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The Flight From Free Markets

In addressing the Swedish Chamber of Commerce, at its annual meeting on April 5, Dr. Virgil Jordan, President of the National Industrial Conference Board, expressed the view that "the elemental economic fact of the decade which culminated in the war is the flight from the free or voluntary market." "This," he added, "has been plain enough in practically every policy of government, business and labor." In pointing out the ultimate implications of this policy, and the effect on post-war reconversion problems, Dr. Jordan stated:

Dr. Virgil Jordan

"Most of us are aware in one way or another that something has been happening to the voluntary market, but till the war few have been aware of its ultimate impli-

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In This Issue

Special material and items of interest with reference to dealer activities in the States of Illinois and Wisconsin. For Illinois see page 1506; for Wisconsin page 1508

General index on page 1528.

Post-War Federal Revenue Requirements And Fiscal Policy

By J. CHEEVER COWDIN*

Chairman, Universal Pictures Company, Inc.

Mr. Cowdin Says Levy Of Present Oppressive And Confiscatory Taxes After War Ends Would Be Disastrous — Estimates Maximum Tax Load Wise To Impose At $31 Billion — Feels Preferred Stock Dividends Should Be Treated As Fixed Charges For Tax Purposes — Declares That SEC Is A Major Deterrent To Business Expansion—Advocates That Steps Be Taken Now To Stop Uncontrolled Speculation In Real Estate.

Let us review some aspects of the subject. "Post-war Federal Revenue Requirements and Fiscal Policy." To be realistic in doing so, we need to ascertain:

J. Cheever Cowdin

What total tax load may we reasonably expect the American people to be able to carry after the war?

Will this amount, whatever it may be, provide adequate State and Federal Government?

Will it make possible the re-employment of 20 to 30 million persons now in the armed forces or in war work?

Will it enable the servicing and eventual payment of a 300 billion dollar Federal Government debt?

What effect will this tax load

*An address delivered by Mr. Cowdin before the Temple Institute on Tax Policies, Temple University, Philadelphia, April 6, 1944.

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Business After The War—Inflation Or Deflation?

By GEORGE B. ROBERTS*

Vice-President, The National City Bank of New York

Banker Declares There Can Be No Lasting, Self-sustained Recovery After The War Without Recognition In Our Tax System Of The Simple Truth That It Must Be Worth While Striving To Make Money, To Save It, And To Invest It In Hopes Of A Profit—Holds Labor Has A Responsibility For Guiding Its Policies In Accordance With Realities As To Costs And The Ability Of Industry To Function And Find Markets For Its Products.

Apart from progress of the war, the question closest to the hearts of Americans today is, what is going to happen to jobs after the war? In a recent survey by the Gallup poll to sound out what the millions of John Does and Mary Smiths are mainly worried about other than how soon the boys can come home safe and victorious, the questions most frequently cropping up were such as these:

George B. Roberts

*An address delivered at the Fourth War Conference of the Controllers Institute of America held at the Waldorf-Astoria, New York City on April 3, 1944.

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Stock Market Outlook Uncertain

Babson Bullish For Long Pull

BABSON PARK, MASS.—The stock market is ruled partly by emotion. Recent activity has given investors new life; but most investors continue hesitant or seek special situations. Last summer they were optimistic. They looked for great new developments in housing, electronics and other industries. Then they became worried over taxes, national debt and reconversion. Now they worry about politics and the "Invasion".

Roger W. Babson

Savings Are Rising

More than 50,000,000 individuals and corporations own War Bonds totaling in value about $27,000,000,000. The longer the War lasts the more such funds will pile up. By December 31, 1944, this may rise to more than $40,000,000,000. Money in circulation has increased rapidly for nearly four years. This is now about $20,000,000,000. It includes all cash not represented by bank deposits. A great deal is hoarded currency.

Bank Deposits

Bank deposits now total nearly $49,000,000,000. About 7% or some $3,400,000,000 belongs to individuals. A large part of this could find its way into the market. Recent talk of providing Ex-Service-Men with a bonus of $3,500 to $5,000 each is indicative of the cheapness with which money is regarded in some quarters. It seems as if more individuals will decide to exchange their dollars

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The Outlook For Foreign Trade

By JOHN B. GLENN*
President, Pan American Trust Company

Banker Says Our Best Interest May Oblige Us To Sell 20% Of Our Production Abroad. He Asserts Latin America Offers The Most Promising Field For Immediate Development In All The World. Holds Gold Is Only Medium Which Offers Any Reasonable Prospect Of Becoming International On Any Scale. Urges Reluctance To Enter Into Any International Currency Arrangement Whereby Funds Supplied By This Country Would Be Subject To Foreign Control.

Forty years ago our country was primarily an agricultural nation with over half of our people deriving their support from the farms, with industry playing only a minor part of our total income. American chemical industries were in the late stages of their long infancy, and Europe was the dominating factor in world trade. Up until World War I we were dependent on Germany for fine chemicals, pharmaceuticals, dyes, potash, chemical glassware, lenses, and fine instruments, and we were a debtor nation. Almost overnight we were to become a creditor nation and to attain world leadership in industry, research, finance, and trade, so that at the outbreak of World War II our national income was greater than that of Germany, France and Great Britain combined, even though they were much larger in total population.

John B. Glenn

*An address made by Mr. Glenn before the American Chemical Society in Cleveland, Ohio on April 4, 1944. Mr. Glenn, besides being President of the Pan American Trust Company, is Vice-President of the New York Board of Trade and Chairman of the Latin American section.

(Continued on page 1524)

Dealers Unite To Upset NASD's 5% Rule

A number of dealers have joined hands under the name of the "Securities Dealers Committee" with the avowed object of upsetting the NASD's 5% mark-up rule.

The Committee has engaged A. M. Metz and E. A. Kole as Counsel. It will be recalled that Messrs. Metz and Kole have written numerous articles on the 5% rule which have appeared in the "Chronicle" under their names during the past few months.

The Committee is currently addressing the letter given below to investment firms throughout the country setting forth its aims and purposes and requesting the active support and cooperation of all dealers and brokers. The communication is signed on behalf of the Committee by William S. Baren; Baron G. Helbig of Baron G. Helbig & Co., and B. S. Lichtenstein of B. S. Lichtenstein & Co. These gentlemen deserve the utmost credit and admiration of all dealers and brokers for publicly making their feelings and intentions in the matter known.

(Continued on pafe 1523)

Laird, Bissell Opens Dept. Under Shields

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, announce the opening of an investment trust trading department at 26 Journal Square, Jersey City, under the direction of Garvin K. Shields, a leading specialist in that field. Mr. Shields, formerly a member of the New York Curb Exchange, established an investment trust trading department for Sutro Bros. & Co. in 1930, and in 1938 opened a similar department for Goodbody & Co., remaining with that firm until March 31, 1944. The purpose of the Jersey City trading department is to enable the firm to maintain closer trading relations with investment trust dealers throughout the country.

John H. Evans Now Is With Fla. Securities

ST. PETERSBURG, FLA.—John H. Evans has become associated with Florida Securities Company, Florida National Bank Building. Mr. Evans was formerly with Ed. C. Wright & Company in charge of the investment department for many years.

Preferred Stock Guide

Eastern Gas & Fuel Associated 6% cumulative preferred stock offers an interesting situation according to a brief discussion contained in the current issue of G. A. Saxton & Co.'s "Preferred Stock Guide," which also contains quotations and comparative figures on preferred and common public utility stocks. Copies of the "Guide" may be had upon request from G. A. Saxton & Co., 70 Pine Street, New York City.

Also available on request is a detailed circular on Interstate Bakeries Corporation which has a favorable earnings outlook and definite dividend and price appreciation possibilities, the firm believes.

Attractive Prospects

Both short and long term prospects of stock of the National City Bank of New York appear bright according to a memorandum on the situation issued by Butler-Huff & Co. of California, 210 West 7th Street, Los Angeles, Calif. Copies of this memorandum and an interesting comparative analysis of 82 insurance companies in tabular form, may be had upon request from Butler-Huff & Co.

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

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

The Post-War Outlook For Money And Its Consequences

By IVAN WRIGHT*
Professor of Economics, Brooklyn College

Dr. Wright Predicts A Currency And Debt Situation After This War "Far More Distorted In Relation To Economic Conditions Than After First World War"—Urges Maintenance Of Sound Economic Policies In Domestic And Foreign Relations As Best Method Of Assisting World Economic Restoration—Outlines Eight-Point Policy Program

Dr. Ivan Wright

In 1830, Baron Louis, the Minister of Finance of Louis-Phillippe, King of France, told the assembled Cabinet: "Give me a sound national policy and I shall give you sound national finances". These words express in a simple way the needs of every civilized country in the world today, if economic, financial and monetary stability are to be restored in the post war era.

The outlook may seem chaotic but it is not hopeless. The various countries of the world and their peoples never were so inter-dependent. Inventions and new discoveries have made each country dependent on all other countries for a modern standard of living. In spite of these needs of the greatest possible cooperative relationships the economic conflicts facing the world after this war appear to be more numerous than ever before. Currency depreciation, debts, tariffs and disturbed trade relations are not new, but on the present magnitude they are new.

After World War One and the post-war victory loans the United

*Address delivered by Dr. Wright before the Masonic Club, Wilmington, Del. April 7, 1944.

(Continued on page 1515)

Latest Results Of Poll On NASD's 5% Mark-Up Rule

The following tabulation indicates the results up to press time (April 12) of the votes cast by members of the NASD in the poll being conducted by the "Chronicle" in order to asertain the actual views of both members and non-member firms regarding the Association's 5% mark-up rule. Because of space limitations, we were unable to record in this issue the current status of the returns from non-members and the detailed analysis of the over-all returns.

Up to press time (April 12), these are the results:

RETURNS FROM NASD MEMBERS

Total Ballots Returned	967		
Number Favoring 5% Rule	146	or	15.1%
Number Opposed to 5% Rule	821	or	84.9%

NASD---Need Or Menace!

Throughout our land, in most if not all of the industries and professions, there are business and professional associations which are rendering a fine service to their members and to the public. Generally these bodies, supported by membership dues, have among their many purposes, the protection of the rights of their members, of the practices and customs in the particular industry or profession, exchange of information, rules of business and professional conduct, etc., etc.

By and large, two principles attend all of these groups: (1) they are organized under general laws which do not grant special privileges or authorize monopolistic practices, and (2) joining or withdrawing from membership can be a purely voluntary and unpressured act.

If a man's business association, or bar association or medical association attempt a repugnant course of conduct to which he feels himself unable to subscribe, he may fight voluntarily from within for a change of policy. If unsuccessful, he may resign, and whether in or out of the organization, he may carry his battle to the public without fear of having his privacy invaded by examinations of his books and records for disciplinary action.

At this moment that is exactly what is going on in medicine. There is a sharp division of opinion, amongst doctors, regarding a pending bill in our national legislature, and it is common knowledge, they are bombarding the public with diametrically opposed views, from within and from without their organizations. Some resign in protest. The fight goes on, and is healthy, for, hearing strict partisans on both sides, we soon determine where the truth lies.

Contrast the NASD! Spawned by special legislation,

(Continued on page 1522)

Effect Of 5% Mark-Up Rule On Market For The Securities Of Small Business

Dealers Hold That NASD Rule Will Operate As Barrier To Capital Markets for Smaller Enterprises

On the reverse side of the questionnaire sent by the "Chronicle" to members of the National Association of Securities Dealers, also to non-member securities firms, in which they were asked to indicate whether they favored or disapproved the Association's 5% mark-up policy (see current results of poll in adjoining column), they were requested to express their views regarding the following question: **"What Effect, If Any, Do You Think The '5% Mark-Up' Rule, If It Stands, Will Have On The Market For Securities Of The Smaller Corporations Of The Country?"**

The reason for this question should be self-evident inasmuch as it follows that, in the face of such a mandatory change in trade custom governing the gross spread—not profits, be it remembered, as envisaged in the 5% rule, many dealers will find it economically impossible to take any further interest in creating and developing a market for the securities of the small business enterprises throughout the country.

As a consequence, small business, which is counted on to shoulder a large share of the task of maintaining full employment in the

(Continued on page 1518)

Our Railroads, War And Post-War

Railroad Statistician Predicts That Traffic And Gross Earnings Will Attain Higher Levels In 1944, Will Taper Off in 1945, And Decline Still Further In 1946 And 1947—Levels Of Traffic And Revenues During The Whole Period Should Keep Well Above The 1939 Figures; And Railroads Should Continue To Remain A Major Transportation Agency

By J. H. PARMELEE*

The railroad industry, as one of the foremost service agencies of the United States, is naturally among the forward-lookers. I want to consider with you, briefly, what the railroads have accomplished during the war so far; what the prospects are for the rest of this year, 1944; what may transpire during the remainder of the duration, and what preparations the railroad industry is making to adapt itself to the post-war future.

War Performance to Date

When war broke out in 1939, the railroads were emerging from a long period of depression. The low point was in 1932, from which they climbed slowly and irregularly to 1939. The 1939 levels of operation, both as to revenues and as to traffic, were higher than during the low period of the depression, but far below what they had been in predepression years.

Both freight and passenger traffic in 1939, for example, were only about three-fourths as great as in 1929, while operating revenues were less than two-thirds as great. These comparisons measure, in a general way, the 1939 base from which subsequent rail operations have developed.

What has war brought the railroads in terms of demand for transportation service? A short and slangy answer would be: Plenty! Traffic and revenues increased each year from 1939 to 1943, and are still rising in 1944. Starting at a relative level of 100 in 1939, ton-miles increased in

*Address delivered before the American Marketing Association at Cleveland, Ohio, March 14, 1944.

(Continued under the heading of Railroad Securities on page 1503)

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Urge Use Of Part Of U. S. Monetary Gold To Purchase Latin American Raw Materials

The use of part of the $21.5 billion monetary gold held by the United States as a means of financing the building up of post-war reserves of strategic raw materials in this country, is urged by Frederick E. Hasler, President of the Chamber of Commerce of the State of New York, in an article published April 11 in the American Import & Export Bulletin. One of the most vital jobs of post-war planning which faces the United States is cushioning the shock to the economic life of the Latin American nations when peace ends the demand for their raw materials, Mr. Hasler, who is Chairman of The Continental Bank & Trust Co., declared. One solution of the problem, he said, would be to continue the purchase of scarce raw materials for "stockpiles of security." Using part of our gold hoard for this would accomplish four useful purposes, he explained:

"1. It would give us an emergency supply of foreign-source raw materials and at the same time ease the strain the war has caused on our reserves of certain domestic raw materials.

"2. It would be a step toward restoring a more economically-balanced distribution of the world's monetary gold supply, which would be helpful in international currency stabilization.

"3. It would be helpful to lessen the danger of post-war depressions—and, in some cases, possible political upheavals—in countries whose economics largely have been dependent upon the supplying of strategic materials during the war.

"4. It would be an economic means of reducing our huge gold holdings to a level where the Treasury no longer would be forced, under the Silver Purchase Act of 1934, to buy unneeded silver."

Mr. Hasler said that "stockpiles for security" would be much more valuable to the nation in time of emergency "than the billions of gold and silver we have had cached for many years."

Opportunities And Responsibilities Of The Securities Business In Reconversion

By EMIL SCHRAM*
President of the New York Stock Exchange

We Shall Have Great Duties And Great Opportunities When Victory Arrives, Says Exchange Executive—Stresses Need For Tax Program To Encourage Risk Capital—There Will Be More "Capitalists" Than Ever Before, And A Greater Demand For More Fact Finding Facilities Within The Securities Industry

It is a privilege which I greatly appreciate to share this program with your genial and able President, Cliff Folger. I am going to talk, very briefly, about some of the opportunities and responsibilities which the reconversion of our economy to a peacetime basis will bring to those engaged in the securities business.


Emil Schram

The thought must often have occurred during the last two years to every man in this audience, as it has to me, that the securities business has escaped many of the stresses and strains which war has brought to most other businesses. We have, of course, experienced disappointments. We have had hopes of a normal volume of new corporate financing deferred. We have seen corporate, institutional and individual clients curtail or put on the shelf entirely their forward-looking financial programs. I do not overlook the fact, of course, that we have had our own serious man-power problems and other difficulties arising out of the dislocations of war. But we fortunately have been free from many problems with which other industries have been wrestling since Pearl Harbor. This is not to say that our business has been any too prosperous or that it is normal in its volume or character.

But where an industry such as the automotive industry had to convert itself not only in respect to the machinery of production, but also as to managerial plans and labor skills, the securities business has been able to concentrate upon the refinement and improvement of methods for service—exceptional service, I might say—to the government and to the public. We have been privileged to do a truly magnificent job for the government in its war finance program.

We have more time to measure post-war economic probabilities than do many of our corporate clients in these anxious and busy days. We have, moreover, a more dispassionate viewpoint toward questions of taxation and the like than do the executives of corporations and enterprises which are presently being called upon to provide so large a bulk of the government's revenue. We are also thoroughly mobilized and ready to march in as much

*An address made before the New York Group of the Investment Bankers Association, at the Hotel Pierre, New York City, April 11, 1944.

(Continued on page 1525)

Optimistic Rail Outlook

McLaughlin, Baird & Reuss, One Wall St., New York City, members of the New York Stock Exchange, have issued a comprehensive study of the present and post-war outlook for the rails, which the firm believes appears optimistic. Copies of this interesting study may be had upon request from McLaughlin, Baird & Reuss.

Endy And Stokes Now With Chas. A. Taggart

PHILADELPHIA, PA.—Investment firm of Charles A. Taggart & Co., 1500 Walnut Street, announce that W. Fred Endy has been appointed sales manager and F. D. Stokes has become associated with the firm. Mr. Endy has been in the investment business in Philadelphia for the past 22 years. Mr. Stokes has had wide experience in the creation of insurance estates in Philadelphia for many years.

Ball, Burge & Co. To Be Formed In Cleve.

CLEVELAND, OHIO—The New York Stock Exchange firm of Ball, Burge & Co. will be formed shortly with offices in the Union Commerce Building. Partners will be Peter Ball, who will acquire the New York Stock Exchange membership of Chester Apy, and John D. Burge. Both have been officers of Ball, Coons & Co.

Interesting Situations

Maryland Drydock Co., Elastic Stop Nut Corp., and Struthers Wells Corp. offer attractive situations at current levels, according to late memorandums on each company prepared by Cruttenden & Co., 209 South Street, Chicago, Ill. Copies of these interesting memoranda may be had from Cruttenden & Co. upon request.

Davies & Co. To Admit

SAN FRANCISCO, CALIF. — Thomas Creillin Fitzgerald will be admitted, as of May 1st, to limited partnership in Davies & Co., Russ Building, members of the New York and San Francisco Stock Exchanges.

Investors & Private Bankers Need Cooperation Of Government In The Foreign Field: Folger

President Of Investment Bankers Association Opposes Direct Participation Of Government In International Loans—Urges Creation Of A Foreign Investment Council, Comprising Government And Business Representatives, To Advise And "Umpire" Foreign Investments—Condemns Private Placement Of New Issues Of Securities And Competitive Bidding

In discussing the problems of government banking and private banking before the New York Group of the Investment Bankers Association of America at the Hotel Pierre, New York City, on April 11, John Clifford Folger, the President of the Association, proposed the creation of a Foreign Investments Council, composed of representatives from the State and Treasury Departments, as well as from private business, the chief function of which would be to aid investors and bankers in making investments abroad. Mr. Folger's remarks pertaining to this proposal and his comments anent private placement of new issues and competitive bidding follow:

John Clifford Folger

"More American brows are furrowed over the money question than ever before in our history. Apart from their supreme concern with winning the war, some millions of our people are asking: 'Now that I'm getting it, what am I going to do with it?' The public banker says loan it to the government at 2% taxable income and I'll handle your money for you; otherwise leave it in the bank at no yield. The average citizen thinks that when the war is over the government debt will be huge enough. Fundamentally the American's instinct is towards thrift, private business and private banking. He would like a business of his own or a stake in some good business. He is irked by his idle dollars now staying home under the bed growing pale and anemic. Getting this

(Continued on page 1522)

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 implies 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.

N. Y. Analysts To Hear

The New York Society of Security Analysts, Inc. at its meeting on April 14th will hear Frank A. Willard of Reynolds & Co., a director of the National City Lines, on "Urban Transit Securities."

H. E. Humphreys Jr., vice president of United States Rubber Co. will speak on the post-war outlook for the rubber industry on April 17th.

Harry C. Beaver, president of the corporation, will speak on the Worthington Pump & Machinery Corporation at the meeting scheduled for April 19th.

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

McCampbell With Mason

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF. — Andrew H. McCampbell has become associated with Mason Bros., 235 Montgomery Street. Mr. McCampbell formerly was San Francisco manager for Stephenson, Leydecker & Co. and prior thereto was with Hannaford & Talbot.

Greenwood With Sutro

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Don L. Greenwood has become associated with Sutro & Co., Van Nuys Building. Mr. Greenwood was formerly with Merrill Lynch, Pierce, Fenner & Beane, Schwabacher & Co. and Bancamerica Blair Corporation. In the past he was a partner in Greenwood, Bennett & Co.

Public Utility Securities

Utility Earnings Turn Downward

The electric utilities have nearly tripled their production of electricity since 1926, and gross revenues have more than doubled. Net income for stockholders has, however, increased only about 26%; and it has actually declined if the comparison is with the year 1928 instead of 1926.

The growth of utility revenues has fulfilled the most optimistic expectations of the 1920's, despite the steady decline in residential rates. Gross revenues have declined in only four of the 17 years—during 1931-33 and in 1938, periods of substantial business reaction. During the entire period the utilities' net earnings before taxes remained remarkably stable, varying between 37 and 43% of gross (see accompanying table). While wages and material costs are substantially higher than in 1926, the utilities have been able to offset this by greater efficiency and by lower interest rates on their funded debt. With this steady ratio of net to gross, net income before taxes more than doubled during the 17-year period.

Why was this not reflected in the prices of utility operating company stocks—currently about 17% below the 1926 level? The answer is that the utilities have been working for the Government rather than the stockholders. In 1943, taxes took 23 cents out of each dollar of revenue, compared with 9 cents in 1926. This is not due merely to the present wartime revenue demands; the utilities' tax bill has increased in each of the 17 years without exception, and the ratio to gross revenues (figured as a round percentage) has never declined during this period. During the period 1936-42 the utilities were able to retain about 30 cents out of each dollar of gross, offsetting the gain in taxes by economies elsewhere. In 1933 the ratio dropped to 25 cents and remained around that level until 1940, after which there was a downward trend to 17 cents in 1943.

Last year, with a tremendous gain in operating revenues due to the increased wartime load, the utilities were able to squeeze out a few extra millions of net income, but the outlook for 1944 is less rosy. The FPC figures for January, recently released, indicated a gain in revenues of 7%; but on the other hand, expenses were up 17%, depreciation 2% and taxes 6%, resulting in a decline in net operating revenues of 6%. While the utilities were able to save about 4% on their fixed charges, due to refunding operations during 1943, net income showed about the same decline as net operating revenue, 6%.

The gain of 17.4% in expenses for January compares with an increase of 12.7% for the 12 months ended January. Presumably it reflects an increase in wages and material costs. Continuation of the January rate of decline in net during the year 1944 would bring net earnings down to about $475,000,000—the lowest since 1936.

ELECTRIC UTILITY EARNINGS 1926-43

	Oper. Rev. (Mill.)	Net before taxes (Mill.)	Taxes (Mill.)	Net after Taxes (Mill.)	Cents per Dollar of Revenue: Net before taxes	Taxes	Net after taxes
*1943	$2,969	$1,180	$674	$506	40¢	23¢	17¢
*1942	2,760	1,107	617	490	40	22	18
1941	2,467	1,057	520	537	43	21	22
1940	2,277	961	404	557	42	18	24
1939	2,148	891	352	539	42	17	25
1938	2,018	808	323	485	40	16	24
1937	2,031	817	308	509	40	15	25
1936	1,911	741	281	460	39	15	24
1935	1,785	671	251	420	38	14	24
1934	1,710	630	239	391	37	14	23
1933	1,640	616	212	404	38	13	25
1932	1,713	707	201	506	41	12	29
1931	1,874	786	195	591	42	10	32
1930	1,894	786	190	596	42	10	32
1929	1,817	760	175	585	42	10	32
1928	1,689	693	167	526	41	10	31
1927	1,567	619	147	472	39	9	30
1926	1,415	533	133	400	38	9	29

*For class A and B utilities as compiled by the FPC. Earlier figures are for all electric utility companies as compiled by the Edison Electric Institute. The two sets of figures differ slightly.

"Our Reporter On Governments"

By ELIHU BRADBURY

Official policy on Treasury war financing, which is the principal determinant of the market, has been set forth of late in various ways. . . . Every action and every pronouncement indicate that no deviation is contemplated from the course set soon after the United States entered the World conflict. . . . Means of controlling the market and the costs of war finance are readily available, and equally in evidence is the will to use them effectively. . . .

The overall pattern of borrowing costs, known to all traders as the "money curve," was established in 1942 and made known by Under-Secretary Daniel W. Bell. . . . Securities to be offered in the Fifth Drive follow this pattern precisely. . . . And several recent statements by Federal Reserve officials make it clear that ample reserves will be made available for ready financing of the war, in accordance with the dictum of the monetary authorities at the outset of our participation. . . .

MARKET STABILITY

This suggests continued stability of the market, but it does not mean inflexibility. . . . Contingencies might arise to change the pattern, although none is discernible at this time. . . . The end of the war, or even the apparent approach of the end, may produce disturbing monetary and credit phenomena. . . . The Treasury, indeed, seems to be preparing for all eventualities, through maintenance of enormous working balances. . . .

Nor is the market immune to such fluctuations as occurred last month in partially tax-exempt bonds. . . . That incident seems to be about over for the time being, for little has developed to substantiate Washington rumors that income-tax simplification may bring about a change in the percentage of tax immunity for corporate, as well as individual, taxpayers. . . . Tax simplification itself appears to have bogged down in intricacies that the Treasury set up with the aid of Congress, with the result that a way out of the labyrinth escapes even its authors. . . .

Notwithstanding these difficulties, it has long been apparent that a change in the "normal" tax rate would involve market repercussions in issues that afford relief from whatever might be declared normal. . . . On the other hand, rising profits of some corporations and a good many large banks will add to the peculiar value of partially tax-exempt bonds, if the current rates remain unchanged. . . . The commercial bank statements issued at the close of the last quarter showed in many instances a decided rise in earnings and they are especially interesting, for this reason, to the market for governments. . . .

Lengths to which our central banking system is prepared to go in order to maintain the established war borrowing program are suggested in the current monthly bulletin of the Board of Governors of the Federal Reserve System. . . . This review touches briefly on the amount of funds which the Reserve System will need to supply during the year through purchases of Government securities. . . .

Such purchases, it is stated, may need to be as much as $3,000,000,000 in the few months before the next war loan drive. . . . The increase, moreover, is likely to be effected mar-

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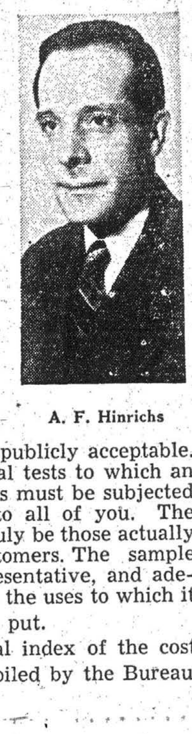
Problems Of Compiling A Cost Of Living Index In Wartime

Government Statistician Lists Four Causes For Criticism Of The Cost Of Living Index In Wartime—These Comprise: (1) Belief That Storekeepers Do Not Report Price Ceiling Violations; (2) The Reporting Of "Average" Prices In The Index; (3) The Disappearance Of Low Priced Merchandise, And Quality Reductions; And (4) The Higher Living Costs Arising From Labor Migrations

By A. F. HINRICHS*

Acting Commissioner of Labor Statistics

An index of prices in wartime serves a variety of purposes. Within the Government, the prices collected for the compilation of an index serve as administrative tools. The index of prices also serves as a measure of the effectiveness of price control and may be used in the development of public policy with reference to wage adjustments.


A. F. Hinrichs

To serve all these purposes, the index must be technically adequate and publicly acceptable. The technical tests to which an index of prices must be subjected are familiar to all of you. The prices must truly be those actually paid by customers. The sample must be representative, and adequate to serve the uses to which it is going to be put.

The national index of the cost of living compiled by the Bureau of Labor Statistics meets these technical requirements. Almost a year ago we asked the Secretary of Labor to request the President of the American Statistical Association to appoint a committee of impartial experts to examine and appraise the index and to suggest methods whereby it might be improved. The committee held a number of meetings extending over a period of nearly six months, directed the conduct of a number of tests of the index, and heard representatives of trade unions with respect to alleged deficiencies of the index. At the conclusion of its work, the Committee found the national index a satisfactory measure of wartime price changes.

I shall have more to say about the recommendations of the Statistical Association committee, but at this point it should be noted

*Address delivered before the New York Chapter of the American Statistical Association, March 30, 1944.

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Attractive Situation

American Hardware Corporation offers an interesting situation according to a memorandum issued by Hornblower & Weeks, 60 Congress Street, Boston, Mass. Copies of this circular may be had from Hornblower & Weeks upon request.

To Discuss Peru Dollar Bonds At Conference In Lima

James Grafton Rogers, Vice-President of Foreign Bondholders Protective Council, Inc. left New York on April 11 for Lima, Peru, where he will represent the Council and discuss with Peruvian officials the problem of service on the external dollar bonds of the Republic of Peru, the Province of Callao, and the City of Lima.

It is pointed out that there are three issues of dollar bonds of the Republic, and one each of the Province and the City outstanding in an amount totaling more than $85,600,000, upon which the annual contract interest is approximately $5,250,000, and upon which the past due interest exceeds $62,700,000. Except for a small payment offered in 1937 on the three national issues for the two oldest coupons, one of which had previously received a partial payment on account, no payments have been made since 1931.

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.

Railroad Securities

(Continued from page 1500)

(OUR RAILROADS, WAR AND POST-WAR)

1940 and 1941, reached 191 in 1942 and 218 in 1943. Thus freight traffic more than doubled between 1939 and 1943.

Passenger traffic has shown an even greater upward trend. Starting at a relative of 100 in 1939, passenger-miles increased moderately in 1940 and 1941, rose to 237 in 1942 and to 388 in 1943. Thus passenger volume in 1943 was nearly four times as great as in 1939.

I wish I could tell you the details of who and what has been moved where and why, but these details must await disclosure by a future historian, after the phrase "restricted information" has disappeared from the Washington lexicon.

Total operating revenues, which reflect the composite trends of the several classes of traffic, increased from a relative of 100 in 1939 to moderately higher levels in 1940 and 1941, and in the last two years to much higher levels of 187 in 1942 and 227 in 1943. Thus revenues have more than doubled in amount.

In other words, from a low relative base in 1939, railroad traffic and revenues have risen above all former levels. Freight traffic successively broke all previous records in 1941, in 1942 and in 1943. Passenger traffic and revenues broke all existing records in 1942 and again in 1943.

This summary indicates the nature and extent of the tremendous demand for transportation that has come to the railroads as a result of war. That they have been successful in meeting the demand is indicated by the increased volume of ton-miles and passenger-miles actually performed, as I have outlined them.

I need not emphasize the stupendous performance of the railroads in 1943, the latest complete war year. You already know of the efficiency of 1943 operations, both from your own observation and from comments by high officials of the Government. These officials have spoken for the Office of Defense Transportation, the Army and Navy and other war and military agencies. Our rail carriers performed a greater task of public service last year, and with greater efficiency, than in any previous year since railroads began.

Prospects for 1944

I turn now to a consideration of prospects for the year 1944. Government agencies expect an increase of about 5% this year over last in the volume of industrial production. It seems likely that railroad freight traffic will closely parallel the production trend and that revenue ton-miles will show an increase of perhaps as much as 5%. The actual increase in January was 10%, but this rate of increase is expected to level off during the remainder of the year.

Passenger traffic is expected to show an increase of from 10 to 20% in 1944. The increase in January was more than 25%, but this rate, too, will decline later in the year.

Revenues will reflect the trends in freight and passenger traffic and may increase by 5% or more. Greater revenues offer no guarantee, however, that railroad net earnings will also be greater. Although total revenues in 1943 increased more than 1½ billion dollars over 1942, net earnings, after expenses and taxes, showed a decrease of more than 100 million dollars. Similarly, despite a prospective increase of some 500 million dollars in total revenues in 1944, compared with 1943, net earnings will almost certainly be less this year than last. In January, for example, revenues this year were up 10%, but net was down 21%.

The decreased net in 1943, and the further prospective decrease in net in 1944, are the result of higher wages, higher prices for material and supplies, and higher taxes.

Summarizing these various prospects for the year 1944, it seems likely that traffic and total revenues will reach their peak this year. If these expectations are realized, the volume of freight traffic in 1944 will be nearly twice as great as in 1918, the peak year of the first World War, and passenger traffic will be nearly 2½ times as great.

Railroad net earnings, however, reached their peak in 1942, showed an appreciable decline in 1943, and seem likely to decline more sharply in 1944.

Equipment and Materials

What can the railroads expect in the way of additional equipment, materials and supplies with which to handle increased traffic in 1944? As you know, shortages in critical war materials during the past two years have restricted both improvement and maintenance work. Furthermore, because of comparatively small allocations of steel and other metals, the railroads have found it necessary to make extensive use of substitute materials—such as wood for steel wherever possible, carbon for alloy steel, etc.

As a result of these restrictions, the railroad need for materials at the beginning of 1944 was greater than at any time since the rehabilitation program of the '20s. While the need may not be met in full in 1944, prospects for obtaining railroad materials are brighter now than at any time since Pearl Harbor. This applies both to quantity and to quality.

Briefly, equipment builders may find it possible to produce 1,200 locomotives and from 50,000 to 60,000 freight cars for domestic use this year, which will be installed by the railroads, if constructed. These figures compare with actual output for domestic use last year of 800 locomotives and 29,000 freight cars. In other words, locomotive installations may increase by one-half over 1943 and freight car installations may nearly double.

Some new passenger cars may enter the picture late in 1944 or early in 1945, and will be the first

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"Double Barreled"

East Bay Municipal Utility District of California 5% bonds offer an attractive "double barreled" situation since they are both revenue and unlimited tax supported, according to a detailed circular issued by the Municipal Department of the First Boston Corporation, 100 Broadway, New York City. Copies of the circular discussing the interesting position of this bond may be had upon request from the First Boston Corporation.

Also available is a discussion of the situation in Great Northern Railway which offers an interesting situation according to the Investment Department of First Boston Corporation.

Attractive Situations

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

Du Mont Laboratories "A"; Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory; General Instrument; Long Bell Lumber Co.; Great American Industries; Mid-Continent Airlines; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Brockway Motors; Consolidated Dearborn; National Airlines; Chicago and Southern Airlines; American Export Airlines; Northeast Airlines.

Attractive Situations

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

Real Estate Securities

By JOHN WEST

Commercial Buildings Again In The Foreground

One Park Avenue 6s, 1951, have just been called at par, joining the ranks of mid-Manhattan office building bonds that have come back . . . other pay-offs of similar-type bond issues in the past include the Chrysler Building, at 103, and the Pershing Square Building, at par.

Desirability of real estate bonds secured by commercial buildings is illustrated by current bids of 105 for Lincoln Building bonds with stock, 100 for 711 Fifth Avenue; 99¾ for the Graybar Building, and 93 for 10 East 40th Street bonds.

Behind the parade of these leaders, but worthy of being along with them, are the first mortgage bonds of Two Park Avenue. These bonds are only selling at around the 70 level, yet they earn their interest requirement 2.03 times. Issue has been reduced from $6,500,000 to $5,043,600. Maturity is only a short time away—December, 1946.

Permission to pay 2½ points on account of back interest some time this month is an addition to the attraction of the Textile Building bonds. This 16-story mercantile building has long occupied the position of display and sales center for the rug and carpet manufacturing trade. This industry should boom after the war, permitting an increase in revenue from this type of tenancy.

Sept. 23, 1943, in this column we compared the Chanin Building bonds, selling at 36½, with Graybar Building bonds, selling at 96¾. . . . Graybar bonds are up three points since that time, but the Chanin Building bonds have gone up 13½ points. . . . We are still of the opinion that the price of the Chanin is still too low.

A 10% yield is possible according to current market prices of the Salmon Tower Building at 11 West 42nd Street. This 30-story office building contains a rentable area of 576,280 square feet. Its stores are among the most desirable in all New York because of its excellent shopping location.

A new name has been coined for the Herald Square section of New York. It is now called the "Macy-Gimbel Line." Adjacent to these huge department stores are the loft buildings that house the manufacturers of wearing apparel. With no rent ceiling, these buildings have been raising their income, acting to the benefit of the bonds securing the mortgages of the structures.

Real estate bond issues on these types of buildings include the Greeley Square Building, paying 4%, selling at 55; the Herald Square Building, paying 5%, selling at 75; Garment Center Capitol, paying 3%, selling at 52; National Tower Building, paying 5%, selling at 68; 1400 Broadway, paying 4½%, selling at 53; 1410 Broadway, paying 3½%, selling at 42; Broadway & 38th Street, paying 7%, selling at 62; Broadway & 41st Street, paying 4%, selling at 50; Lefcourt State Building, paying 6%, selling at 70; Lefcourt Manhattan Building, paying 5%, selling at 78.

N. Y. Stock Exchange Weekly Firm Changes

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

John F. Betts retired from partnership in Gammack & Co., New York City, as of March 31.

Interest of the late Jules C. Lazard in Beer & Co. ceased on March 25.

Interest of the late Gouverneur Morris Carnochan in Butler, Herrick & Marshall ceased on Mar. 31.

E. Clarence Miller, partner in Bioren & Co., died on March 3. Proposed transfer of his Exchange membership to Henry D. Wieand, a partner in the firm, will be considered by the Exchange on April 13.

J. Thilman Hendrick, partner in W. B. Hibbs & Co., died on March 26. The Exchange, in accordance with provisions of the constitution has approved the firm's application for permission to continue its status as a member firm for a period of 45 days from the death of the sole Exchange member partner.

Victor S. Byron, limited partner in Johnson & Wood, died on March 25.

Harry J. Crofton died on March 30.

W. H. Voris Dies

William H. Voris, in the bond business in Chicago and Indianapolis for about 50 years, died at the age of 74. Mr. Voris was associated with the late John Farson in Chicago and for the past five years had been in Indianapolis.

Personnel Items

(Special to The Financial Chronicle)

BOSTON, MASS. — **Anthony Krochalis** has been added to the staff of **Trust Funds, Inc.**, 89 Broad Street.

(Special to The Financial Chronicle)

COLUMBUS, OHIO — **Howard Ellis** has rejoined the staff of **Vercoe & Co.**, 17 South High Street. Recently he was with J. S. Bache & Co.

(Special to The Financial Chronicle)

FRESNO, CALIF. — **John B. Bailey**, formerly with Dean Witter & Co., has become connected with **H. R. Baker & Co.**, Mattei Building.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Julian St. John Nolan** has joined the staff of **Bateman, Eichler & Co.**, 453 S. Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**John C. Harvey** and **Donald P. Newell** have become associated with **Harris, Upham & Co.**, 523 West Sixth Street. Mr. Harvey was previously with Pacific Company of California and M. H. Lewis & Co. Mr. Newell was with Sutro & Co.

(Special to The Financial Chronicle)

OAKLAND, CALIF. — **Adrian van Brunt** is now affiliated with **Frank Knowlton & Co.**, Bank of America Building.

(Special to The Financial Chronicle)

STOCKTON, CALIF.—**Leo A. Dentone** has become connected **Davies & Co.** of San Francisco. Mr. Dentone was previously with Dean Witter & Co. and H. R. Baker & Co.

Postpone Trade Board Forum

It was announced on April 8 by Matthew G. Ely, President of the New York Board of Trade, that owing to critical illness in the family of Clifton E. Mack, Director of Procurement, United States Treasury, the Forum on Surplus War Materials, scheduled for April 12, at the Hotel Pennsylvania, had been postponed.

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.

Rising Tide Of RR. Credit

Vilas & Hickey have reprinted in an attractive booklet the address of Arthur C. Knies, a partner in their firm, given before the Central States Group of the Investment Bankers Association of America in Chicago. Copies of the reprint of Mr. Knies address, which appeared in the columns of the Chronicle of March 23rd, may be had upon request from Vilas & Hickey, 49 Wall Street, New York City.

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.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Short-run indications continue pointing upward—Long-pull signs still unfavorable—Talk of coming invasion acting as brake on new commitments.

Talk on the Street is still confused. Most of the confusion comes from the fact that the market refuses to go down to permit the pessimists to chime in with an "I-told-you-so." At the same time showing little surface desire to go up to give optimists anything to cheer about. Result is a standoff with both sides leaning on interpretations and opinions on what the opening of the long awaited invasion will mean. One side pontifically states that its effect has already been weighed by the market so no reaction worth the name can occur. The other side pooh-poohs that opinion and says that when the Big Shooting begins across the Channel its repercussions will be felt on the stock market.

* * *

Which side will prove right in the long run is an interesting question, though an academic one. Cold-blooded analysis seems to indicate that no whooping up of a market is possible with growing casualty lists. The market, however, is quite impersonal about casualty lists en masse. A single death of an important political figure, if unexpected, will have more of an effect. This, of course, brings you back to the discounting qualities of the market. Anything it can reasonably foretell it can act upon. Large casualties are an integral part of a war, more so for the offensive, and that the market has discounted them to some extent is possible. What it hasn't discounted is (1) the psychological impact of the start of the actual invasion, e. g., newspaper headlines, etc., and (2) the rate of success. If the invasion is fed

(Continued on page 1525)

No Danger Of Failure Of Oil Supply: Holman

Standard Oil Official Holds Potential Supplies Of Petroleum Sufficient For 1,000 Years—Continuation Of Technological Improvements And More Economical Consumption Essential—U. S. Oil Industry's Predominance Due Primarily To Individual Free Enterprise And Competition—Sees Need For Oceans of Oil After War

Denouncing the fear of early exhaustion of the nation's oil supplies as groundless, Eugene Holman, Vice-President and Director of the Standard Oil Company of New Jersey, in speaking at the monthly meeting of the Chamber of Commerce of the State of New York, on April 6th pointed out the importance of petroleum products in conducting the war, and the part the American Oil Industry is playing in supplying military and navy needs. He then took up the question of future oil production and post-war needs, particularly with reference to this nation's petroleum resources. On this topic, Mr. Holman commented as follows:

Eugene Holman

"But there is no reason to believe that world demand for oil will fall off when the final battle for freedom is won. If we are to move forward to a more productive world — a world in which more people enjoy better standards of living — we shall need more and more oil to meet the increasing needs of a growing civilization. Social and economic advances in post-war America, reconstruction of devastated areas of Europe, the progressive industrialization of relatively undeveloped areas such as China, India and parts of South America—all this will call for oil.

"In the face of this great anticipated demand, there has been much public discussion on world oil resources. Some of this discussion has created the general impression that our own country is on the very verge of running out of oil. Such an idea is, of course, alarming. Without oil, American industry and transport would have to be slowed down drastically. Our capacity to do business in the markets of the world would be severely curtailed. Our ability to defend ourselves by armed force would be tremendously weakened. The present standard of living of our people could not be maintained.

"Fortunately, the facts of the situation are more reassuring than the alarmists would have us think. It has been said, for example, that we have only enough oil in our country to last 14 years. This figure is obtained by taking the figure for proved U. S. reserves—20 billion barrels—and dividing it by our annual consumption, which is about one and one-half billion barrels.

"The trouble with this computation is that it ignores several important factors. In the first place, such a computation assumes that no new oil is going to be found in America. The fact is that we are still finding considerable quantities of oil, and geologists agree that there are still huge quantities of undiscovered oil beneath this land of ours. It is true that we are not finding new oil *at the rate* we were finding it before the war. But this is largely a reflection of reduced drilling activities due to war-time shortages of material and labor, and a ceiling price for oil which frequently does not cover the costs of finding oil and recovering it. In other words, we are busy fighting a war, and, as a nation, we do not have the time, the tools, the men, and the price-incentive to go wildcatting.

"Those who talk about an oil supply limited to 14 years seem also to forget that rarely in our history have proved resources in this country been more than 14 times the annual consumption at that time. I have been in the oil business 25 years, and at intervals all during that time there have been gloomy forecasts that our oil resources were about to disappear. In 1926 a committee of Cabinet members reported to President Coolidge that the United States had only enough oil to last another seven years. In 1919 outstanding geologists proved, to their own satisfaction at least, that only 6 billion barrels of oil remained undiscovered beneath the surface of the United States. Since then we have discovered 48 billion barrels.

"The areas within our 48 States which, from a geological standpoint, favor the presence of oil total one and a half million square miles. On the basis of past experience we can say that not less than 1% of this area — that is, about 15,000 square miles — contains oil in commercial quantities. Now all the oil fields developed in the United States to date total only 8,000 square miles. Therefore, we can say that areas at least two times as large as our present fields remain to be developed. It is interesting to note, incidentally, that of the one and a half million square miles of territory favorable to oil, not more than half has had detailed geological exploration. All this indicates that we are far from approaching the end of American oil resources.

"There is another great resource in America which too many of us have overlooked. That is the great and demonstrated ability of American oil men to utilize technological improvements to increase not only the amount of oil found, but the efficiency and effectiveness with which it is used. It is no simple engineering job to drill a well three miles into the earth, through layer after layer of rock, using a thin tube of steel, which at that length becomes as flexible as wire.

"Yet the increasing ability to drive wells deeper and more accurately, continually increases the amount of oil which can be found. Technology has expanded our resources in many ways—the great science of geophysics, combined with modern ability to examine during drilling of a well the nature of the underground strata, have permitted us to map our country miles below the surface as accurately as many of the surface maps used by pioneers of an earlier day.

"Improvements in technology have continually increased the amount of gasoline we get from a barrel of crude oil, so that our crude oil has gone increasingly further in supplying gasoline. Other improvements in technology permit us to design engines to use less gasoline, equipment to use less fuel oil, so that, again, the amount of oil we have goes further and does a better job.

"As a matter of fact, technology itself undoubtedly already has the answer to supplying us with oil for an almost indefinite future period. Engineers have already demonstrated that we can derive synthetic crude oil at reasonable cost from the great reserves of natural gas and the tremendous deposits of oil shale, of tar sands, and of coal and lignite, in the United States and Canada. Conservative estimates place the ultimate amount of oil which can be derived from these sources as sufficient to supply our needs at the present rate for more than 1,000 years to come.

"Oilmen do not fear the future, but are preparing for it. I believe that all American business today is stirred by stimulating challenges. For us in the oil business, the challenge is how to obtain and distribute the oil which the world needs and which we are certain lies undiscovered in the earth.

"How are we going to get this oil? It would seem that the sensible way is the method which, of all methods, has proved most successful. That most successful method is the American way of competitive enterprise—the risking of private capital, the daring pioneering of leaders in business both small and large, the ingenuity and energy of American workmen everywhere.

"In the 85 years since the modern oil industry was started with the drilling of a well in Titusville, Pennsylvania, the United States has produced some 54% of all the petroleum produced in the world—more than all other nations put together. Our country's position as far-and-away the largest oil-producer has created an impression that Nature put richer gifts of oil under the hills and plains of the United States than she put anywhere else. This is not the fact. Actually, our country contains only 15% of the earth's rock formations favorable for the presence of oil. In other words, with only *one-seventh* of the world's potential for finding oil, we have found and developed in the United States more than *one-half* of the oil found in the world to date.

"If we have not been especially blessed with oil by Nature, how does it happen that we have been so successful? The answer, I believe, is to be found in our form of Government and society—in democracy. In our country individuals are not restricted by birth nor by Government edict to any particular economic level. Everyone has a chance to improve himself. One of his ambitions is to make money so that he can increase his portion of the world's goods. One way to make money is to find oil. So in the United States we have had a great many people looking for oil — more than any other country has had.

"No restrictions have been put on the search. A farmer, a barber, a professor of geology who could scrape together enough money to drill a hole could, if he wanted, risk his money on the chance of 'striking it rich.' As a result, we have found so much oil that we have given America an industrial capacity, a motor transport, a standard of living for the mass of our people unequalled in any other nation.

"In contrast with this method of developing oil resources, consider what has happened in the rest of the world with its 85% of the rock basin in which oil is likely to lie. Some nations have reserved to their governments the sole right to develop oil resources. And they have been conspicuously unsuccessful. In some countries the governments do not exercise a monopoly on oil development but regulate it on grounds other than those of sound conservation. For example, exploration and developments are restricted to nationals. In other countries the government holds stock control of the dominant oil company and favors it in competition with private companies.

"We here in America believe we have proved that such centralized control hampers full, reasonable development and utilization of oil resources. It has been the absence of arbitrary and artificial restraints in this country which has led to our pre-eminence in oil. It is the atmosphere of democracy which has permitted our oil industry to grow great and which has also led to such a growth of oil techniques that most of the oil development in other lands has been by American scientists and engineers, and by machinery invented and built in America.

"Oil is a peculiarly American art. Yet Americans did not discover oil. It was known to the ancient Greeks and the Aztec Indians. What we Americans have developed is the getting and using oil to lighten human toil and to extend man's control over his environment.

"This is not to say that other peoples will not develop their oil resources. I have just recently come back from a visit to four South American countries where there are vast potentialities for oil development. I find those countries eager to assume their share of the modern world's petroleum civilization. Russia has great undeveloped petroleum resources, perhaps the greatest in the world. The Near East and the Far East are rich in oil. The shores of the Arctic Ocean beckon to adventurous oilmen, and, with air transport making those regions accessible for the first time, it is probable we shall see considerable activity at the top of the globe before many years have passed. But, thanks to our freedom, here in this country we have been a generation ahead of the rest of the world in developing oil and a standard of living built on it. We have led the way.

"We can continue to lead the way to greater production of oil, to more efficient use of oil, and to wider distribution of its benefits. To do this we must have business men of vigor and vision. We must have the intelligent cooperation of our political leaders, and we must have wisdom in our diplomacy.

"Above all, we must have freedom of competition. I have said that oil is a product of freedom. But wherever there is freedom of action, there is competition. In a sense, competition is a corollary of freedom, and oil is also a product of competition.

"Today the normal vigorous competition of the oil business is largely in abeyance because of the war. This is right and proper. In time of war we must relinquish momentarily the freedom of peace and work together under the direction of unified command. The American oil business is now operating under war-time controls. Prices are fixed and supplies are allocated.

"During the war there has been comment on the tendency for small units in the oil industry to sell out to larger units. This is because in some cases it is more attractive for the small operator to sell his underground assets than to produce the oil and sell it.

"It is fortunate that the large companies exist so that the small operator can get a fair return on his business by selling it. But this condition certainly does not reflect a desire on the part of the larger companies to eliminate the competition of the small operator. The industry has prospered as one of the most competitive in the world. It will continue to prosper only as it remains highly competitive. And to remain highly competitive, it must attract enterprising capital in the hands of a great many business units — small as well as large.

"Some figures will indicate the degree of free competition in the oil business and how important

(Continued on page 1518)

Eberstadt Named Director Of Braniff Airways

At the annual meeting of stockholders held at Dallas, Tex., Ferdinand Eberstadt, President of F. Eberstadt & Co., Inc., New York investment firm, and formerly Vice-Chairman of the War Production Board, was elected a director of Braniff Airways.

"Local Notes"

In the current issue of their "Local Notes," The Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville, Ky., have interesting information on a number of situations which they believe offer particular attractions at current levels. Copies of the "Notes" and also data on North America Refractories Company and Stratton & Terstegge Company may be had upon request from the Bankers Bond Co.

Chicago Brevities

In an attempt to solve Chicago's ancient problem—that of traction—a court appointed committee has drawn up an amended plan for private reorganization of the transit lines. This plan, along with the municipal ownership proposal advanced by Mayor Edward J. Kelly, will be pushed, in the hope that one or the other will be successful in clearing the muddled situation involving the surface, elevated, and bus lines.

Over-the-counter dealers have carefully studied the latest private reorganization proposal, which will soon be up for hearing in Federal court. The amended plan slashes the capitalization of the suggested new Chicago Transit Company, lowering annual fixed charges almost $2,000,000 to $1,454,367; eliminating preferred stock amounting to $93,285,063; cutting the number of common shares by one-quarter to 996,279; and decreasing interest on the proposed first mortgage bonds from a fixed 5% rate to 4%, with 2% fixed and 2% contingent on earnings.

Under the newly suggested capitalization, the reorganization company would have $72,718,350 first mortgage bonds, series A; $7,002,290 first mortgage bonds, series B; and the 996,279 common shares. Surface lines security holders would receive the series A bonds and two-thirds of the common; the elevated holders, the series B bonds and the balance of the common.

The new plan also suggests an allocation of the new securities to present security holders of the two companies. The distribution, under the plan, would greatly cut the par value of all of the outstanding bonds, and some classes of securities would get nothing.

* * *

La Salle Street has been keenly interested in a recent series of decisions handed down by the Illinois Supreme Court that apparently shattered the hopes of holders of 1929 Chicago Board of Education tax anticipation warrants of ever collecting on the outstanding obligations. There are approximately $7,000,000 of the warrants outstanding, plus about $2,000,000 in interest due, and the paper is fairly widely distributed in Chicago.

The Supreme Court opinions held that the judgments which had been entered to collect the

(Continued on page 1507)

First Public Financing For Frozen Food Locker Industry To Be Effected Shortly

Floyd D. Cerf Company To Offer Stocks Of American Frozen Food Lockers, Inc.

The first public financing to be done in this country for the frozen food locker plant industry will be undertaken shortly when Floyd D. Cerf Company of Chicago will offer 50,000 units of Class A and common stocks of American Frozen Food Lockers, Inc., which operates a chain of locker plants in White Plains, Larchmont and Rye in Westchester County, New York. Proceeds of the financing will be used primarily for expansion of the company's chain with two additional locker plants planned for Bronxville, New York, and another in Westchester County. The company is the first in the industry operating on a chain basis. Future expansion is planned for Eastern States.

The storage facilities of the company's three plants now total nearly 2,800 lockers and the two additional units contemplated will increase this by about 1,600 lockers.

The frozen food locker industry has experienced one of the most rapid growths in the past decade of any in American industrial history. At the end of 1940, 2,923 locker plants were in operation and two years later had increased to 4,556 plants. The number of lockers increased from 1,016,106 in 1940 to 1,736,807 at the end of 1942.

All locker plants are now operating at full capacity and all have long waiting lists.

Officials close to the industry estimate that on the basis of $37.50 per locker, there is now around $70,000,000 invested in the industry and that when fully developed it will attain billion dollar size. They expect to see ten million lockers in use serving more than 40,000,000 people in the country. Most rapid growth has been in the Middle West, where the system originated in the depression years, but locker plants are now in operation all over the country.

Chicago Recommendations

Brailsford & Co., 208 South La Salle Street, have issued an interesting memorandum on **Chicago North Shore & Milwaukee Railroad Co.** which may be had upon request.

Faroll & Co., 208 South La Salle Street, have prepared recent analyses on **Merchants Distilling Corp.** and **Standard Silica Corp.** common stock. Copies of these interesting analyses may be had from the firm upon request.

Sincere and Co., 231 South La Salle Street, have in preparation a special circular on American-La France bonds and stock. Copies of this circular may be had upon request from Sincere and Co.

Thomson & McKinnon's Stock Review of April 3 is devoted primarily to a consideration of the **Excess Profits Tax** and the effect of sales declines on earnings, using as a yardstick 15 leading American industrial stocks.

Their **Bond Review** deals almost exclusively with the problem of **debt reduction by the railroads** of the country. It, in a sense, supplements their release of last month on "The Changed Status of Railroad Equities," referred to in this column.

Possibly because these reviews are more or less general in character, Thomson & McKinnon have a new little booklet ready for distribution entitled **"A List of Low-Priced Equities."** This is an imaginary portfolio, listing 10 specific stocks with a short summary of each, represents an investment of approximately $5,000 and is interesting from the viewpoint of capital appreciation rather than earning capacity.

Anyone desirous of securing copies of any of these releases may obtain them, free of charge, by addressing **Thompson & McKinnon's Statistical Library**, 231 South La Salle Street, Chicago 4, Illinois.

Webber-Simpson & Co., 208 So. La Salle Street, will send complete, up-to-date information on **Continental Commercial Corp.** and **Rieke Metal Products Corp.** upon request.

William A. Fuller & Co., 209 South La Salle St., have prepared an interesting study of **Goldblatt Bros., Inc.**, copies of which may be had from the firm upon request.

Straus Securities Co., 135 South La Salle St., Chicago, have prepared recent reports on **Black Hills Power & Light Co.**, common; **Foote Bros. Gear & Machine Corporation** common; **Clearing Machine Corporation** common; and **General Bottles, Inc.**, preferred and common. Copies of these reports may be had upon request from the statistical department of Straus Securities Co.

Faroll & Company Is Formed In Chicago

CHICAGO, ILL.—The Chicago partners of Faroll Brothers announce the formation of the partnership of Faroll & Co. to carry on the business formerly conducted by the partnership of Faroll Brothers. The New York partners of Faroll Brothers, Messrs. Joseph Faroll and W. H. Schweickart, will not be members of Faroll & Co.

The address will remain 208 So. La Salle Street, Chicago, and seven branch offices in the States of Illinois and Iowa will be continued under the new partnership. The entire management and office personnel will remain unchanged throughout.

Carl A. Hartwig With Strauss In Chicago

CHICAGO, ILL.—Carl A. Hartwig has become associated with Strauss Brothers, 141 West Jackson Boulevard, in their trading department. Mr. Hartwig was formerly with Brailsford & Co. and prior thereto was with Dempsey-Detmer & Co. for many years.

Reed Drug Stock Offering Imminent

CHICAGO, April 11— Floyd D. Cerf Company of Chicago plan to market shortly for stockholders a block of 25,000 shares of $1 par common stock of the Reed Drug Company which operates a chain drug store in Wisconsin, Indiana and Illinois. The Illinois divisions are operated under the names of Fay Drug Company in Chicago and Wood Drug Company in Rockford and Springfield.

Net after all charges and taxes for 1943 amounted to 59c a share with dividend payments of 30c.

With Hornblower & Weeks

(Special to The Financial Chronicle)

CHICAGO, ILL. — Frank M. Darby has been added to the staff of Hornblower & Weeks, 39 South La Salle Street.

The Securities Salesman's Corner

The Most Profitable Account Knows Neither Too Little Or Too Much

It has been estimated by various statistical organizations that about 18,000,000 Americans own stocks and bonds. In every community of this land there are doubtless people who sorely need sound, conscientious and able investment service. They are the great middle group—those who know something about the economic system which we call the "American Way of Life," and the securities which represent the debt and the ownership of the industries of which it is comprised.

These are the individual investors which the progressive securities dealer should cultivate. They are not too wise—they don't read the market quotations every day—they are not interested in near-term fluctuations. Neither are they so devoid of understanding that they believe that it is possible to achieve the millenium when it comes to making an investment.

They are interested in practical safety—supervision of their portfolio after they have set it up—a fair return on their invested funds—marketability sufficient for their needs. How to appeal to this group and show them that you can supply them with this service—that's the problem every dealer in securities is facing today.

It seems to us that the basis for properly merchandising services which will make an impression on this group, consists primarily in telling a story which THEY CAN UNDERSTAND. In advertising, whether it be direct mail, newspapers, trade magazines, or in personal interviews—tell the story SIMPLY, BRIEFLY and SINCERELY.

SHOW THE WHY! Tell it so that they can see what a real investment service and a program can mean to them—in peace of mind, in greater income, in the saving of time and personal effort when it comes to making up tax-reports. Leave out the detailed analytical reports (unless requested). Save the jargon and the lingo we so often thoughtlessly try to use in making an explanation to a customer. It is only understandable among those of us who spend our lives in this business. It is our business to know all the reasons why a certain security should be bought or sold by a customer—they only want the highlights. Imagine what would happen, if every time your doctor looked you over, he would present you with a technical analysis of your entire anatomy—you might find it interesting the first time you heard it—but afterward "perish forbid."

And when it comes to making this business pay (especially under today's conditions of limited profits and higher costs of operation) it appears to us that this great middle group of investors is where a dealer's efforts should be directed. The time spent on cultivating the sophisticated investor who knows (or thinks he knows) all the answers and then wants you to give him detailed information regarding specific securities—providing, of course, that you will execute his orders on an agent's basis for an eighth or a quarter of a point—is just time wasted. Such accounts are not profitable. The other extreme is also not worthwhile. If you have to go out in highways and by-ways and try to overcome the prejudice, lack of understanding, and general ignorance of all of those who believe they have a vested right in "savings bank safety and marketability plus 6%" again, you are wasting time.

Truly, the securities dealers of this country owe a duty to the investors of this nation—BUT THEIR FIRST DUTY IS TO MAKE THEIR BUSINESS PAY. Otherwise, even this great middle group of investors to whom we refer, will also be without competent service. We believe that security dealers should make a profit—that comes first—before anything else. That means seeking out the type of clients upon which a fair reward for the effort expended can be secured.

Chicago Brevities

(Continued from page 1506)

unpaid obligations were still valid judgments—but at the same time the court said that there was no possible legal method of paying the judgments.

The Board of Education, the court declared, can only raise money to pay the judgments through taxation or through bonds payable from taxes, and neither method would be constitutional.

"The result is that it has been settled by the decisions of this court that the Board of Education is not liable to pay the judgments here involved, nor can it lawfully do so, with funds raised by taxation," the latest opinion stated, and asserted: "It has no other means of raising money."

The decisions were a blow to holders of the warrants, who have been engaged in a long and weary fight to collect the money due them. It was learned that some parties involved might attempt a United States Supreme Court appeal. Otherwise, there seems no other possible means of collection.

Connected with the latest cases were a wide variety of persons and institutions, including Frank J. Lewis, President of the F. J. Lewis Manufacturing Co. and former Deputy Chairman of the Federal Reserve Bank of Chicago; the Boston Stock Exchange; the Reconstruction Finance Corp.; the Chicago City Bank and Trust Co., and numerous others.

The long drawn out difficulties of the warrant holders started back in 1929, when the amount of school taxes levied was $95,000,000. Against this amount, $63,000,000 of tax anticipation warrants were sold. Soon after, valuations were reassessed and sharply reduced by orders of the State Tax Commission, and taxes actually extended were slightly over $66,000,000.

As tax collections proceeded, warrants were paid in the order in which they were issued, with the result that about $53,000,000 were paid in full, while the rest received nothing.

Holders of the outstanding warrants immediately protested, and started litigation, claiming that the warrants should have received payment from taxes pro rata, instead of by number.

The State Legislature twice passed legislation authorizing the Board of Education to float a bond issue, once to repay the outstanding warrants, and the other time to pay judgments that had been entered in favor of the warrant holders. Both legislative enactments were held invalid by the Supreme Court. Now the latest decisions apparently mean the end of the long attempt to gain payment of the warrants.

* * *

Investment men generally in Chicago feel that the newly adopted special offerings plan of the Chicago Stock Exchange will prove an aid to the securities business here.

The special offerings mechanism was approved by the Securities and Exchange Commission, and has already gone into effect.

In most respects, the plan in use here follows the pattern set by special offerings on the Big Board in New York. Chief difference is that the Chicago method of liquidating large blocks of stocks without upsetting the market has special provisions which apply only to securities listed here and not on the New York exchanges.

For example, if a security is listed only on the Chicago board, the block may qualify as a special if it involves at least 1,000 shares with a $10,000 market value. If the stock is also listed on a New York exchange, however, the market value must run at least $25,000.

The special commission paid to participating brokers may also be larger for a stock listed only in Chicago than for one also listed in New York.

Another unusual provision, applying only to local securities, permits the offerer of a special, when offering for his own account, to set aside up to 25% of the stock to fill subscriptions for his own customers, with the rest to be allocated.

The whole setup is expected to add considerable new business to the investment industry here.

* * *

Another innovation on the Chicago Stock Exchange of importance to followers of the market is a new policy releasing information about sales, purchases, or gifts of securities by officers or directors of corporations listed on the local board. Previously, this information was released, long after it occurred, in the official SEC summary. Under the new plan, weekly compilations will be made.

Wisconsin Brevities

Nekoosa-Edwards Paper Company of Port Edwards, Wisc., reports operating profit for 1943 of $2,177,373 compared to $2,360,034 for 1942. After deductions for depreciation and income taxes, net earnings were equal to $8.76 per share compared with $10.23 in 1942. Taxes amounted to $1,505,161, equal to $23.89 per share, compared with $19.07 per share in the preceding year.

Working capital at the end of 1943 amounted to $3,176,467, an increase of $305,788 during the year. Current ratio was 3.02 to 1, compared with 2.47 to 1 in the preceding year. Long-term debt was reduced from $1,400,000 to $1,200,000 during the year.

Book value per share of common stock at the end of 1943 was $149.13, against $142.77 at the close of the preceding year. Working capital per share was $50.41, against $45.55 at the end of the preceding year.

The company states that during 1943 its Research Laboratory activities continued to expand and covered a broader field than ever before. "Not only has considerable time been spent in improving the physical qualities of the essential papers we are now making, but our technicians are working in close cooperation with various industries for new and improved papers for use during the postwar period."

The company also states that the management is formulating plans for peacetime operations which involve plant extensions and improvements.

Fuller Manufacturing Company reports net income after taxes equal to $1.05 a share for the fiscal year ended Nov. 30, 1943, against $1.54 a share in 1942. Profit before taxes amounted to $1,807,100, in contrast to $1,965,900 for the previous fiscal year. A reserve for contingencies of $170,000 was set up in 1943 against $120,000 in the preceding year.

Gisholt Machine Company reports net income of $5.34 a share in 1943, against $7.73 in 1942. The 1943 figures were after reserve for renegotiation of an undisclosed amount.

Presidential Report On Stabilization Of Wages And Prices Incident To "Hold-The-Line" Order

A report in which it is stated that "this record—one year of stable living costs—is unprecedented either in this war or in the last war," was made public on April 7 by President Roosevelt. The report, taking cognizance of the fact that April 8 marked the first anniversary of the President's "hold-the-line" order with respect to wages and prices, was submitted by Fred M. Vinson, Director of the Office of Economic Stabilization; Chester Bowles, Administrator of the Office of Price Administration; Marvin Jones, Administrator of War Food Administration, and William H. Davis, Chairman of the National War Labor Board. The report stated that "the need for continued restraint and continued cooperation with every phase of the stabilization program is evident. Obviously, too, we should cling to the policies and machinery which have served us so effectively thus far."

The President, it is stated, made the report available with an indirect indorsement, it was indicated in Associated Press advices from Washington April 7, which said:

"Mr. Roosevelt described it as important because it showed how the Government was trying to keep prices from going up through the roof and ultimately bankrupting everybody in the country.

"Asked at a press-radio conference whether the stabilization report could be interpreted 'as an answer to demands to shatter the little Steel formula,' Mr. Roosevelt replied that it wasn't an answer to anything but a statement of fact."

The President's "hold-the-line" order was given in our issue of April 15, 1943, page 1385. The following is the report issued on the first anniversary of the order:

"One year ago tomorrow, April 8, 1943, you issued Executive Order 9328, the 'hold-the-line' order directing that the stabilization line be strengthened and held. You stated, 'The only way to hold the line is to stop trying justifications for not holding it here or not holding it there.'

"On this first anniversary of the issuance of the 'hold-the-line' order we can report that the task of stopping the rise in prices has thus far been carried out. The stronger controls provided by the Congressional legislation of October, 1942, have been put into effect. As a result the cost of living, which before the 'hold-the-line' order was rising ¾% a month, has for a solid year been held without change of any consequence.

"It is true, as everyone knows, that there have been increases in some items, clothing, for example. But these increases have been fully offset by decreases in the prices of other items, notably foods. The general level of the cost of living has not been permitted to rise. Indeed, the cost of living as a whole is slightly lower than it was a year ago today. This record—one year of stable living costs—is unprecedented either in this war or in the last war.

"On wages, too, the record is clear.

"Under the strict standards imposed upon the National War Labor Board by the 'hold-the-line' order, some wage adjustments have had to be made to correct gross inequities, to eliminate substandards of living and to give effect to the 'Little Steel' formula. The general effect of our policy has been to increase the earnings of low wage groups, or some of those which lagged behind the general upswing of wages.

"Total earnings have increased due to factors not regulated by wage-rate controls—such as longer work hours, higher-paying war jobs and incentives to produce. Had the policy been to restrict working hours, thereby limiting 'take home' pay, the result would have injured the war effort. The record production of war material could not have been made. The nation's basic wage structure has remained substantially unchanged during the period of wage stabilization. The level of basic factory wage rates has been raised less than 1½ cents an hour by actions of the War Labor Board. Wages have been stabilized.

"A year and a half ago the entire stabilization program was in jeopardy. The stabilization line was not only bending—it was breaking in sector after sector. Prophets of disaster freely predicted an inflationary rout. Only by decisive action to halt the rise in the cost of living could we defend our wage stabilization policy. Only by decisive action to halt the rise of wages could the pressure of costs on prices be kept within manageable limits. The legislation of Oct. 2, 1942, and the 'hold-the-line' order provided for decisive action all along the economic stabilization front. The results during the last 12 months speak for themselves.

"The stronger stabilization measures now in effect have succeeded because they have had the support of the American people. Throughout this period, to be sure, voices have been raised against one part or another of the program and even against the entire policy. Those voices have become fewer and have been heard less frequently. Today, on its first anniversary, the 'hold-the-line' policy stands approved by the overwhelming mass of the American people.

"Stabilization has brought tangible—indeed bankable—benefits to all groups. Corporation profits, both before and after taxes, rose in 1943 even above the record-breaking levels of 1942. The net income of farm operators similarly moved up to the second successive all-time high. While basic wage rates have been firmly held average weekly earnings have moved up to new high ground. With the cost of living stable, these earnings have not been frittered away by rising prices. Stabilization has paid off on every hand—and in lasting rather than illusory benefits.

"It has been of particular benefit to the more than 20,000,000 people among us whose incomes cannot be increased to keep pace with rising prices. The families of our fighting men, the low-paid unorganized workers, the school teachers and other Government employes, the persons living on old-age and retirement pensions—all these have found in the 'hold-the-line' policy the protection which was promised them in the Stabilization Act.

"We must not jeopardize these gains by any change of policy or relaxation of effort in the critical months ahead. All the underlying conditions which could cause a sharp rise in prices are still present. The best estimates now available indicate, for example, that the gap between the income of the American people after taxes and the volume of goods available for them to buy will be even greater this year than it was in 1943. Pocketbooks and checking accounts are bulging with money which could make it difficult to hold prices down if we went on a nation-wide buying spree.

"The need for continued restraint and continued cooperation with every phase of the stabilization program is evident. Obviously, too, we should cling to the policies and machinery which have served us so effectively thus far.

Sincerely yours,
FRED M. VINSON,
Director Office of Economic Stabilization.
CHESTER BOWLES,
Administrator Office of Price Administration.
MARVIN JONES,
Administrator War Food Administration.
WILLIAM H. DAVIS,
Chairman National War Labor Board."

Stock Market Outlook Uncertain

(Continued from first page)

for stock market equities as inflation creeps upon us.

Personal and Other Debts

In the past two years, instalment purchase obligations, home mortgages, doctors' bills and other personal debts have been nearly cut in half. This means indirect savings of some $5,000,000,000. U. S. white citizens are becoming systematic savers and are well-fortified with liquid capital. While receiving wages, they are satisfied with low yields from Government bonds. However, as living costs expand, people must either spend their savings or invest them in higher yielding securities. Hence, an ultimate mass return to the stock market—first, as a source of income and second, as a means of maintaining capital in the face of a decline in the value of dollars.

Dividends and Interest

High-grade industrial bonds now yield an average of about 2.50%. Most banks, aside from the co-operatives and mutuals, pay only 1% to 2% interest. For income and protection, investors are better off in War Bonds. The average yield from high-grade stocks will run about 4.75%. In individual instances, yields of 7%—10% in good companies—now may be secured. Investors desiring such returns should act now. They may not be available long.

Market Uncertainties and Possibilities

Typical market action during recent months has been due to uncertainties over the holding of our war prosperity; to fear that the postwar era may not bring the expected demand for consumers goods; to discussions over the corporate and personal tax situation; and to confusion over domestic or foreign politics. This uncertainty may continue for some time. With corporations maintaining a profit level averaging only that of recent prewar years, security prices may rise substantially. When the present psychological uncertainties are over, good-grade industrial stocks could easily sell 50% higher than they are today! I give five additional reasons therefor:

1. A few "blue chip" stocks are high, but most stocks look cheap to me. For nearly ten years, everything except stocks and real estate has gone up. We are paying more today for labor, high-grade bonds, insurance, and all sorts of commodities. Similarly, we will pay more for stocks.

2. The supply of stocks is drying up. Few new issues have come on the market in recent years. Hence, demand may exceed the supply.

3. We forget the great foreign market that has always existed for American stocks. When present blocked currencies are released, a good many Europeans will scramble for our stocks.

4. The deferred demand for consumers goods should keep our productive capacities busy and take up much slack occasioned by the lessening of war business. Domestic markets will be large. We should also enjoy a good export business. European countries, our Latin-American neighbors and Africa have plenty of gold reserves. They will provide cash markets for our merchandise. Russia should continue a good customer.

5. Excess profits taxes will certainly be reduced if not eliminated. Corporate taxes are at their peak. In a few years the tax trend may be reversed. I further believe that business controls from now on will be handled intelligently. Something will also be done to ease the capital gains tax and to eliminate the double taxation of stockholders.

Conclusion

I do not fear inflation if we can continue industrial production on a large scale. I do not look for bank credit liquidation. I see no important decline in commodities. Most of our excess employed, numbering about 6,000,000 people, will go back to their homes, their schools, their farms, or into permanent retirement after the war. Hence, this wage-earning group will be off the payrolls. They will leave room for the regularly employed and for many demobilized service men. **Now is the time for businessmen and investors to quit worrying and to have confidence in the months ahead!**

Pittsburgh Bond Club Annual Meeting Today

PITTSBURGH, PA.—The Bond Club of Pittsburgh announces that the annual meeting and party will be held tonight at 6:30 p.m. in the Assembly Room of the Keystone Hotel. The facilities of the Hotel, such as bowling, cards, etc., will be available to the members at their own expense.

This is the one business meeting of the year, and the Governors and Officers urge a full attendance. There is no charge for members; guests $5.00.

At a meeting held by the Nominating Committee the following were nominated for office:

President, G. Clifford Bodell; Vice President, Robert C. Schmertz; Secretary, Albert J. Metzmaier; Treasurer, Bernard C. Kelley.

Board of Governors: Milton C. Hulme (one year term); Owen Kraft and Franklin Maroney (two year terms).

N. Y. Exchange Revises Commission Rates

Members and member firms of the New York Stock Exchange were advised on March 10 that the Board of Governors had amended rule 483, relating to special commission rates. Regarding the action, the New York "Herald Tribune" said:

"By adding at the beginning the words 'unless otherwise determined by the Exchange,' it has been made possible to exempt certain issues which are normally covered by the provisions designed for bonds traded on a money basis near maturity dates, where regular commissions do not apply."

PERE MARQUETTE

PERE MARQUETTE RAILWAY COMPANY

SUMMARY OF 1943 OPERATIONS:

INCREASED TRAFFIC. In responding to the heavy transportation demands arising from the necessities of the war, Pere Marquette exceeded all previous yearly records of revenue freight tonnage handled, as measured in revenue ton miles (tons multiplied by miles hauled). This volume was 106.3 percent over 1918; 72.2 percent over 1929; and 32.5 percent over 1942, the next highest year. That this was a highly creditable job is indicated by a comparison of these percentage increases with those for all railroads combined, which show an increase of 79.1 percent over 1918; 62.3 percent over 1929; and 13.8 percent over 1942.

These high records established in revenue ton mileage, with the rolling equipment at hand, are due in no small degree to the cooperation of shippers and receivers of freight, who loaded cars to their maximum capacity, used a minimum of time in loading and unloading them.

OPERATING REVENUES of $55,052,804, an all-time high, were greater by $10,741,497, or 24.2 percent, than those of 1942, which amounted to $44,311,307. Due principally to higher taxes, net income for 1943 of $3,619,520 exceeded net income for 1942 by only $50,454.

It is interesting to note that whereas operating revenues in 1943 were greater by $6,584,365, or 13.6 percent, than those of 1929, the highest previous year, net income for 1943 was less than half the net income of $7,473,279 in 1929. The difference is more than explained by taxes which amounted to $8,612,341 in 1943, compared with $2,962,195 in 1929.

OPERATING EXPENSES in 1943 amounting to $39,197,743, increased $6,653,257, or 20.44 percent over 1942. Of this increase $1,089,069 is due to increased wages recently granted the so-called non-operating and operating groups retroactively to February 1st and April 1st 1943 respectively. The operating ratio, which means the proportion of revenues consumed by Operating Expenses, was 71.20. This compares with the ratio of 73.45 in 1942 and 70.86 in 1929, the lowest ratio during the past fifteen years.

DEBT REDUCTION. The Directors, after full consideration and in view of their previously announced plan to follow a vigorous policy of debt retirement, deemed it unwise to declare any dividends during 1943.

The Annual Report for the year 1942 stated that the Directors in October of that year initiated a debt reduction program, and that it was their intention to pursue such a policy as funds became available, to the end of strengthening the Company's credit. This is essential to any refinancing program for the 1956 First Mortgage maturities.

The fact that since October, 1942, $8,491,700 par value, or 13.16 percent, of the Company's First Mortgage Bonds, principally the 1956 maturities, have been purchased at an average discount of 20.12 percent, evidences the effort made to carry out that program.

In the face of repeated warnings to the railroads by the Interstate Commerce Commission in its last three Annual Reports to the Congress that wartime earnings should be used toward reducing funded debt, thereby lessening the burden of fixed charges, any present deviation from the policy adopted by the Directors would be unwise.

During the year $1,966,000 First 4s and $4,168,700 of First 5s, totaling $6,134,700 due in 1956, and $98,000 First 4½s due in 1980, were retired. These bonds were acquired for $5,204,700, or $1,028,000 less than their face value, an average discount of 16.49 percent. The 1980 bonds were acquired with cash required to be deposited with the Trustee covering mortgaged property sold.

AN IMPORTANT PROBLEM. No problem today is more important than the maintaining of sufficient experienced personnel to man the trains, switch cars, keep rolling stock in full repair and maintain the property to the extent necessary to safely handle the trains. Besides a heavy turnover in our employees due to higher labor rates paid by the war industries, the road has had some 1000 of its total of 7500 employees enter the military service. The officers are constantly wrestling with this problem, and are taking such action as is open to them to retain as many experienced employees as possible, and to train new employees.

NEW INDUSTRIES. During the year, sixty-one new industries were established on the Pere Marquette, for whose account 5,085 cars of freight were handled. This produced revenue in 1943 of $326,874. It is estimated that in 1944 these new sources may account for 10,935 cars of freight and produce revenues of approximately $642,850. Nearly all of these new industries are of such nature as to indicate permanence.

The new industries established in 1942 accounted for 27,793 cars of freight during 1943, and produced revenues of $3,092,037.

POSTWAR ERA. The Nation's industry, which so wholeheartedly set aside its private pursuits and so splendidly dedicated itself to a total contribution of its effort to winning the war, is now laying the plans for the time when "Swords shall be beaten into plowshares." The consensus of the industrial leaders in the area served by Pere Marquette is that the transition period will not be of long duration, and that out of it will come an era of reconstruction and great industrial progress. One need only point to the prospect of a large volume production in the great automobile industry of Michigan. It is the aim of the management to have the railroad prepared, to take its proper place in the postwar era.

SOURCES AND DISPOSITION OF INCOME

Our income came from the following sources:	*1943*	*1942*	*Increase Decrease*
Revenues from hauling freight other than coal and coke	$42,761,911.98	$34,457,564.28	$ 8,304,347.70–I
Revenues from hauling coal and coke	6,063,819.09	5,639,030.59	424,788.50–I
Revenues from hauling passengers	3,684,738.27	2,125,624.89	1,559,113.38–I
Other transportation revenues	2,542,334.46	2,089,087.74	453,246.72–I
Dividends from stocks owned	56,801.50	79,133.25	22,331.75–D
Other income from non-railroad operations	722,343.06	593,259.56	129,083.50–I
Total	$55,831,948.36	$44,983,700.31	$10,848,248.05–I
We disposed of our income as follows:			
Wages	$19,283,859.16	$16,308,292.49	$ 2,975,566.67–I
Materials, supplies, and fuel	8,247,069.00	6,844,531.26	1,402,537.74–I
Railway tax accruals, other than Federal and Canadian tax on income	2,677,783.98	2,356,280.42	321,503.56–I
Payments to contractors, associations, other companies, and individuals for services and expenses	4,667,594.23	3,254,962.72	1,412,631.51–I
Rent for equipment of others used by us, less amounts received from others	199,846,11	*43,372.08*	243,218.19–I
Rentals and expenses paid for facilities used jointly with others, less amounts received from others	3,459,851.98	2,661,891.34	797,960.64–I
Interest on funded debt	2,934,113.96	3,216,959.63	282,845.67–D
Other interest	57,943.95	1,710.05	56,233.90–I
Depreciation, amortization, and retirements	4,749,809.10	4,350,587.60	399,221.50–I
Total	$46,277,871.47	$38,951,843.43	$ 7,326,028.04–I
Net Income before Federal income and Canadian income and excess-profits taxes	$ 9,554,076.89	$ 6,031,856.88	$ 3,522,220.01–I
Federal income and Canadian income and excess-profits taxes	5,934,557.29	2,462,791.00	3,471,766.29–I
Balance remaining for other corporate purposes	$ 3,619,519.60	$ 3,569,065.88	$ 50,453.72–I

Italic denotes credit

The above are summary excerpts from our current Annual Report and are published only for the information of stockholders. Any stockholder failing to receive a copy of the Report will be furnished one on request to the Secretary, Terminal Tower, Cleveland, O.

Mutual Funds

"Growing With American Industry"

An unique piece of investment literature comes to hand this week from **Investors Mutual, Inc.**, of Minneapolis. "Growing with American Industry" is the title of this piece which takes the form of a 134-page booklet shaped to fit comfortably in the pocket of the "average investor."

And we believe that most investors will be glad to get hold of a copy, too. For this booklet presents the results of a great deal of first-class investment research work. It contains condensed, timely information about the business and earning power of the companies represented in the portfolio of Investors Mutual, Inc.

To aid in further visualization of the individual companies, the booklet contains illustrations which symbolize the business in which each company is engaged. **This is altogether an excellent piece of work and is of a type which will do more to help investors understand the vast amount of professional effort that goes into the management of a mutual fund.**

* * *

Keystone Corp. in the current issue of **Keynotes** writes: "A prudent investor must plan for the future. He must weigh the possibilities of inflation and deflation. He knows that all investment involves some risk. He places a portion of his capital for growth possibilities to cushion occasional losses. He plans to earn a reasonable return from his capital, either to provide current income or to compound through reinvestment, in order to build his fund to the maximum size for future benefits."

Having stated the objectives of a "prudent investor" so clearly, Keynotes then offers the following suggestion to provide "a balanced investment program for $100,000."

A. **10% in reserves** (high-grade bonds)

B. **55% for income** (10% medium-priced bonds and 15% each in low-priced bonds, high-return bonds and income preferred stocks)

C. **20% for income and growth** (10% in high-grade common stocks and 10% in income common stocks)

D. **15% for growth — inflation hedge** (5% each in speculative commons, appreciation preferreds and low-priced common stocks)

* * *

National Securities & Research Corp., in the current issue of **Investment Timing**, publishes a detailed analysis of common stock yields and concludes that the yields available on representative common stocks today are still attractive.

The present figure for the Investment Timing stock yield index is 4.7%, as compared with 2.82% for the high-grade bond-yield index. The article points out that although the current stock yield of 4.7% is considerably below the high of 9% which was attained in April of 1942, it does not follow that the current level is unsatisfactory.

"On the contrary, the present level is still favorable in comparison with the yield from high-grade bonds and considerably higher than the yields prevailing in 1929 and 1937, years of high earnings and stock prices, and in 1933 when 2.6% was the lowest stock yield seen since 1920."

* * *

Distributors Group has published a new one-page memorandum entitled, "How About Steel Stocks?" in which the relative undervaluation of steel stocks as compared with automobile stocks is graphically presented. The memorandum concludes:

"With post-war automobile production at a high level, it stands to reason that post-war steel production will be at a high level too. Leading steel stocks are undervalued today."

* * *

Affiliated Fund, sponsored by **Lord, Abbett,** has published notice of the refunding of its $10,000,000 outstanding 4% debentures on May 1 through a banking group headed by the Guaranty Trust Co. of New York. The refunding will be handled by a $10,000,000 loan at 2½% interest which has been arranged for with the banking group.

Investors holding 4% Affiliated Fund debentures of either the 1949 or 1950 maturity should send them to the First National Bank of Jersey City, 1 Exchange Place, Jersey City, N. J., for payment May 1, 1944.

"Value Will Out" is the title of Lord, Abbett's current issue of **Abstracts**. This memorandum stresses the importance which is placed on the determining of value in the management of the Lord, Abbett group of funds. An example of the results is cited by the performance of the 61 issues currently held in Affiliated Fund. "Out of this 61, more than one-third (23 to be exact) have already in 1944 exceeded their 1943 highs." Against this the Dow-Jones Industrial Average at its recent high was still 5 points below the 1943 peak.

* * *

Hugh W. Long & Co. has announced the selections received in response to its recent questionnaire to dealers in which the firm offered $1,150 in U. S. War Bonds as prizes for naming in order the seven industries whose stocks will do best in 1944.

According to replies received from more than 350 investment dealers throughout the country, railroad stocks were selected as having the best market outlook for 1944; railroad equipment, steel, public utility, automobile, agricultural machinery and building supply stocks followed in that order.

It is interesting to note that of the 20 industries represented in the contest, all received some votes to finish in the final group. Chemicals, business equipment, machinery, tobacco and insurance stocks were selected as having the least favorable outlook for 1924.

* * *

Massachusetts Distributors in the current issue of **Brevits** takes for its theme the "insurance principle" of dividing one's investment risks over many different issues in order to avoid serious loss. The story of the wise old Chinaman who applied this principle to merchant shipping on the Yangtze River, as recently told in a "Saturday Evening Post" insurance company advertisement, is quoted to illustrate the point.

The bulletin goes on to point out that in addition to the advantages of diversification, the modern mutual fund possesses the additional advantages and safeguards of:

1. Ready marketability at current liquidating value.
2. Conservative treatment of income.
3. Management compensation on a professional fee basis.
4. No borrowing.
5. Full publicity on operations.

State Street Investment Corp. has announced a two-for-one split in the shares of the Fund effective April 14, 1944. It is expected that shortly after the split-up is effected, 200,000 additional shares authorized capital to 1,400,000 shares. The company states that it does not intend to offer immediately any of the additional 200,000 shares.

Investment Literature

Calvin Bullock—A current issue of the **Bulletin** discussing common stocks for investment. . . . **Hare's Ltd.**—A new folder entitled "The Primary Purpose of **Stock & Bond Group Shares.**" . . . **Keystone Corp.**—A new General Prospectus dated April 4, 1944, and a new supplemental prospectus on "S-3." Also a revised **Current Data** folder on the 10 **Keystone Custodian Funds.** . . . **National Securities & Research Corp.**—A list of portfolio changes in the **National Securities Series** and **First Mutual Trust Fund** during March, 1944, and a revised **Current Information** folder on this sponsor's funds. . . . **Distributors Group**—Revised portfolio folders on **Railroad Shares, General Bond Shares** and **Low-Priced Shares.** . . . **Lord, Abbett**—A composite summary on **Affiliated Fund, American Business Shares** and the six **Union Trusteed Funds** revised to April, 1944. Also revised portfolio folders on **Union Bond Fund A** and **Union Preferred Stock Fund.** . . . **Hugh W. Long & Co.**—A revised portfolio folder on **New York Stocks.**

Dividends

Boston Fund—A quarterly dividend of 16¢ per share payable May 20 to shareholders of record April 28, 1944.

Knickerbocker Fund—A regular dividend of 8¢ per share plus an extra of 4¢ per share payable May 20 to stock of record April 30, 1944.

The Flight From Free Markets

(Continued from first page)

cations, or able to imagine what an economy without markets means. For ten years we have not only been afraid of the free market and trying to keep out of it as far as possible, but we have been superimposing on it by every sort of device, from the modern counterpart of building pyramids to plowing under wheat, and slum clearance by high explosives, a kind of forced consumption, and transforming the voluntary market into a compulsory one on the part of buyers or sellers, or both, for commodities, capital and labor alike. We can see this most clearly in the war, which is the climax of the process. Here we have selected some ten million consumers and their families and stepped up their annual rate of consumption to an average of about $10,000 per year—probably five times what it averaged before—without much reducing the average rate of consumption of the rest of the population. To put it in national terms, we have forced our rate of consumption up from about seventy billions worth of goods and services per year, to double that rate. That is in fact the essence of war from an economic point of view, and as we approach the end of that process, what many people, statesmen and businessmen and workers alike, are wondering is where and in what form can we find in peacetime among the voluntary consumers in the free markets of the world the economic equivalent of war as a consumer. William James was worried, back in the '90's, about finding the moral equivalent of war—something that would be as stimulating and inspiring to constructive or productive peacetime effort as war was to combat; but we are not concerned with that today, because we believe that we have solved the problem of production. We are worried about finding a market whose maw is as voracious as Mars, a voluntary consumer who can use up as much of our product as the cruel compulsion of war.

"This is the economic enigma which the machine and the chemical laboratory have brought home to us in this war, and so far we have sought an answer in only two directions—one that of withdrawing from the market by throttling down our production to its peacetime voluntary capacity, the other in developing those ideas and devices of compulsory consumption which we have been experimenting with during the '30's, and tested in war, of which Mr. Keynes can be said to be the inventor and promoter.

"These are the directions in which, willingly or not, we are turning now as we contemplate the post-war period. The issues of international cartels, transitional reconversion quotas, continued price controls and rationing, the guaranteed wage, public works programs, permanent lend lease, government stockpiling of raw materials, and dozens of others in the daily papers remind us that scarcely anybody anywhere—workers, savers, investors, producers or traders—are willing to trust themselves to the market any more. Faith in the beneficence and shelter of the free forces of the marketplace has been supplanted by hope in the protective omnipotence of the State or confidence in the bomb-shelters of bureaucracy.

"Experience tells us plenty about the place where the path of production control as a solution of this dilemma ends, and it is hard to believe that anyone has any illusions on that score, for government has always been the natural heir or ultimate legatee of every form of monopoly. But modern technique—if not the principle—of compulsory consumption is new and unfamiliar to most of us and we are not yet quite certain where it ends, perhaps because we do not know enough about the Secret of the Pyramids. I shall not poach upon the preserves of prophecy sacred to politicians, but I venture the guess that we shall find out where that road ends, too, before long, and that it will probably be in the same place. The new era of compulsory consumption born of this war is likely to turn out to be identical triplets, quadruplets or quints, and we shall find that along with it were born compulsory saving, compulsory investment, compulsory management and compulsory labor. There are already a few families like this in the world, and they are not good playmates for ordinary folks who like to have fun and games in the old-fashioned free marketplace. In fact, one wonders whether or not this war hasn't made the habit of having quints somewhat contagious, and whether we may not wind up with a set of sextuplets in which compulsory thought is added to the rest. All of which remains to be seen, or forgotten, in the future, since these fifteen minutes are up."

Japs Liquidate Allied Hongkong Bank Branches

Japanese authorities have ordered the "liquidation" of 18 branches of former Allied-controlled banks in Hongkong by the middle of April and the appointment of the Formosa and Yokohama Specie Banks as executors, according to a Japanese Domei agency wireless dispatch directed on April 6 to America. The English-language dispatch, reported by United States Government monitors, said that the banks to be taken over by the Japanese included The Chartered Bank of India, Australia and China; The National City Bank of New York, The Chase National Bank, The American Express Company Bank, The Mercantile Bank of India, The Hongkong and Shanghai Banking Corporation, The Bank of Canton, The Bank of China and The Central Bank of China.

NICKEL PLATE ROAD

The New York, Chicago and St. Louis Railroad Company

SUMMARY OF 1943 OPERATIONS:

TOPPING the 54% increase in freight traffic that 1942 showed over 1941, the Nickel Plate Road added a further gain in 1943 of 11½% over the previous all-time high of 1942. Passenger miles, too, reached an all-time high with an increase of 56% over 1942, due to the increased travel by members of the armed forces and civilians.

To handle this greatly enlarged volume of traffic, maximum use was made of the road's rolling stock. Average loadings per car and average length of haul rose to new highs. In effecting this efficient and economical use of space the Nickel Plate was aided greatly by the wholehearted cooperation of its shippers.

OPERATING REVENUES AND EXPENSES. For the first time in the railroad's history operating revenues exceeded $100,000,000. The total of $100,093,565 represents an increase of 12.79% over the previous year's total of $88,742,412, the peak figure up to that time. Operating expenses were 17.46% over those of 1942, and the operating ratio rose from 52.37% to 54.53%.

TAXES amounted to $26,564,020, an increase of more than 16% over 1942, the previous all-time high. In the past ten years taxes have increased over sixteen-fold while operating revenues have increased only three-fold—in fact, in 1943 taxes came close to being as large as the total operating revenues of ten years ago.

NET INCOME for the year amounted to $9,188,026 as compared with $8,690,571 for 1942—an increase of 5.72%. About half of this increase was due to reduction in interest charges.

DEBT REDUCTION. A substantial part of the net income was used to carry forward the debt reduction program that has been pursued for several years, and which the directors intend to continue until the Nickel Plate's credit has been re-established. This goal has not yet been reached. During 1943 debt was cut by $5,409,227, thus bringing total debt down below $125,000,000, as compared with more than $160,000,000 of debt outstanding six years ago. Earliest maturities now consist of a bank loan of $2,000,000 due in 1944, and approximately $15,000,000 of mortgage bonds due in 1947 which cannot be extended.

CURRENT ACTIVITIES. The heavy increase in business over the past three years has necessarily required a larger number of employees on the railroad. More than 42% of the present employees have come into service during this period to handle the increased volume of business and to replace those who have entered the armed services or gone to work in war industries. This placed upon the supervisory staff an extraordinary burden of training, educating and supervising these new and inexperienced employees, as well as those promoted to more responsible positions. The supervisory officers, aided by our more experienced employees all along the line, have successfully overcome the many difficulties encountered. The drafting of men for the armed services continues, and in view of the increasing difficulty of finding available replacements, the railroad is confronted with a manpower shortage. Every effort is being made to find ways and means of relieving this critical situation.

During 1943 the employees of the railroad continued to exercise tireless activity to keep locomotives, cars and coaches rolling at peak loads and with high efficiency.

THE FUTURE. The officers and directors of the company are proud of all the members of the organization, and particularly of the 2,433 who are scattered over the four quarters of the globe in the armed forces of the United States. They wish to pay an especial tribute to those who have given their lives during the year for their country.

In preparation for the postwar period the officers during the year have been studying the problems of postwar readjustment and competition with particular reference to retaining in peace the benefits of various improvements in operating efficiency developed under the stress of the war need.

The major objective of the company for 1944 continues to be the maximum contribution to victory.

SOURCES AND DISPOSITION OF INCOME

Our income came from the following sources:	*1943*	*1942*	*Increase Decrease*
Revenues from hauling coal and coke freight	$ 7,952,891.97	$ 7,994,291.85	$ 41,399.88–D
Revenues from hauling other freight	87,022,207.39	77,201,019.36	9,821,188.03–I
Revenues from carrying passengers	3,391,892.00	2,042,605.52	1,349,286.48–I
Other transportation revenues	1,726,573.90	1,504,495.77	222,078.13–I
Dividends from stocks owned	1,193,924.60	1,087,059.30	106,865.30–I
Other income from non-railroad operations	516,625.06	401,893.88	114,731.18–I
Total	$101,804,114.92	$90,231,365.68	$11,572,749.24–I
We disposed of our income as follows:			
Wages	$ 33,742,561.80	$29,493,488.78	$ 4,249,073.02–I
Materials, supplies and fuel	12,656,797.03	10,634,851.35	2,021,945.68–I
Railway tax accruals other than Federal income and excess profits taxes	4,064,020.19	3,755,330.32	308,689.87–I
Payments to contractors, associations, other companies and individuals for services and expenses	3,072,117.67	2,949,584.79	122,532.88–I
Rent for equipment of others used by us, less amounts received from others	5,100,310.34	5,688,495.95	588,185.61–D
Rentals and expenses paid for facilities used jointly with others, less amounts received from others	977,814.45	923,420.20	54,394.25–I
Interest on Funded Debt	5,587,098.32	5,740,823.92	153,725.60–D
Other interest	5,682.31	89,631.46	83,949.15–D
Depreciation, amortization and retirements	4,909,687.29	3,192,951.82	1,716,735.47–I
Total	$ 70,116,089.40	$62,468,578.59	$ 7,647,510.81–I
Net income before Federal income and excess profits taxes	31,688,025.52	27,762,787.09	3,925,238.43–I
Federal income and excess profits taxes	22,500,000.00	19,072,215.76	3,427,784.24–I
Net Income	$ 9,188,025.52	$ 8,690,571.33	$ 497,454.19–I
Disposition of the Net Income was as follows:			
Appropriations for Sinking and Other Reserve Funds	$ 98,852.50	$ 98,133.70	$ 718.80–I
Balance remaining for other corporate purposes	$ 9,089,173.02	$ 8,592,437.63	$ 496,735.39–I

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Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

According to data compiled by Alfred M. Best Company and published in its weekly Bulletins, the experience of stock casualty insurance companies in 1943 was generally quite favorable compared with 1942, but not in all respects. Aggregate figures for 127 companies show on the favorable side, for example, that on December 31, 1943 their total admitted assets were $1,871,312,000 compared with $1,686,503,000 on the 1942 year-end, a gain of 11%; policyholders' surplus was $745,640,000 or 16% higher; unearned premium reserves were $386,214,000, a gain of $2,570,000, and net premiums written in 1943 were $930,991,000 or 1.4% higher than in 1942. Operating ratios, on the other hand, were slightly less favorable than in 1942. The aggregate loss ratio was 54%, compared with 51.2%, and the combined loss and expense ratio was 90.7%, compared with 88.3%. The expense ratio, however, was fractionally better at 36.7%, compared with 37.1%.

With regard to earnings, net investment income was better by 4.3%, being $41,235,000 vs. $39,544,000. Statutory underwriting profits declined 8.5%, from $94,032,000 to $86,044,000, while Federal taxes increased 8.4% from $43,817,000 to $47,500,000. Dividend disbursements were 3.1% lower at $35,058,000, compared with $36,186,000.

It is of interest to note that the market for casualty stocks, as measured by Standard & Poor's Weekly Index, appreciated 10.3% during 1943, moving from 127.8 on Dec. 30, 1942 to 141 on Dec. 30, 1943; currently, the index stands at 136.7. This performance compares with a rise of 8.8% for fire insurance stocks as per Standard & Poor's Index, and of 13.8% for the Dow Jones Industrial Average.

Turning now to the experience of individual units in the industry, figures for 13 representative stock casualty companies are presented in Tables I and II. Net operating earnings, it will be noted, are mostly lower than in 1942, although a few companies show increases. The majority of companies show moderate improvement in net investment income. For the sake of uniformity, Federal taxes have been charged against underwriting profits in both years.

TABLE I

Name—	*Net Und. Profits Per Share 1942	1943	Net Inv. Income Per Share 1942	1943	Total Net Op. Profits Per Share 1942	1943
Aetna C. & S.	$5.78	$3.49	$6.61	$7.39	$12.39	$10.88
American Surety	1.67	1.79	3.14	3.25	4.81	5.04
Cont. Casualty	2.33	1.69	1.74	1.98	4.07	3.67
Fidelity & Deposit	12.27	10.27	5.03	5.30	17.30	15.57
Gt. Am. Ind.	0.60	0.20	0.67	0.69	1.27	0.89
Hart. Steam Boiler	0.02	—0.38	2.60	2.61	2.62	2.23
Mass. Bonding	8.05	—1.32	5.31	5.23	13.36	3.91
National Casualty	—0.10	2.01	1.35	1.48	1.25	3.49
New Amsterdam	2.25	2.67	1.91	1.81	4.16	4.48
Seaboard Surety	5.18	1.33	1.76	1.69	6.94	3.02
Standard Accident	6.58	1.57	2.49	2.67	9.07	4.24
U. S. Fid. & Gty.	0.53	3.60	1.80	1.63	2.33	5.23
U. S. Guarantee	1.40	1.65	2.21	2.31	3.61	3.96

*After adjustment for Federal taxes and for change in premium reserve equity.

TABLE II

Name—	Surplus 12-31-42	12-31-43	Unearned Premium Reserves 12-31-42	12-31-43	Liquidating Value Per Share 12-31-42	12-31-43
Aetna C. & S.	$24,020,000	$29,237,000	$23,949,000	$22,525,000	$118.92	$135.12
American Surety	7,667,000	9,183,000	7,566,000	6,934,000	60.52	65.22
Cont. Casualty	12,938,000	15,127,000	10,637,000	11,392,000	40.91	46.34
Fidelity & Deposit	12,947,000	[illegible]	7,040,000	6,796,000	157.23	170.55
Gt. Am. Ind.	6,522,000	[illegible]	4,429,000	4,209,000	10.21	12.25
Hart. Steam Boiler	7,044,000	[illegible]	11,447,000	13,015,000	50.65	56.02
Mass Bonding	6,995,000	[illegible]	6,332,000	5,502,000	75.62	83.72
National Casualty	1,686,000	2,071,000	1,310,000	[illegible]	32.10	36.01
New Amsterdam	10,383,000	14,303,000	6,649,000	6,401,000	27.46	35.68
Seaboard Surety	[illegible]	4,114,000	1,461,000	1,317,000	52.25	57.73
Standard Accident	8,743,000	[illegible]	8,588,000	7,729,000	77.65	81.76
U. S. Fid. & Gty.	19,750,000	[illegible]	18,878,000	19,308,000	29.00	35.53
U. S. Guarantee	9,387,000	10,428,000	3,924,000	3,267,000	65.76	70.62

With regard to surplus and liquidating values, all 13 companies report substantial increases but their record as to unearned premium reserves is spotty, five reporting increases and eight decreases. As regards net premiums written during 1943 (not shown in the table), here again the record is spotty, eight companies reporting less than in 1942, while the following five show a moderately greater volume: American Surety, Continental Casualty, Hartford Steam Boiler, New Amsterdam Casualty and U. S. Fidelity & Guaranty.

All of the above are parent company figures and do not include any equity in the liquidating values or earnings of their subsidiary companies.

Peters With R. M. Horner

PORTLAND, MAINE—Walter N. Peters, formerly manager of the local office of Frederick M. Swan & Co., has become associated with R. M. Horner & Co., as their Maine representative.

Our Railroads, War And Post-War

(Continued from page 1503)

new construction of that class of railroad equipment since the beginning of the war, except for some special military transport equipment recently installed.

New rails laid in the three years 1941, 1942 and 1943 averaged about 1,400,000 net tons per year, which was considerably below average annual installations in previous periods of heavy traffic. The War Production Board has already allocated 1,865,000 net tons of rail for installation in 1944, an increase of about one-third over the average of the last three years, and this allocation may be increased.

Generally speaking, one ton of rail accessories is laid in tracks for each two tons of steel rail installed. By "accessories" I mean tie plates, spikes, nuts and bolts, frogs and other similar items. Thus a rail program of 1,865,000 tons means the utilization of nearly 3,000,000 tons of rails and rail accessories combined.

The crosstie situation is less favorable. Average placements during the past three years, 1941 to 1943, have been fewer than 50,000,000 ties per year, and it may be difficult to obtain and to lay as many as 50,000,000 in 1944. Tie producers have their own manpower and OPA problems. It is clear that with an enlarged program of rail laying, the tie program should also be stepped up.

As to other repair materials, the railroads have obtained and are obtaining enough to meet their current needs, although a considerable amount of programmed maintenance work will necessarily be postponed to a later date.

Even with brighter equipment and material prospects for 1944 the drive for increased operating efficiency must continue. It will be necessary to get more service out of each part of the railroad plant, including cars and locomotives. To this end, railroads and shippers are cooperating in a definite campaign for even heavier loading than at present, reduction in delays, quicker turnaround and all the other factors that spell better performance.

The principal problem confronting the railroads this year is to obtain manpower with which to operate trains, yards and repair shops and to do the necessary maintenance work along the tracks and rights of way. This is a real a serious and a growing problem, with respect to which the railroad industry is not receiving adequate relief from Governmental authorities. Much concern is being expressed by the various war agencies involved, but concern without definite action does not produce manpower. However, a nationwide recruiting drive now under way for the benefit of the railroads may ease their manpower situation.

Thus the picture for 1944 is one of continued increase in traffic, further progress in efficient transportation performance, and a growing problem as to where and how to obtain enough manpower to keep the railroad plant in repair and operate the trains.

Prospects for 1945

Prospects for 1945 are, of course, much less definite. We may next year be fighting only one enemy instead of two. If the end of the war is at that time in sight, war production will certainly decline, compared with 1943 and 1944. So-called "cutbacks" in the production of certain types of war material have already been effected, and others will follow. Civilian production, however, will replace some of the war production that is cut back.

Taking these factors into account, it seems likely that the demand for railroad transportation service will decrease in 1945. How far that decrease may go depends on the position of the war in 1945, the reserve accumulated by that time in respect of fighting equipment, ammunition and other military supplies, and the extent to which our military chiefs will venture to forecast the approximate date of the end of the war. In any case, production of war material, as distinguished from its distribution and utilization, seems likely to decline in 1945, compared with both 1943 and 1944.

Summarizing the prospects for 1944 and 1945, it appears probable that demand for railroad transportation will increase from 1943 to 1944, with a decrease in 1945, although 1945 may still be as great as, or only slightly below, 1943. If these probabilities materialize, railroad traffic will reach its peak in 1944 and will decrease in 1945 down to or below the level of 1943.

Prospects for First Two Post-War Years

I now consider the period immediately following the cessation of hostilities. A number of factors are likely to affect the transportation situation in the United States in that period. The first step in the process of demobilization will be cancellation or reduction of war contracts. This does not mean that all war plants will shut down over night, but the effort will be to taper their operations off as rapidly as possible.

The next step will doubtless be demobilization of our military and naval forces, then scattered in great numbers throughout the world. Even if this program is carried out as rapidly as may be physically possible it will take many months. Shipping in great quantity will be required, and time to organize and carry out the movement of large bodies of men over long distances. Meanwhile, our armies must continue to be supplied with food, clothing and other necessities, much of which will be currently produced in the United States, and will call for transportation.

At the same time large amounts of American-made goods and American-produced agricultural products are to be supplied to the civilian population of many foreign countries, especially those now under Axis domination. The necessities most immediately required will be food and medical supplies, followed next by clothing, and finally by construction materials, tools, machinery and other items that will contribute to reconstruction and rehabilitation.

The flow of these two currents of movement will be in opposite directions—troops moving back to the United States and supplies moving out of the United States to foreign ports. All these movements will require transportation service, in which the railroads will have their share.

Thus, while war production will taper off rapidly in 1946 and 1947, many other economic activities will continue at a fairly high rate. In the meantime war plants will be undergoing reconversion to a peace-time production basis. This will take time. Certain industries need little retooling, while others will require a greater amount of readjustment. Two years for complete reconversion is probably not an excessive estimate, although the process will be gradual and will be stimulated and hastened if the rapidly growing potential demand for civilian goods materializes.

The net effect of these several factors, operating over a period of two years succeeding the war, can only be a matter of judgment at this time. Indications are, however, for a decline in the total demand for transportation in those two years, compared with the final year of the war, although the demand is likely to be greater than the average of the three years 1939 to 1941. The railroads will doubtless continue to handle a larger proportion of the total freight and passenger traffic than they did in 1941, because highway and water carriers, and even air carriers, will not have fully returned to normal operating conditions, although they will be on their way back.

A Longer View

Let us now take a somewhat longer look ahead, beyond the period immediately following the war. Clearly, restrictions on any study of the future becomes greater the farther ahead it is carried. Even to attempt it is to stand on the edge of a precipice, and venture a plunge into the unseen. I think it safe to assume, however, that the first few years of the post-war period will exhibit a fairly high degree of productive activity growing out of the requirements of our own people, now partially unfilled as a result of war restrictions, and out of the many needs of the world at large.

The railroad industry itself is developing many unfilled needs. As soon as steel, copper, aluminum, lumber and other materials become available in greater quantities, together with adequate manpower, railroads will start spending the reserves they are now accumulating. A considerable portion of these expenditures will be devoted to restoring and modernizing the rail plant to meet the requirements of the post-war period.

There exists in this country a determination on the part of government and business leaders that economic activity in the United States shall be raised to and maintained at high levels in the future. Such a determination, if carried to realization, will supply adequate employment to our labor forces, will keep production and distribution at a relatively high level and will create a comparatively heavy demand for transportation service of all types.

Assuming even a moderate degree of success in these efforts, the railroad industry will be enabled to furnish the kind of service demanded by shippers and travelers at a price they are willing to pay. By supplying such service, the industry will promote the public interest as well as its own. It will obtain a large enough traffic volume to place operations on a sound financial basis. To a considerable degree, therefore, the railroad problem is one of service and of merchandising.

In part, however, the problem will be resolved by policies adopted by Congress and the several States toward the railroads, including regulation of competitive agencies, taxation, subsidies and other related factors. The importance of the railroad industry to economic welfare and national defense has been so thoroughly demonstrated during the last four years that our national transportation policy should be geared to a recognition of that importance.

The Railroads Prepare for Peace

I spoke earlier of the need, in time of war, to prepare for peace. This is the next railroad activity to which I direct your attention. It has important bearing on the future of the railroad industry, and its preparedness, in terms of plant and manpower, to handle the traffic available to it.

More than a year ago the Association of American Railroads organized a special committee drawn from various branches of railroad service and assigned to the 50 members comprising that committee the task of studying past, present and future economic and transportation developments in the United States.

This committee, called the Railroad Committee for the Study of Transportation, is operating under the chairmanship of R. V. Fletcher, Vice-President of the AAR. It has been working steadily, through 15 sub-committees dealing with different segments of the whole subject, and from time to time in 1944 will issue its reports. A few reports have already been submitted in preliminary form.

The committee has undertaken to study the trend of business in the recent past, the effects of the war on business, and the prospects of post-war readjustment. Plans include a comprehensive analysis of the general economic situation and detailed surveys of a number of individual industries. These industry surveys could not be satisfactorily carried out, of course, without the effective cooperation the committee is receiving from the industries concerned.

The next step in the committee's studies will be to ascertain, as accurately as possible, the overall transportation demand growing out of economic activity in the future, and finally to undertake an approximation of the proportion of that demand that will be available to the railroads.

Many other collateral but important subjects are under analysis, including a series of studies dealing with prospects of the four transport agencies that compete with the railroads, namely, highway, water, air and pipeline transport. Another study deals directly with railroad traffic prospects, both freight and passenger. Still other studies are devoted to such subjects as the improvement of engineering and mechanical work, operating methods and practices, labor and personnel relationships, public relations, accounting and statistics.

The committee hopes, in due course, to issue a final report that will summarize the studies of its several sub-committees, bringing those studies together in a readable, clear and comprehensive form.

Summary

I have now considered the economic and transportation prospects of two additional years of war effort, two years of immediate post-war transition and several subsequent years of peace, a total span of about 10 years. It seems likely that railroad traffic and gross earnings will attain higher levels in 1944 than in any previous year, will taper off in 1945, and decline still further in 1946 and 1947, although remaining above the annual average of the three years immediately preceding our entry into the war. Prospects for the several years succeeding 1947 are not so clear, but if plans now in preparation for a program of regular post-war employment are effectuated, economic and transportation activity should remain at fairly high levels. Railroad traffic and gross revenues during that whole period should keep well above the 1939 levels.

The record of the United States during the succeeding past wars in which it has been involved is that each war has been followed by a comparatively long period of economic activity, rising to higher levels than ever previously experienced. In this connection we may recall that after the first World War railroad freight traffic followed a generally upward trend to a peak in 1929, closely paralleled by railroad revenues.

With the many opportunities for constructive leadership, after the present war, I see reason to hope that, by various means and along lines that cannot be charted in detail at this moment, we shall resume the forward march of productive and distributive activity. If this proves to be the case, the railroads will, under proper conditions, maintain their position as the major agency of transport in the United States, and will obtain such a volume of traffic as will assure the future of the industry. Achievement by rail carriers of a stable financial position will benefit a wide circle outside the industry itself. Strong railroads supply better service to producers and distributors of merchandise, bulwark the national defense, and advance general peace-time prosperity. As purchasers in the supply markets of the nation, the carriers can exert a stimulating influence on production. Railroad employment can be maintained at high levels, thus creating additional purchasing power. Through the work of the committee I have described, and in many other ways, the railroads are working definitely to these several ends.

Railroad management has taken the position, and I think rightly, that, given a fair opportunity to compete for the total freight and passenger traffic of the United States, railroads can and will obtain such a proportion of that total as will produce a stable and large volume of gross revenues. Whether those revenues will be sufficient to meet the then operating costs, wages and taxes will depend, of course, on many factors not predictable at this time. These post-war problems are, however, such as every industry will encounter.

I believe that the leaders of railroad transportation, in cooperation with other business leaders and with the Government, have the imagination and the courage to meet and solve the many economic problems that will confront them after the war.

Canadian Securities

By BRUCE WILLIAMS

Coming events cast their shadows before. There are now unmistakable indications that the tremendous potentialities of the Canadian situation are at last commencing to be appreciated. The war has contributed to no little degree in accelerating the normal pace of developments.

Extraordinary progress in the field of aviation, plastics, light metals, and electronics has revolutionized the Canadian economy. The Dominion's industrial resurgence begins from the point where the older industrial countries have had to recast their policies which have been rendered obsolescent by war-stimulated technological advance.

Not only has Canadian industry benefited by its ability to adopt the best of our own and British industrial methods, but the Dominion has within its borders possibly the world's richest supply of raw materials with practically unlimited hydro-electric power everywhere available at low cost. So far, the surface has only just been scratched.

It requires a large increase in man-power and capital outlay in order to exploit these known resources. The former requirement will have to await the conclusion of the hostilities before it can be satisfied, but there are definite indications that the capital flow has already commenced.

It appears, however, that European interests have been predominant in this movement, to an extent that there has been recent comment in the Canadian House of Commons concerning the control of several Canadian industrial companies passing into the hands of a Belgian group.

Here, also, increasing attention is being given to the possibilities inherent in the Canadian situation. Spectacular movements in the gold share market have recently attracted a considerable volume of speculative interest on this side of the border, but there are also signs that capital in this country is seeking more solid outlets.

Even more significant is the fact that the conservative commercial banking community is now devoting an ever growing attention to the Canadian securities market, whereas previously there had been a marked apathy in this quarter.

Every recent new issue and refunding operation has attracted fresh commercial bank interest and the forthcoming public issue of the Province of New Brunswick should prove no exception to the rule.

In fact, many commercial banks which have been reluctant to take up private issues will now have the opportunity to subscribe to a registered offering. Then, having taken this plunge, it is more than likely that this interest will extend to other outstanding issues of a similar type.

With regard to the market for the past week, there was a little more activity and, in general, prices advanced slightly, thus confirming the expectation that the recent levelling off process would be followed by a period of market improvement. Direct Dominions were generally firm and Nationals recovered from their recent decline. The 5's of October, 1969, were once more in demand at 117⅝. The shorter term provincial issues continued to display strength but there was again a dearth of offerings.

In connection with the Sixth Victory Loan, a large block of long-term Ontarios was offered and immediately placed; this is a significant indication of the healthy state of the market. Internal issues were in renewed demand and the Canadian dollar in the "free" market improved sharply to 9⅞% discount. In view of exchange prospects and the buoyant state of the bond market in Canada, this section of the market is still decidedly attractive.

Perhaps the most interesting item was provided by the announcement from Canada that the Hon. Solon E. Low, Provincial Treasurer of Alberta, has just been appointed President and national leader of the Social Credit Association of Canada. Mr. Low has always been the outstanding advocate of an early settlement of the Alberta debt situation, and he stated last week in Toronto, that he had every hope that a solution satisfactory to the Province and the holders of Alberta bonds would be worked out during the next few months.

It appears, therefore, that it is now highly probable that our confident predictions with regard to an early solution of both the Montreal and Alberta situations will soon be fully justified.

Turning to the immediate prospects for the market in general, there appears no reason to change the view that prices can move higher, especially in the short-term area where the pattern will be set by the successful flotation of the forthcoming New Brunswick issue, which, as previously stated, can stimulate to an important degree the interest in the Canadian market of the commercial banks.

North Atlantic Air Service Project Planned By Canadian, U. S. And British Interests

Smith, Barney & Co. and Greenshields & Co. Identified With Program

New and far-reaching plans for the development and expansion of post-war air transport services to and from the North American continent were revealed on April 6 with the announcement in New York by V. S. Bennett, of St. John's, Newfoundland business man who served as a RAF Captain in World War I, that important interests in Canada, United States and Great Britain would join with a Newfoundland group in the establishment and operation of North Atlantic air services, based on Newfoundland, between Canada, Newfoundland, United States, Great Britain and Europe.

United States representation in the project will be headed by Smith, Barney & Co., investment bankers of New York, and Canadian representation by Greenshields & Co., Inc., of Montreal. The British interests will be announced at a later date.

Preliminary announcement of the project was made by Mr. Bennett in New York at the offices of Smith, Barney & Co. prior to his leaving for New foundland on April 6. Smith, Barney & Co., it is pointed out, have long had a leading part in the financing of American air transport lines operating in the United States, and abroad, while Greenshields & Co. has held a similar position in Canada, and Russell Bell, a senior partner of that firm, is a director of several Canadian companies which have been engaged in air transport and aircraft manufacture.

The advices in the matter also state:

"The company has been incorporated in Newfoundland in the name of Air Transport Limited, which it is proposed to change to North Atlantic Airways. Subject to the consent and approval of the Newfoundland Government and of other Governments, it plans to operate, over the favored short North Atlantic routes, fast, specially-equipped aircraft on the routes connecting Great Britain and the North American and European mainlands, according to Mr. Bennett who has initiated the project.

"Capital requirements of the company will depend upon results of expert surveys now being made. These surveys will include a study of Newfoundland and Labrador conditions for the provision of internal domestic services, preliminary to passing the resulting recommendations on to the Newfoundland Government for such action as that Government may consider necessary.

"The new airways project would be the first of its kind to be undertaken with the backing of Canadian, American and British capital since wartime discussions of post-war air routes began to excite international interest and since the preliminary shaping of plans by competitive air transport interests has aroused widespread public interest.

"The company will operate under Newfoundland laws and regulations, which fact is expected to greatly facilitate fruition of the project. The board of directors, Mr. Bennett said, will be composed of representatives of the Newfoundland, Canadian, United States and British interests. The Newfoundland Government will be invited to have a representative on the board. The company has under consideration methods whereby other countries may have an opportunity of participating in the organization. This would tend to strengthen it politically as regards the international character of its ownership and operations.

"Participation in the financing of the company will be offered to Newfoundland interests on the same basis as to those of the other countries."

Mr. Bennett stated that the company is making application immediately to the Newfoundland Government for landing and navigational rights and rights to the use of other transport facilities now existing or projected, and for reciprocal rights in those countries which may be accorded similar facilities in Newfoundland and Labrador. Mr. Bennett expressed the belief that only by a strong company with international support of this kind would Newfoundland be able to enjoy the full economic benefits to which it is entitled by virtue of its geographical position on the important world air routes.

Such a project, he said, will naturally include carefully worked-out arrangements with other factors in the transportation field, for establishing airline connections in all the countries concerned.

Just as the domestic airline services have constantly aimed at the shortest routes, plus services to neighboring countries, it is expected that the new company will benefit by a similar policy as it will serve probably the richest international routes in the world. The Newfoundland and Labrador territory sits astride of any North Atlantic air routes connecting important points of the new and old worlds—a fact which is generally conceded by the air transport industry.

Mr. Bennett has various business interests in Newfoundland, including shipping, timber and mining. He is a representative in Newfoundland for the Shell Oil Company and a local director of the Anglo-Newfoundland Development Company, a Rothermere enterprise. He is the son of the late Sir John Bennett who was Colonial Secretary in the Newfoundland Government for many years.

Crowley Sees Reich Exhausted In Year

Leo T. Crowley, Foreign Economic Administrator, said on April 6 that in terms of economic power the Nazis can still wage a tough fight, but another year's resistance will produce an exhaustion of Germany without parallel since the Thirty Years' War and load "terrible economic privations on the German people." Mr. Crowley was thus quoted in a Washington dispatch April 6 to the New York "Times," which added:

Mr. Crowley reported that the mobilized economic strength of the United Nations was now overwhelmingly greater than that of Germany in finished munitions as well as in raw materials and other supplies essential for waging war. However, though German military production is inadequate to the demands of the present and future, it is still great in absolute terms, he said.

In 1942 and 1943 the Germans raised their program for production of fighter planes, tanks, submarines and other important weapons, as well as locomotives and merchant ships, to much higher levels. Until the summer of 1943 the program was partly successful. But since bombing reached a large scale last summer there has been an "agonized scramble" in Germany to maintain production, Mr. Crowley's statement said.

The Germans are now reduced to attempting to stave off losses where they had hoped for gains, to replace and disperse industry, to expend everything for the war purposes of the day at whatever cost to the future.

"It is now apparent," said Mr. Crowley, "that the German defense against air attacks cannot prevent the loss of one priority factory after another, the slowing down of production in the most important and efficient centers of war production and the loss of millions of man-hours.

"On the materials front, the Germans have already lost some most important supplies, especially manganese from Nikopol for steel production, and wheat and other foodstuffs, which they thought they had acquired permanently in the Ukraine. The loss of other ferro-alloys and of oil and food now obtained in the Balkans or other peripheral areas is threatened.

"Some other very important supplies obtained during the earlier years of the war have been cut off by the improved Allied blockade or by other economic warfare measures."

But, he continued, "the Nazis apparently are determined to gamble away Germany's patrimony in the hope that time and chance are still worth playing for."

The Post-War Outlook For Money And Its Consequences

(Continued from page 1499)

States had about 3¼ billions of dollars in gold, 5.4 billions currency, 31 billions bank deposits, and a national debt of about 26 billions. No one questioned the soundness of our currency. We were ready to help the rest of the world clean up their financial situations and restore sound monetary conditions. We loaned freely and gave aid wherever it was sought. Confidence and commercial relations were restored more rapidly than the most optimistic had forecast, thanks to the recovery capacity which every country has within itself.

If the present war ends in 1944 the United States' gold holdings will be about 20 billions of dollars (40% cheaper in gold content than at the end of World War One), bank deposits 150 billions and the federal debt 258 billions. All these figures will change before the reconstruction is finished. We will lose gold, 4 billions of which is already earmarked for foreign account, and no doubt another eight or ten billions will go to the various spots in the world where its buying power is greater than the United States when peace and monetary stability are restored. Our federal debt is expected to reach at least 300 billions, and the currency and bank deposits will in all probability expand proportionately.

Just what the currency and debt situation will be in other countries in the post-war era I do not know but some available figures give a clue as to the outlook. The League of Nations statistics indicate the percentage increase in currency circulation at the end of 1943, and based upon 1939 as 100, to be: Bulgaria 740, Irak 719, India 470 (gold is also available in India), Germany 351, France 386, Japan 300, the United States 290, and the United Kingdom 215.

The increase of the debts may be indicated by the following percentage figures for some representative countries as indicated in the League bulletin: Finland 633, Austria 400, Germany 380, Sweden 215, the United States 205, Japan 200, France 155, the United Kingdom 114, the Netherlands 112. These figures seem obviously not up to date when we analyze the situation in the United States where accurate up-to-date figures are available. Our national debt was reduced from 26 billlions in 1920 to 16 in 1929, and then increased to about 38 when the war began. At present our debt is about 190 billion and expected to reach 258 by the end of the fiscal year July 1, 1945.

The currency and debt situation after this war will be far more distorted in relation to economic conditions than after the first World War. The currency depreciations, debt defaults and international exchange and trade chaos that followed the first World War are a matter of history in both the belligerent and neutral countries of Europe, Asia, and South America. The currencies of many countries became worthless. Of this condition Germany and Russia were outstanding examples. France devalued her currency about 80% and many other countries in Europe and South America from 20 to 90%. Finally external debts were generally defaulted, tariff barriers erected and the race for self sufficiency begun which led to the collapse and depression of the early thirties. At this time the financial structures of the whole world toppled over, and, had not fully recovered when this war began.

What Does This Post-War Era Promise?

At the end of the Napoleonic War the debt of the United Kingdom was estimated to be 31½% of the national wealth. At the end of the first world war it was said to be 33% of the national wealth. At present I estimate the British debt is about 70% of her national weath.

At the end of World War I and the reconstruction financing the national debt of the United States was perhaps less than 10% of the national wealth. By the end of this war it will probably be 80%. These are debtor conditions which these two countries never had before. Most other countries will be much better off so far as debt burden is concerned. The Canadian and Australian debts will be large for their small populations but not so large in relation to their national wealth. The debts of European countries will probably be much less because most of the belligerent countries inflated their debt burdens out of the way after the first World War and will probably do likewise after this war.

From what I can learn the present internal debt situation in Russia is not large relative to the country's wealth and capacity to produce, and her external debt created during this war is not large and most of it owed to the United States and England.

The internal and external debts of the South American countries have increased very little during the present war. Perhaps the increase has been more than offset by debts paid or cancelled. In addition large foreign exchange balances due South American countries have accumulated in the United States and England.

Present evidence indicates that the British Empire countries, the United States, and the neutral and occupied countries of Europe will be burdened with debt at the end of this war from 300 to 1000% larger than at the end of the first World War. Statistics indicate that the largest percentage increase in debt will probably be in the United States.

While the world's capacity to produce and distribute goods has increased since World War I, as a result of the genius of industry and science, an accurate measure of that increase is not available, but it seems to me that a generous estimate would not exceed 25%. The major part of that increase has been in the United States, British Empire countries, Russia and Germany. The increased capacity to produce and the increased wealth are far less than the increase in debts to be serviced, managed and paid. The disposition of these debts is a major problem in the post-war monetary, exchange, and trade reconstruction. In fact this debt projects its problems into economic reconstruction of any kind. No country can maintain a sound financial situation and stable financial relations with the rest of the world and at the same time have unsound internal economic conditions arising out of debt and destructive taxation.

A country that defaults on its internal or external debts destroys the confidence of its own people and the peoples of the world in its integrity, and this loss will require generations of hard work, thrift and sound economic policies to overcome. During this time the loss resulting from distrust will in all probability cost any country more than the present debt burden with its back breaking load of taxes. The probable outcome of this debtor situation will be inflation in some countries, repudiation in others, currency depreciation, and in the more honest and far seeing countries a decline in the capital value of the debt with rising interest rates. But in the meantime what can be done about currency, foreign exchange stabilization, and the revival of international trade so urgently needed to stimulate production and employment throughout the world? The debt problem is a part of the currency, exchange, and trade problems and must be solved first or concurrently. The quicker these problems are solved the less will be the confusion, unemployment, hardship, poverty, and trade stagnation.

What are the Allied policies on internal debt problems, and currency stabilization? Then what of foreign exchange stabilization? On the answers to these questions international trade problems wait.

The Money Problem

Currency depreciation or coin clipping is an old device for robbing the people of their savings, and saving the face of a temporary government in bewilderment. In all the annals of history and the numerous uses that have been made of this device, there is no record where competent authority has pointed to the use of this device as a benfit except for temporary speculative relief. On the contrary the use of this device has always been appraised by history as destructive of the common good. One of the world's most eminent economists, John Stuart Mill, said of this practice: "Profligate governments, have seldom scrupled for the sake of robbing their creditors to confer on all other debtors a license to rob theirs by the shallow and impudent artifice of lowering the standard." While in the records of history and economic appraisal devaluation and coin clipping or lowering the standard are con-

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Post-War Federal Revenue Requirements And Fiscal Policy

(Continued from first page)

have upon Federal fiscal policies?

I mention these points because it is foolhardy to talk about Federal revenue requirements and fiscal policies which will jeopardize our private enterprise system and the great middle class of our population. These are the foundations of our American way of life, upon which our people have built the highest standards of living, the greatest comforts, and the greatest freedom and the greatest opportunity of any nation in the world. Destroy or weaken them and you threaten the very base upon which our country stands.

Present Tax Load

Our current tax load of 45 billions for Federal Government and 10 billions for State and local Government is a necessity due to the war. It is the highest per capita payment of any country in the world. Federal taxes are now more than the total collected in the entire ten-year period from 1931 through 1940. They are about five billion dollars in excess of the total national income in 1932.

Any thought that our people can continue to bear such a tax load after the war ends is unrealistic; its effect on our fiscal policies would be disastrous.

Because present taxes are not only oppressive, but, in many instances, confiscatory.

They stifle initiative and incentive.

They discourage the formation of new enterprise.

They do not allow a reasonable reward for achievement.

They prevent the building of a competence for the protection of one's family, home and children.

They encourage waste and unwillingness to work.

They destroy savings necessary to expanding enterprise.

They are disguised so as to bring changes in our social and economic way of life.

They discriminate against those who own business.

They destroy the greatest tradition and incentive of our people—opportunity.

* * *

Drastic Reduction Essential

It must, therefore, be apparent that an immediate and drastic revision of our fiscal policy is necessary and that the new policy should become effective immediately after the termination of the war if business is to be able to reconvert promptly to peacetime operation and to produce and distribute goods in sufficient quantities to provide employment to those returning from the armed services as well as those now temporarily engaged in war work.

We need to remember that production, distribution and services are the basic sources of jobs and their ensuing flow of income is the main source of revenue to maintain Government.

Thirty-One Billion Tax Load

From my studies of the situation, I estimate that we can carry a maximum post-war tax load of approximately 31 billion dollars annually for Federal, State and local Government without undue hardship upon any of our people.

This estimate is predicated on a $125 billion national income which may be a somewhat optimistic evaluation of future events, especially in the light of the 66 billion average prevailing for the ten years prior to the war. But there appear to be reasons to believe we can attain this higher amount if we approach the post-war period with the same courage and ingenuity as we have the war effort and if the initiative and resourcefulness of our people are not stifled by a continuatioin of the present unsound fiscal policies. To maintain this 125 billion national income, we need to utilize every source of production, service and distribution, including foreign markets, and this latter may necessitate a review and revision of our whole tariff structure.

This 31 billion dollar tax load would take about 25% of our estimated national income. Experience has taught us that this is the top limit a nation can assume without having a demoralizing effect on its entire economy. Should the national income fall below 125 billions, we would have to reduce our expenditures accordingly.

I would point out that this tax load is three times the amount paid in taxes in 1932 and more than eleven times the amount paid in the years immediately prior to World War I.

To raise this amount of revenue, I suggest the following taxes:

(In Billions)

State and local		$9
Federal taxes and the amounts they would provide:		
Reduce the present individual Federal income taxes to ⅓ of their present rates	$5	
Establish a single flat rate of 25% on corporation income, with concessions for new and small companies	5	
Customs levies and reasonable inheritance taxes	1	
Social Security taxes	2	
A special debt tax	9	
Total Federal taxes		22
Total Federal, State and local		$31

Such a program would encourage the expansion of production, distribution and services, more venture capital, the creation of many new businesses, more wages and better agricultural prices.

Simplified Income Tax

A necessary step in building such a post-war tax program must be a simplified income tax system. It should be so simple that any individual or corporation could readily figure their own taxes.

The individual tax could be based on expert study of all past allowances for expenses, contributions and other deductions, and all the exemptions for marital status and dependents. Based upon a national average of all these deductions, a net tax could be determined for each of the income groups as might be set up. For all practical purposes, this would be just as equitable as today's complicated method.

This tax could be expressed as a dollar amount. For example, the individual tax might be $10 on incomes of $1,000 to $1,200; $20 on incomes of 1,200 to $1,500; $40 on incomes of $1,500 to $2,000; $100 on incomes of $3,000 to $4,000, etc., and so on up to the highest brackets.

Then the individual would only really need to know the amount of his gross income to compute the amount of his tax.

This system would then make it possible for Congress merely to raise or lower the dollar rates for each group to realize the amount necessary for Government operation without going through the present unsatisfactory yearly debates and arguments about further sources of income and in what amounts. It need by no means cause a lower tax yield. It would eliminate the present confusing technical amendments, rules and regulations.

A start has already been made in the drafting of a simplified income tax law and we can feel encouraged by the efforts now being made by Congress to accomplish this end.

Government Competition Must Go

One of the primary requirements for the attainment of a sound fiscal policy is that Government immediately withdraw from all competition with private enterprise. A continuation of such competition, which is contrary to the fundamental doctrines of our Government as laid down by the founders of our nation, can only lead to the complete regimentation of our people and the socialization of all business.

Make no mistake, an overwhelming percentage of our people favor and will insist on returning to the free enterprise system at the end of the war. They have had enough of Government management of and competition with private business.

Government should again occupy its place as the impartial umpire, exercising only such controls as may be necessary to maintain full competition and observance of the laws of the nation.

Balanced Budget

It is imperative that immediately after the war the Government budget be balanced without delay if we are again to achieve a sound economy. It is sheer nonsense to believe that Government can continue to spend for an indefinite period monies which it has not got. This is as fallacious as it is to believe a family can continue indefinitely spending more than it receives in income without serious results. What is too often overlooked is that Government is but a large family, made up of all the individual families of the country.

The beneficial effects of a balanced budget upon our whole economy and upon Federal revenue requirements and fiscal policies would be instantaneous and the psychology of such upon our people cannot be over emphasized.

A serious danger to our entire fiscal policy is the possibility of uncontrolled inflation. This possibility is even greater after termination of the war than at present and would be given great impetus by continuation of an unbalanced Federal budget. In this connection, farseeing and judicious use of Government power is essential in the maintenance of established interest rates. Unwise fiscal policies in this direction could have appalling results.

We must also continue to maintain a strong control of all inflationary elements, including open market operations and money rates, to be sure of avoiding any serious inflation throughout the country. However, it should be mentioned that there is arising one serious threat in that direction which is not presently dealt with specifically either by laws or directives. That is the uncontrolled speculation in real estate, particularly farms and ranches, and unless steps are taken promptly to correct the situation we may well be confronted with the same serious consequences as prevailed following the last war and the ruination of thousands of our farmers. The effect of such a calamity upon our fiscal policies is obvious.

* * *

Government Experiments

During the 1930's, we experimented with many untried schemes and ventures in the hope of dispelling the depression and expended vast billions in so doing. It is now usually forgotten that in 1932, we had a national debt of 19½ billions, with 12½ millions of our people unemployed and that after these various experiments, we still had in 1939 8½ millions unemployed but a debt of 41 billions.

We can no longer afford such experimentation. History is strewn with failures of efforts to solve such problems by artificial means instead of allowing the natural laws of supply and demand to function and correct the situation. It is well to remember that whatever the Government spends must eventually be paid for by the people.

Government Debt

The idea that is so freely stated in many Government quarters that the size of our Government debt makes no difference because we owe it to ourselves is sheer nonsense, collectivist propaganda and an inspired hoax which is vicious to say the least. There can be no economic justification for it and I believe that it is advanced primarily to cover up unsound practices.

One of the fundamental principles of the American people has always been that they pay their debts and they will expect and demand that every bond purchased by every boy or girl, soldier, mother, widow, businessman, firm or others shall be paid in full and with money of equal value.

I recommend that a special source of revenue be provided to be used for the payment of interest charges on our debt and the retirement of a minimum of 3 billion of it annually. This fund should be used for this alone and not intermingled with any other funds or used for any other purposes. It is to be hoped that a larger amount can be retired in times of prosperity.

* * *

Debt Refunding Tax

As the source of this revenue I suggest a 1% transaction tax (or some similar tax) to be applied to every transaction throughout the land, carefully devised to avoid pyramiding and to be collected by the use of stamps.

A careful examination of the factors involved indicates such a tax would raise approximately 9 billion dollars a year.

It is estimated that the debt, by the end of the war, plus necessary expenditures for the period immediately following the war, will be approximately 300 billion dollars. With an average interest rate of 2%, this would mean interest charges of 6 billion dollars annually, to which should be added the payment of 3 billion a year on principal, thus requiring 9 billion a year for servicing and retiring. This will necessitate an average semi-annual payment of approximately 3 billion dollars for 100 years, assuming no further debt is created thereafter.

* * *

Great Middle Class Endangered

Under the present revenue act, among the greatest sufferers are those in the so-called white collar class, numbering roughly 25 million, or about half of our working population. They are the clerks, stenographers, firemen, policemen, school teachers, State and county officers and professional people, many of whom have fixed incomes and millions of whom have had little or no increase in income since the beginning of the war, while at the same time they have been subjected to substantial increases in taxes and cost of living.

This white collar class is the symbol and backbone of American democracy. Its members maintain the morale and character of the nation and lead in our community effort. If the present fiscal policies are continued, this great middle class is in grave danger of extinction. History is replete with examples showing that wherever the mddle classes of any civilization have been removed the well-being of the whole community and the existing form of Government changes and deteriorates. It is well worth carefully noting that one of the first acts of the dictator is to subjugate the middle classes.

Our post-war tax program and fiscal policy must see to it that this great segment of our population is immediately relieved of these undue burdens and adequately protected.

* * *

White Collar Business

Likewise that great white collar section of American business (so-called small business), which is the very foundation on which our country has been built, has been caught in the same vise of diminishing earnings with rising costs and rising taxes. Thousands of small businesses have been forced to close their doors because of diminishing raw materials and supplies and the loss of their manpower. How many realize that over the past quarter century, an average of more than 50% of all our corporate businesses have lost money — not made money — and that in one depression year over 80% lost money.

In the two-year period ending June, 1942, 273,000 firms went out of business. Current figures indicate a continuation of high mortality among such corporate entities. Consider the effect of this on our over-all production, distribution and unemployment.

The social significance of small business goes far beyond its economic aspects, because the very life of our democracy depends upon it and will be extinguished unless this segment of our economy is maintained. Small business is perpetually feeding new lifeblood into larger enterprises and it is a well known fact that most of our large corporations have grown up from small beginnings.

When the war is over, every advantage possible must be provided for this element of business. Thousands of our soldiers and sailors will come home and want to start their own small businesses and they should be given substantial tax and other encouragements.

The overall effect of protecting, encouraging and instilling new life into these two great segments of our democracy is vital to sound fiscal policy and Federal revenues. It must no longer be said they are subject to taxation without representation.

Industry

Industry has shown beyond a doubt its ability to produce in unbelievable quantities for the war effort. *Production* has been the crux of our war program and production and more production will be the crux of our post-war program. Because production in ever increasing quantities provides goods at ever lower costs, thus making available to our people ever increasing comforts at ever decreasing prices. Such production and its ensuing flow of income is the main source of Federal revenues to support our fiscal policies.

Full employment after the war will be but an idle dream unless our plants and factories are in full production. And there is little hope of this unless handicaps of all kinds which have been placed upon business by the Government are removed promptly.

Speaking of industry's responsibilities to our fiscal policy, it is abundantly clear that while manufacturing will do its full share in absorbing those in the armed forces and war work, it cannot be expected to carry the total load. Distribution, agriculture, services and others all must do their share. It should be remembered that prewar manufacturing employment rolls ran only to 10 million. It should also be remembered that prior to the war, 97% of all manufacturing enterprises employed 250 or less persons, indicating the importance of small business to this phase of our problem.

Venture Capital

Venture capital is an essential to the establishment and/or enlargement of corporate business and its resulting fiscal revenues. Yet venture capital is today practically unavailable as a result of our present tax laws and philosophies and the stifling limitations and regulations of the SEC and other governmental agencies. It is self evident that the prompt flow of capital to industry must be assisted and encouraged in every way possible—not hampered and discouraged.

In the post-war period it is imperative that ample opportunity be provided for venture capital and for reasonable returns on it. Dividends are as much a part of the cost of doing business as the costs of labor and materials. And yet, while the costs of labor and material have been steadily rising, the return to capital has been steadily declining. Wages and salaries in 1943 were 90% above 1929, while dividend payments were 3.2% less.

In shaping our fiscal policies, we must be vastly more concerned about the 11 million people who are the owners of our business corporations. They are the ones who are risking their savings with which we are developing our country, providing new types of goods and comforts, and constantly lowering costs for our people and creating ever expanding opportunities for gainful employment. Most of these are in the lower income brackets—at least 50% of all dividends are received by those having incomes of less than $10,000 a year—and are entitled to full protection and a reasonable return for their savings. A large number of these stockholders or owners depend upon their dividends for a substantial portion of their living.

Preferred stock dividends should be accorded the same tax treatment as interest payments—they both should be considered as fixed charges. The one encourages the creation of debt, the other would encourage the creation of capital.

I am thoroughly in sympathy with the basic principles which led to the creation of the Security Exchange Commission but in operation it has brought about so many handicaps to our corporate enterprises and others that it has become a major deterrent to the expansion of business. The act creating it and the subsequent rulings and regulations should be thoroughly re-examined by Congress in the light of experience, to the end that the fundamental principles be retained but that the present confusion — loss of time and tremendous corporate expense of operating under it, be eliminated.

It is interesting to note that in spite of all the great legal talent our business firms employ, and the experience this talent has had with the Act, it is almost unheard of for a company to file a registration statement which will not be considered as defective by the SEC. Usually applications bring forth from the Commission a series of so-called deficiencies which, unless cured to the Commission's sole satisfaction, you cannot proceed. Also many times the Commission demands the inclusion of matters or orders actions to be taken which in the opinion of many of our most experienced lawyers are not covered or called for by the Act.

How is it possible then for smaller companies with legal advisors less experienced with the Act, to comply with all these SEC regulations?

It is essential to the welfare of our country that the Act and its rules and regulations be made so simple that anyone can understand them, and be such that any company, old or new, can operate under them promptly and without undue expense and delay.

In my opinion, the SEC as now constituted and operated is one of the greatest deterrents to American business.

Thirty Billion All-Government Budget

Having indicated the maximum tax load which I believe our people can afford following the cessation of hostilities and its effect on the fiscal policies, let us now consider what amount of government these revenues (31 billions) will provide.

I suggest:

		Billions
State and local expenditures		$9
Federal Government:	Billions	
Civil expenditures	$4	
Military and naval	6	
Social Security	2	
Debt, int. & repaym'ts	9	
Total Federal		21
Total Fed., State & Local		$30

On this basis there would be a billion dollars over and above expenses to insure the balancing of the budget.

This 30 billions all-government budget obviously will require a tight hold on the purse strings. It contemplates no waste or extravagance; no luxuries. We had good American government in the past without spending fabulous billions and I believe we can have it again.

Conclusion

In the shaping of a sound fiscal policy, sound governmental budgets, sound business, full employment, and fair prices for agricultural products, it is essential that labor, management, capital and agriculture all realize that they are partners. They must act in unison if we are again to have a sound economy; only by working together can it be achieved. The day of group advantage and favoritism must end.

Let us look at the facts:

It must be apparent to all who study the matter that we cannot have full employment unless business generally is prosperous and profitable. That we cannot have fair prices for our agricultural products unless our people are employed and have the money with which to buy them. That our government cannot then have its revenue requirements unless our people are occupied and prosperous.

It is, therefore, imperative that the sharp differences which have been fostered between these groups end and that they work together for common objectives. Without this cooperation there is grave question whether we can have permanent prosperity.

The Government should promptly realize these facts and remove all existing barriers and handicaps to full business activity and expansion. It will thus do a lasting service to the Nation.

I have complete confidence in the common sense of our American people and that when they are given the facts they will insist that we pursue sound fiscal policies. We can then look forward to a strong, sound and prosperous America.

The Post-War Outlook For Money And Its Consequences

(Continued from page 1515)

demned as more harmful than good, the world will be at the end of this war faced with a condition of depreciated currencies, unbearable debt and tax burdens and inconvertible paper currencies. At what price shall currencies be stabilized for the general economic welfare?

The depreciation of the currencies in some countries of Europe has been in progress so long and has gone so far that its diseased fibers have spread throughout the value relations and economic activities of the entire internal and external relations of the countries. In such countries there is no longer the problem of maintaining some standard of value which will do the least disturbance to the economic relations of the wealth and wellbeing of the people, but the problem of finding a value for the standard which will best meet the needs of restoring stable internal and external value relations upon which confidence can be built both in domestic and foreign economic relations. This problem of the standard of value of the domestic currency can be solved best by each country for itself with such co-operation as other countries can give. When a country undervalues its currency it raises the price of foreign goods and services must buy and lowers the price to the outside world of its own products and services. The nearer a country can come to evaluating its currency in harmony with international values and prices the more stable its domestic and foreign financial and trade relations will be.

If the United States and England will retain their established standards of value and let prices seek their competitive level in free markets, the countries which have had currency depreciation forced upon them will find it easier, and the time required shorter, to find the correct economic value for their standards, and thus hasten the restoration of sound currencies, stabilized exchange rates, and the resumption of international trade. But if the two leading industrial and commercial countries of the world tinker with the value of their standards and seek to use currency value juggling to bring political pressure to gain advantages, then several decades of trade restraints, international economic deterioration, isolationism, and self sufficiency are probably ahead. By far the best methods by which one country can assist in the economic restoration of other countries is to maintain sound economic policies in its own domestic and foreign relations. Such policies will do more good for countries struggling to restore sound economic conditions than gifts, debt forgiveness or any trade privileges.

Help From The United States

At the present time the rest of the world is getting from the United States such help and cooperation as we can give in the struggle for freedom against tyranny. When the war is over we will be expected to give generously and aid in the restoration of sound financial conditions and economic recovery throughout the world. How much can we do in the face of our own appalling debt and strained domestic monetary and financial conditions? We could of course do more if our own domestic affairs were in sound condition.

What of our large gold supply? Economic conditions will take care of this matter of distributing the gold where it will serve best and there is little the United States can do about it. Any attempt on our part to restrain the outflow of gold will only further aggravate international economic relations and our own domestic situation. There is an economic law about this matter that works irrespective of our wishes. Gold flows where it will buy most with safety. When the war is over most of the present four billion dollars worth earmarked gold will leave. That is what it is earmarked for. Billions more will leave as conditions improve in the rest of the world and foreigners who have money here regain confidence in their home land economic conditions. Our own investors will seek opportunities in foreign investments just as they did after the first World War. Some countries will undervalue their currencies and gold will flow to those countries where it will buy most just as it did to France after the first World War, until France at one time had more than 6 billions of dollars in gold in terms of our old gold dollar which would be the equivalent of more than 10 billions of dollars in our present dollars. I might add that since that time the world's stock of gold has increased perhaps 50%.

After our devaluation in 1934 gold flowed to this country because it would buy more here than it would abroad. With our present high costs and prices there will be an added tendency for gold to move to the place where it will buy most and can perform the greatest services. Our high costs plus cheap foreign currencies will take care of the distribution of the gold and leave us with currency and bank deposits in excess of our gold to maintain a reserve which has been regarded as the minimum for safety. At the present time our reserve ratio is down to about 60% and at the present rate of decline will reach the minimum legal requirement in about a year. Then if after the war we have the demand for gold for foreign account to meet the economic requirements expected, or in proportion to the same economic demands after World War I, we simply will not have the gold. The answer to this economic dilemma will be either devaluation of the standard to raise the relative value of the gold base or deflation of our currency, bank deposits and debt values. Either of these solutions will bring about costly economic adjustments which will quickly wipe out all the monetary or purchasing power savings from war prosperity, and carry us into an economic depression more costly than that of 1929-34.

If we are faced with either of these alternatives what of our debts? We either maintain their price by inflation and marking up the price of gold, or we let their prices decline with the deflation. In order to service the debts and maintain our necessary services after the war, it has been estimated that the national budget would have to be from 15 to 20 billions of dollars annually. Only with extraordinary prosperous peace time conditions could this amount of taxes be collected. Such heavy taxes in peace time would bring on a depression and discourage production and enterprise. From a superficial survey of these domestic financial conditions which we face our help to the rest of the world may be restrained at the time when it is most needed.

A Summary Of Some Needed Policies

1. A definite plan for the management, servicing and payment of the National debt should be established now because if allowed to drift the failure in these matters will deter all other reconstruction efforts.

2. Assure beyond doubt the maintenance of the standard of value. Provide for the orderly reduction of currency in circulation and bank deposits.

3. Deflate American costs and prices to levels where we can carry on trade with the rest of the world without subsidies in excess of our ability to pay. (An example of our out of line costs and prices will be found in a recent editorial in the New York "Times" where the lend-lease blankets which we were receiving from Australia were billed at $2.64 a blanket but if the blankets were being lend-leased by us to Australia, they would be billed $7.87 a blanket. Unless we get our costs down to compete with the rest of the world, our future export of goods and employment to produce these goods are doomed to shrink.)

4. Give all the aid we can to other countries in their struggle to establish sound currencies at the level which will harmonize their costs and prices with the prices in the international markets as quickly as possible.

5. Aid in setting up an international fund to stabilize exchange rates between the countries who participate in the fund and abide by its rules.

6. Cooperate with the rest of the world insofar as possible in eliminating narrow bilateral trade agreements, and provide broad, free exchange markets for all currencies in the world so long as sound economic policies are adhered to in the respective countries.

7. Provide now for the speedy and orderly return to free enterprise in this country as rapidly as possible as outlined by the Baruch-Hancock report. Remove all government restrictions, red tape, costly paper work and restraints upon production and distribution.

8. Cut Government costs in the post-war period to the minimum and establish a tax policy that will encourage the maximum of effort.

Increased Gold Price Denied By Treasury

Stating that reports in the New York financial district that the Treasury Department would agree to increase the price of gold met flat denial from high Treasury spokesmen on April 5, advices to the New York "Journal of Commerce" from its Washington bureau on that day further said:

"The Treasury had been reported willing to agree to an increase in the gold price as a measure to strengthen the ability of other countries to make payments to the United States.

"The price of this country's $21,599,518,635 gold assets could not be increased by the Executive without going to Congress for legislative authority, Treasury quarters noted here. Unused powers for such an increase were withdrawn by the legislative body last year when extension of the $2,000,000,000 Exchange Stabilization Fund was voted.

"However, the Treasury denial that change of the price of gold was contemplated as a measure for improving the position of payer countries in their relation to this country was unconditional and not linked to the lack of existing powers to effect the change.

"The present $35 per ounce gold price has been effective since 1934 when the President, acting under the Gold Reserve Act of 1934, devalued the dollar and set the new purchase price which was an increase from $20.67. This increase resulted in raising the value of gold stocks amounting to $4,218,272,008 at that time to $7,023,784,069. The move was followed by large gold shipments to this country which reached a peak of some $22,000,000,000 and created large banking reserves which the Treasury sought to arrest by adoption of the so-called gold 'sterilization' policy.

"Under emergency powers which Congress refused to renew last year, the President could have increased the price of gold to $41.34 an ounce, but the legislative body while renewing authority for continuance of the Stabilization Fund balked at further extension of gold price change powers.

"While the Treasury has assured the legislators that no use of the Stabilization Fund will be made toward effecting international currency agreements on the scale contemplated in the so-called White or Keynes plans, a change in the gold price would have the subsidiary effect of increasing the fund which is insufficient to the demands of the projected White plan.

"Credence to the financial district reports was believed to have been given by the fact that the Treasury now hopes to have formal currency stabilization conferences within the next few months, possibly before the summer months begin. The more optimistic prospect for getting the conference under way follows consultations here with representatives of the Russian Government.

"In denying the plan to change the gold price, the Treasury spokesman characterized the reports as 'made out of whole cloth.'"

No Danger Of Failure Of Oil Supply

(Continued from page 1505)

the small operator has been in the business viewed as a whole.

"One of the largest American oil companies is Standard Oil of New Jersey. Yet we have only 7% of the gasoline sales in this country. We produce less than 10% of the crude produced here. We have under lease only about 1% of the country's potential oil acreage. Surely, a business in which the largest unit has this proportion of the whole should offer opportunity for the newcomer and plenty of room for competition.

"Just before the outbreak of war, the Temporary National Economic Committee issued a study of the oil industry in which 20 oil companies were classified as 'majors.' This list included Standard of Jersey, Socony, Texas, Cities Service, Gulf, Sun, Atlantic and the other nationally known names. It is worth noting that there are as many so-called major companies as that. I do not believe that in any other basic industry you will find this number. In the automobile industry, in steel, in rubber, there are perhaps half a dozen large-scale competitors. In the oil industry there are 20.

"Among the various divisions of the oil industry — producing, refining, marketing—the only one in which these major companies have a dominant share is that of refining. This is a normal development, because refining is primarily a large-scale and intricate manufacturing operation requiring huge investment in equipment. In refining, the 20 companies designated as majors have about 80% of the country's capacity. Yet, even in refining, the majors are by no means the only factor. It has been reliably estimated that there are 520 manufacturers in the American oil industry.

"In the producing phase of the business, the so-called 'minor' units account for half of the nation's crude output. They own between 65 and 75% of all the wells.

"Although I have used the terms 'major' and 'minor' to classify companies, actually there is no such clear line of distinction as this implies. Companies in the oil business range through all sizes, with the little ones merging into the big. All of them contribute importantly to the overall picture of our oil economy. The large organizations can do some things more efficiently than the small ones. But it is also true that the small operator can do things which are impractical for the large operator.

"Because it brings together the capital of great numbers of people and so has greater resources, the large company can undertake mass production and mass distribution in markets which warrant it. This, of course, results in marked economies for the consuming public. The large company can embark on costly developments which may take years to consummate and which would exhause the resources of the smaller man before they began to show a return.

"On the other hand, the small operator, using his own capital, responsible to no one but himself, can sometimes assume risks which the directors of a large corporation, as employees of and responsible to a large number of stockholders, may not feel justified in taking.

"In this connection it is commonly said in the industry that the majority of United States oil fields have been discovered by small operators. The biggest producing oil field in the world, in fact—the East Texas field—was discovered not by a large company but by a man known affectionately as Old Dad Joiner. Dad

(Continued on page 1519)

Effect Of 5% Mark-Up Rule On Market For The Securities Of Small Business

(Continued from page 1499)

post-war era, will find itself deprived of the means of sustenance and potential expansion—the ability to finance its development and growth, the only source of which is the capital markets. That this would be the inevitable result of the so-called "spread philosophy" has been consistently maintained by the "Chronicle," and the adverse effect of such a condition on the nation's economy has been forcefully illustrated in the series of articles on this phase of the subject that have appeared in recent issues.

However, it was determined to permit the dealers themselves to record their own views as to the potential threat posed by the arbitrarily and illegally adopted 5% rule to the ability of small business to obtain accommodation in the capital markets. We give below as many expressions as have been received to date, as the paper situation will permit, and others will be given in subsequent issues. In accordance with democratic procedure, the matter of signing the questionnaire was left entirely to the recipient's discretion. In no instance, of course, will either the identity of the signer or the firm with which he is associated be published, although it is to be noted that a considerable number of signed ballots were returned.

The name of the city or town preceding the dealer's comments was obtained from the post-mark appearing on the envelope in which the questionnaire was returned. In cases where publication of the name of the community would tend to identify the firm (as in places where only one firm exists), the point of origin is indicated by using the phrase, "A Small Town in Maine," as an example, or its equivalent. Finally, mention should be made of the fact that, unless otherwise noted, the various comments were made by firms which are opposed to the 5% rule, also that all of those appearing in this issue were made by members of the NASD.

BALTIMORE, MD.

It will doubtlessly make equity financing difficult when small concerns must go to the public for additional capital.

A SMALL SOUTHERN TOWN

Too much regulation is bad for any business—the big fellows can trade a large number of shares in a given day, but real distribution comes to the big fellows from the small town dealer. Put the small dealer out of business and the big fellow may not be so large. I would be very happy to get 5% on each deal; my average is something between 2½-3%.

Regulation is never static, but becomes more onerous by those seeking more power.

BALTIMORE, MD.

It will restrain trading in them.

BALTIMORE MD.

We ordinarily didn't make anything like as much as 5%. I doubt whether most dealers in bonds do. However, I believe that a limit of 5% mark-up on low-priced industrial shares of stock would definitely render more difficult the distribution of this type of security. Most dealers wouldn't bother to sell 100 shares of stock at $2 per share if the profit on the deal were only $10, out of which would have to come any commission to salesmen and expense.

A SMALL MAINE TOWN

I have been in the investment business 25 years and during that time have had a lot of experience selling securities of operating companies on the customer ownership plan, with very good success; and had the 5% rule been in effect at that time, I am sure the little fellow that we went out into the country and sold our securities to would never have been able to receive a good return on his hard-earned money that he has received all these years; because this type of selling cannot be done on a 5% basis.

The 5% rule, if it stands, will, in my opinion, prevent the small company from raising capital in a way that would be more advantageous. I do not know of any salesman that would undertake to sell a new issue of securities of a small company on a 5% mark-up.

No, gentlemen, this salesman is going to sell the securities with the least resistance—bank stocks, insurance stocks and a few trust funds.

NEW YORK CITY
(From firm favoring rule)

Five per cent rule may hurt some dealers who are interested only in penny stocks, but the effect of smaller mark-up should help the broker or dealer who will try to trade in better stocks or bonds. If every one were sure not over 5% would be charged more would have confidence in over-counter trades. If rule were stated 50¢ a share or $5 per bond or 5%, whichever is larger, it would be ample to cover any expense including salesman's commissions. Would like to have this idea discussed.

PORTLAND, ME.

Market will be limited.

PORTLAND, ME.

There will be no market.

PORTLAND, ME.

The average investor served by the dealers in the securities of hundreds of small and medium-sized companies, buys for income and protection of principal, and potential profit is a small item in his picture, hence the dealer's spread is of small moment to him. Limiting this profit to such a small amount as 5% will, in any cases, practically eliminate the market for these securities. I have customers who buy small lots of closely held stocks because they are not available in larger amounts and the 5% limitation makes it well-nigh impossible for me to make and maintain the contracts essential to the distribution of this class of security. Few dealers will commit themselves to a position in a security in which they feel that they are licked before they start; and the customer is the one who suffers the most.

I am confining myself to the question above; there are other angles even more compelling which are obvious to any fair-minded person.

BANGOR, ME.

If the 5% mark-up rule stands as it now is, it simply means that the small investment dealer is out of business and might as well start moving out now.

LINCOLN, NEB.

We don't get 5%, but it's not the NASD's business to tell me we can't—I wish I could feel that it is an association. When you get through with this questionnaire, print the results. Perhaps there is a way that we small dealers can remove a few of the boys that are sure what's best for us.

SEATTLE, WASH.
(From firm favoring rule)

None.

NEWARK, N. J.

It will tend to eliminate a good portion of small dealers. What would happen if this same rule would apply to small merchants in any other business? We feel that we certainly are entitled to make more on a trade if the labor and time element enters the picture.

NEWARK, N. J.

It will have a defnite effect in curtailing business by closing the capital markets to small business.

A SMALL NEW JERSEY TOWN

Very bad.

ST. PAUL, MINN.

Hurt distribution.

NEWARK, N. J.

We believe it will make it very difficult for small corporations to finance their needs in the post-war period. The small dealer acts as a general practitioner for the investing public and small corporations in need of capital. The amount of time and work involved in guilding these transactions is much greater than that required in servicing large corporations and institutional investors.

SEATTLE, WASH.
(From firm favoring rule)

None.

ST. PAUL, MINN.

(1) Would drive GOOD men out of the business. (2) Stimulate unnecessary turnover of accounts working to the detriment of the investor. (3) In our opinion would tend to destroy markets.

LOS ANGELES, CALIF.

Kill it.

ST. PAUL, MINN.

Have no definite opinion, as it works both ways. Will probably result in less transactions of inactive issues, on one hand, but in taking of more positions in them on the other hand.

ST. PAUL, MINN.

Although this firm is now and intends to remain primarily a municipal firm and has had and does not expect to have any interest in marketing securities of any corporations, large or small, we are certain that any such limitation will make it practically impossible for smaller corporations to secure long-term financing. This will greatly hamper the growth and development of the United States and limit the opportunity of the individual to successfully compete with the larger corporations. Despite certain inequalities, we firmly believe that under our form of free enterprise and freedom from regulation by governmental agencies we did develop the greatest good for the greatest number and we know of no other form of economy which has closely approached ours in benefiting the average man. Until we do, we can see no reason to change.

DALLAS, TEXAS

In our opinion will retard the financing of legitimate requirements of many small corporations and as well will preclude dealers from taking a position in such securities for final distribution to retail trade. In our opinion the 5% rule is wholly unnecessary and will serve no good purpose.

SANTA CRUZ, CALIF.
(From firm favoring rule)

Make a better trading market. More active and better stabilized.

PORTLAND, ORE.

We feel that the 5% mark-up rule should not be allowed to stand. Let competition and the fraud laws take care of the dealer who makes excessive charges. If the 5% rule stands the next thing they will want is a 2 or 3% rule. Why place any limit on gross profits at all? Small corporations whose securities have markets are bound to suffer from such a rule. Why should a dealer work on these with a 5% limit, when he can get the same amount of gross from a highly marketable security, and with a great deal less sales resistance on the part of the customer? The marketability of the securities of the smaller corporations will undoubtedly be greatly affected, and very few small corporations will be able to obtain capital funds in the open market because the dealer will be loath to underwrite a local issue when he knows beforehand that neither he nor any other dealer will be able to maintain a market for the securities with such a limitation on his mark-up.

CLEVELAND, OHIO

In City sales work, where the contact is made by the telephone, or by easy transit, the 5% rule is not too bad, as a limit. This exception is noted, that it is very bad as a profit limitation, a limitation that sooner or later will be applied to all business by the social reformers, or isn't it now?

It is almost impossible for a dealer to find a commission scale that will attract salesmen to the securities business, under the 5% rule, that will draw salesmen from the other fields. If any travel is necessary to contact customers it is impossible to break even on the 5% basis. Most NASTY members have stated their position on the rule, it would be voted down at any meeting of the general members. Two things do not have a chance of being put to a general vote—first the 5% rule, second the election of the officers and executive personnel, both would be thrown out. Another item would appear to be true, no one would be a member of the NASTY, if it wasn't a matter of tyrranical compulsion.

NEW YORK CITY

It is quite obvious that this rule will practically eliminate markets for the securities of smaller corporations. What dealer will develop a market with work and care when the reward is no better than that obtained in retailing investment trust shares?

What our country needs is a good 5 cents worth of thinking by those in charge of security regulation.

NEW YORK CITY

Very bad effects. Will cause them to turn to RFC for lack of dealer interest.

PORTLAND, ORE.

It will inevitably affect the over the counter markets adversely with resultant losses to the Investors. Truly—the pendulum which has swung already too far—may stop the clock.

Incidentally—our gross profit for 1943 was 2.10% of dollar value of securities sold,—gross— before commissions, rent—salaries—wires—phones—services, etc. Expenses were 46½% of the 2.10%. This means many transactions with no profit and many with more than 5%.

RICHMOND, VA.

(From firm favoring rule)

Bad. But will improve when unethical and dishonest dealers are forced out.

HOUSTON, TEXAS

We feel that the 5% rule will eventually eliminate the markets on the smaller corporations in this country. This will make it harder for new, small corporations to get started in business as a dealer will be reluctant in placing his clientele into a security he is certain to fall by the wayside.

NEW YORK CITY

New enterprise will die. Unemployment for the returning soldiers. A stab in the back for the boys who are away fighting for freedom. The big will get bigger and the small smaller.

ST. LOUIS, MO.

We are very discouraged concerning the outlook. Our salesmen are practically committed to the idea that if we are restricted to "5% mark-up" on every transaction regardless of its merit or individual circumstance they will look to other fields that still offer the privilege of being justly rewarded for efforts extended, which if spread generally thru our industry will certainly seriously affect markets.

Our conscience and spirit of fair play have always dictated our policy of profit, or in some cases, no profit, and we are confident and proud of our reasonable "mark-up" on every transaction. Being already burdened with many needless regulations we despise having inflicted on our industry another "brain storm." It adds nothing to encourage initiative, or confidence in our abilities. We are honest folks and have a sense of pride in and for our profession. We believe our predecessors and ourselves have proven our privilege of existence and our industry has done more than its share in developing America into the great country she is.

Frankly we are tired of being harassed and shackled with new regulations every ten minutes or each time curly haired boy has enough time to gaze into the crystal ball and "spot" a new idea.

Free enterprise and competition, particularly the latter, offers sufficient protection to all concerned. We believe all corporations large or small will be confronted with unthought of difficulties if it is considered that an arbitrary "mark-up of 5%" is the rule—why 5% —somebody else should say "1%"—and so the story goes. Win, lose or draw, our deepest appreciation to you for your interest in our behalf. Good luck.

SPRINGFIELD, MASS.

Decrease marketability—the securities I have sold for 20 years now, have paid dividends (on bonds, pfd. & com. stocks) each and every quarter out of earnings (with exception of those securities called for redemption) My customers buy mainly for investment income and there is practically no turnover so that they save money. In most cases over a 20 year period I get **one profit.** "5%" mark-up would put me out of business,—if sustained.

DALLAS, TEXAS

There won't be any market (if the rule stands) for low priced stocks.

CHICAGO, ILL.

(From firm favoring rule)

It seems to me that a smaller retail spread on issues of smaller companies would improve the market on such issues, and also improve the competitive position of the unlisted market, as opposed to listing.

PHILADELPHIA, PA.

Small companies whose credit position is not so well known will find it very difficult to distribute new securities, if markets are not maintained on present issues. Sales resistance in selling most small corporation issues, is many times more difficult and requires much more time to sell. If a salesman is not compensated more for a difficult job than he will take the path of least resistance and become an "order taker" somewhat in a class with the customers man. Ultimately intelligent men, who think, will no longer remain in the security business but will turn to a trade where judgment and perseverance is properly compensated.

We constantly follow up the issues we recommend. Clients may hold these bonds for 10 years or at the rate of ½% per annum for intelligence of high standards? After the stock exchange groups have forced others out of business—rules will be changed.

PROVIDENCE, R. I.

It will tend to lower prices, make markets thin. The only worse thing that could happen to them would be the "Disclosure rule."

MILWAUKEE, WIS.

The 5% mark-up rule will definitely endanger the market for the smaller corporations.

RICHMOND, VA.

The great majority will have no market, especially those now selling under 20. For instance take a stock at $5. The mark-up at most would be, under the present rule, 25c; out of this the house would have to pay tax and a commission to the salesman. Do you think the salesman would have much interest?

It is apparent that the New York Stock Exchange members are running the NASD and this is absolutely wrong for they have an association of their own. You may find this situation is responsible for the present "5% mark-up" rule as well as the attempt to regulate capital some time back.

As for ourselves the 5% mark-up does not bother us in our trading in securities generally, but, none of us can make a fair profit on low priced securities, on that basis.

Under the circumstances it seems the only solution is to organize a separate association for the "Unlisted Security Dealers" and keep out all **major** stock exchange members. An association for an governed by "Dealers" whose principal business is that of negotiation.

NORFOLK, VA.

As I established my business in 1923 on basis of the best service to the greatest number at the least cost, the 5% mark-up really has only an academic interest to me. I am, however, opposed to this rule primarily in the manner in which it has been promulgated, and also, because it seems to me only another loop in the mass of red tape with which the present administration appears to be attempting to hamstring all lines of business, and I am unalterably opposed to regimentation.

It is hard to forecast the effect of the above-mentioned rule on the market for securities of the smaller corporations. In Virginia, the Securities Division of the State Corporation Commission will approve an issue of securities when the total cost incident to such issue does not exceed 20%. After such securities are placed, the secondary market for such securities is dependent entirely upon the successful operation of the company, and if these operations are successful, the shares will be traded in at mark-ups considerably less than 5%. I know of many cases in this State where secondary markets are maintained in securities of companies orginized in the State of Virginia where the mark-up hardly, if ever, exceeds 3%, and where brokerage transactions are handled for 1%, and often less. Therefore, it does not appears to me that the above rule, certainly as far as Virginia is concerned, will have any effect whatsoever in the financing of small corporations, and as the Virginia Securities Laws are about as strict as any in the country, it may be that this observation would apply also to other States.

MINNEAPOLIS, MINN.

(From firm favoring rule)

I know of no rule which NASD has in this connection. If you refer to the policy as outlined in their letter of Oct. 25, 1943, I cannot see how it can have any adverse effect on stocks of smaller corporations.

MEMPHIS, TENN.

(From firm favoring rule)

No under effect. The **marginal** dealers that exist on high markups are not large or active enough to materially affect the markets.

A SMALL NEW ENGLAND TOWN

We fail to see how any new money can be obtained. The securities of small corporations already outstanding will probably not enjoy a very good market, if any.

TULSA, OKLA.

The 5% rule, if continued, will freeze the present invested capital in most of the smaller corporations in the country and work a greater hardship on the average investor than all the excess profits he has ever paid in the past.

The 5% rule, if continued, will not encourage dealers to try to initiate worthy issues, to aid small companies, started with the help of the Government to feed the war machine—to obtain new and needed capital for peacetime operations.

While it may clear the decks of unworthy dealers, it will eventually drive the worthy honest dealer out of business. Thus, developing a black security market that will drive risk capital so far into the old sock, that the whole structure of our national economy will be definitely impaired.

PROVIDENCE, R. I.

Will retard the development of new enterprise and crowd the little fellow out of business and endeavor. A small dealer with clients in the outlying districts cannot pay salesmen on 5% profit.

MILWAUKEE, WIS.

Might hurt them considerably—retard the functions of many new companies.

DENVER, COLO.

(From firm favoring rule)

We do believe there should be enough leeway to allow up to 7½% on real cheap stocks. This would not apply otherwise.

MILWAUKEE, WIS.

Will have to go out of business.

CHARLESTON, S. C.

Freeze them—i.e., greatly impair their marketability

A SMALL OHIO TOWN

I live in a small community, compared to Columbus, Cincinnati, Toledo, Cleveland, Chicago or New York, and from time to time, find it necessary to take a position in local securities, bank stocks and corporations, that otherwise would have little or no market; no firm bids, wide spreads, etc. As you know, when a dealer in securities can obtain and maintain a better market for securities than the insiders of those corporations will pay, he is taking considerable risk, in the event of a general market decline. There is considerable difference between listed securities and those even fairly actively traded in over the counter, not to mention the inactive stocks of smaller corporations in small communities that could spell financial suicide for any dealer who became loaded at high prices.

I have never believed in gouging the public or charging excessive fees or commissions and would fight to keep our profession clean, but, inactive securities cannot be traded on a 5% margin; if the dealers are forced to do so, the public will be the loser, and while we members of the NASD have to sit by, those outside the organization, which are the main offenders, will greatly profit. Where you have a group of high-minded individuals who place their business on a professional basis, YOU DON'T NEED RULES AND REGULATIONS. Let the regulatory bodies and commissions go after those individuals outside Exchanges and the NASD who are really gouging the public; why should regulatory bodies KEEP TRYING TO MAKE IT MORE DIFFICULT FOR THOSE WHO WANT TO BE HONEST?

(Continued on page 1522)

No Danger Of Failure Of Oil Supply

(Continued from page 1518)

Joiner drilled without benefit of geology. He had already sunk two wells, both of which were dry. But he kept moving eastward in Texas, and in 1930, over near the Louisiana border, he made his prodigious find.

"When we come to the retailing aspect of the business we find it is done by small businessmen in the thousands. There are between 10,000 to 15,000 jobbers and some 400,000 retailers. These latter are the people who operate the nation's garages and gasoline service stations. In some 25,000 of these retailers, Standard of Jersey has a very deep interest. They are the men who ran—at least up to the time of gasoline rationing—the stations distributing our products. These dealers are small, independent businessmen. They run their own affairs. If they want to stop handling our products and handle someone else's, they can. Naturally, we try to keep them with us, but the best way we can do that is by supplying them with good products, offering them good service, helping *them* make money by being better businessmen.

"I have tried to show that if oil, in the form of fuel for our air fleets, our battleships and ground forces, is a pillar of freedom, it is no less a product of freedom. We will need oceans of oil in the post-war era and it is my firm conviction that we can best get that oil, and best use it, not by giving up but by encouraging initiative and creative activity. We can get oil by widening the opportunities for Americans to employ their talents in fields of their choice. This nation needs its great business enterprises—as the record of war production has proved. But it needs the small business as well, so that we may remain a strong, independent, creative people, living together in liberty!"

N. Y. Finance Institute Spring Courses Open

The New York Institute of Finance announces a series of eight week courses to begin the week of April 17th. The following courses will be given:

Marginal Rails — Wednesdays from 5:15 to 6:45—Herbert F. Wyeth of Shields & Co.

Introduction to Financial Statement Analysis — Mondays, 5:30 to 7:15—Andrew F. Lynch, Abraham & Co.

Introduction to Wall Street Procedure—Thursdays, 5:30 to 7:15—John H. Schwieger.

Work of the Cashier's Department—Tuesdays, 5:30 to 7:15—George E. Rieber.

Work of the Order Department —Mondays, 5:30 to 7:15—Fred W. Hansen.

Work of the P. & S. Department —Tuesdays and Thursdays, 5:50 to 6:40—F. Warren Green.

The Transfer of Securities—Tuesdays, 5:30 to 7:15—Irwin A. Brodsky.

The cost of tuition is $10.00 per course. Registration may be made from April 10th to 14th. Enrollment blanks will be mailed upon request to the New York Institute of Finance, 20 Broad Street, New York City.

Barron McCulloch Opens Office In Fort Worth

FT. WORTH, TEX. — Barron McCulloch has reopened offices in the Fort Worth National Bank Building, to conduct a general securities business as a broker-dealer, specializing in Texas bank and insurance stocks, public utilities and industrials. Mr. McCulloch was formerly a partner of McCulloch & Williams and recently was with Dallas Rupe & Son.

Business After The War--- Inflation Or Deflation?

(Continued from first page)

How will we avoid a depression after the war? Will there be jobs for all? What is going to be done to make sure that people won't have to go on relief again?

A second main worry had to do with national debt and taxes. How long will we have to go on paying high taxes? How are we going to meet the public debt? Are we going to have inflation like that in Germany after the last war? But the questions most often asked have to do with jobs after the war. Will people be able to find work in self-supporting industry or are we going back to government make-work and the dole?

Such surveys as the Gallup poll are not the only indications of what people are thinking. The press is full of discussions of post-war business prospects. The debates in Congress, the studies and plans being projected by government—the reports of the Baruch-Hancock Committee, the Truman Committee, and the George Committee on Post-war Economic Policy and Planning and the work of other committees, departments and divisions of both legislative and administrative branches—all attest to the vital interest in this question of post-war jobs. Everywhere people of all classes are asking the question: Are we headed for a tailspin, or a dizzy up-spiral; or can we hope to find some middle-of-the-road course that will spare us the bumps and hard knocks of either extreme?

In considering this question we ought, first, to look back to what happened after the last war. Most of us remember in a general way that the war caused a great inflation of prices. We may remember also that there was a lot of worry during the war about what was doing to happen to business and employment when the war was over, orders were cancelled, and the soldiers came home looking for jobs. Actually, you recall, the end of the war was followed by a boom, not a depression. There was, to be sure, a mild dip and period of hesitation in early 1919; but that quickly gave way to an upturn and buying spree which carried everything soaring to new peaks in 1920. It was not until after the inflationary bubble had burst that we had the 1921 slump, with its collapse of prices, business failures, and bread lines. So the moral of this experience would seem to be—if we want to assure people jobs after the war, take care that we aren't taken on another of these inflation joy-rides!

Yet unquestionably, when this war ends there will be an enormous amount of inflationary material lying about. Bank deposits will be enormously expanded. Individual savings will be tremendous. Both the S. E. C. and Department of Commerce studies indicate individual savings last year of $34 to $38 billions, with a cumulative total of over $80 billions for the four years 1940-43. This is far above the preware rate of savings which until 1941 never exceeded $10 billions a year.

The real question of the immediate post-war period is, what are people going to do with this money. If used wisely it can be a blessing by helping to bridge over the readjustment period and launch us upon real recovery. If used unwisely in a scramble for goods that are still scarce it can cause serious trouble.

What are the possibilities?

In the first place, it is important to note that, according to surveys by the Federal Reserve System, something like 70 to 80 per cent of the increase in demand deposits has been in business rather than personal deposits. While it would be improper of course to assume that all of this increase represents "free" cash, available for general corporate purposes, nevertheless the figures do suggest that the uses to which these deposits are put will depend more upon business decisions than upon individual spending policies.

If we look back to 1919 and 1920 we find that expansion of business inventories, plus a huge increase of exports, contributed perhaps the major influence to the inflationary boom of those years. According to estimates by the Department of Commerce, business inventories expanded nearly $12 billions in the two years 1919 and 1920, a rise never equalled within a similar period either before or since. Even in the banner year 1929 the rise was less than $3 billions.

Similarly, studies of business financing during World War I by the National Bureau of Economic Research show that it was not the war period that got business so terribly tied up in the banks. During the war itself, business concerns, according to these studies, conducted their finances on the whole with commendable prudence. It was the binge after the war that caused all the trouble.

Expansion of both business inventories and of foreign demand for American products will undoubtedly take place at the end of this war. Business men in this country will be wanting to replenish their stocks with the kind of goods that people want. At the same time, countries which have been accumulating large amounts of gold and dollar exchange will be wanting goods. Other countries will be needing help for relief and rehabilitation. In many respects it looks like the same old setting as in 1918. On the other hand, business men haven't forgotten what happened then. That memory alone may make them more careful this time.

A second factor in the immediate post-war outlook relates to the huge accumulations of individual savings and the question as to how quickly these will be spent. The largest type of savings, according to S.E.C. calculations, is in the form of idle cash balances in banks and currency, amounting in the four years to around $35 billions net of the grand total of $82 billions. No doubt a good deal of the cash savings is really "hot money," and hence dangerous. On the other hand, a large share of the total savings is definitely not hot money. Certainly this is true of insurance and pension reserves amounting to $19 billions. It is also true of a large proportion of the $28 billions net of individual investments in government securities—the second largest chunk of individual savings over the period.

Many people, to be sure, are worried by fear of large scale redemption of war savings bonds after the war by holders who will want to raise cash to buy automobiles, radios, ice-boxes, and what not. Such bonds now total about $32 billions, and are certain to be very much larger when the war ends. We must bear in mind, however, that of the total outstanding are series F and G bonds sold chiefly to trust accounts and similar investors and not likely to be redeemed in large amounts before maturity. Moreover, substantial quantities of series E bonds are purchased by middle income investors, most of whom will probably hold to maturity, especially in view of the rising yield as they approach the due date.

Where the real question arises is with the millions of small holders of series E bonds purchased on payroll deductions and in other ways. No doubt widespread unemployment would promote cashing of these bonds in large amounts, in which case the effect would be to supply purchasing power at times when purchasing power is needed. No doubt, as after the last war, there will be many redemptions by persons with jobs who will want the money for other purposes. However, those who visualize a general rush of small bondholders to cash their bonds to go on a spending spree may prove to be mistaken. Habits of saving acquired during the war may not be so readily lost. The Liberty bonds, for example, created an entirely new class of permanent investors after the last war. Already in this war Mr. and Mrs. Average American have proved to be far more saving in their habits than generally expected, and various surveys and polls suggest that they are thinking seriously about what they are going to do with their savings. Many are planning to hold them towards purchase of a home. The fact is that the experience of the last war and of the depression of the '30s has taught all of us the value of having a bit of a reserve tucked away somewhere; and this feeling may continue to influence individual spending, particularly if people begin to worry about jobs.

Still a third important factor affecting trends in the post-war period will be the greatly enlarged productive capacity of the industries. While many industries will not be immediately in a position to supply the full measure of civilian demand, it is unlikely that rationing and other controls will be abruptly abandoned, and many people may be willing to wait their turn for the new automobile, radio, washing machine, etc., especially if the later models held promise of greater technical improvements and possibly lower prices.

Due mainly to the advance in labor costs, prices of manufactured products generally are expected to be higher after the war. In foods, a scarcity of supplies in the face of huge relief needs forecasts a tight situation until production in other countries can be reestablished. Those, however, who fear an inflationary price debauch after the war should not overlook the influences of controls, or of the large stocks and prospective supplies of many important industrial raw materials, of which most of the metals and wool are outstanding examples. For many such raw materials the problem after the war seems more likely to be one of surpluses than of shortages, and the situation in these lines may provide an anchor to the price structure; or, perhaps more accurately, a weight to keep the balloon down.

Finally, there is the question of conversion. Obviously, much depends on the speed and efficiency with which we can disentangle our industries from war production and get them humming on peace goods. Actual physical conversion of plants should not in itself take long—probably not more than a few months in most cases—and for many industries producing the same or similar goods as in peacetime will present little or no problem. Determining over-all factors will be the policy decisions and their methods of execution in such matters as termination of war contracts, disposal of government surpluses, control of the flow of materials and supplies, etc.

The Baruch-Hancock report, the Truman Committee, and the report of the Senate Committee on Post-war Economic Policy and Planning have laid down the general principles governing conversion and to a certain extent mapped out the procedures. They have made an excellent beginning; but carrying out these proposals will be hard and will run into many hardships, technical administration and political, and reconversion will affect a substantial part of American business.

What then does all this add up to for the first critical years after the fighting ceases? Does it mean a repetition of the familiar pattern of "boom and bust," or is it going to be "different" this time?

No positive answer of course is possible. But a lot is going to depend upon what we do now as well as upon what we do latter. It depends upon the kind of a fiscal program we pursue in financing the war. It depends upon keeping needless expenditures down. It depends upon paying as much of the cost as we can by taxes as we go along, and financing as much of the balance as possible by selling bonds to the people. In this way we encourage individual saving instead of spending, and keep down inflationary expansion of bank credit.

Our success in the post-war period will depend also upon what policies we follow now as to prices and wages. We have got to avoid doing those things now that force up prices and costs and get the economy up on stilts. If we throw over the wage and price controls at this time we increase the likelihood of a repetition of 1920 later.

The control of wages and prices embodied in the Price Stabilization Act, now before Congress for renewal, has been a vital part of our anti-inflation battle. These controls have not worked perfectly; such controls never do. They are contrary to the American tradition; yet experience everywhere has shown that they are a necessary evil in war time. Unquestionably the Act should be further extended; the time has not yet come, in view of the inflationary forces operating, when we can risk abandoning all restraints.

Finally, success in the post-war period is going to depend upon not trying to do everything from Washington. While government decisions as to policy will be vitally important, the job of the Government must be, as the Truman Committee says, "to devise rules of the road but not to tell the driver where he must travel." Private enterprise must not be hopelessly tied up in red tape, but given adequate freedom for initiative and ingenuity in overcoming difficulties.

With the tremendous backlog of deferred maintenance and replacement demand in our homes, in our industries, and on our farms, we have plenty to do for a long time to come in merely making up for lost time. We have only to handle the critical conversion problems with reasonable wisdom and unity, and not be too impatient and greedy in trying to do everything at once.

The Longer View

This brings me to the second critical period in post-war business—when the stimulus provided by backed-up demands will have run its course. What is to take its place?

The only thing that can take its place is long-term investment for the growth and improvement of the industries. To bring this about, however, is an altogether different proposition from getting business and consumers to restock depleted supplies and replace worn out equipment. One is largely a matter of taking care of every day wants, meeting immediate necessities, and assuming short-term risks. The other involves the adventure and gamble of anticipating new wants and blazing new trails.

To get people to risk their money in promoting new enterprises and developing old ones there must be faith in the future, confidence in the dominant political and social ideas, and expectation that initiative, invention, and daring will be permitted to reap the rewards of success. Temporary spurts of consumer spending and business replacement buying we may have even amid radical efforts to remake the economic system. But investment of venture capital in the kind of projects that make new jobs and create new products cannot go forward in a setting of socialistic experimentation, disparagement of property rights, and attempts at redistribution of wealth.

One of the great question marks of the post-war period relates to the kind of a tax system we are going to have. Will it be one that stimulates or stifles incentive? Already the extremes to which progressive taxation has gone under the principle of capacity to pay leave very little after taxes to justify the taking of risks. Carried to its logical conclusion, the capacity-to-pay theory means more taxes on the enterprising and successful until all are reduced to one dead level of income.

There is no surer road to atrophy of private capitalism than by way of the tax collector. There can be no lasting, self-sustained recovery after the war without recognition in our tax system of the simple truth that it must be worth while striving to make money, to save it, and to invest it in hopes of a profit.

About a year ago the American historian, James Truslow Adams, wrote:

> Recently I was asked to write a short history of the United States for use in English schools under the new rule making its study compulsory. What was the situation? The British Government would take 50 per cent of my royalties before they are transmitted to me in pounds at a discount of 25 per cent in dollars. When the balance got here the Federal Government would take 62 per cent in taxes. I am working mostly to leave money to my family, and the inheritance tax would be over 30% more. So I did not write the book; the British Government got nothing. I got nothing; the English school children did not get the text I would like to have done, and the Federal Government gets nothing. My heirs will get nothing. That is a personal commentary on national wealth and national income as fixed amounts to be "redistributed."

Another great question mark of the post-war period relates to the great power and influence, both political and economic, of the labor organizations, and to the way in which these powers are going to be exercised. There is a great deal said these days about the responsibility of industry for giving employment—and it is well that business management is giving more thought to the broader social aspects of business policies. But responsibility for employment cannot be left at the doorstep of management alone. Labor too has a responsibility for guiding its policies in accordance with realities as to costs and the ability of industry to function and to find markets for its products.

Already we are hearing talk of the revival of demands for the 30-hour week, accompanied of course by demands for increased wages sufficient to make up for the shorter working time. Such propositions mean less work for more pay. They mean higher production costs and prices, which handicap the expansion of output needed for adequate employment. It is easy to foot up huge totals of wants to be satisfied, but they won't mean a thing unless people can agree on practical terms and conditions for doing the work. What it comes down to, at last, is a test of the common sense and forbearance of all groups—labor, management, and the rest— in working out harmonious relationships that recognize the rights of others and so make it possible for people to do business with one another.

It is upon the answer to questions such as these that the future of business in this country in the long run depends. There is no lack of work to be done or shortage of opportunities for employment of labor and capital in satisfying wants. Not only are wants themselves unlimited, but science and invention are constantly discovering new processes and new products for ministering to them. The developments in chemistry, in metallurgy, is electronics, in plastics, in aviation, in television, and in countless other directions are a continuous disproof of the theory that our economy has grown mature and is running out of things to do.

For those whose pessimistic forebodings spring from inability to foresee some great new industry, comparable to the building of the railroads, the development of the electrical industries, and the coming of the automobile, to carry us on, one answer is that developments of this kind are never recognized in advance. We do not know what revolutionary changes may result from new industries now in the making. The other answer is that this "new industry" idea greatly undervalues the contribution to economic activity of changes constantly going on in already established industries. As George Terborgh, research director of the Machinery and Allied Products Institute, has pointed out, "even in the periods of their greatest relative contribution, the railroads, the electricals, or the automobile composed only a minor fraction of the total current investment, and were dwarfed by the single industry of building construction, one of the most ancient of all outlets for capital."

Nor need we be too much disheartened by the huge national debt now piling up as a result of the war. The growth of debt in war time is an unavoidable evil, and the debt service charges will be a burden and handicap in the post-war period. Our present debt is larger than was necessary. Yet even a $300 billion debt and a $6 billion interest cost would not be in itself an unbearable burden for a nation of the productive potentialties of this country. Great Britain emerged from the Napoleonic Wars with a national debt possibly as heavy in relation to national income as we are likely to have at the end of this war, yet Britain grew enormously in power and wealth in the century that followed. The real question with us is not as to the debt interest alone, but (1) how many costs other than debt service we load on to the budget, and (2) whether we give encouragement to the spirit of enterprise which enabled Britain in the 19th Century to "outgrow" her war debt and which in the comparatively short space of 150 years has transformed our own country from what was largely a wilderness to the world's leading industrial power.

In short, the opportunities are boundless. Our obstacles are the human failings—ignorance, greed, impatience, prejudice. To quote the lines from Julius Caesar:

The fault, dear Brutus, is not in our stars,
But in ourselves, that we are underlings.

With the vast complexity of the problems that crowd upon us in the modern world, never was there greater need for wise counsel and intelligent, high-minded leadership in all ranks.

Situation Attractive

Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange, have issued a study of Marchant Calculating Machine Company and its part in the business machines industry. Copies of this interesting study may be had from the firm upon request.

Bulolo Interesting

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges, have prepared an interesting circular on Bulolo Gold Dredging. Copies of this circular may be had upon request from Goodbody & Co.

OUR REPORTER'S REPORT

Barring any last-minute change in plans bankers were expected to open subscription books to the public today for an issue of 350,000 shares of first preferred stock, $4.50 series, of the Celanese Corp. of America.

With the investment market in a highly receptive mood, as indicated by the readiness with which recent sizeable offerings have been absorbed, it was expected this issue of cumulative preferred would move quickly to the hands of investors.

Coincident with the offering of the new preferred, the company will offer to common share holders subscription rights to take up additional common stock in the ratio of one new share for each 10 shares now held.

This operation will permit the company to retire its outstanding 7% and 5% cumulative preferred shares. And it will, moreover, make available the initial funds, which will become part of the general funds of the corporation, for the financing of a vast program of new construction.

Due on the market today also is an issue of 167,490 shares of common stock of the American Optical Co., proceeds from which will be used to augment working capital position of the issuer.

Louisiana Power & Light

Competition promises to be lively when bids are opened for the $17,000,000 offering of first mortgage bonds of 30-year maturity projected by the Louisiana Power & Light Co.

Invitations have been sent out for tenders to be made to the company on April 18, next Tuesday. Bankers are obligated to fix the interest rate for the bonds in making their bids.

Latest indications in underwriting circles are that at least five and possibly as many as six groups will be in the running for this issue, the first sizeable public utility undertaking in several weeks. Proceeds will be applied to redemption of the outstanding first 5s due in 1957.

Allis-Chalmers Preferred

Bankers named as underwriters for any unsubscribed portion of the 296,015 shares of cumulative, convertible preferred stock of the Allis - Chalmers Manufacturing Co., are understood to be contemplating public offering of such balance on next Monday.

Priced at $100 a share, the new stock was offered to holders of the company's common in the ratio of one new share for each six shares now held.

Currently, it is observed, the new issue is quoted in over-counter trading at a premium of several points above the subscription price. The observation, on that basis, is that any unsubscribed portion may prove small.

Rails and Debt Reduction

A hint that railroad managements may be inclined away temporarily from the operation of picking up portions of their fund debts through the application of a part of wartime peak earnings, was seen in the recent remarks of Robert E. Woodruff, President of the Erie.

The Erie, as he pointed out to stockholders at their annual meeting, has few near term maturities and pursued a policy, along with other roads, of reducing its indebtedness during the past two years.

But now he reveals directors are studying a proposal to apply part of available funds to acquisition of the road's preferred stock. Railroad bonds, bolstered by company buying on occasions, have recovered quite substantially in recent years and perhaps have gotten a bit out of line with ideas of values in some instances.

Dealers' Inventories

At least one consideration is definitely not a source of worry to bond distributors these days, and that is the problem of inventories.

There just isn't any accumulation of unsold material to speak of, a condition quite in contrast with that prevailing for a spell last Fall when a rush of new issues brought some "backing up."

The problem currently is that of finding bonds of quality and at prices, particularly the latter, which are in line with needs of clients.

Interesting Possibilities

Bartgis Bros., and Megowen Educator Food Co. A and common offer interesting possibilities, according to memoranda issued by Herzog & Co., 170 Broadway, New York City. Copies of this memoranda may be had upon request from Herzog & Co.

Public National Attractive

Stock of the Public National Bank and Trust Company of New York offers interesting possibilities for investment, according to a memorandum issued by C. E. Unterberg & Company, 61 Broadway, New York City. Copies of this memorandum outlining the situation may be had upon request from C. E. Unterberg & Co.

Prospective Rail Prices

Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange, have issued an interesting discussion of the prospective prices of the new railroad second mortgage income bonds. Copies of the circular containing the discussion may be had from the firm upon written request.

Available On Request

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

Confident Outlook

Strauss Bros., 32 Broadway, New York City, discuss their confident outlook for securities in their current bulletin "Zero Hour." Copies of this interesting booklet, including investment suggestions, may be had upon request from Strauss Bros.

Effect Of 5% Mark-Up Rule On Market For The Securities Of Small Business

(Continued from page 1519)

MADISON, WIS.

Don't know.

SHEBOYGAN, WIS.

No small corporation will be able to finance through bonds or stocks. We can see this at present—many small corporations are still having outstanding bonds issues at high interest rates—but dealers cannot refinance at lower rates. It is too costly for underwriter to handle these days—small bond and stock issues.

HOUSTON, TEXAS

(From firm favoring rule)

We think it a sound rule, primarily growing out of requests from dealers all over the country for definition of a fair profit. We frankly are not in sympathy with the bulk of your editorial comment on the subject.

Applying, as it is intended to do, only to so-called "riskless" transactions, the rule should have little or no effect on markets for smaller corporation securities. In our opinion, the dealer who cannot operate profitably on a 5% "riskless" trade profit has no business continuing in the securities field.

A SMALL CALIFORNIA TOWN

At the time, before and after our business volume, overhead and management was geared at 5% or below, so on the face of the 5% rule we are not affected, but the rule, in our opinion, is in conflict with the principles of freedom of enterprise. In particular, that portion that applies to the survival of the fittest that has competitively built the successful men and business foundations of America.

Our country territory is large and separated and requires a great deal of travel, and our salesmen are obliged to convey statistical and research reports directly, as otherwise customers or prospects would not understand the merit or demerit of our representations, and it is only with volume that we can survive on the 5% rule. When the boys return from the fields of battle and re-enter the investment business with the consequent competition necessitating more service and travel to accomplish the same result, it is our belief that the 5% rule will prove burdensome or destructive.

To clarify the controversy, why don't the NASD obtain and furnish unbiased arguments for and against the rule and enclose a ballot as a referendum of the 5% rule. If they are right in their contentions, this would democratically prove the will of the members and thereby end the argument and probably satisfy the SEC.

NASD---Need Or Menace!

(Continued from page 1499)

the Maloney Act, and, therefore, the only one of its kind in the nation.

Does one join the NASD voluntarily? Well, we may argue, no one forces a man to sign an application. Let's be realists. Isn't the special and monopolistic privilege of participation in underwritings, secondary offerings, etc., which members enjoy to the exclusion of others, and which is protected by the Maloney Act—until its constitutional phases shall have been tested—isn't that a powerfully compelling force? We Americans feel we have a right to engage in enterprise and when by statute, we are deprived of that right unless we join a particular association, can that membership thereafter be characterized as an action of free will, or is it true that we are being herded and corralled? Under these circumstances, for those who feel the need of participating in underwritings, "joining up" becomes more than a mere measure of expediency and the like, it is in fact complete compulsion.

As to withdrawal, there is first the penalty, among others, of no future participation in such underwritings, special offerings, etc., a grave penalty for many dealers and one not to be lightly regarded. It hurts in a vital place, the pocketbook. Then there is the added possible danger of reprisals, in the form of investigations and examinations by the auditors of NASD and SEC. In view of the instability of the current "5% spread philosophy" attempting to modify the practices and customs amongst security dealers, the brave ones who are willing to chance these hazards are few in number.

Manhood, real sparkling virility, freedom from fear, are cherished possessions. In a large number of the communications we have received, sharply criticizing the Board of Governors of the NASD for its promulgation of the "5% rule," our correspondents have either written to us anonymously or, if they have signed, asked that their names be withheld for fear of reprisals. What an unforgivably deleterious effect upon freedom of action, and all made possible by the unfortunate passage of the Maloney Act.

Policing

We quote in part from Section 2 of the "Code of Procedure for Handling Trade Practice Complaints of National Association of Securities Dealers, Inc.":

"The . . . District Business Conduct Committees of the Corporation and the Board of Governors shall constitute the bodies empowered to hear and pass upon all complaints in regard to violations of the Rules. The District Business Conduct Committees shall have original jurisdiction in handling such complaints and the Board of Governors shall act as an appellate and review body . . ."

Now then, what has this code done? When a complaint originates with the SEC, it tries and determines the issues and an appeal by petition of review lies directly to the Circuit Court of Appeals of the United States. This can be costly enough as those who have gone through this procedure will testify.

If a complaint originates with the NASD, it can pass the following channels: (1) hearing before the District Business Conduct Committee, (2) review by the Board of Governors of the NASD, (3) review by the SEC, and (4) review by the Circuit Court of Appeals. What a cumbersome, costly procedure!

All this additional burden NASD members have saddled upon themselves. Voluntarily? We doubt it.

One of the most vicious, pernicious and undemocratic incidents of hearings before District Business Conduct Committees, is that the defendant is judged by his business competitors. When cases are tried before juries it is not at all unusual to disqualify jurors because they know any of the principals. Judges have frequently disqualified themselves for the same reason. The most honest man cannot say with certainty what effect his competing with others has had upon his subconscious mind, and that these effects will not influence his decisions when such others are on trial before him.

Quotations

The difference between reported sales on the exchanges where registered securities are literally auctioned, and those dealing with "estimates" (bid and asked quotations) of the over-the-counter markets, should be more widely appreciated than they are.

The NASD has undertaken to supervise over-the-counter quotations in a number of reputable papers, amongst them the "Boston Herald." You would imagine that these were a safe guide to go by. Yet recently, a dealer up Boston way who testified that his sales prices never exceeded the "Herald" quotations, was found guilty, and the SEC, in affirming the NASD in effect, criticized the latter's supervision of these quotations.

Which brings us to our title: NASD—Need or Menace! We don't see the need.

Investors & Private Bankers Need Cooperation Of Government In The Foreign Field: Folger

(Continued from page 1501)

money to work, getting the ball in play, is the most important economic problem we have in this country.

"What about the channels which carry the flow of money into enterprise? What became of the great Mississippi which once carried the savings of the people into business investments? Contrary to our old geographies, the Mississippi now flows through Washington. One would never recognize the Father of Waters. What with being dolled up with private placement canals, obstructed by registration rigmarole, diverted by competitive bidding, plagued by Department of Justice suits, the old river is mostly standing still—so confused it may even start flowing north into Canada.

"The small investor has absolutely no access to the securities sold by private placement. Competitive bidding goes by him so fast it leaves only a blur. Interference with syndicate agreements threatens the device which gives him a chance at the good merchandise. You know, the ladies out in the sticks like nylon stockings just as well as the girls in the city. If stockings were handled by investment bankers under the rules of the S.E.C., the country ladies would be getting the cotton socks while the tempting sheer models were being passed out to those in the front row near the large markets. If the private banker is going to carry the ball the way the investor wants him to carry it—and when I say investor, I mean the fellow out in the sticks as well as the big fellow—I am bold enough to say I think it is high time we took a fresh look at the Securities Acts after ten years of operation.

"Now this brings us to International Banking. In the good old days or the bad old days, how the cartoonists loved to dress up the investment banker in a frock coat, silk hat and bay window—putting on the label—"International Banker." Well, idle capital loves high returns and low taxes. Water will run down hill. It's already running down hill. When our dollars get in the foreign fields, they are not just Wall Street dollars, to be laughed at if they get into trouble. It is amazing how many people think of investments in terms of bankers' money. Well, individual bankers are financially small fry now. They earn their living in day to day merchandising. The dollars of which we speak are good old American cartwheels which someone had to work for. They deserve all the protection our government can give. Investors and private bankers need the cooperation of the government in the foreign field. We ask for it. Wouldn't it be realistic to set up a Foreign Investment Council? Such a Council could supply practical umpiring and guidance in the foreign field for our investors and bankers. How important is the job? Well, it is generally accepted that our English cousins have carried the ball in international finance with some success during the past 100 years. It was interesting for me to observe a statement in the English Parliament to the effect that since 1850 Englishmen had lost about 20 billions of dollars in foreign investments. This reminds one there are blows to receive as well as blows to give in the battle of business. The best of them let their guard down now and then. Let's draw the best line we can between venture capital and wildcatting.

"Such a Foreign Investments Council as I have described might be composed of a representative from the State Department—not just an acceptable man, but one with outstanding qualifications. A similar man from the Treasury and one from the Federal Reserve System would make three government representatives. A revamped Foreign Bondholders Committee—made more truly representative—might well supply a fourth member for the Council. Three strong appointments from finance and business would round out a Council of seven. Since 1929 and until recently, it has been unfashionable and in some cases illegal to do much foreign financing. Aren't we likely to start pell-mell in the other direction? Some program as suggested here would certainly be timely."

Interesting Speculation

Province of Alberta bonds, a Canadian provincial bond currently returning 2¾% to 3¼% at half-interest rates, offer attractive speculative possibilities, according to a circular on the situation issued by Charles King & Co., 61 Broadway, New York City. Copies of this interesting circular may be had upon request from Charles King & Co.

Autocar Attractive

Common stock of Autocar offers attractive possibilities according to a memorandum on the situation issued by Buckley Bros., 1529 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this interesting memorandum may be had from the firm upon request.

Montagu Norman Resigns As Governor Of Bank Of England—Catto Named Successor

The resignation of Montagu C. Norman as Governor of the Bank of England, on advice of physicians, was made known in press accounts from London April 6, which stated that Lord Catto, financial adviser to the Treasury, has been chosen as Mr. Norman's successor. From Associated Press, London advices, we quote:

"Mr. Norman, one of the world's foremost figures in finance, had been Governor of the bank for 24 years. He will surrender his office at the end of his present term this month. The selection of Lord Catto will be confirmed at an election April 18.

"Thomas Sivewright Catto became Lord Catto in 1936 when the King made him First Baron Catto. He had been adviser to the Treasury since 1940. He is 65 and started work at 16 in a shipping office at Newcastle on Tyne. He has had business experience in the United States and India.

"During the last war he served on British missions in the United States. Later he acquired several directorships including one in the Bank of England.

"In November of last year it was made known that Norman Montagu would be proposed for re-election this month, but the Governor recently has been gravely ill. Although he is recovering, his physicians in the past few days advised strongly against the resumption of his strenuous duties and the directors accepted his resignation."

Dealers Unite To Upset NASD's 5% Rule

(Continued from page 1498)

As the saying goes, IN UNITY THERE IS STRENGTH, and it follows that if the many factions in the same field join in working toward the common objective the ultimate success of their combined efforts is doubly assured. After all, it is the many tributaries that in the final analysis makes the mighty stream. Let us hope therefore, that all existing associations and individuals in the investment industry will realize this and collaborate to the utmost to insure sounding the death knell of the NASD's vicious, un-American 5% mark-up rule.

The letter of the Committee follows:

To All Securities Dealers

Gentlemen:

There is danger, real, stark and immediate, that threatens to deprive Retail Securities Dealers of their livelihood by gradual extinction; danger that the democratic way, the American way, will be terminated by bureaucratic philosophy operating through administrative bodies.

Last October the Board of Governors of the National Association of Securities Dealers promulgated its "5% mark-up limitation rule." The rule was improperly conceived and should be nullified because:

1. It seeks to infer fraud merely from a "spread," the difference between the purchase and the sales price.
2. The "rule" was passed over the head of the NASD membership, contrary to the provisions of the Maloney Act, and contrary to the provisions of the NASD constitution and by-laws.
3. It disregards the profit motif in business, for quite generally the overhead of many firms exceeds 5%.
4. It is an attempt by administrative fiat to modify the long established and well known customs and trade practices of our industry.

The "5% rule," intended primarily as a regulator of over-the-counter business, was based upon a limited survey covering every type of NASD member, engaged in every phase of the Securities business. Members of Exchanges, large underwriting houses, dealers handling institutional accounts were all lumped in with the retail securities dealers who do business primarily with individual investors. Therefore, the results of this poll did not fairly demonstrate the actual trade customs and practices with respect to the transactions of retail dealers, but, on the contrary, merely resulted in the drawing of false inferences from related but differing phases of the securities business.

Mark-ups among securities dealers have never been, and under our American System need never be, constant. This is plain and based upon common sense.

The "5% rule" is a forerunner of the strangulation of the retail dealer in securities. Can it be stopped? Certainly not merely by talk.

It must be stopped, or else tragedy in the form of "a full disclosure rule," "riskless transaction rule," etc., etc., may be our lot.

The undersigned are part of the Committee engaged in a cooperative attempt to concentrate upon the application of the necessary remedies for the purpose of eliminating the "5% rule" and frustrating the possibility of further illegal "regulation."

As we see it, these remedies, amongst other activities, must involve legal and Congressional action, intervention in hearings before the Securities and Exchange Commission, and before the NASD Conduct Committee where the questions of the "5% rule," "disclosure rule," and "riskless transaction rule" are involved, and possibly the establishment of a nation-wide organization for the protection—and we mean protection, not policing—of over-the-counter dealers.

INSOFAR AS THE 5% RULE IS CONCERNED, WE CONTEMPLATE SEEKING IMMEDIATE RELIEF IN THE COURTS.

We have reason to hope and to believe that if we show the stamina to unite in protection of our rights, powerful aid will come to our support because the questions involved are not limited to the security field alone but involve all American industry.

This Committee is already doing active and constructive work, your work, for your protection.

In your interest and in the interest of all Securities Dealers, we enlist your aid.

SEND YOUR CONTRIBUTION COMMENSURATE WITH THE SIZE OF OUR TASK. USE THE ENCLOSED FORM. THE EMERGENCY IS COMPELLING!

Sincerely,
SECURITIES DEALERS COMMITTEE
For The Committee
WILLIAM S. BAREN,
42 Broadway, New York, N. Y.
BARON G. HELBIG,
Baron G. Helbig & Co.,
30 Broad Street, New York 4, N. Y.
B. S. LICHTENSTEIN,
B. S. Lichtenstein & Co.,
99 Wall Street, New York 5, N. Y.

Securities Dealers Committee
165 Broadway, Suite 1423
New York 6, N. Y.

Gentlemen:

We are in sympathy with the objectives of your Committee. Enclosed is our check for $________________ in aid of those aims.

Firm name_____________________________________

By ____

Address ____________________________________

Do you wish to be a member of this Committee?___________

Do you wish your support of this project held confidential?________________

Will you supply a list of individuals or organizations who are in sympathy with our objectives?___________________

Make all checks payable to M. Wilhelm, (Acting) Treasurer.

Municipal News & Notes

E. C. Manning, Alberta's new Premier, has received a strongly worded statement from the Bond and Stockholders Protective Committee for Great Britain urging that the province arrange without further delay for adjustment of the default on its sterling obligations. The committee, according to London press advices, proposed that the terms of settlement provide for extension of maturities by ten years, with all issues to bear 4% interest annually from June 1 next to the extended maturity date.

It is further proposed that interest in arrears from the date of default to June 1 be paid half in cash and half in the form of a new non-interest bearing stock redeemable at par through 40 equal annual sinking fund payments or by issuance of a new 4% stock repayable over 40 years by drawings.

The committee also requests the repeal by Alberta of improper legislation, the use of present sinking fund assets for proportionate redemptions before June 1 of issues in default and the granting of an additional proportionate principal amount of bonds under the plan to outstanding issues bearing a coupon higher than 4%.

The statement requests that in the event Alberta refuses to accept the recommendations, the Provincial Government should send representatives to London to meet with the committee and work out an acceptable plan.

Alberta defaulted on both sterling and dollar obligations in June, 1936, under an Order in Council which subsequently has been successfully sustained in both Canadian and London court actions. Since that time the Province has offered to pay only one-half the contractual rate on its obligations. Many holders have refused to accept this arrangement with the result that approximately $6,500,000 of unclaimed interest is said to be on deposit in provincial banks.

San Francisco-Oakland Bay Refunding Proposed

James S. Dean, Director of Finance of State of California, has recommended that $57,000,000 4% San Francisco-Oakland Bay Bridge revenue bonds, which became callable at 105 after March 8, 1945, be refunded at this time in order to take advantage of the highly favorable market conditions. Mr. Dean, who heads a committee of three that was appointed to consider the feasibility of an earlier refunding, recently submitted his suggestion to Governor Earl Warren and to members of the California Toll Bridge Authority, which operates the bridge. Distribution of the outstanding bonds was effected by a syndicate headed by Dillon, Read & Co., New York.

The structure's sustained earning power has been demonstrated by the fact that bond redemptions have exceeded original schedules, despite a reduction of tolls on passenger cars to 25 cents, from 65 cents, according to report. It is believed that the refunding can be accomplished under present market conditions on a 2½% basis.

Port Of New York Authority Adds $2,552,064 To Reserve Fund

The general reserve fund of the Port of New York Authority was increased by $2,552,064 during the year 1943, thus swelling the fund's total to $14,168,555, it was stated in the 23rd annual report of the New York-New Jersey agency, the chairman of which is Frank C. Ferguson. Income from all sources during the year amounted to $15,059,725, a decline from 1942 of $1,110,523, or 6. 9%.

Despite pleasure driving bans and other operating problems created by wartime conditions, the Port Authority achieved a new milestone in its financial history last year incident to the award at competitive bidding in August of an issue of $14,281,000 seventh series general and refunding bonds. The issue, bearing an interest rate of 2¾%, was sold at a price of 101.337, the resulting net interest cost of 2.68% being the lowest ever attained by the authority on long-term borrowings in the 17 years it has been marketing bonds. Purpose of the issue was to redeem various 3½% bonds of 1976 which were callable at 103 on Nov. 1, 1943, and the over-all saving in interest charges as a result of the operation will be approximately $1,440,000.

A total of 22,000,000 vehicles used the various bridges and tunnels operated by the authority during 1943, as contrasted with 25,000,000 in 1942. Toll revenues, at $13,239,000, represented a decline of 22% from 1941 and 8% from 1942. Other income from building rents (Port Authority Commerce Building) and from investments, bank deposits, etc., brought total income for the year to $15,059,725.

Net income available for sinking funds, reserves and debt retirement amounted to $6,546,698 as contrasted with $7,173,191 in 1942, a reduction of 9%, and $8,740,131 in 1941.

Out of 1943 net income, the authority made the usual annual retirement of $800,000 series G bonds and appropriated $1,500,000 to the newly created "Restoration and Improvement Reserve." This fund was created to provide for essential improvements to the authority's facilities, especially in the case of the Holland Tunnel which, during its 17 years of life, "has been operated with few major improvements or replacements of its original plant." The authority contemplates the possible expenditure of about $3,210,000 for plant improvements during the next few years, and in furtherance of this program the sum of $1,500,000 mentioned above was set aside from 1943 revenues.

Operating expenses of the authority in 1943 totaled $3,611,286 as against $4,000,513 in the preceding year and the decrease of 9.7% the report says "compares very favorably with the 7.4% decline in operating revenues for 1943 as contrasted with 1942." Funded debt outstanding at the close of 1943 aggregated $181,046,000, of which $935,000 bonds were held in funds of the authority.

Tax Immunity Discussed

The current report discusses the recent decision of the United States Tax Court which held that the Port Authority, also the Triborough Bridge Authority, are local governmental subdivisions and, as is true of all other States and their political subdivisions, the interest received from their bonds is exempt from Federal Tax under the terms of the various revenue acts of Congress. The Treasury Department action against the port authority bonds was intended by the Federal agency as a test case incident to its attempt, dating back over five years, to establish the Federal power to tax interest on all State and municipal bonds.

Although the litigation, titled Shamberg v. Commissioner of Internal Revenue, was initially resolved in favor of the Port Authority, which undertook to defend the action because of the great public interest involved in the outcome of the case, the Treasury Department has announced its intention to appeal the Tax Court decision to the United States Circuit Court of Appeals for the Second Circuit. In this connection the report says that "It is not likely that a decision by the United States Supreme Court, if the case should reach that tribunal, will be forthcoming before 1945."

Form Re & Re

Jerry A. Re and Gerard F. Re have formed Re & Re, wth offices at 120 Greenwich Street, New York City, to act as Curb floor brokers. Both partners are members of the New York Curb Exchange.

Situation Of Interest

J. Roy Prosser & Co., 52 William Street, New York City, have prepared a resume on Landers, Frary & Clark, manufacturers of household appliances. Copies of this interesting resume may be had from the firm upon request.

The Outlook For Foreign Trade

(Continued from page 1498)

This tremendous progress was due mainly to private enterprise, which deserves full credit for our leadership in every field, making us the greatest producing nation of all time.

It is due to private enterprises, which have cooperated so wholeheartedly and efficiently, as well as the great spirit of a free nation among our courageous armed forces, that we may expect to come out of this war victoriously to sustain our principles of freedom and democracy and the right to plan and build for a better world of tomorrow.

When victory comes, we shall find that we possess greater manufacturing facilities, more new materials and more skilled labor than at any time in our history. We shall also be faced with a public debt of some $300,000,000,000, with Government holdings of surplus materials of probably $75,000,000,000 to $80,000,000,000, with the cancellation of large Government War Contracts and with the disposal of land and Government owned factories acquired during the war, amounting to another $50,000,000,000.

It will then be our great problem to swing industry back to a peace basis, promptly and efficiently to create minimum unemployment and maximum opportunity to supply the world's markets with all the products of our manufacturing plants. These will be greatly in demand, particularly to build up the standards of living of other nations.

Government and industry should work closely together to create a well arranged distribution of war materials through proper trade channels and to avoid the dumping of supplies, which would greatly upset our local and foreign markets, and, at the same time, prevent the Government from obtaining the best prices for its surplus materials.

Of all of our industries, the chemical industry has the least problem of conversion, for its products required for war are essentially those used in peace time trade. The problem of the chemical industry becomes one of adjusting quantity rather than changing type. Sulfuric acid, soda ash, hydrocarbons, synthetic resins, now required for war, are identical with those consumed in peaceful pursuits. Nylon yarn for parachutes is not fundamentally different from nylon yarn for hosiery. Dyes for army and navy uniforms are very much the same as dyes for civilian goods. This is even more true of basic chemicals. With the splendid wartime cooperation of all of our chemical industries and the exchange of research knowledge between highly competitive groups, a vast production has been attained which will be of great peacetime value and chemical products will be available in new abundance at prices beyond foreign competition. The great future of the chemical industry will obviously lie in quantity production at lower cost and the sale of surplus in foreign markets.

American business must show an aggressive spirit of expansion and fight for the conquest of those economic frontiers which were previously lost to us through foreign competition.

During World War I we did considerable post-war planning for foreign trade, but our inexperience as world traders and financiers led us to make many mistakes. We lost vast sums of money, and the opportunity to be the world's greatest financial center.

Though nothing is more difficult than post-war planning, let us hope that this time we will be more successful and that we have learned something by experience.

We all know that first we must obtain the unconditional surrender of the Axis Powers to be followed by the military policing of the enemy countries. Immediately afterwards, we must help to provide relief, rehabilitation and economic stability. This applies principally to Europe and the Far East. Western Hemisphere post-war planning will be much easier; in fact, it presents primarily the problem of materials.

All countries will be most desirous to purchase the goods they need, and, at least for the first phase of the post-war period, we will have little competition. We, for our part, will have a larger amount of goods to sell after the war, for with our industries intact, we should have the greatest abundance of merchandise ever known in our history. We must keep this huge new production in full operation for our own best interests. With replacements in our own country, the immediate demands from our Allies in former Axis occupied countries, and orders from the nations of this Hemisphere, we may be severely taxed to furnish all the goods required, even allowing for the large Government-owned war surpluses which we will undoubtedly have on hand.

The question before all of us is: How can some of these countries pay? Various of our Allies may receive further assistance on lend-lease to aid them in the rehabilitation period, since many of their plants have been moved to Germany or destroyed during the war.

Others have largely increased their cash reserves with us until this amounts to well over $4,000,000,000. Of this, $2,000,000,000 belongs to Europe and an equal, if not larger amount, to this Hemisphere. European deposits consist of escape money, the use of foreign ships by our Government and local expenditures in countries occupied by us. Large Latin American balances have been built up by the excess of their exports to us to fill our war needs and their present inability to purchase goods from us.

Just how large our foreign trade may grow, is difficult at present to surmise. The Bureau of Foreign and Domestic Commerce has prepared a study of "Foreign Trade After the War" in which our imports as calculated may exceed $6,000,000,000 in 1948 or two and one half times the average of 1935-9. Our foreign payments for services as estimated should reach $4,000,000,000. This forecast would make the total annual amount amount available to foreign customers $10,000,000,000.

The Bureau estimates our potential export value for 1948 at $7,000,000,000, which is double the amount of our exports in 1937, the largest volume of exports immediately prior to World War II. This presents an exceptionally favorable outlook for the future of our sales of American goods to foreign countries and one worth keeping constantly in mind in planning future sales.

In the past, we have sold 10% of our production abroad, and this has represented the difference between prosperity and hard times. In the future, we may be called upon to sell as high as 20% to keep our workmen employed, to cover increased taxation due to the war, and to produce profits commensurate with our capital investment. Note that the 20% is based on our greatly increased production now and hence is much larger in money value than twice pre-war.

We have all heard of the desirability of establishing a world bank and the Keynes and White plans for currency stabilization. I am sure you will agree with me that we should be somewhat reluctant to enter into any international currency arrangements whereby funds supplied by this country would be subject to foreign control. Undoubtedly the need for currency stabilization could best be met through the medium of our Export and Import Bank. This has already been of efficient help during a very trying period in making large dollar exchange loans to foreign central banks. This bank has also issued special export letters of credit, and given important assistance to the American exporter in handling long term credits and in purchasing of a large percentage of foreign bills without recourse.

Unquestionably, the monetary standard of the future should be international in scope and free from political control. Gold is the only medium which offers any reasonable prospect of becoming international on any large scale. We fully realize that an international unit of value cannot be maintained perfectly stable and that some management may be essential. Obviously, no kind of monetary standard could have functioned satisfactorily under the conditions prevailing during all of the last thirty years.

Countries are linked closely to those with which they trade and establish balances in these foreign currencies, depending upon the volume of sales and purchases which in turn affect the rate of exchange. No medium of settlement of balances has yet been found which is freer from political domination or more satisfactory internationally than gold. That this point is well recognized is proved by the fact that for the year 1943 the United States lost gold to the rest of the world either by physical shipment or by earmarking to the extent of about $750,000,000. During the same period, wherever free markets have existed in any part of the world, gold has commanded a premium in terms of currency ranging anywhere from 10 to 100%.

I am sure we will find in our post-war world an ever increasing need that trade and finance be permitted to move with a minimum of restrictions across political borders.

All of us realize that foreign trade must be of necessity a two-way street. Overall trade must ultimately balance. We cannot expect to sell to foreign countries unless we, in turn, purchase from them, whether our purchases be in the form of merchandise, services, such as freight or insurance, foreign travel or immigrants' remittances. We can, of course, make loans abroad and extend our capital investments but these will aid the purchasing power of the foreign country only to the extent that these funds remain abroad, all remittances to us as interest or dividends serving as a deduction.

While we may not expect a great deal of foreign competition in the immediate post-war period, we would do well to lay a solid foundation for the future, for as economic conditions become more stabilized, the less the needs and the greater the production of our European competitors. Great Britain, of course, with her factories only slightly damaged, will promptly resume her contest for world trade, vital to the life of the nation. She will be followed by a resurgent Russia which bids fair to become a great country not only agriculturally but industrially as well. Then we may expect increased activities of France, Belgium, Holland, Sweden, and Italy; and finally Germany will again lift her head along industrial lines.

In the Far East, Japan will have lost her prestige and power both militarily and as a trading nation. China, which has lost so much both in capital and industry, will be a fertile field for American traded but she can pay for goods only in raw products. She will need large supplies and, above all, capital for industries. We would do well to consider the erection of small plants in that country to supply the needs of the potential buyers among her 450,000,000 inhabitants.

And now we come to our own Hemisphere, the only section of the world where nations are at peace with each other. All 22 countries have broken relations with the Axis powers and are all democracies bound together by ties of respect and mutual cooperation. They have always purchased a substantial volume of our exports, and this should be considerably increased during the post-war period.

Canada, as we know, is one of our best markets, not only through the sale of our merchandise north of the border, but also through the many industries which have been established by American capital there, greatly to the benefit of both nations.

Latin America is composed of 20 countries and 130,000,000 inhabitants, and, in size, is about 2½ times larger than the United States. Today it offers the most promising field for immediate development in all the world.

With a diversity of climate varying from the tropics to perpetual snow, it produces every type of vegetation from coffee, cocoa, rubber and tropical fruits to corn, beans and wheat. Brazil, which is larger than the United States excluding Alaska, exports 57% of the world's coffee; Cuba supplies 50% of the world's sugar; and the Argentine is the largest exporter of grain and meats in the entire world. Nearly all of these countries are rich in oil, minerals and precious stones. Mexico is the world's largest producer of silver; Chile is a substantial producer of copper; Bolivia of tin; Brazil of manganese; and Venezuela is the world's greatest exporter of oil.

Latin Americans really discovered us after 1914 when the European markets were closed to them on account of that war. If we go back to 1913, we will find that Great Britain supplied 24.4% of Latin American imports, Germany, 16.6%, France 8.3% and our sales amounting to 25% were the largest of any individual country. These three European nations thus controlled 49.3% of total sales to Latin America. This was almost double our share in this trade, in spite of our proximity to Mexico and the West Indies and our natural zone of influence extending through Central America to the northern part of South America, particularly to Colombia and Venezuela.

By 1938 Great Britain's exports to Latin America had dropped to 12.2%, Germany's had increased to 17.1%, and France's had fallen to 3.5%. Our sales had at the same time gone up to 35.8%, or 3% greater than those of Great Britain, France and Germany combined. In 1941 our sales had increased to over $1,000,000,000 and I see no reason why we cannot keep them constantly in excess of this amount, provided we continue our purchases and make our shipments to them as required by the conditions and trade of each country.

To encourage reciprocal Latin American trade, and to protect ourselves against any future shortage of strategic materials, we should do everything in our power not only to continue our present purchases of all types of materials, but to assist in the cultivation of those tropical products which are most needed by us. In the past we have committed the grave error of purchasing 94% of our essential tropical crops from the Far East, and bringing them a distance of 12,000 to 18,000 miles, although many of these plants are native to the Americas and all can be produced on this Hemisphere, many within 500 to 1,000 miles of our Southern border.

Many of our important companies are thoroughly convinced of the opportunity which presents itself. Active plantings of these tropical crops are now being made in Mexico, Central America, Haiti, Brazil, Ecuador, and Peru, in anticipation of large future sales to the United States, and, in any event, to fill the local needs of commerce and industry of each producing country and its intra-American trade. Some of these products now being grown to advantage are rubber, abaca hemp, roselle (an important jute substitute), tea, and a number of others of much importance to the drug and chemical trade, derris root (consumed annually to the extent of six and one-half million pounds in the manufacture of rotenone), cinchona (from which we obtain quinine), camphor, pyrethrum and menthol.

Those of us who have been doing business with Latin America for many years past are fully convinced of the honesty and integrity of the well established firms. We know that they are proud of their position and reputation, which once lost, below the border, can never be regained. That our Latin American business has been profitable to us has been substantiated by the Foreign Credit Interchange Bureau, which reported on January 31, 1944, all Latin American countries as "good" both as to credits and collections. Dun & Bradstreet's Survey, covering a period of over ten years, shows that credit losses amounted to only 2/5 of 1%, which is as good or better than our own.

We would also do well to consider that these countries through increased exports to us and reduced imports have now built up large balances to their credit in the United States which, in gold and bank balances, now amount to over $1,700,000,000.

Whether a World Bank is established or not, I feel that Latin American exchange will be tied closely to the dollar, that these countries will emerge from this war in a stronger economic and commercial position than at any time in their history, and that we will become the clearing house of all the Americas, provided we realize and act upon the opportunity which now presents itself.

What we will now find in Latin America is a strong trend towards nationalism and industrialization. All of the larger countries are anxious to establish new industries and look forward not only to supplying their own needs, but to selling their manufactured products in inter-American trade. Mexico and Brazil present golden opportunities with abundant raw products and cheap labor and little, if any competition, for, until now our Southern neighbors have specialized chiefly on the products of agriculture, mining and oil. New factories are constantly being built, and within the last few months a number of our idle plants have been shipped and transplanted to Latin America, where the wheels of industry will turn in new fields for higher profits.

Development of national industries abroad is viewed by many as reducing opportunities for the export of our products. This view is obviously fallacious. Raising the standard of living of a people, by whatever means, inevitably increases both their purchasing power and their desire for more goods. Furthermore, the peculiar position of the chemical industry as a supplier of producers' goods makes the development of some national industries necessary to create demand for its bulk goods. Thus the sale of dyes in an export market requires a textile industry there if quantities involved are to be more than the barest minimum. Production of most chemical products will always be cheaper when large quantities are made. Thus, so long as the needs of any export market are relatively small it will be clearly advantageous to meet them by imports rather than by attempting home manufacture.

Chemical industry as now developed in the United States produces an extensive list of the thousands of products necessary to self sufficiency. This was not reached at a single bound but rather was achieved by slow degrees. The same will necessarily hold true in other countries as they strive to build up self-sufficient industries, resulting obviously in a long period of partial diversification. This provides an especially valuable opportunity and a useful service for American chemical manufacturers.

American capital is needed and welcome in all of the Americas and will pay splendid dividends provided it is invested in conjunction with local capital and not in wholly foreign owned enterprises. Today the average profits for industry in Mexico and Brazil are estimated around 15%, the average profits from commercial enterprises from 15 to 20%, and bank profits at a minimum of 10%.

I consider that this is an exceptionally opportune time for drug and chemical companies to study the Latin American field. Some of our leading chemical executives have lately visited many of these countries. Various American companies have already established laboratories and plants, and all would do well to consider that the future policy of Latin America will be to keep the chemical trade on this side of the Atlantic. Drug and chemical companies will not return to the former German control so powerful before the war, but will be held and operated as local companies.

In summing up our opportunities for post-war world trade, I should like to emphasize that our ability to hold and increase our future business against normal European competition will depend largely upon the facilities of credit we are willing to grant and whether we are willing to meet keen competition in shipping, packing and complying with the customs and needs of each country.

In any event, our relations in world trade will be greatly facilitated in the future through better and faster transportation, communications and improved banking facilities. In the final analysis, we will find that markets are built and maintained principally by the worth of the product, the ability of the sales agent, and the amount in advertising dollars we spend.

Let us keep before us that the restoration of world economy after the war will offer a tremendous opportunity to American production; and that industrial development and construction in China, Russia and Latin America will open vast new markets by raising the standard of living abroad and by increasing per capita wealth and purchasing power. This will create a constantly expanding market for American products and nothing is more conducive to international friendship and enduring peace than satisfactory trade relations.

This war has taught us that we cannot isolate ourselves from the rest of the world, that as a nation we face a new era in international relations, and that the future of our country depends on our ability to accept this challenge of world leadership.

We must maintain our private enterprise, keep our workmen employed, increase our national income, and reduce our Government debt. By so doing, we shall have made the greatest contribution possible towards the development of world trade.

Attractive Growth Outlook

E. W. Clucas & Co., 70 Pine St., New York City, members of the New York Stock Exchange, have prepared an interesting survey pointing out the post-war outlook for Federal Machine & Welder Co., a leading company in one of America's fastest growing industries—electric resistance welding. Copies of this survey may be had from E. W. Clucas & Co. upon request.

Opportunities And Responsibilities Of The Securities Business In Reconversion

(Continued from page 1500)

needed reserves when the men behind the production lines, the shipyards, the forges and railroads, shall urgently require our cooperation at the end of the war. We shall have great duties and great opportunities when victory arrives and when the nation again is able to devote itself to the arts of peace.

As we know, there will be two particularly difficult milestones to pass before industry and all the other components of our national life can be readjusted to a peacetime basis. The first milestone will be the demobilization of some 11,000,000 young men and women and their reestablishment in productive work, not to mention the relocation of millions of others who are now employed in war activities on the home front. Another milestone will be the revision of war-time tax schedules to fit the realities of peace and to promote the welfare of 135,000,000 people. Perhaps I should put this milestone of tax revision first, for the most powerful instrument for assuring jobs to returned soldiers and sailors would be a realistic tax program. I know that a great many members of Congress look upon tax revision as a first requisite of the transition period. The changes respecting corporate taxes that were effected last year demonstrate that, while the necessities of war were answered first, our lawmakers had also in mind the less onerous requirements of the post-war period. And I am happy to testify that able men in Congress are as aware as you and I of the vital effect which our tax policies will have upon the resumption of our progress as a nation after the war has been won.

We know precisely what Mr. Baruch and Mr. Hancock had in mind with respect to post-war taxation when they prepared their very competent blueprint. In the letter transmitting their report to Mr. Byrnes, Director of the Office of War Mobilization, they suggested steps to be taken in these words: "Prepare now for future action reducing taxes from war to peacetime levels, thereby providing necessary incentive for initiative and enterprise and stimulating employment."

It is not necessary for me to emphasize before this informed group what a powerful impetus would be given to business and what a lift of confidence would result were the scope of peacetime taxation to be marked out and adequate schedules prepared before demobilization of the military forces began. We have often heard that it would make little difference what tax rates were so long as business could be informed well in advance what they were going to be. This is an exaggeration, as we know, for the power to tax has not lost its potency as a power to destroy. Nevertheless, business, which expects to pay high taxes for an indefinite interval in the post-war period, would proceed with great surety if the actual rates of taxation were to be established in advance of peace.

We need, above everything else, a realistic policy based upon the old principle of taxation for revenue only. We may have every expectation, as I have said on many occasions, that business and industry, given a favorable environment and assured of a realistic tax program free of all social and economic experimentation, will provide the jobs for our fighting men when they return from the war. It goes without saying that a paramount objective of such a tax program must be the encouragement of risk capital. This would be part of a broad purpose to provide incentives to the healthy and vigorous functioning of our economic system. It is imperative that we so shape our tax policies that they will contribute to the release of productive energy and the providing of employment for all who are willing and able to work.

All of us have been impressed of late by the fact that certain aspects of extreme radicalism which caused alarm during the difficult 1930's are disappearing from the national scene. Those starry-eyed people who desire to make America over are slipping into disrepute. These developments are naturally of great significance to owners of capital and those who serve the requirements of a capital system. It would be putting the cart before the horse, in my estimation, if too much emphasis should be laid upon a change of political philosophies. Instead, the emphasis should be placed upon the fact that we have a great many more "capitalists" than ever before. When bank deposits rise, as they have risen from one cause or another connected with America's participation in a world war; when circulating money in the public's possession rises as it has; when 50,000,000 or more of our people have become owners of government securities, not to mention the substantial increase in the number of corporation security-holders; when the vast bulk of our population is fully employed, most of them at good wages; when our farmers are prosperous and either free of debt or with their debts greatly reduced, is it any surprise that our people have become strongly capitalistic again. What we are witnessing is a recrudescence of our system of enterprise and opportunity.

Our people today, as never before, want to see the integrity of their money maintained. They hope to add to their capital and they are stubbornly opposed to measures which might depreciate the value of that capital. Many of them may have only a vague idea of the economic forces that could create inflation, but they have a very good idea of the forces that create steady employment and good wages and which leave a margin above expenses and taxes. Through all the strata of capital possessions and income levels, we can see a revival of hope and faith in the American system.

The securities business, as I have pointed out, is better prepared than ever before to serve not only industry but the investor —the millions of little investors as well as the larger ones. One of the most important advances in the character of our service to investors is in our superior equipment for meeting the public's demand for facts. It is highly significant that investors increasingly are demanding facts in the place of mere suggestion and light-weight opinion. The growth of fact-finding facilities within the securities industry is, I should say, the outstanding development of the last 10 to 15 years. Our securities houses are spending large sums on their statistical and research organizations. The quality of their statistical and research people is higher than it has even been. It is highly significant and it augurs well for our business that those who use our facilities are more keenly interested than ever before in sober truth and reasoned calculations of values.

Being equipped as we are and conscious of corporate and investor requirements, we are in a position to avoid many of the errors which marked the flush financing and the uninformed dealings that took place in the primary post-war recovery following the first World War. Thus, we are pointing the way for a sound and stable business. Thus we will continue to deserve the respect of the public we serve.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1504)

by optimistic reports such as was the Italian campaign, Anzio beach head, etc., and events don't live up to them, then a market reflection can be expected.

* * *

Here at home there is still another factor which will play a major part in the future market. The national election campaign is about to start. That each party will make every effort to maintain itself or to oust the other is a foregone conclusion. What monkey wrenches will be thrown into the business wheels by the heavy campaigning is not yet known. But that they will affect the market must also be recognized.

* * *

Above I have given you some of the reasons why I don't think a major bull market is in the making. But if the long-term picture seems dubious, the short-run outline is good. I probably can dig up some reasons for this, too. Even if most of them would have to be made up of the whole cloth. For all I know of the market is what I see in its action. And the reasons for today's actions won't be learned until tomorrow. And by that time whatever was behind the move would be over and done with.

* * *

Two weeks ago, with the market on the verge of a reaction, I advised the purchase of certain stocks at prices some points under the then existing figures. Up to date, you have bought the following: J. I. Case at 36, stop 34. Current price about 36. Stock will run into trouble across 38. Electric Auto-Lite at 39, stop 37. Currently about 39½. In the region of 42, ET will meet offerings. Servel at 18, stop 16¾. Currently 18. Stock hasn't gone off as much as rest of market, so actually it's right in the middle of offerings at current levels. But once through 19 or so it can move better than others. United Aircraft at 28 with a stop at 27, came into the list last week. Current price about 28. In the neighborhood of 30 stock will run into sales. Youngstown Sheet & Tube at 37, stop 35, currently about 35½. Latter figure is about half-point away from year's low. But stock is part of group which shows enough up signs to warrant purchase. On up-side, 38 is the figure to watch for trouble to develop.

* * *

There are two other stocks I like at present. First one is Chrysler, currently about 84¼, second is Jones & Laughlin, now about 22½. Buy C between 83 and 84, with a stop at 81½. Buy JL 22 to 22½, with a stop at 19½. Should steel group turn strong, I believe JL would be the one to watch. Big Steel is, of course, the leader of the group as well as of the market, but to make two points in it you have to have the patience of a Job.

* * *

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.]

Rayon Shipments Gain

Shipments of rayon filament yarn by American mills totaled 130,600,000 pounds in the first quarter of 1944, states the "Rayon Organon," published by the Textile Economics Bureau, Inc. The Bureau on April 7 reported that "this represents an increase of 9% as compared with shipments of 119,700,000 pounds shipped in the corresponding quarter last year." It is added that:

"March deliveries of filament yarn totaled 45,800,000 pounds as compared with 43,300,000 pounds shipped in February and 42,800,000 pounds shipped in March, 1943.

"Rayon staple fiber shipments aggregated 42,500,000 pounds in the March quarter, a gain of 8% as compared with shipments of 39,300,000 pounds shipped in the first quarter of 1943. March shipments totaled 15,000,000 pounds against 13,600,000 pounds in February and 14,000,000 pounds shipped in March, 1943.

"As of March 31st surplus stocks of filament yarn totaled 8,400,000 pounds as against 7,500,000 pounds on February 29th, and 6,800,000 pounds on March 31, 1943. Staple fiber stocks totaled 1,700,000 pounds on March 31st against 2,100,000 pounds on February 29th, and 2,800,000 pounds at the close of the first quarter last year."

Problems Of Compiling A Cost Of Living Index In Wartime

(Continued from page 1502)

that their report did not make the index universally acceptable.

The index has been challenged chiefly by representatives of trade unions. The criticism of the index by the trade union groups became especially vigorous in the winter and spring of 1943 after wage stabilization, but in a period when some food prices were still rising sharply.

During the spring and summer of 1943, the Bureau of Labor Statistics attempted to secure an increased understanding of the index by arranging for special checks to be carried out by local trade union groups and their women's auxiliaries. We asked them to collect from their members prices paid for certain staple foods on the same day that we collected prices from the stores.

The results of those studies have only limited technical significance. We found it impossible in any city to collect a sufficiently large number of prices from consumers so that the average of consumer prices could be compared with the average of store prices collected by the Bureau of Labor Statistics. The check did show that the range in prices reported by consumers in almost all instances fell within the range of Bureau prices.

Locally, these studies did have the effect of gaining increased understanding of the BLS index. At the time that the studies were undertaken a number of unions were making comparisons of the price rise for selected foods from January, 1941, to the Spring of 1943 with the percentage increases shown by the Bureau of Labor Statistics figures. It was significant that in those studies the average prices for the Spring of 1943 reported by the unions agreed closely with the average prices reported by the Bureau of Labor Statistics. The difference lay primarily in prices for January, 1941. Almost invariably the trade union prices were lower than ours because the trade unions had to rely on newspaper advertisements for their back prices. Since their January, 1941 prices were lower than ours and their prices in the spring of 1943 were the same as ours, it followed that the trade unions were invariably reporting a larger percentage increase across the period than was shown by the Bureau of Labor Statistics.

The consumer tests, which we tried to make with the trade union groups, gave a common-sense and understandable approach to these different percentage changes. In January, 1941, no one had challenged our figures, nor has the accuracy of our figures for that period been challenged since. Our figures for the spring of 1943 were challenged by consumers who found it hard to believe that a government agency could collect accurate price information under prevailing conditions. When we have been able to demonstrate that our current figures are the same as those shown by the direct experience of consumers, our explanation of the difference in percentage movements from January, 1941, to date is accepted by those individuals who have participated in the check or who know about it.

In time of war it would be hard to gain popular acceptance for the cost of living index, even if no group led an active campaign of criticism. I sense at least four real difficulties that the average consumer would encounter with our index. In the first place it is difficult for any consumer to believe that storekeepers would voluntarily report violations of price ceilings to a government agency. Storekeepers have in fact reported ceiling violations to the Bureau of Labor Statistics; as late as November, 1943, for example, a substantial proportion, of the pork prices reported to the Bureau of Labor Statistics were above fixed price ceilings.

In the second place an average is not likely to correspond with remembered price movements. Large changes make a greater impression than small ones. Thus people are more impressed with the fact that the price of potatoes has somewhat more than doubled, than they are with the fact that bread has gone up only about 15%. Similarly the frequency of experience influences memory and consumers are more impressed by the fact that food prices have risen nearly 40% than with the fact that there has been only about a 3% increase in rent.

Finally when we are thinking about the difficulties which an average must encounter so far as popular understanding is concerned, we must always remember that there are many who will have experienced greater increases than is shown by the average. Thus when the Bureau of Labor Statistics says that the cost of living has increased on the average by 23 or 24%, this situation may be equally well described by saying that nearly half of the population has experienced an increase of more than 24%. This is true within individual cities like New York, in which the average increase is about that shown by our national index; it is true for the population generally in some cities which we cover, like Savannah, in which the average increase has amounted to 30% or more.

In the third place the very term "Cost of Living," as used for decades by statisticians, causes a certain amount of confusion. In popular usage the cost of living may mean no more than the total of all expenditures for essential items. As we all know, such expenditures depend upon the amount of income received. At the income levels with which we are concerned, an increase of 20, 30 or even 50% in real income would still mean that family income was so low that there was little room for luxury items in the family budget. Thus an increase in income, which makes possible increased expenditures and more nearly adequate family living, leads itself to a feeling that the cost of living has increased.

Under wartime conditions it becomes extremely difficult to unravel that increase in expenditures which is brought about by increased family income and that increase which is brought about by the disappearance of low price merchandise. The Bureau of Labor Statistics does take into account the disappearance of low price lines, though the statement is often made that we do not.

This confusion with reference to the concept of the cost of living has been aggravated by comparisons which are made between gross earnings and the cost of living index. The Bureau of Labor Statistics, I think properly, does not include changes in taxes or in deductions for the purchase of war bonds in the cost of living index. More properly these should be regarded as deductions from gross earnings to arrive at a figure of expendable income. But that they influence the level of living, no one can deny. There has been a violent reaction within the trade union group against the recurrent comparisons of cost of living changes and changes in gross earnings; for these usually carry the implication—and sometimes the explicit statement—that factory workers, for example, are able to buy very much more than they formerly did. Since spendable income was sharply reduced below the level of gross income in 1943, no such increase has taken place. Actually, as is to be expected in wartime, many workers have had to reduce their level of living from that achieved in 1941 or 1942. Naturally, they resent the fact that the sacrifice involved in working an extra day without any rise in living levels is not recognized. I am not surprised that they take out their feelings on the cost of living index, when some editor falsely tells them that the cost of living index proves they are living better than they did a year or so ago. They know better. So do we. So should all of you.

Finally we need to remember that for the entire migrant group an entirely different type of study from any which is currently made needs to be undertaken to determine whether or not they are better off than they were before migrating to a war center. Migrating, in and of itself, normally involves some change in living costs. The migrant is normally induced to move by the attraction of higher wages. Only a comparison of his manner of living before and after migration will reveal whether he is better or worse off than before.

The group which has migrated during the war in the United States is large. Since the cost of living index does not cover their experience it is logical to expect them as a group to agree that it does not. They can, therefore, easily be appealed to by anyone who wishes to criticize the adequacy of the Bureau of Labor Statistics index.

In connection with this whole problem of the public acceptability of a statistical tool, it is interesting to contrast British and American experience. The British cost of living index is technically inferior to that compiled by the Bureau of Labor Statistics in almost every single respect. The British were in fact ready to get out a revised index just at the time that war broke out in Europe. By agreement with the trade union and employer groups, the old index was continued. So far as I know the agreement has held and the index has not been challenged. In the United States we have done everything within our power to keep the index abreast of wartime changes in American conditions and have constantly worked with the trade unions to improve the index.

It has not been accepted by them however. The challenge of the accuracy of the index by trade union leaders in November led to the appointment by the President of a Committee on the Cost of Living. It consists of five members of the War Labor Board under the chairmanship of Mr. Davis. The two labor members of the committee, Mr. Meany and Mr. Thomas, prepared a recommended report which they submitted to the committee and which they subsequently transmitted themselves to the President. The committee referred the Meany-Thomas report to the Bureau of Labor Statistics for comment and, as you know, our report was submitted to the President's Committee on Feb. 25. These reports are now being studied by the President's Committee and its technical staff. No report has yet been made by the committee.

As far as we can determine, the only valid criticism of the technical adequacy or accuracy of the index submitted in the Meany-Thomas report is that which relates to the effect of quality changes on the cost of living.

This problem has long been familiar to the Bureau of Labor Statistics and was noted by the Committee of the American Statistical Association. With reference to quality change, we pointed out to the President's Committee that the index does not measure quality deterioration, though every possible effort is made to price merchandise of similar quality over one period to the next. The evidence presented in the Meany-Thomas report as to its probable extent, cannot be verified. However, even 10% deterioration, as claimed in the report, would result in only 1.7% increase in the overall figure.

The Bureau's index, then, may be accepted as a technically adequate measure of price changes in wartime. Whether it can continue to command the public confidence necessary to make it a fully useful measure or not, remains to be seen. In our opinion, certain of the recommendations of the Statistical Association need to be carried out almost at once, in order to increase the public acceptance of the index. The Statistical Association recommended the coverage of a number of additional cities, not because they would change the national index but because they would allow the development of additional and possibly significant measures of living costs, such, for example as the compilation of regional cost-of-living indexes. The coverage of cities in the Plains and Mountains states is adequate from the point of view of the national index. However, in view of the very great distances between cities in that region it is doubtful if the demands of that area can ever be satisfied except by the addition of a number of new cities. There is no reason to believe, for example, that the people of Amarillo will be satisfied to know that the Bureau of Labor Statistics collects cost-of-living figures for Dallas which is hundreds of miles away, nor are the people of North Dakota likely to be satisfied with a national average when no city from their state is covered. Beyond this need for a more intensive regional coverage I think there is also the need to include figures from small cities in a national cost-of-living average. We do, as a matter of fact, cover a sample of 20 representative small cities though they are not averaged into our large cities index. We have no reason to believe that the cost of living on the average has moved differently in small cities than in large. But our sample of small cities is not large enough to be popularly acceptable, nor even to be fully adequate from a technical point of view as more than a check. I say, therefore, that the need to gain popular acceptance for the cost-of-living index may require the coverage of more cities than are now covered by the Bureau of Labor Statistics.

In the second place we have long felt that there was need for current studies of consumer expenditures in wartime. No other measure can possibly be devised which can show the shifts in family well-being that are taking place. Such studies are also needed from the point of view of the acceptability of the current index, the accuracy of whose weights can only be checked by some such study as that which I am suggesting. We do not anticipate that such studies would show changes in expenditure patterns so drastic as to affect the national index, but until such a study is made this cannot be proved.

Let us look now for a moment at what has happened to the cost-of-living index during war. From this chart you will notice the following: [Chart omitted.—Ed.]

First, the cost of living has been reasonably well stabilized over the past nine months. It is actually lower now than it was in May, 1943. This is in marked contrast with the situation in the last war when the cost of living continued to rise steadily to the time of Armistice and thereafter rose to a peak in the summer of 1920.

You may be able to see from this chart also that the movement in the first 2½ or 3 years of the two wars was very similar. There was only a slight increase in the cost of living between December, 1913 or 1914 and December, 1915. Similarly, there was very little change in the cost of living from August, 1939 to January, 1941. Thereafter in both wars the cost of living climbed sharply and there was very little difference in movement for 15 months or so—in this war, that is, until May, 1942. Then in the first war the cost of living rose even more rapidly than it had before. In this war there was a very slight diminution in the increase from May, 1942 to May, 1943.

We may say, therefore, that our experience with price stabilization has been far more satisfactory in this war than in the last.

It will not do for us to rest very long with this comfortable assertion, however. It is a tragic fact that food prices continued to rise sharply from May, 1942, to May, 1943. That was particularly true with respect to fruits and vegetables. Over that period food prices were stabilized only with respect to the cereals and bakery products group. Meat products as a group continued to rise through that period largely because of the unregulated rise in poultry and fresh fish. I suppose this is largely water over the dam, but runaway prices for a few foods in the early winter of 1943, in my opinion, are responsible for many of the difficulties in which we now find ourselves.

Food prices were brought under control in the summer of 1943 through the subsidy program. In my opinion the continuation of stabilized food prices is indispensable to the maintenance of the anti-inflation program.

At the present time it is in the field of clothing prices rather than in the field of food prices that we must look for trouble. Clothing prices have been rising since Summer of 1943. The rise which is taking place is only in small part due to an increase in quoted prices for a constant quality of goods. Ninety percent of the increase in clothing prices which occurred from September to December (1943) was due to the disappearance of low-priced lines.

We have not yet developed a policy which insures adequate supplies of low priced goods. Unless we do develop such a policy we may run into the same kind of difficulty that was encountered with foods in the spring of 1943.

There is also constant pressure on the index from increases in the service industries. These reflect largely increases in wages or fees for such groups as laundry workers, doctors and dentists.

Pressures on price ceilings are being exerted all along the line. The maintenance of ceilings and the enforcement of established ceilings are of fundamental importance. The index of food prices would be significantly reduced if there were complete enforcement of existing ceilings, even of the fixed price ceilings. The inability of OPA to secure compliance has been one of the fundamental weaknesses of price stabilization. I cannot speak with authority as to its cause, but I believe that it is attributable both to the limitation of the OPA enforcement staff and to a lack of real consumer interest in the local enforcement of price ceilings.

It must be clear from what I have said, therefore, that I do not imply everything is well on the price front when I say the cost of living has gone up on the average by about 23% rather than by the 43% alleged in the Meany-Thomas report. The BLS index reveals weaknesses in our stabilization program over the last two years and shows danger spots ahead.

Entirely outside the field of the cost-of-living index there are serious problems in many wartime communities. The adequacy of our wartime housing program cannot be estimated from the BLS rent index. We know of many communities in which there is serious overcrowding and in which workers are paying high prices for inadequate accommodations. These are pointed out clearly in studies which we have made for the National Housing Authority. We know also of the problems occasioned by inadequate

The Business Man's Bookshelf

American Housing, Problems and Prospects—Factual Findings by Miles L. Colean and the Program by the Housing Committee—The Twentieth Century Fund, 330 West 42nd St., New York City—cloth—$3.00.

Bureaucracy Runs Amuck—Lawrence Sullivan—The Bobbs-Merrill Company, New York—cloth—$2.00.

War And American Agriculture, The—John D. Black and Charles A. Gibbons—in "The Review of Economic Statistics" for February, 1944—published quarterly by Harvard University Press, Cambridge, Mass.—$5.00 per year, $1.25 per copy.

Canada's Financial System In War—Benjamin H. Higgins—National Bureau of Economic Research, 1819 Broadway, New York, N. Y.—paper—50¢.

Inter-Allied Review—Documentary Supplement covering the period from the Outbreak of War to Jan. 1, 1941—United Nations Information Office, 610 Fifth Avenue, New York City—paper—25¢.

Mississippi's Bawi Plan, An Experiment in Industrial Subsidization—Ernest J. Hopkins, Federal Reserve Bank of Atlanta, Atlanta, Ga.—paper.

Railway Traffic Expansion And Use Of Resources In World War II—Thor Hultgren—National Bureau of Economic Research, 1819 Broadway, New York 2, N. Y.—paper—35¢.

Result Of Treasury Bill Offering

The Secretary of the Treasury announced on April 10 that the tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills to be dated April 13 and to mature July 13, 1944, which were offered on April 7, were opened at the Federal Research Banks on April 10.

The details of this issue are as follows:

Total applied for, $1,927,641,000.

Total accepted, $1,014,423,000 (includes $55,434,000 entered on a fixed-price basis at 99.905 and accepted in full).

Average price, 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.910, equivalent rate of discount approximately 0.356% per annum.

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

(48% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on April 13 in the amount of $1,000,234,000.

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.

transportation and service facilities in war centers. These problems likewise cannot be dismissed with the thought that the rise in the cost of such services has been comparatively small.

These problems have been continuously pointed out by the Bureau of Labor Statistics. They cannot be dealt with by a manipulation of the cost-of-living index. They do call for effective administrative action

Calendar Of New Security Flotations

OFFERINGS

ALLIS - CHALMERS MANUFACTURING CO.—296,015 shares of $4 cumulative convertible preferred stock (par $100). Of the net proceeds the company will apply $15,600,000 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 of record March 31, at rate of one share of preferred for each six shares of common at $100 per share. Rights expire April 12. Underwritten by Blyth & Co., Inc., and a nation wide group of 63 underwriters. Filed March 17, 1944. Details in "Chronicle," March 23, 1944.

CONSOLIDATED CIGAR CORP.—40,000 shares of $4.75 cumulative pfd. stock (no par). Proceeds from sale, together with other treasury funds, are to be applied to redemption in May, 1944, of 38,162 shares of 6½% cumulative prior preferred stock at $105 per share and dividends. Underwriting group follows: Eastman, Dillon & Co.; A. G. Becker & Co., Inc.; H. M. Byllesby & Co., Inc.; Central Republic Co., Inc.; Charles Clark & Co.; Ferris & Hardgrove; Hemphill, Noyes & Co., Inc.; W. C. Langley & Co.; Lehman Brothers; Loewi & Co.; McDonald-Coolidge & Co.; Merrill Lynch, Pierce, Fenner & Beane; Merrill Turben & Co.; Milwaukee Co.; Moore, Leonard & Lynch; Mullaney, Ross & Co.; Paine, Webber, Jackson & Curtis; Piper, Jaffray & Hopwood; Riter & Co.; Rogers & Tracy, Inc.; Stein Bros. & Boyce; Stix & Co.; Maynard H. Murch & Co., and Dean Witter & Co. Filed March 23, 1944. Details in "Chronicle," March 30, 1944.

Offered April 6, 1944, by above underwriters at $97.50 per share.

KATZ DRUG CO.—$1,500,000 15-year 4% sinking fund debentures due April 1, 1959. A portion of net proceeds will be used to repay bank loans of $800,000, remainder will be added to the company's general funds to be used to purchase inventory, to carry larger bank balances and for other corporate purposes. Filed March 23, 1944. Details in "Chronicle," March 30, 1944.

Offered April 11, 1944, by A. G. Becker & Co., Inc.; Stern Brothers & Co., and Metropolitan St. Louis Co., at 102 and interest.

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.

MONDAY, APRIL 10

CELANESE CORP. OF AMERICA—350,000 shares of first preferred stock, $4.50 series (no par), cumulative and 139,622 shares of common (no par). Holders of its common stock will be given the right to subscribe for additional shares of common stock at the rate of one share for each ten shares held. 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 applied for additional plant facilities, or any corporate purposes. Dillon, Read & Co., and Morgan Stanley & Co., are named principal underwriters. Filed March 22, 1944. Details in "Chronicle," March 30, 1944.

Amendment filed April 9, 1944, fixing dividend rate at $4.75 annually.

MENGEL CO.—$2,500,000 sinking fund debentures, due April 1, 1959. Interest rate to be supplied by amendment. Proceeds will be applied to the redemption at 100½% plus interest of $1,568,000 first mortgage 4½% convertible sinking fund gold bonds, due March 1, 1947, balance added to general funds. 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. Filed March 23, 1944. Details in "Chronicle," March 30, 1944.

WEDNESDAY, APRIL 12

KLINE BROTHERS CO.—$500,000 5% sinking fund notes, due March 1, 1954. To be offered at 100 net, proceeds will be applied as follows: To redemption of $243,600 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. Illinois Securities Co., Joliet, Ill., underwriters. Filed March 24, 1944. Details in "Chronicle," March 30, 1944.

THURSDAY, APRIL 13

AMERICAN OPTICAL CO. — 230,000 shares of common stock (no par), of which 167,490 shares are to be offered by company and 62,510 shares presently outstanding to be sold by ten vendor trusts. Net proceeds to company will be used, in part, as additional working capital. Principal underwriters are Harriman Ripley & Co., Inc. and Estabrook & Co. Stockholders (other than vendor trusts) will be offered right to subscribe to 167,490 new shares in ratio of one new share for each three shares held. Filed March 25, 1944. Details in "Chronicle," March 30, 1944.

SATURDAY, APRIL 15

NATIONAL CONTAINER CORP.—$4,500,000 5% 15-year sinking fund debentures due April 1, 1959. Price to public 100 and interest. Of net proceeds, $2,844,500 will be applied to redemption of presently outstanding 5½% debentures, bank loan, notes or bonds and mortgages, and $556,000 will be applied to redemption of presently outstanding first mortgage bonds and 5% note of Bedford Pulp & Paper Co., Inc.; $246,300 will be used to reimburse company and subsidiaries for cash expended to acquire Bedford Pulp & Paper Co., Inc.; remainder ($553,200) will be added to general funds. Van Alstyne, Noel & Co. is named principal underwriter. Filed March 27, 1944. Details in "Chronicle," March 30, 1944.

SPROUSE-REITZ CO., INC.—1,000 shrs. voting common stock (par $100) and 3,000 shares non-voting com. stock (par $100). Shares of voting common stock are to be offered first to present holders of voting common stock ratably in accordance with present holdings. Shares of non-voting common stock are to be offered first to present holders of all classes of stock ratably in accordance with present holdings. Price $100 per share for each class of stock. Unsubscribed stock will be offered to the public. Proceeds for working capital not underwritten. Filed March 27, 1944. Details in "Chronicle," April 6, 1944.

SUNDAY, APRIL 16

MOORE-McCORMICK LINES, INC. — 60,000 shares of $2.50 cumulative preferred stock (par $50) and 210,000 shares of common stock (par $10), including 150,000 shares reserved for issuance on conversion of preferred stock. The 60,000 shares of preferred and 60,000 shares of common offered are issued and outstanding Stock is being sold by present stockholders. Offering price and names of underwriters to be supplied by amendment. Filed March 28, 1944. Details in "Chronicle," April 6, 1944.

MONDAY, APRIL 17

ILLINOIS COMMERCIAL TELEPHONE CO.—21,000 shares of $4.75 cumulative preferred stock (no par). Proceeds will retire $6 cumulative preferred stock as follows: 17,098 shares at $110 per share, requiring $1,880,780, and 1,567 shares owned by parent, General Telephone Corp., at latter's cost, requiring $130,849, total $2,011,629. Balance will be placed in treasury. Paine, Webber, Jackson & Curtis and Mitchum, Tully & Co. principal underwriters. Filed March 29, 1944. Details in "Chronicle," April 6, 1944.

MILLER MANUFACTURING CO.—100,000 shares of convertible class A stock (par $5) and 316,667 shares of common stock (par $1). Of class A stock 95,000 shares will be offered to public at $10 per share. The remaining 5,000 shares of class A stock, and 16,667 shares of common stock will be issued to certain holders of Rieke Metal Products Corp. as part of purchase price of stock of Rieke Metal proposed to be acquired by Miller from such stockholders. Of the net proceeds from sale of 95,000 shares of class A stock ($790,445), $587,500 will be used to pay cash balance of the purchase price of stock of Rieke Metal and any balance will be added to working capital. Baker, Simonds & Co., Van Alstyne, Noel & Co. and Straus Securities Co. are underwriters. Filed Mar. 29, 1944. Details in "Chronicle," April 6, 1944.

AMERICAN BAKERIES CO.—13,000 shrs. of class B stock (no par). The stock offered for sale is that of L. A. Cushman and Martha Bryan Allen Cushman as trustees of L. A. Cushman Trust. Names of underwriters and price to public by amendments. Filed March 29, 1944. Details in "Chronicle," April 6, 1944.

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs. registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company, due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs. previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter. Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

PEERLESS IMPERIAL CO., INC.—4,000 shares of preferred stock ($100 par). Company is offering, without underwriters, to its various customers and others the 4,000 shares of preferred stock at $100 per share plus dividends. Proceeds for working capital. Not underwritten. Filed March 29, 1944. Details in "Chronicle," April 6, 1944.

PLOMB TOOL CO.—$600,000 10-year 5% convertible debentures due Jan. 1, 1954. Proceeds will be used to redeem first mortgage bonds, reimbursement of company for funds used to redeem preferred shares and reduction in V-loan. Price to public and names of underwriters by amendments. Filed Mar. 29, 1944. Details in "Chronicle," April 6, 1944.

TUESDAY, APRIL 18

CORNELL-DUBILIER ELECTRIC CORP.—20,000 shares cumulative preferred stock, series A (no par). Proceeds for working capital. Eastman, Dillon & Co., principal underwriter. Price to the public by amendment. Filed March 30, 1944. Details in "Chronicle," April 6, 1944.

CARPENTER PAPER CO.—15,000 shares of common stock (par $1). Price to public $30 per share. 1,717 shares are being currently offered to a group of officers and employees at $21.50 per share under a separate registration and prospectus. Net proceeds ($446,000) are to be used for working capital. No underwriters named. Filed Mar. 30, 1944. Details in "Chronicle," April 6, 1944.

WEDNESDAY, APRIL 19

SOUTH COAST CORP.—$1,702,260 5% cumulative income debentures (subordinated) due Nov. 30, 1973. The debentures are owned by Celotex Corp. and do not represent new financing. Paul H. Davis & Co., Chicago, is named underwriter. Filed March 31, 1944. Details in "Chronicle," April 6, 1944.

THE TRION CO.—12,850 shares of 5% preferred stock, cumulative (par $100). Proceeds will be used to retire equal number of shares of 7% preferred. Company offers right to purchase preferred stock to holders of common stock who have not waived such right, on basis of one share of preferred for each 7½ shares of common held and for each remaining unit of less than 7½ shares held. The preferred stock covered by waivers is initially offered by the underwriters. The remaining preferred stock is offered subject to its purchase from the company by holders of the common stock. Underwriters are Courts & Co.; Milhous, Martin & McKnight, Inc.; Ingalls & Snyder; Wyatt, Neal & Waggoner; R. S. Dickson & Co., Inc.; Kirchofer & Arnold, Inc.; Robinson-Humphrey & Co.; Brooke, Tindall & Co.; J. H. Hilsman & Co., Inc.; Clement A. Evans & Co., Inc.; A. M. Law & Co., and H. T. Mills. Filed March 31, 1944. Details in "Chronicle," April 6, 1944.

BOND STORES, INC.—60,000 shares of convertible preferred stock, cumulative (par $100). Dividend rate by amendment. From the estimated net proceeds approximately $2,107,875 will be used for retirement of $2,100,000 serial notes, together with premium thereon. Balance will be used for corporate purposes. Lehman Bros. and Wertheim & Co., principal underwriters. Filed Mar. 31, 1944. Details in "Chronicle," April 6, 1944.

MONDAY, APRIL 24

PROVINCE OF NEW BRUNSWICK—$5,500,000 4-year 2¼% debentures due April 15, 1948.

Status—New Brunswick is the largest of the so-called Maritime Provinces of Canada.

Underwriting — Names of underwriters are as follows: Smith, Barney & Co.; First Boston Corp., Harriman Ripley & Co., Inc.; Dominion Securities Corp.; A. E. Ames & Co., Inc., and Wood, Gundy & Co., Inc., all of New York; McLeod, Young, Weir & Co., Ltd., Toronto; Hayden, Stone & Co., N. Y.; and Whiting, Weeks & Stubbs, Inc., Boston. Amounts to be underwritten will be carried by amendment.

Offering—Price to the public to be filed by amendment.

Purpose—Proceeds, together with general funds of the province, are to be used to pay at maturity on June 1, 1944, $1,250,000 3% debentures, series MP and SJ, and at maturity on July 1, 1944, $4,250,000 3% debentures series MQ.

Registration Statement No. 2-5346. Form Schedule B (4-5-44).

TUESDAY, APRIL 25

CUDAHY PACKING CO. has registered $14,000,000 first mortgage singing fund bonds, series B, 3% due May 1, 1964. The indenture under which the series B bonds will be issued will limit the principal amount of bonds outstanding at any one time to $30,000,000, of which the $14,000,000 series B bonds registered will presently be outstanding.

Address—221 North LaSalle Street, Chicago.

Business—Meat packers.

Underwriting — Halsey, Stuart & Co., Inc., $4,800,000; Goldman, Sachs & Co., $1,400,000; Central Republic Co., Inc., $1,050,000; Ladenburg, Thalmann & Co., $1,050,000; F. S. Moseley & Co., $1,050,000; A. G. Becker & Co., Inc., $900,000; Hallgarten & Co., $750,000; Shields & Co., $750,000; Blair & Co., $600,000; Hayden, Stone & Co., $600,000; Paine, Webber, Jackson & Curtis, $450,000; William Blair & Co., $300,000; and First of Michigan Corp., $300,000.

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

Proceeds — Proceeds from sale of the bonds, together with such amount of general funds of the company as may be required, are to be applied to the redemption at 102% of the principal amount, of the entire outstanding $17,182,500 principal amount of first mortgage sinking fund bonds, series A, 3¾%, due Sept. 1, 1955, of the company. The redemption of the bonds will require, exclusive of accrued interest, $17,526,150. The accrued interest on the bonds will be paid by the company out of its general funds.

Registration Statement No. 2-5347. Form S-1 (4-6-44).

WEDNESDAY, APRIL 26

CONDE NAST PUBLICATIONS, INC.—Alfred C. Howell, Macdonald De Witt and Hugh Quennell, trustees, have filed a registration statement for voting trust certificates for common stock of Conde Nast Publications, Inc.

Address—Boston Post Road, Greenwich, Conn.

Business of corporation, publisher.

Offering—Voting trust agreement was executed as of Jan. 31, 1934, amended under date of Sept. 29, 1934, and extended and renewed on Jan. 31, 1944. Voting trust certificates for 176,000 shares have been delivered and are outstanding.

Purpose—To extend voting trust agreement.

Registration Statement No. 2-5348. Form F-1 (4-7-44).

WESTVACO CHLORINE PRODUCTS CORPORATION has filed a registration statement for 35,000 shares of $4.25 cumulative preferred stock, without par value.

Address—405 Lexington Avenue, New York City.

Business—Engaged in the manufacture of a diversified line of organic and inorganic chemicals and certain mineral products.

Underwriting—F. Eberstadt & Co., New York, is the principal underwriter with names of others to be filed by amendment.

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

Proceeds — Will be made available for one or more of the following purposes: Enlargement and improvement of present plants and processes; erection of plants to produce new products; acquisition and conversion of plants now owned by the government and operated by the company, as well as other properties, and other general corporate purposes.

Registration Statement No. 2-5349. Form S-1. (4-8-44)

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.

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). Filed March 14, 1944. Details in "Chronicle," March 23, 1944.

Issue awarded April 10 to Shields & Co. and White, Weld & Co. on bid of 101.6899 for a 4% issue.

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.

LOUISIANA POWER & LIGHT CO.—$17,000,000 first mortgage bonds due April 1, 1974. Proceeds for refunding first mortgage 5s due 1957. Filed March 16, 1944. Details in "Chronicle," March 23, 1944.

Company will receive bids for the purchase of the bonds up to and including April 18 next; the bidders to specify the coupon 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.

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.

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.

Our Reporter On "Governments"

(Continued from page 1502)

ketwise, from holdings of commercial banks. . . . This would leave total holdings of the banking system little changed. . . . Market support on such a scale would mean raising the open market portfolio to the level of about $15,000,000,000 from the current level of about $12,000,000,000. . . . Pumping of credit into the banking system on such a scale is, of course, tolerable only as a war measure. . . . It shows clearly, however, that energetic action on any scale may be expected in order to maintain the borrowing program. . . .

OPEN MARKET OPERATIONS

It should be noted that the Board of Governors cautiously stated that the open market purchases "may need" to be as much as $3,000,000,000 in the next two months. . . . They may well be far less. . . . The official aim obviously is to offset by such buying the impingement of credit-depressing factors upon the banking system as a whole. . . .

The two main items in this calculation are transfers of war-loan deposits to private deposits, as the accumulated funds of the last Treasury drive are expended, and the increase of currency in circulation. . . . Commercial banks in larger centers now keep fully invested, and even many smaller country banks are coming around to this sensible practice. . . . They will need relief as the Treasury war-loan deposits, against which no reserves now are needed, are transformed into corporate and individual deposits. . . . The relief will be the more necessary in the likely event that currency in circulation continues its growth. . . .

A further item of growing importance in the calculation is the outflow of gold, mainly in the form of earmarking. . . . Latin-American countries in particular, it seems, are inclined to convert their official dollar balances into the yellow metal. . . . In the last 12 months this has caused a drop of almost $1,000,000,000 in our monetary gold stocks, with the trend in recent weeks toward an increase of takings. . . . Such gold losses may be of considerable aid to international trade in the long run, but for the moment they lower our banking reserves dollar for dollar, and will have to be offset by open market purchases of Governments. . . .

MARKET SUPPORT

The Federal Reserve Bank of New York, which has steadily taken the lead in efforts to modify speculative purchases of Government bonds during Treasury drives, supplies some interesting information on such purchases in its 29th annual report, issued last week. . . . The lack of direct offerings of securities to commercial banks in the last drive, and the statistics of enormous sales to non-bank investors, conceal a substantial use of bank credit in the drives. . . . The apparent concern of the bank over this matter may well signify a further intensification of the effort to exclude temporary buyers. . . .

Now that banks cannot buy directly in the drives, bank credit comes into use chiefly through loans to finance subscriptions by non-bank purchasers, and through market buying of outstanding issues by banks, the report states. . . . These are matters of the utmost familiarity to those in the market, but the statistics nevertheless are interesting and important. . . .

In the first three drives, to which the review is confined, the rise in loans on securities by all weekly reporting member banks of the country, measured from pre-drive lows to actual highs of drive periods, ran to $700,000,000 in the first campaign, $1,275,000,000 in the second and $1,800,000,000 in the third. . . . The banks which financed these subscriptions subsequently purchased most of the securities, it is contended. . . .

Less easily ascertainable are definite figures for sales of outstanding issues by holders who preferred to purchase new Treasury obligations during drives. . . . Commercial banks, of course, were principal buyers of securities thus liquidated, and these takings added heavily to total holdings of the banking system. . . .

The market purchases by the commercial banks and the Federal Reserve Banks increased the holdings of the banking system by $2,400,000,000 in the four months during and following the first drive. . . . In similar four-months' periods of the second and third drives the increases were in the neighborhood of $3,000,000,000 and $4,000,000,000, respectively.

Fashion Park, Inc. Sales At All Time High—Post-War Prospects Held Excellent

No Reconversion Problems Seen

In the annual report of the company for the fiscal year ending Nov. 30, 1943, Fashion Park's President, Edward Rosenberg, reveals that sales are at the highest level in the company's history. In addition to a great volume of civilian business, including newly added lines of feminine sportswear and tailored suits, the company has furnished quantities of uniforms directly to the Armed Services, and only recently has been awarded a contract for officer's uniforms for the U. S. Army.

A continued high volume of sales for the duration of the war seems assured as advance bookings for the spring of 1944 were at their all-time peak. However, in its post-war possibilities, Fashion Park assumes its greatest significance from the investor's viewpoint. A survey of the company's prospects during demobilization and ensuing years indicates a sales volume limited only by its manufacturing facilities. This conclusion is based upon the premises that millions of potential customers now in service will employ a portion of their "mustering-out" pay to equip themselves for a return to civilian employment; recognition of the famous trade names "Fashion Park" and "Stein-Bloch' is continually expanding among strong retail dealers, enabling the company to obtain new outlets; while the clothing business faces no primary reconversion problem, the cessation of hostilities should tend to eliminate certain production bottlenecks through the release of adequate supplies of raw materials and, as a result, enable a better planning of production schedules. This, together with normal labor supply, should greatly increase manufacturing capacity with its attendant economies.

Capitalization of Fashion Park, Inc., as of Nov. 30, 1943, consisted of $1,388,500 20-year 5% debentures due in 1963; 5,187 shares of cumulative preferred stock with a stated value of $50 per share, and 59,793 shares of common stock with a stated value of $2 per share.

Net earnings for 1943 after provision for Federal taxes and preferred dividend requirements were $327,997.52, or $5.50 per common share, as compared with $237,283.20, or $3.96 per share in 1942. On this basis interest on the 20-year 5% debentures then outstanding was earned approximately 9.7 times. Analysis of the company's balance sheet as of Nov. 30, 1943, reveals total current assets of $1,853,644.33, which is offset by only $457,782.35 on current liabilities. The remaining balance of $1,395,861.98 net current assets is equivalent to about $269 per preferred share and approximately $17.20 per share for the common after full allowance for the preferred stock, including the arrears to April 1, 1944.

The annual result of the company's subsidiary, Weber & Heilbronner, Inc., are not definitely known, since their fiscal year ends Feb. 29, 1944, but Edward Rosenberg, President of Fashion Park, Inc., predicted that a conservative estimate of net earnings would be $100,000 for their fiscal year, which estimate is reflected in the Fashion Park, Inc., earnings of $327,997.52.

Ed. C. Wright Retiring

ST. PETERSBURG, FLA.—Effective April 1st, the firm of Ed. C. Wright & Co. discontinued business as a security dealer.

Ed. C. Wright, founder and owner of the securities business which has been conducted under this name since its incorporation in 1931, is retiring and while he will retain his present offices located in the Rutland Building, it will be only for the purpose of managing his personal investments.

Jos. Faroll & Co. Admits

Bernard Berk will become a partner in Joseph Faroll & Co., 29 Broadway, New York City, members of the New York Stock Exchange, as of April 20th.

Interesting RR. Situations

The current issue of B. W. Pizzini & Co.'s "Railroad Securities Quotations" contains interesting data on Rensselaer & Saratoga stock and Delaware, Lackawanna & Western. Copies of the publication, which contains quotations on guaranteed rail stocks underlying mortgage railroad bonds, reorganization railroad bonds, minority stocks and guaranteed telegraph stocks, may be had upon request from B. W. Pizzini & Co., 55 Broadway, New York City.

Forbes & Co. In Denver

(Special to The Financial Chronicle)

DENVER, COLO. — Russell H. Forbes has formed Forbes & Company with offices in the First National Bank Building to engage in general securities business. In the past Mr. Forbes did business under the name of Forbes & Company; recently he has been with Otis & Co.

Gain Or Lose On Friscos?

Raymond & Co., 148 State St., Boston, Mass., have issued an interesting discussion on how the current holders of Frisco issues will fare by the new capital setup. Post-war estimates and figures are presented in this discussion, copies of which may be had from Raymond & Co. upon request.

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