) The failure of the Business Conduct Committtee to consider Gleason's defenses that he did business on the same basis of all the other houses of his type and size in the City of Boston; and

(d) The absence of any data in the record on prevailing markets in the securities at the time of sale.

In our judgment, particularly in view of the high standards of conduct set by the SEC for Business Conduct Committees because of their vulnerable position as competitors, the facts before the Commission warranted a complete reversal.

Personal Liability of Business Conduct Committee Members

When interviewed Mr. Gleason said that between the time of his expulsion and his reinstatement, the NASD notified all of its members of his ouster. This, he says, caused him substantial damage, and he is, therefore, deliberating the wisdom of bringing an action against the individual members of the Business Conduct Committee which tried him, to recoup his losses.

The extent of the liability of individual members of the Business Conduct Committees presents interesting questions of law. We wonder whether the NASD has taken any steps to protect these men against liability to which they may be personally subjected, and if they have, just what safeguards the NASD has set up. Certainly the least that can be done is to provide a bond or bonds which would make immune from personal loss those who attempt to render a public service.

Noncombat Duty For 4-Fs And Men Over 38 Discussed By Military

Col. Francis V. Keasling of the Selective Service made known on March 27 that the Army and Navy have discussed plans for inducting 4-Fs and men over 38 for work in military hospitals, the harvesting of seasonal crops and other non-combatant work, it was reported in United Press advices from Washington on March 27, which also said:

He told a House Military Affairs subcommittee studying draft deferments that registrants now classified 4-F could be taken into military service without additional legislation and without lowering combat physical requirements, although additional legislation "would be helpful."

Something must be done immediately to find replacements to industry and to stop labor turnover, he said, and the Army and Navy already have discussed taking such men for non-combatant work.

All the War and Navy departments would have to do, he said, is to announce that they are going to take in so many 4-F's and over-age men for non-general military service.

They would be part of the army and navy, but would be put at work in military hospitals, harvesting seasonal crops where needed and in other non-combatant positions such as those occupied by women's military auxiliaries.

Circulars On Boston & Me. And United Gas Available

Securities of the Boston & Maine Railroad offer good speculative possibilities according to a memorandum issued by Price, McNeal & Co., 165 Broadway, New York City. Copies of this interesting memorandum and a circular on United Gas Corporation may be had upon request from Price, McNeal & Co. In the circular on United Gas Corporation, the firm advances its reasons for feeling that holders of the common stock of this corporation should oppose the recapitalization plan.

Municipal News & Notes

Offering at competitive bidding of a scheduled issue of $42,000,000 Consumers Public Power District, Neb., refunding bonds will not be made until after the close of the special session of the Legislature, which was convened by Governor Dwight Griswold on March 27.

In a resolution adopted by the district's Board of Directors on March 21, announcing the above action, officers of the district were directed to proceed "with preparations for submitting to the Board at its first meeting after adjournment of the special session further detailed plans for the refunding."

The resolution was accompanied by a statement of the Board of Directors acknowledging the desirability of the refunding as soon as possible at a consequent saving to the district's consumers of "probably $5,000,000." The statement also said that it would be a serious mistake to magnify the disagreement among the Board as to the method of effecting the financing, whether through private sale or competitive bidding.

One of the purposes of the special legislative session will be to ratify the action of the district's executive board on March 16 last recommending that the refunding issue be sold at competitive sale. The proposed issue will consist of general and refunding obligations and is intended to consolidate the several series of issues presently outstanding. Several syndicates have already indicated interest in the projected issue.

To clear the way for disposal of the issue via the auction method, the Board Directors has asked Guy C. Myers of New York City, who was engaged as refunding agent, if he is willing to cancel his contract, calling for a commission of ½ of 1%, in consideration of being reimbursed for out-of-pocket expenses. Governor Griswold is reported to be opposed to the contract.

Tom Green County, Texas, Decision Charges Bondholder With Knowledge Of The Law

Right of Tom Green County, Texas, to call for redemption certain courthouse serial bonds of 1927, despite the fact that the contract pursuant to which they were issued specifically set forth a non-optional clause, was upheld by Judge Sutton of the 51st District Court at San Angelo, in a decision rendered last week. The county had called the bonds last October in pursuance of the decision of the Texas Supreme Court in the now famed Cochran County case. This decision and the more recent ruling of the Texas tribunal in the Bexar County litigation were cited by Judge Sutton in ruling against Annie Norton, who had refused to surrender her holdings of Tom Green bonds and contested the county's action in the courts.

In his decision, Judge Sutton expressed the opinion that the county "by its conduct, if not expressly, led the purchasers of such (1927) bonds to believe that it was the intention of the Commissioners' Court to waive its option to call and redeem such bonds, this fact being self-evident from the fact that the sale of the courthouse bonds enriched the courthouse fund in the sum of $12,178, as the premium received on the sale of the bonds, over and above the principal of the bonds so issued and sold."

The court also conceded that the protesting bondholder would be "greatly damaged" by being obliged to surrender the bonds, in accordance with the call notice, at par, although she purchased them at a substantial premium. Despite this, however, Judge Sutton held that the bondholder is charged with knowledge of the law and that the county cannot be estopped by the acts or conduct of the Commissioners' Court, if their action is beyond the authority conferred upon that court by the statutes.

Thus the court held, in effect, that the Texas law that gave birth to the Cochran County decision and the subsequent extensive list of bond call notices by various counties in the State, definitely permits the prior redemption of bonds affected thereby, regardless of whether or not they contained a call provision at the time of issuance. While this latest opinion will be carried on appeal, it obviously was a severe blow to those who have steadfastly adhered to the opinion that the Cochran County decision will be voided. In the meantime, it may be noted that, apparently as a result of the Texas Supreme Court decision in the Bexar County case (see Chronicle of March 2, page 906), the issuance of bond call notices by counties in the State has been accelerated.

Governmental Units Total 155,148, Survey Shows

A total of 155,148 governmental units levy taxes and render public services in the United States. Included are 3,050 counties in 47 States—county areas in Rhode Island are not organized for governing purposes—and 18,884 townships. There are 16,189 actively organized municipalities, including cities, towns, boroughs and villages.

Largest category is school districts constituting 70% of the total, according to information to the International City Managers Association. Excluding these, municipalities comprise about 33%, townships 41%, special districts 18% and counties less than 7% of the total.

Units exist primarily to conduct local government in the general municipal sense; to supply some specific local public service or to carry out any of the numerous possible combinations of general or specific functions.

Variations in number of units in each region of the country may be due to three things or a combination of the three, the association said. There may be less overlapping of units, as in New England, where local government is characterized by the town and village in contrast with Illinois having the county, township, municipality, the school district and one or more special districts all covering the same area. The units may cover a larger area or the density of population may be greater.

New England States, relying heavily on the town organization to provide many governmental services, have by far the fewest number of local units—a total of 2,314, or 27.4 per 100,000 population. Greatest increase in the number of governmental units is found in the West North Central States, where there are not only the greatest number of units, 57,049, but the greatest number per 100,000 population. Of these, school districts account for 314.3 per 100,000 population, organized towns and townships, 61.7 and municipalities 30.8, of which only one-tenth are over 2,500 population.

The Mountain States are second in the number of all units in relation to population, 190.9 per 100,000, and school districts, 145.8 per 100,000, but rank first in the number of counties and special districts. The Middle Atlantic States, which together rank first in population rank only sixth in the total of all units and in the number of school districts, last in number of counties, and next to last in number of municipalities and special districts—all in proportion to population.

Philadelphia Gross Debt Now Lowest Since 1927

The Chemical Bank & Trust Co., New York, in their "Brief Analysis of Credit Factors of the City of Philadelphia," just issued, states that the city reduced its net debt, including overlapping, by 25.6%, or over $119,000,000, in the last 10 years, or from $467,273,151 on Dec. 31, 1933, to $347,476,052 at the close of 1943. Gross funded debt, which reached its peak in 1933, is now at the lowest point since 1927, according to the report.

Debt currently outstanding consists primarily of term bonds, a large portion of which are callable over the next 15 years. Sinking funds are adequately maintained, it is said, and the city has never defaulted on payment of bond principal or interest.

Although assessed valuations declined from the 1930 peak of $4,787,602,031 to current low of $3,070,557,663 (1943), the city, by adopting in 1940 the highly productive income tax levy, obtained substantial revenue to supplement real and personal property taxes, which declined because of the ratables loss. For the past eight years the city has maintained a real estate tax rate of no more than $17 per $1,000, and home ownership in the city is said to be well above the median for cities with populations over 500,000.

A tabulation contained in the analysis shows that real property tax collections have increased steadily since 1933, payments of the current city levy in that year having amounted to only 72.4%, as against 96% in 1943.

Philadelphia is the third largest city in the country and is described as the "hub of the nation's fourth most productive industrial area, and a commercial and industrial unit of outstanding importance in the nation's economy." Since funding accumulated deficit in 1939, the city has expanded its revenue system, balanced its budgets and accumulated sizable cash surpluses, having closed 1943 with net cash surplus in general fund of $4,758,716.

Triborough Bridge Authority Outlook Analyzed

Goldman, Sachs & Co., New York City, have just completed a study on the war emergency and its relation to Triborough Bridge Authority bonds, which states that, "It appears conservative to anticipate that increases ranging between 25% and 34% will materialize in view of the 50% and 60% rise of January and February receipts respectively." Gross monthly toll revenues from all facilities amounted to $250,050 in January and $222,273 in February of this year.

It is estimated that if operating costs are maintained at the 1943 level, total expenses of the Authority through Aug. 1, 1944, will be $2,067,000, and that a 29% increase in revenues from March 1 to August 1 would preclude the necessity of any borrowing. If operation expenses increase $100,000 it is estimated that a rise of 34% in March through July revenues would be required to avoid borrowing.

For the period through Feb. 1, 1945, and assuming a 1943 level of operating costs, total expenses are estimated at $4,211,000. To avoid borrowing, a 25% increase in monthly revenues for the rest of the period over those of 1943 would be required, according to the study. If operating expenses rise $100,000, the improvement required is estimated at 28%.

According to the study, large surpluses may be expected to accrue in the latter years of the life of the bonds, because cessation of war should restore revenues to former levels after an adjustment period.

The Securities Salesman's Corner

An Inexpensive And Effective Method Of Sending Out Mailings That Build Prestige

Be a little different—lift yourself up out of the crowd—add a novel touch—dig a bit deeper and find a better way—that's the way to make your business noticed. Once you begin to make an impression on the right market the effect becomes cumulative. It's the start that is difficult, afterward the going is easier.

The other day a friend of ours was sitting by our radio and we were listening to the war news. The announcer was on a national net-work and, despite this fact, he was mispronouncing the names of practically every city in the war zone which he mentioned. Our friends, who happened to have traveled extensively in Europe, and who knew the correct pronounciation of the cities in question, turned to us and remarked that it was a joke the way some American radio announcers murdered the pronounciation of foreign names. Then he said, "look at the opportunity these fellows are missing—the field is wide open for some radio announcer to become outstanding, as one of the few announcers who correctly pronounces the names of the places and people about whom he is talking."

The reason we mention this incident is just to show that there is hardly a field of human endeavor existing today, in which someone cannot come along and do a better, and a more constructive job than is being accomplished by the general run of his competitors.

It is perfectly obvious that success in security retailing is based upon the confidence which investors place in the firm with whom they do business. Confidence can be created by many methods—good results, of course, comes first in importance as a business builder. Prestige, standing, a reputation for being SOUND in judgment; conservative principles upon which a business is conducted; real, tangible interest in client's welfare—these are things that build a business.

Now it is axiomatic that a firm is judged by the company it keeps, just as is the case with individuals. So why not use such an approach in your direct mail advertising? For instance, every week in this publication, articles by some of the leading experts in the fields of general economics, finance, and individual, industry analysis, regularly make their appearance. This is, we admit, a plug for the "Chronicle," but it deserves it—in fact, the articles of this nature which appear herein, to our best knowledge, are not duplicated in any other publication.

Take last week's issue, for example: there were excellent articles on (1) The Railroad Situation, (2) Money and Inflation, (3) International Bimetallism, (4) Congress Must Encourage Venture Capital Out of Hiding, (5) Current Problems and Their Effect Upon Municipal Finance, (6) Post-war Prospects and Problems, (7) Foreign Trade and Currency Stabilization Problems, and also the regular features and articles on Real Estate, Public Utility, Railroad and Investment Trust Securities.

Why not prepare a neat folder, with your firm name, your address, etc., at the top, and a line or two stating that it is your policy to keep your clients posted regarding the developments in the field of general economics and finance, by sending them reprints of certain information which comes to your attention and which they may not have otherwise noted. This is the general idea. Word it to suit your own purposes—make it dignified—yet personal. Put it in such form that it can be used as a permanent cover or frontispiece.

Then select one of these articles and have a supply photo-offset (the "Chronicle" will be pleased to allow this privilege, just given them credit). There is nothing more effective than a reprint from a standard publication and the cost can be cut down to a cent or two apiece for the offset. By sending out selected material that has real "meat" and merit, you can cover your regular clients and prospects with the type of mailing that is bound to create a favorable impression, build your prestige and page the way for your salesmen toward better accounts. Closer ties between your firm and your customers can be established and, in addition, you are helping them to become better investors—which is fundamental to the success of any well-managed retail security business.

Brailsford Co. Adds W. B. Egan To Staff

(Special to The Financial Chronicle)

CHICAGO, ILL.—William Bradshaw Egan has become associated with Brailsford & Co., 208 So. La Salle Street, members of the Chicago Stock Exchange. Mr. Egan was formerly with Sills, Troxell & Minton, Inc., and Central Republic Co. Prior thereto he was an officer of Bond & Goodwin, Inc., of Illinois, Interstate Investment Corp. and R. E. Wilsey & Co.

Fifth War Loan Drive Goal Is $16 Billion

A goal of $16,000,000,000 has been fixed for the Fifth War Loan, it was made known by Secretary of the Treasury Morgenthau on March 23, "because," he said, "we need it for the war and because we've been assured that we can get it." According to the Associated Press, the Secretary at a news conference that day said that he wanted to correct an impression that the goal would be $14,000,000,000, the same as the Fourth War Loan, which brought in $16,730,000,000. It was added in the press advices:

"Saying that he had been smoked out by the published reports, Mr. Morgenthau added that a full announcement as to the date and type of securities would be made next week. The drive generally is expected to open early in June."

Growth Possibilities

Consolidated Gas Utilities Corporation offers attractive possibilities as a growth stock according to a detailed circular on the situation issued by Hicks & Price, 231 South La Salle St., Chicago, Ill., members of the New York and Chicago Stock Exchanges, and other exchanges. Copies of this interesting circular may be had from the firm upon request.

Small Business And The Capital Markets Under NASD's 5% Rule

(Continued from page 1299)

getic men, and very meager capital to start with. But this is the way many small businesses start and grow into big businesses. Unhappily they do not all succeed so well. But that can be blamed on many factors. One may be the idea itself. Another may be lack of knowledge. Another may be work and effort, and it may be lack of capital. A more successful business with the same idea and a better organization may win the prize of success. But capital is necessary and small businesses are very speculative for the most part, and a great many will go under no matter how well provided with capital.

But small business remains the backbone of business and employment. It is now claimed that 45% of all people working for wages are employed by small units. Just how big and how important small business is must be somewhat indefinite. We know it is big and we know it is important. But how big and how important depends on what is included in small business.

One time back in the dark days of 1935 a survey was made of small business in a middle western town of about 50,000 people. This survey showed that out of more than 6,000 incorporated businesses only about a dozen were represented on the major securities markets. This representation consisted of branches of such companies as the telephone company, the power and light company, the gasoline companies, and the branches of a few chain stores and installment finance companies and small loan companies. The local offices of these companies whose parent company securities were listed on the national securities exchanges did not employ many people, not any more than the average small one office business, and in some instances fewer employees than one office businesses of companies in the same occupations. The great majority of the local corporations employed local people and these companies furnished the jobs for the community. The chain and foreign office representative companies were there for what they could get and their employees in many instances did not stay long or become a part of the local community. These small corporations were dependent on local capital. The large companies or the branches of national companies there obtained their needed capital from national sales of securities. There was at that time a great need for local capital and plenty of local capital but no satisfactory market. Small business in that town just found it difficult to raise capital at any price. Yet money was deposited in the local banks without interest and to this day Federal law forbids banks to pay interest on demand deposits. To stand by and observe this process, and watch the local need for capital, is not inclined to excite much enthusiasm for the holding down of the gross spread on over-the-counter securities to 5%. Capital at any price is preferable to what goes on today in this sort of thing in every small town in this country. A capable dealer in over-the-counter securities who could actually serve the local capital markets in these towns of 100,000 people and less would do the community a service at two or three times 5% and still be instrumental in furnishing the cheapest supply of capital in the community. For a dealer to sell securities in these small towns at a gross mark-up of 5% and live will depend on his volume and perhaps the extent to which he deals in the securities of the big out-of-town corporations which are relatively easy to sell and are available in supply. But if he serves the local capital markets and deals in local issues known only in that community, and does a proper job of investigation and servicing these issues and keeping in touch with the management and progress of the companies and furnishing the information to his customers, thereby facilitating the flow of the lowest priced capital in town, he cannot do so on a 5% gross mark-up basis. And if he does not do so, it will be impossible to expect any kind of a market to exist for such local securities and this being the case it will be next to impossible for the small corporations thus affected to again raise capital through the sale of securities — capital incidentally, which need not come due and have to be paid when local business needs it most since dividends can be deferred. If the capital is common or preferred stock, there is no costly bankruptcy with the local employees thrown out of business as is the case when capital is obtained from chain loan companies and installment sellers. Just why the local securities dealers in these small places should be held down to 5% and these national suppliers of capital to local business be permitted a gross charge seven to ten times that rate on what amounts to a call loan is a little hard to understand, unless it is because the people in our big cities and in our government commissions do not know how the small business in the small town gets capital, lives, provides work for the people and makes progress.

The Principle of the NASD's 5% Gross Mark-Up Rule

In addition to the fact that the 5% gross mark-up limitation rule will put the small local dealer serving local small business out of business and concentrate the over-the-counter capital markets in the hands of a few large dealers and their chain systems, the principle is unsound. At the present time and before this rule stuck up its head the large dealers in the large centers were able to do business on a gross charge of much less than 5% and still do. The reasons are that volume and competition have driven this charge down, and the business has been ruled by competition for the most part in the larger centers. The more of this competition we have the better. All buyers, sooner or later, are going to seek the best service at the lowest price. Government Bureaus and volumes of impossible rules that cost the taxpayer money, obstruct the service, take the time of the dealers, and run up their office costs until they have to raise the charges to customers to cover overhead are not in the public interest.

But as sure as this rule with all of its complications is made enforceable, the tendency will be for 5% to be the charge. This will save the dealer time and money and reduce his office costs. It will be the natural charge because it is the legal rule. In every business where a maximum charge has been instituted it has tended to become the minimum. It will in this business when the large city dealers become the monopoly of this business as they will under this rule, and costly red tape clutters up their offices with paper records to be furnished to take their time from customers and from seeking information which they should seek to inform themselves and their customers.

The principle of the NASD's 5% gross mark-up rule is unsound and the dealer business should fight it as a patriotic duty.

This matter is so important to the small business in the small towns of this country that employ more than half of the people of this country that a Congressional committee should investigate these problems in the small towns and in small businesses. A hearing on this matter held in Portland, Me.; Syracuse, N. Y.; Atlanta, Ga.; Rockford, Ill.; Indianapolis, Ind.; Louisville, Ky., and like towns would disclose information that would make clear that the few big dealers and the bureaucrats promoting this slaughter of the small town security dealer and the small business in the small towns do not know how half of the people in this country live. In conclusion:

1. The legal authority for the 5% rule should be investigated.

2. If the large city dealers want a rule of approximately the charges of the present most successful dealers of 1 or 1½%, they should have it if they can agree. But they should not monopolize the business or try to force their rules upon the small dealers in small towns.

3. The original purpose of the Maloney Act should be investigated in the light of what has transpired and developed.

4. No dealer should be required to be a member of an association or abide by the rules of an association which is wholly inconsistent with his needs. As things stand now a dealer is compelled to join the NASD since the Association has a rule, which is permitted by the Maloney Act, that forbids a member from giving discounts (wholesale prices) to non-members. Since the largest firms in the business collaborated in the formation of the NASD the small dealers had no choice but to join the Association and pay dues to get discounts. Now these small dealers find a few shortsighted individuals running the Association and foisting a monopolistic 5% mark-up limitation rule on them that would deprive them of their inalienable right to continue in business since they cannot possibly survive on as small a margin of profit as the large houses. This is getting away from democracy in a big way.

5. Without delay Congress should take up the Maloney Act, and the Securities Acts and define clearly their meaning in the light of what has developed and in terms of modern conditions.

War Bond Redemptions In March Nearly 47% of Sales

With but one week remaining in the month, March war-bond redemptions reached a new high of more than $216,000,000 on March 25, apparently reflecting a heavy drain on savings resulting from the March 15 income tax payment date, said Associated Press accounts from Washington on March 27, which further reported:

"The March total of cash-ins through Saturday (March 25) compared with December's $206,900,000, the previous record, and last month's $184,800,000 figure.

"This month's redemptions are running at a rate of nearly 47% of sales. However, Treasury authorities believe that record purchases during the January-February Fourth War Loan, plus income tax paying time, tended to slow buying in March.

There are more than $30,000,000,000 worth of United States savings bonds outstanding.

The Business Man's Bookshelf

Food for Postwar Europe: How Much and What?—M. K. Bennett—Food Research Institute, Stanford University, California—paper—50c.

Japan, Its Resources and Industries — Clayton D. Carus and Charles L. McNichols—Harper & Brothers, 49 East 33rd Street, New York City—cloth—$3.50 (publication date: April 19, 1944).

Miracles Ahead! — Norman V. Carlisle and Frank B. Latham—The Macmillan Company, 60 Fifth Avenue, New York City—cloth—$2.75 (publication date: April 11, 1944).

Mr. Tompkins Explores the Atom—G. Gamow—The Macmillan Company, New York City—cloth—$2.00.

Passenger Transport in the United States 1920-1950—Lewis C. Sorrell and Harry A. Wheeler—Railway Business Association, 38 South Dearborn Street, Chicago, Ill.—paper.

Selection of Supervisors—Harold W. Dornsife—Industrial Relations Section, California Institute of Technology, Pasadena 4, California—paper—$1.00.

600 New Things Coming After The War—The Business Bourse, 80 West 40th Street, New York City—in loose-leaf ring binder—$7.50.

Ten Years of Controlled Trade in South-Eastern Europe — N. Momtchiloff — The Macmillan Company, New York—paper.

V-VT Loans and Conversion Financing — National Industrial Conference Board, Inc., 247 Park Avenue, New York 17, N. Y.—paper.

Your Business and Post-War Readjustment—Leverett S. Lyon, James M. Barker and Guenther Baumgart—University of Chicago Press, 5750 Ellis Ave., Chicago, Ill.—paper—$1.00.

Wartime Labor Relations—John H. Mariano—National Public and Labor Relations Service Bureau, Inc., 110 E. 42nd St., New York 17, N. Y.—cloth—$2.75.

Colombia Bond Exch. Offer Extended

Holders of Republic of Colombia 6% External Sinking Fund Gold Bonds dated July 1, 1927, and due Jan. 1, 1961, and 6% External Sinking Fund Gold Bonds of 1928 dated April 1, 1928, and due Oct. 1, 1961, are being notified of an extension of time from April 1, 1944, to Dec. 31, 1944, within which to exchange the bonds and appurtenant coupons designated in the offer, dated June 5, 1941, for Republic of Colombia, 3% External Sinking Fund Dollar Bonds due Oct. 1, 1970. The period for exchange of Convertible Certificates for 3% External Sinking Fund Dollar Bonds due Oct. 1, 1970, in multiples of $500, has been similarly extended.

The exchanges are being effected through The National City Bank of New York, as agent. Copies of the offer may be obtained from the Bank's Corporate Trust Department.

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.

Broker-Dealer Personnel Items

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

(Special to The Financial Chronicle)

BOSTON, MASS.—**Samuel Livingstone** is with **du Pont, Homsey Co.**, Shawmut Bank Building.

(Special to The Financial Chronicle)

BOSTON, MASS. — **John R. Park** is now with **W. H. Bell & Co., Inc.**, 49 Federal Street.

(Special to The Financial Chronicle)

BOSTON, MASS. — **H. Bourne Pillsbury** is with **Hornblower & Weeks**, 60 Congress Street.

BOSTON, MASS.—**Joseph H. McCarthy** has joined the staff of **duPont, Homsey Company**, Shawmut Bank Building.

BOSTON, MASS.—**Maurice F. Pagnano** is now with **Trust Funds, Inc.**, 89 Broad Street.

CHICAGO, ILL. — **Mount V. Hale** has become associated with **E. H. Rollins & Sons Incorporated**, 135 South La Salle Street. M. Hale was formerly with Behel, Johnsen & Co., Inc., and Paul H. Davis & Co.

(Special to The Financial Chronicle)

GLOUCESTER, MASS.—**Ralph M. Barker** has been added to the staff of **Mann & Gould**, 70 Washington Street, Salem, Mass.

(Special to The Financial Chronicle)

HANNIBAL, MO.—**H. H. Bright** is now connected with **Bankers Bond & Securities Co.**, Hannibal Trust Bldg. Mr. Bright was previously with the Boone County Trust Co. of Columbia, Mo.

(Special to The Financial Chronicle)

INDIANAPOLIS, IND.—**Myran J. Crane** has become connected with **Brailsford & Company**, 208 South La Salle Street, Chicago, Ill. Mr. Crane previously was with the Indianapolis office of Straus Securities Company and prior thereto was with Ferd A. Meyer.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**William S. Patterson**, formerly with Pacific Company of California, has become associated with **Blyth & Co., Inc.**, 215 West Sixth Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Ann Trezise** of San Diego has become affiliated with **Revel Miller & Co.**, 650 South Spring Street. Miss Trezise was formerly with Merrill Lynch, Pierce, Fenner & Beane.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Sydonia B. Chance** has joined the staff of **C. A. Botzum Co.**, 210 West Seventh Street. She was previously with H. R. Baker & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Oscar C. Nelson**, formerly with Bingham, Walter & Hurry, is now affiliated with **Nelson Douglass & Co.**, 510 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Sydney C. Krams** is now with **Witherspoon & Company, Inc.**, 215 West Seventh Street. Mr. Krams was previously with G. Brashears & Company.

PORTLAND, ORE. — **Sam J. Young**, for many years with Ferris & Hardgrove, has become associated with **Daugherty, Cole & Co.**, U. S. National Bank Building.

(Special to The Financial Chronicle)

SEATTLE, WASH.—**Melvin J. Scoville** has become associated with **Conrad, Bruce & Co.**, 1411 Fourth Avenue Building.

(Special to The Financial Chronicle)

WAUSAU, WIS. — **Eugene McGregor Wright** has become connected with **The Wisconsin Company**, 516 Grant Street.

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad St., New York. Copies of this interesting study may be had from the firm upon request.

Tampa Elec. Interesting

W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, have prepared an analysis of Tampa Electric Co. Copies of this interesting analysis may be had from the firm upon request.

Dillon, Read Group Offers Two Issues Of Michigan Consolidated

Dillon, Read & Co. headed a nation-wide syndicate of 86 bankers which on March 29 offered two issues of Michigan Consolidated Gas Co. securities, $38,000,000 first mortgage bonds, 3½% series due 1969, at 106¼% and accrued interest, and 40,000 shares ($100 par) 4¾% cumulative preferred stock, at $105.50 per share.

Proceeds from the sale of the bonds and preferred stock, together with treasury funds, will be applied to the redemption of $36,000,000 first mortgage bonds, 4% series due 1963, $4,150,000 4% serial notes due 1944 to 1948, and 20,000 shares of 6% preferred stock of 1927 (par $100).

The company is engaged in the purchase, distribution and sale of natural gas in Detroit, Grand Rapids, Muskegon, Ann Arbor, Mt. Pleasant, Greenville and Big Rapids and certain adjacent territory, and in the production, distribution and sale of manufactured gas in Ludington and Belding. The company also owns a small number of producing gas wells and has gas rights on lands in west central Michigan. Its business is conducted entirely within the State of Michigan. The gas business conducted by the company in Detroit was started by predecessors in 1851. The properties in Grand Rapids, Muskegon and Ann Arbor were acquired in 1938, the properties in Mt. Pleasant, Greenville, Ludington and Belding in 1942, and the properties in Big Rapids in 1943.

Champion Paper & Fibre Shares Offered

Goldman, Sachs & Co. and W. E. Hutton & Co. on March 29 offered 25,507 shares of The Champion Paper & Fibre Co. 6% cumulative preferred stock ($100 par) at $109 per share flat. After the stock has been issued, all the 115,000 authorized shares of 6% preferred stock of the company will be outstanding.

Net proceeds from the financing will be added to the company's working capital in the first instance, but it is anticipated they will be used for capital expenditures when circumstances permit. These expenditures are now expected to include the transfer of certain machinery to another plant, and the improving and increasing of the capacity of certain other machinery.

Jules S. Bache Dies, Prominent Financier

Jules Semon Bache, internationally known financier and industrialist, died at his winter home in Palm Beach, Fla., after a brief illness. He was eighty-two years old.

A native of New York City, Mr. Bache after receiving an education in America and Germany, worked for a time in the office of his father, a plate glass manufacturer. At the age of twenty he became cashier of Leopold Cahn & Co., bankers. Eleven years later he became head of the firm and the name was changed to J. S. Bache & Co. The firm holds memberships in most of the stock and commodity exchanges in the country.

After Mr. Bache's entry into business with Leopold Cahn & Co. his rise was rapid and his fortune was estimated at many millions. He assisted in the reorganization of the Oregon Improvement Company and Glucose Sugar Refining Company and was an officer or director of many leading industrial and other concerns.

Well-known as a patron of the arts, in 1937 he gave his collection to the State of New York. The collection, conservatively valued at $12,500,000, was turned over to the Metropolitan Museum of Art as a permanent exhibit last January. With the collection, Mr. Bache gave to the State his residence at 814 Fifth Avenue.

N. Y. Cent. Offers Interest'g Speculative Possibilities

The New York Central Railroad Company junior bonds and common stock offer attractive speculative possibilities according to an interesting appraisal of Central's Future, issued by Blair & Co., Inc., 44 Wall Street, New York City. Copies of this study, which contains special reference to competition, financial position, earnings prospects and break-even point, may be had from Blair & Company upon request.

Progress Toward International Economic Cooperation

(Continued from page 1298)

victory. By exerting ourselves to the utmost, in cooperation with our allies, we can hasten the complete collapse of our enemies, minimize the economic costs of the war, and above all, save lives. We know now that we shall have another chance to establish a world order that will provide security against future aggression and opportunity to all peoples to enrich their lives, economically and socially, and culturally.

Such a world order will demand international cooperation in a far higher degree than has ever existed before. There will have to be international cooperation to keep the peace, but cooperation for this purpose alone will not be enough.

Cooperation in the economic field is needed for two reasons: *First*, the obvious one of helping to achieve an expanding world economy, full productive employment, progressive improvement in real living standards, and freedom from want and the fear of want; *second*, for the reason that international cooperation in the economic field is necessary if international cooperation to keep the world peaceful is to remain vigorous and effective for more than a few decades.

The task of making the world safe from recurring outbreaks of war is so important, and so difficult, that we cannot afford to run any unnecessary risks of failure. Such a risk, amounting almost to a certainty would be ever present in the absence of international economic cooperation. Nations would not cooperate indefinitely to keep and, if necessary, to enforce peace if economic warfare were permitted to develop between them.

In order to insure against the outbreak of economic warfare, the major trading nations of the world will have to do more than merely vow not to repeat the same economic blunders they made after the last war. The economic situation confronting the world at this war's end will be such that anything short of positive national programs of economic reconstruction on the part of all governments and in cooperation with each other will not be sufficient to prevent economic disorder within and between nations.

The main outlines of the early postwar economic situation are becoming clear. Many countries, particularly on the continent of Europe, will be devastated. There will be desperate shortages of nearly everything. In others, notably the United States, there will be a tremendous job of reconversion from war- to peace-time production. Millions now in the armed forces will need productive employment. The foreign investments of other countries, particularly of the United Kingdom, will have been depleted to the point where they will yield far less purchasing power for imports than they did before the war. In general, the needs of the outside world for dollars with which to buy many things we will be in a position to produce will be vastly greater than the supply of dollars readily available to them.

In such a situation mere avoidance on our part on on theirs of new and higher barriers to international trade will not contribute positively to the solution of the national and international problem of maximizing production, the exchange of goods, and consumption. Nor will the mere avoidance of another "war-debt" burden, or of unsound foreign lending and wild speculation, be a positive contribution.

The early strains will be eased somewhat through the operations of the United Nations Relief and Rehabilitation Administration. But for the longer pull, much more will be needed.

The proposed United Nations Food and Agriculture Organization should be beneficial in many ways.

Considerable progress has been made in discussions looking toward international currency stabilization—one of the most important matters calling for effective international cooperation. Proposals for an international bank to supplement private and national investment are also under discussion. Given the will to cooperate, it should be possible to work out satisfactory and mutually helpful arrangements in these fields.

Cooperative efforts to solve post-war shipping and aviation problems will be needed.

These and other special international economic problems require, and are receiving, constructive attention. The most basic problem of all, however, is the problem of trade barriers.

If the network of trade restrictions remaining on the peacetime statute books comes back into full force and effect after the war's end, the solution of the difficult problems of the transition period, and of the longer-range problems of economic reconstruction, will be rendered vastly more difficult.

This network of trade barriers is the legacy of economic anarchy and chaos during the inter-war years. It has been loosened considerably by our own trade-agreements program, but too much of it remains to permit anything like the maximum flow of international trade.

This network of trade barriers of all kinds—tariffs, import quotas, exchange controls, and discriminations—should be examined critically by all concerned with a view to clearing away all unnecessary obstacles to international trade after the war.

The time to do this is now. The way should be prepared in advance for a substantial increase in international trade over prewar levels as soon as circumstances after the war will permit.

The need of this country and of others for such trade, on as diversified a basis as possible, will be far greater than it has ever been in the past. Without such an increase in international trade, we shall fall far short of the goal of full productive employment, here or elsewhere; we shall not have a vigorously expanding world economy; we shall not have a strong economic foundation for enduring security.

I am not suggesting that it would be either feasible or desirable for the world to go over suddenly to completely free trade. The world has gotten too far away from that ideal of laissez-faire economic theory. I am suggesting that unless the peoples of the United and Associated Nations give early and serious thought to loosening up the world network of peacetime trade restrictions, and take timely and effective steps to do so, trade and employment after the war will be kept below desirable and attainable levels.

Each country's trade restrictions affect adversely the relatively strong, more productive branches of production in other countries. At the same time, these restrictions cut down foreign purchasing power for the country's own export products.

Foreign tariffs, import quotas, and discriminatory measures reduce or cut off foreign markets needed by our export branches of production.

The general relaxation of trade barriers and the elimination of trade discriminations would benefit, in each country, those branches of production naturally best suited to provide productive employment. There would be a large net gain in such employment, and in the production of peacetime goods going into consumption.

Fortunately the facts of international life are far better and more widely known now than they were in 1918 and the years following. We learned most of them the hard way — when the false prosperity of the Twenties was shattered almost overnight—when, for the second time within a single generation, war came again and quickly enveloped the globe.

We learned that our Tariff Act of 1930, on top of those of 1921 and 1922, did not ensure prosperity to anyone. Too late, we saw that it was just as effective in stopping our own exports as it was in stopping imports. We saw national income, farm cash income, and industrial wage and salary payments plummet downward. We saw breadlines in the shadow of bulging granaries.

In 1934, with the initial passage of the Trade Agreements Act, the United States sought to substitute economic cooperation for economic anarchy and economic warfare. Prior to the outbreak of war, mutually helpful trade agreements had been concluded with 20 foreign countries. Included among them were many of the most important trading nations of the world outside of the Axis. These agreements for the reciprocal reduction of trade barriers, and for general rules of fair play in international commercial relations, helped to improve our foreign trade. They helped also to improve general relations with the countries concerned.

Since the outbreak of war, trade agreements have been concluded with Iceland, Iran, and four additional American republics (Argentina, Peru, Uruguay, and Mexico). The latest extension of the authority to enter into such agreements, in 1943, covers two years ending June 1945.

This encouraging experience with cooperation in the field of trade barriers should make it far easier than it otherwise would be to deal constructively and effectively with the remaining network of trade restrictions, and with the whole broad problem of international economic relations in the postwar period.

Progress toward international economic cooperation on a broad basis has been helped by progress toward an effective system of international security. The Declaration by United Nations, the results of the Moscow, Cairo and Teheran Conferences, the resolution adopted by the Senate of the United States, by a vote of 85 to 5, and the similar resolution passed by the House of Representatives by a vote of 360 to 29 are among the most hopeful indications that this government intends to do everything in its power in cooperation with other governments to achieve enduring peace and security after this war. American farm and labor leaders, business organizations, religious organizations, many other representative groups, and the press, have indicated awareness of the necessity for United States cooperation to this end, not only for the purpose of establishing a security system but also for the purpose of creating economic conditions favorable to the continuance of such a system.

Many steps toward the objectives set forth in the Atlantic Charter and in Article Seven of our Mutual Aid Agreements remain to be taken. Whether they will be taken depends very largely upon the people and the Government of the United States. Public and private discussion of proposals advanced for achieving these objectives should help to insure further progress toward them.

"Occupation Of Hungary Shows War's End Not Near": Morgontidningen

STOCKHOLM, March 21—The occupation of Hungary shows that the Germans will use to the utmost every chance of dominating Central Europe, writes "Morgontidningen," leading Stockholm Labor organ, adding that this obviously will be the main line of German policy in the near future. "It indicates," states the paper, "that the end of the war is not yet near. Many surprises are still in store, and even the Swedes had better prepare against such surprises," the editorial warns in conclusion.

The Germans, according to "Stockholms-Tidningen," wanted to prevent an Hungarian Badoglio regime. Although the situation is different in many respects, the paper continues, it is reasonable to see in it a warning to Finland. "Dagens Nyheter" expects partisan warfare in Hungary, while "Ny Dag," a Communist Stockholm daily, points out that the Hungarian Government for some time has maintained observers in Stockholm who followed closely the development of the Finnish question.

Many Swedes Believe Knockout Will End War

According to a poll taken by the Swedish Gallup Institute, 43% of the Swedes believe that the European war will not end until one of the belligerents is completely conquered militarily, while 20% hold the opinion that the war might end without the decisive defeat of one of the opponents. 37% were undecided.

Plan To Have 5 Million Men Overseas By July 1 Makes Sending Farm Machinery Abroad Urgent

Pointing out that the United States plans to have 5,000,000 men overseas by July 1, President Roosevelt on March 24 indicated that he thought this a good reason in itself for sending more agricultural machinery abroad. Associated Press accounts from Washington March 24, reporting this, added:

The President mentioned this figure in a discussion at his press-radio conference on farm machinery exports. He said that less than 2% of the available American supply of farm machinery had been exported under lend-lease and noted that Britain, Australia and New Zealand were supplying large quantities of food to American troops under reverse lend-lease.

Mr. Roosevelt first disclosed the plans to have 5,000,000 men overseas by mid-year in his address on Christmas Eve.

Mr. Roosevelt replied indirectly at his press-radio conference to complaints, in Congress and elsewhere, that farm machinery was being shipped abroad when American farmers were unable to get all they wanted.

Information dealing with farm machinery and other problems of help to needy peoples, furnished to President Roosevelt by Leo F. Crowley, head of the Foreign Economic Administration was made public by the President on March 24. Mr. Crowley in his letter to the President declared that the "basic principle" that, in relieving countries devastated by war, "the most effective and practical thing that we can do is to help the liberated peoples to help themselves." Special advices from Washington March 24 to the New York "Times", from which this is learned, quoted further what Mr. Crowley had to say in his letter, as follows:

"In so far as it is possible and praticable, this basic principle will be applied in the furnishing of immediate emergency relief, so that these people, as soon as it can be done, can produce for their own needs. Otherwise, even with the resources of these liberated peoples, the American contribution will not go very far if the supplies are primarily of a consumable character and do not go directly toward aiding the liberated peoples to help themselves."

"As you mentioned in our conversation on this subject," said Mr. Crowley to the President, "we know that the American people will be the first to want to aid the liberated peoples if such basic policies are followed. The American people will know that such aid is not only in their own self-interest, but is also an expression of the traditional humanity of the American people."

The letter was concerned primarily with the policy the FEA would operate in handling farm machinery for the United Nations Relief and Rehabilitation Administration.

With regard to policy on farm machinery, the letter gave the following standards of action:

"1. No funds subject to the control of the FEA will be made available for the procurement of farm machinery or other supplies for the UNRRA until Congress approves the authorization for United States participation in the UNRRA and until Congress makes the requisite appropriations to carry out that participation.

"2. After the authorization and appropriation for the UNRRA are made, if the FEA is the American agency charged with the responsibility for handling the appropriation, it will, in collaboration with the War Production Board and the other American allocating agencies, weigh the requests of the UNRRA for farm machinery as well as other supplies in the light of our war needs, the needs of the American farmers or civilians for farm machinery or other supplies and other needs abroad.

"3. In the preparation and consideration of the UNRRA estimates particular care will be taken to make sure that the limited amounts of farm machinery and other supplies which are sent abroad are those which can make the greatest contribution."

Mr. Crowley stated that in its own screening of farm machinery moving out under lend-lease, FEA had applied the principles laid down in the second and third paragraphs above. He emphasized that we were well remunerated for our exports of farm machinery to Australia, New Zealand and the United Kingdom, by their reverse lend-lease provision of food to our troops.

Calendar Of New Security Flotations

OFFERINGS

CHAMPION PAPER & FIBRE CO.—25,507 shares of 6% cumulative preferred stock (par $100). Proceeds for working capital and capital expenditures. The underwriters and shares purchased are: Goldman, Sachs & Co., 12,753 shares and W. E. Hutton & Co., 12,754. Filed March 18, 1944. Details in "Chronicle," March 23, 1944. Offered March 29, 1944 by Goldman, Sachs & Co. and W. E. Hutton & Co. at $109 per share.

ELLIOTT CO.—50,000 shares of 5½% cumulative convertible preferred stock ((par $50) and common stock (par $10) for conversion of preferred. Of the proceeds $1,149,000 will be used to refund outstanding preferred stock (par $100) and balance of $1,205,000 is for working capital. Filed March 14, 1944. Details in "Chronicle," March 23, 1944. Offered March 28, 1944 by F. Eberstadt & Co. at $50 per share.

MICHIGAN CONSOLIDATED GAS CO.—$38,000,000 first mortgage 3½s, series due 1968 and 40,000 shares 4¾% cumulative preferred stock (par $100). Proceeds for refunding. Filed Nov. 13, 1943. Effective Feb. 10, 1944. Details in "Chronicle," March 16, 1944. Offered March 29, 1944, the $38,000,000 first mortgage bonds, 3½% series, due 1969 at 106¼ and interest and the 40,000 shares of 4¾% cumulative preferred stock at $105.50 per share and dividend. The offering syndicate for both issues was headed by Dillon, Read & Co., Mellon Securities Corp., Blyth & Co., Inc. The First Boston Corp. and associates.

NORTHWEST AIRLINES, INC.—139,460 shares of common stock (no par) registered, of which 117,460 shares offered to common stockholders of record March 25 at $16 per share in ratio of one for each two held. Rights expire 3 p.m. EWT on April 6. Proceeds for general corporate purposes. Unsubscribed shares underwritten by Auchincloss, Parker & Redpath. Filed Dec. 23, 1943. Details in "Chronicle," March 16, 1944.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

SUNDAY, APRIL 2

ATLANTIC CITY ELECTRIC CO.—55,000 shares of cumulative preferred stock (par $100). Proceeds will be used to redeem 26,283 shares of old $6 preferred and purchase and cancellation of 30,592 shares of old $6 preferred stock of American Gas & Electric Co. (parent). Stock will be sold at competitive bidding with dividend rate to be named by purchaser. Filed March 14, 1944. Details in "Chronicle," March 23, 1944.

MONDAY, APRIL 3

MINNEAPOLIS - HONEYWELL REGULATOR CO.—30,000 shares of 4% cumulative preferred stock, series D (par $100). Proceeds for general corporate purposes. Underwriters and amounts underwritten are Union Securities Corp., 24,000 shares; Piper, Jaffray & Hopwood, 3,500 shares and Alex. Brown & Sons, 2,500 shares. Filed March 15, 1944. Details in "Chronicle," March 23, 1944.

TUESDAY, APRIL 4

LOUISIANA POWER & LIGHT CO.—$17,000,000 first mortgage bonds due April 1, 1974. Proceeds for refunding first mortgage 5s due 1957. Bonds will be sold through competitive bidding with successful bidder naming interest rate. Filed March 16, 1944. Details in "Chronicle," March 23, 1944.

SPRAGUE-WARNER-KENNEY CORP. — 15,000 shares of 6% cumulative preferred stock (par $100). Proceeds will be used for the acquisition of a maximum of 8,649 shares of Western Grocer Co. 7% preferred in exchange of shares and $575,000 will be applied to retirement of 5,750 shares of 6% cumulative preferred of Sprague at $100 per share. Company also plans to issue $3,250,000 face amount of installment promissory notes and use proceeds as additional working capital. A. C. Allyn & Co., Inc., underwriter. Filed March 16, 1944. Details in "Chronicle," March 23, 1944.

WEDNESDAY, APRIL 5

ALLIS - CHALMERS MANUFACTURING CO.—296,015 shares of cumulative convertible preferred stock (par $100). Of the net proceeds the company will apply $15,000,000 to the redemption and payment of all of its outstanding 15-year 4% convertible sinking fund debentures due Sept. 1, 1952, at 104. Balance of proceeds will be added to working capital for war purposes and post-war business. Offered for subscription to common stockholders at rate of one share of preferred for each six shares of common. Subscription price is to be announced with warrants to be issued to stockholders of record March 31 and to expire April 12. Dividend rate on preferred to be fixed later. Underwritten by Blyth & Co., Inc. Filed, March 17, 1944. Details in "Chronicle," March 23, 1944.

SATURDAY, APRIL 8

ARIZONA EDISON CO., INC.—$2,500,000 first mortgage bonds 3½% series, due 1974 and 4,500 shares of $5 cumulative preferred stock (no par). Contemporaneously with the sale of these securities company will sell to a single purchaser $750,000 of serial notes. Proceeds together with other funds will be used to redeem outstanding first mortgage 4% bonds, series C (all $2,538,000 of which are owned by Equitable Life Assurance Society of the United States), all outstanding second mortgage 6% income bonds, series A and second mortgage 5% income bonds, series B. Coffin & Burr, Inc., underwriters. Filed March 20, 1944. Details in "Chronicle," March 23, 1944.

MONDAY, APRIL 10

CELANESE CORPORATION OF AMERICA.—350,000 shares of first preferred stock, $4.50 series (no par), stated value $100 per share, cumulative and 139,622 shares of common stock (no par), stated value $1 per share.

Address—180 Madison Avenue, New York, N. Y.

Business—Manufactures and sells cellulose acetate yarns and fabrics containing such yarns. Is the largest producer of cellulose acetate yarns in the United States.

Underwriting — The underwriting group for the preferred and common stocks is headed by Dillon, Read & Co., and Morgan Stanley & Co., both of New York, with names of others to be supplied by amendment.

Offering—The corporation will offer to holders of its common stock the right to subscribe for additional shares of common stock at the rate of one share for each ten shares held, such rights to be granted to the holders of common stock on a record date to be fixed by the board of directors. Offering price will be supplied by amendment.

Proceeds—Of net proceeds, $23,662,290 is to be applied, concurrently with the issuance of the 350,000 shares of first preferred stock, $4.50 series, to the redemption of 164,818 shares of 7% cumulative series prior preferred stock and 37,710 shares of 5% cumulative series prior preferred stock presently outstanding. The balance is initially to become part of the corporation's general funds and as such may be applied to any corporate purposes. Company intends to utilize such balance together with a portion of its future net earnings, and possibly also a portion of its present cash resources, to carry out an extensive program for additional plant facilities.

Registration Statement No. 2-5323. Form A-2. (3-22-44).

TUESDAY, APRIL 11

KATZ DRUG CO.—$1,500,000 15-year 4% sinking fund debentures due April 1, 1959.

Address—1130 Walnut Street, Kansas City, Mo.

Business—Principal business is the operation of retail drug stores.

Underwriting.—A. G. Becker & Co., Inc., Chicago, is named principal underwriter, with names of others to be supplied by amendment.

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

Proceeds—A portion of the net proceeds will be used to repay bank loans of $800,000. The remainder of the proceeds will be added to the company's general funds and will be used by the company to purchase inventory, to carry larger bank balances and for other corporate purposes.

Registration Statement No. 2-5325. Form S-1. (3-23-44).

MENGEL CO.—$2,500,000 sinking fund debentures, due April 1, 1959. The interest rate is to be completed by amendment.

Address—1122 Dumesnil Street, Louisville, Ky.

Business—Company is the largest manufacturer of hardwood products in the United States, and also manufactures corrugated shipping containers.

Underwriting—The underwriters are F. S. Moseley & Co., Boston; Metropolitan St. Louis Co., St. Louis; Hemphill, Noyes & Co., New York, and J. J. B. Hilliard & Son, Louisville.

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

Proceeds—Will be applied to the redemption at 100½% of the principal amount thereof plus accrued interest to date of redemption, of $1,568,000 face amount of first mortgage 4½% convertible sinking fund gold bonds, due March 1, 1947, being all bonds outstanding under the company's indenture dated as of March 1, 1937 and balance added to general funds of company.

Registration Statement No. 2-5324. Form A-2. (3-23-44).

CONSOLIDATED CIGAR CORP.—40,000 shares of cumulative preferred stock (no par value). The dividend rate will be filed by amendment.

Address—444 Madison Avenue, New York City, N. Y.

Business—Corporation and its subsidiaries are engaged in the business of manufacturing and selling cigars.

Underwriting — The underwriting group follows: Eastman, Dillon & Co., N. Y.; A. G. Becker & Co., Inc., Chicago; H. M. Byllesby & Co., Inc., Chicago; Central Republic Co., Inc., Chicago; Charles Clark & Co., N. Y.; Ferris & Hardgrove, Seattle; Hemphill, Noyes & Co., Inc., N. Y.; W. C. Langley & Co., N. Y.; Lehman Brothers, N. Y.; Loewi & Co., Milwaukee; McDonald-Coolidge & Co., Cleveland; Merrill Lynch, Pierce, Fenner & Beane, N. Y.; Merrill, Turben & Co., Cleveland; Milwaukee Company, Milwaukee; Moore, Leonard & Lynch, N. Y.; Mullaney, Ross & Co., Chicago; Paine, Webber, Jackson & Curtis, N. Y.; Piper, Jaffray & Hopwood; Riter & Co., N. Y.; Rogers & Tracy, Inc., Chicago; Stein Bros. & Boyce, N. Y.; Stix & Co., St. Louis, and Dean Witter & Co., San Francisco.

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

Proceeds—Proceeds from sale of preferred stock, together with other treasury funds, are to be applied to the redemption in May, 1944, of the 38,162 outstanding shares of its 6½% cumulative prior preferred stock at $105 per share and accrued dividends.

Registration Statement No. 2-5326. Form S-1. (3-23-44).

WEDNESDAY, APRIL 12

KLINE BROTHERS CO.—$500,000 5% sinking fund notes, due March 1, 1954.

Address—132 West 31st Street, New York City, N. Y.

Business—Company operates, either directly or through subsidiaries, 18 retail department stores located in various cities in the States of Illinois, Michigan, Ohio, Iowa, Missouri and Georgia.

Underwriting — Illinois Securities Co., Joliet, Ill.

Offering—Price to the public is 100.

Proceeds—Net proceeds will be applied as follows: To redemption of $243,600 face amount of 5% sinking fund notes, due May 1, 1952, at 100, $243,600; to renewal of equipment, etc., $75,000; for working capital $74,295, and for post-war expansion, $80,000.

Registration Statement No. 2-5327. Form A-2. (3-24-44).

THURSDAY, APRIL 13

AMERICAN OPTICAL CO. — 230,000 shares of common stock (no par). Of the total 167,490 shares are to be offered by the company and 62,510 shares represent shares presently outstanding and to be sold by ten vendor trusts.

Address — 14 Mechanic Street, Southbridge, Mass.

Business—Company and its subsidiaries constitute one of the world's largest manufacturers and distributors of optical and ophthalmic products.

Underwriting—Harriman Ripley & Co., Inc., and Estabrook & Co., head the group of underwriters, with the names of others to be supplied by amendment.

Offering — Underwriters are providing the shareholders of American Optical Co. (other than the vendor trusts and those shareholders having a beneficial interest in such trusts) of record on a date to be filed an opportunity to purchase shares of this offering on the basis of one share for each three shares held at a price to be named.

Proceeds—Net proceeds to the company from the sale of 167,490 shares will be used, in part, as additional working capital. Proceeds from sale of stock by vendor trusts will go to the selling stockholders.

Registration Statement No. 2-5328. Form A-2. (3-25-44).

SATURDAY, APRIL 15

NATIONAL CONTAINER CORP.—$4,500,000 5% 15-year sinking fund debentures due April 1, 1959.

Address—Borden and Review Avenues, Long Island City, N. Y.

Business—Engaged in the manufacture and sale of kraft pulp, kraft paperboard, corrugated and solid fibre shipping containers.

Underwriters—Van Alstyne, Noel & Co., New York, is named principal underwriter with names of others to be supplied by amendment.

Offering—Price to the public is 100% plus accrued interest from April 1, 1944.

Proceeds—Of net proceeds, approximately $2,844,500 will be applied to the redemption of the company's presently outstanding 5½% debentures, bank loan, notes or bonds and mortgages, and approximately $556,000 will be applied to the redemption of the presently outstanding first mortgage bonds and 5% note of Bedford Pulp & Paper Co., Inc. The sum of $246,300 will be used to reimburse the company and its subsidiaries for cash expended to acquire Bedford Pulp & Paper Co., Inc. The remainder of the net proceeds amounting approximately to $553,200 will be added to general funds of the company.

Registration Statement No. 2-5329. Form S-1. (3-27-44).

DATES OF OFFERING UNDETERMINED

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

AMERICAN CASUALTY CO. OF READING, PA.—100,000 shares capital stock (par $5), to be offered to stockholders of record March 10 at $11 per share in ratio of one new share for each share held. Rights expire about April 20, 1944. Proceeds for working capital. Filed Feb. 18, 1944. Huff, Geyer & Hecht, Inc., principal underwriters. Details in "Chronicle," March 9, 1944.

BEN-HUR PRODUCTS, INC. — $300,000 5% convertible debentures, series of 1943, due Feb. 1, 1951 and 11,400 prior preferred shares (for purpose of conversion). Proceeds to retire bank loans and working capital. Pacific Co. of Calif. and Wyeth & Co. named underwriters. Filed Dec. 20, 1943. Details in "Chronicle," March 9, 1944.

OKLAHOMA NATURAL GAS CO.—$18,000,000 first mortgage bonds due April 1, 1961 and 180,000 preferred shares, series A cumulative (par $50). Proceeds for refunding. Underwriting syndicate headed by Morgan Stanley & Co. and Smith, Barney & Co. won March 28 in competitive bidding the award of $18,000,000 of first mortgage bonds. The winning bid was 101.0939 for the issue as 2⅞s due in 1961. Company also sold 180,000 shares ($50 par) preferred stock to a group headed by the Stone & Webster and Blodget, Inc. on a bid of $50.50 for a 4¾% dividend rate.

PUBLIC SERVICE CO. OF OKLA.—$1,500,000 5% cumulative preferred stock (par $100) and $6,600,000 first mortgage bonds, series A 3½% due Feb. 1, 1971. Stock is for exchange of $6 preferred of Southwestern Light & Power Co. (subsidiary) on share for share basis. Bonds will be offered for sale at competitive bidding. Registration effective Jan. 10, 1944. Filed Dec. 21, 1943. Details in "Chronicle," March 16, 1944.

SOUTH COAST CORP.—$1,500,000 first mortgage 5% bonds due Dec. 31, 1955. Proceeds to redeem $998,405 general mortgage income 6s and for working capital. Paul H. Davis & Co. principal underwriter. Filed Jan. 24, 1944.

VIRGINIA ELECTRIC & POWER CO.—$24,500,000 first and refunding mortgage bonds, series D 3½% due April 1, 1974 and 305,192 shares of $5 dividend preferred stock to be issued in connection with merger of Virginia Public Service Co. into Virginia Electric & Power Co. When merger becomes effective each share of V. P. S. 7% preferred and V. P. S. 6% preferred (including accrued dividends) will be converted into 1⅛ shares of new preferred and in addition each share of V. P. S. 7% preferred will receive $5.50 in cash. V. P. S. common will be converted with V. E. & P. Co. common. Each share of V. E. & P. Co. old preferred will be converted into one share of new preferred and will receive cash for accrued dividends to merger date. V. E. & P. Co. common will remain outstanding. Bonds will be offered at sale through competitive bidding. Filed Feb. 28, 1944. Details in "Chronicle," March 16, 1944.

NLRB Receives Case of Employer Refusing To Deal With Union Lacking State License

The National Labor Relations Board is facing the problem of deciding whether an employer who refuses to deal with a union representative lacking a State license is guilty of violating the National Labor Relations Act, said a special dispatch from Washington on March 22, to the New York "Times" which continued:

The NLRB was advised by Eppinger & Russell Company of Jacksonville, Fla., that an interim report by Frank Bloom, NLRB trial examiner, which had held the company guilty of violating the Labor Act, was itself a violation of the 10th Amendment of the Federal Constitution. This amendment deals with the powers of the Federal Government and those resident in the State.

The controversy probably will go to the Supreme Court if the NLRB upholds its trial examiner. The case will be a direct test of the Florida law which requires that union business agents be licensed. It may also test similar laws passed in Texas, Kansas, Alabama and Colorado.

The company refused to bargain with Anne Mathews, business agent of Local 4A, United Agricultural Packing and Allied Workers of America (CIO), alleging she did not have a State license to pursue her work.

The trial examiner ruled that it is not a valid defense to urge that the business agent of the union had failed to obtain a license under the Florida law.

The exceptions filed today by the company put the Bloom report and recommendations before the NLRB for its decision.

No New Peaks In Factory Employment, Earnings, Hours In January For First Time Since July, 1940

In January, for the first time since July, 1940, there were no new peaks in the National Industrial Conference Board Indexes of hourly and weekly earnings, hours worked per week, employment, total man hours worked, and payrolls in 25 manufacturing industries, according to an announcement by the Board yesterday.

Hourly earnings at $1.045 equaled the figure for December and compared with $.979 in January, 1943. They were 37.7% higher than in January, 1941, the base date of the Little Steel formula. At $47.42 in January, average weekly earnings were above the $47.15 (revised) figure for December, but below both October and November. In January, 1943, they were $43.53. The increase since January, 1941, was 54.9%.

"Real" weekly earnings, or dollar earnings adjusted for changes in living costs, in January at 171.5 (1923 equals 100) were higher than the 170.5 (revised) for December, but below September, October and November. In January, 1943, the figure was 161.4. During the three-year period from January, 1941, to January, 1944, "real" weekly earnings rose 28.3%.

The length of the average work week in January was 45.2 hours against 45.1 in December. In both October and November, however, the average work week was 45.5 hours. In January, 1943, it was 44.3 hours.

The man hours index (1923 equals 100) was 136.2 in January against 137.2 in December and 131.7 in January, 1943. The payroll index, also on a 1923 base, stood at 264.1 in January against 265.1 in December, and 239.5 in January, 1943.

CCC Wheat Loans

Commodity Credit Corporation through March 11, 1944, had completed 121,161 loans on 129,638,890 bushels of 1943 wheat in the amount of $161,742,752.43. The wheat loans made include 45,170,629 bushels stored on farms and 84,468,261 bushels stored in warehouses. The average amount advanced was $1.248 per bushel, which includes some transportation charges from the area of production to warehouse locations. Liquidations to date amounted to 79,416,061 bushels of which 13,316,734 bushels were stored on farms and 66,099,327 bushels stored in warehouses. On March 11, 1943, 533,232 loans had been completed on 405,501,606 bushels in the amount of $458,262,794.65.

Outlook Attractive

Columbia Broadcasting System offers a good yield and excellent opportunity for growth (despite the fact that at current levels it is selling not far from the highest price in its history) according to the study of the situation prepared by Newburger & Hano, Stock Exchange Building, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this interesting study may be had from the firm upon request.

Attractive Situations

The current situation in Du Mont Laboratories and Loft Candy Corporation offer attractive possibilities according to a memorandum issued by J. F. Really & Co., 111 Broadway, New York City. Copies of these interesting memoranda may be had from the firm upon request.

N. Y. Bank Stocks Interest'g

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have issued an interesting comparative analysis of leading New York City Bank stocks. Copies of this analysis may be had from the firm upon request.

Attractive Situation

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

"Our Reporter On Governments"

By E. P. TEE

Are the commercial banks slated to come back into the war-financing program again in a substantial way after being eliminated from the past two drives? . . .

The Fifth War Loan drive is scheduled for early in June. . . . Secretary Morgenthau has announced the goal at $16,000,000,000. . . . A description of the issues to be offered and the terms of the drive are expected over the coming week-end. . . . It is generally believed that the commercial banks will again be excluded. . . .

However, some officials apparently are dubious about the Treasury's ability to raise sufficient funds in these successive drives to meet the requirements of the situation, even though oversubscriptions have been reported in each instance. . . .

COMING LOAN A TEST

If the next loan demonstrates that the amount raised from non-bank investors shows no material change from previous drives, the question of commercial bank participation doubtless will be reconsidered. . . . Indication of this was given by the Federal Reserve Bank of New York in its February "Review." . . .

After discussing the President's budget message and explaining the adjustments in arriving at net public borrowings, the bank stated: "After these adjustments, net public borrowing is estimated at $52,700,000,000 for fiscal 1945, compared with $54,200,000,000 for fiscal 1944. . . .

"The amount of this borrowing, which will have to be obtained through the banking system, will depend, of course, on the net absorption of Government securities by individuals, corporations and institutional investors. . . . During the calendar year 1943 net takings by non-banking investors (excluding Federal agencies and trust funds) amounted to about $28,000,000,000. . . . Unless this net absorption by non-banking investors is increased substantially, **the banking system will still be called upon to furnish between $20,000,000,000 and $25,000,000,000 annually if the deficit is of the magnitude indicated by the budget estimate."** . . .

MEETING THE NEEDS

In short, the Federal Reserve Bank of New York apparently thinks that the Treasury's drives to date for investor funds is falling short of the job of raising the necessary money to meet the costs of the war outside the commercial banking system. This means resumption of bank participation in future war financings, unless the various drives make considerably deeper inroads into the public's wartime savings. . . .

The savings are available as surveys by the Securities and Exchange Commission, the Federal Reserve banks and Life Insurance Institute indicate. . . . They must be transferred from bank deposits to war bonds, which means that in future drives particular emphasis must be placed on selling special groups and sections such as the farmers and the war centers. . . . Previous drives have skimmed the cream off the market. . . . It is now necessary to ring doorbells more frequently than in the past. . . .

RESERVE POSITION

Inasmuch as the banks are now functioning with limited excess reserves, any increased participation in the war financing will necessitate the supplying of the banking system with additional excess reserves or readily investable funds. . . . This can be provided either through heavier open-market purchases or a general reduction in reserve requirements. . . .

The gap which looms between the estimated budget deficit and the drive subscription totals that appear likely from individuals is apparently what the Federal Reserve Board had in mind when it stated in its March bulletin:

"It is possible that with the levelling off of economic activity the growth in bank deposits and currency may be smaller this year than last, but the amount of individual and business income in excess of current needs will continue large and it is difficult to know how much of the consequent growth in liquid assets will be held in the form of Government securities and how much in bank deposits and currency. . . . **The course of action pursued by the public in this matter will largely determine the amount of funds which the Reserve System will need to supply during the year through purchases of Government securities."** . . .

If this statement means anything, it indicates doubt as to the extent of future increased investment of wartime savings by individuals in Treasury securities. . . . It also indicates clearly that in the event that the commercial banks need additional reserves, presumably to aid in the Treasury's war financings, these will be supplied through open-market operations rather than through a general reduction in reserve requirements. . . .

The outlook, therefore, appears to be about as follows:

Banking officials question whether the Treasury's periodic bond drives alone will close the gap that the budget estimate indicates must be met. Since an increase in taxes is out for the time, the banks are likely to be called upon again to subscribe to Treasury issues in large amounts to close this gap. . . . To make this possible, open-market operations on a large scale will be resorted to by central banking authorities and reserve requirements will be maintained at the current rates.

Chester Bowles Favors Early End Of Price And Rationing Controls

(Continued from First Page)

when this will be, of course, will depend on developments which cannot be exactly appraised. But as I read some opinions on the subject, I am inclined to think my own view is more optimistic than that of most others.

"It is well remembered that the inflationary pressures of the first World War reached a peak well after that conflict was over. Commodity prices, for example, continued to rise until the summer of 1920, nearly two years after hostilities ceased.

"The basis for that development was the lack of realization by industry of the extent of the pent-up demand for non-war goods, which had been built up during the war and tardiness in converting to a basis of peace-time manufacture so as to meet this demand. Little or no thought was given to details of the reconversion problem while the war was on or even immediately thereafter.

"Today, although we are still involved not alone in one but in two wars, industry and government are intensively planning means of shifting back to a peace-time economy with the minimum of disruption.

"This procedure should be smoothed if, as seems likely, the war with Germany and the war with Japan end at different times. We would then need to continue war production only to the extent required to fight the remaining conflict, presumably with Japan, and could immediately proceed to convert the balance of our manufacturing plants to peace-time output. In other words, need for controls might shrink materially even before we entered the real post-war period, with both enemies defeated.

"Naturally, the conversion process in the soft goods industries, clothing, shoes, etc., ought to take less time than in heavy industries. I should anticipate that, in a relatively few months after defeat of Germany, supply and demand in those lines could be brought into balance, permitting removal of price and rationing controls wherever they existed.

"Conversion from a war to a peace basis in heavy industries can hardly be immediate. Retooling plants for the manufacture of automobiles, refrigerators and household equipment rather than of guns, tanks and planes will take time just as did the reverse procedure in 1940-42.

"But, as outlined, we have already begun to lay plans to carry out reconversion, plans which were lacking in World War I. In addition, our manufacturing capacity is much greater today than when we entered this war, with about 20 billion dollars worth of new factories built in the interim. A reasonable balance between supply and demand in consumer goods industries could well be realized following conversion of only a portion of these plants to peace-time output.

"From another standpoint, in most instances the original maker of consumer durable goods products, vacuum cleaners, refrigerators, automobiles, etc., has final control over the price at which his product passes to the consumer. Consequently, our price controls in this field during the reconversion and immediate post-war period may be of a greatly simplified type.

"On food, we shall probably have to retain price and rationing controls until such time after surrender of Germany as the first European harvest can be gathered.

"In closing, let me emphasize that there is no group of people in the country who are quite as anxious to be rid of controls as those of us who work for OPA. We carry large responsibilities. We work long hours under heavy and conflicting pressures. In those few instances where conditions have made it possible to discontinue a control program, such as coffee rationing, we have unhesitatingly done so. We will welcome the day when we can do likewise on all products now subject to rationing or price controls."

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