The Flight From Free Markets

In addressing the Swedish Chamber of Commerce, at its annual meeting in April 5, Dr. Virgil Jordan, President of the National Industrial Conference Board, expressed the view that "the elemental economic facts 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: "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 implications." (Continued on page 1510)

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 1596; for Wisconsin page 1598.

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Business After The War---Inflation Or Deflation?

By GEORGE B. ROBERTS

Vice-President, The National City Bank of New York

Barker 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—Holda 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 closed 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 Dews and Mary Smiths are mainly worried about, some 10% of the boys and girls say, "We can't be sure that the prices of our goods won't be higher after the war."

"An address delivered at the Forty-second Annual Conference of the Controllers Institute of America held at the Waldorf-Astoria, New York City on April 3, 1944."

(Continued on page 1520)

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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 On To Strict Medium Which Offers Any Reasonable Prospect Of Becoming International On Any Scale. Urges Resistance 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 farm, with industry playing only a minor part of our total income. American chemical industries were in the last stage 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, jesus, 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.

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 Stock Exchange 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 Counsel. Messrs. Metz and E. A. 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 known.

(Continued on page 1523)

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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 ascertain the 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 mailed questionnaires of the over-all returns.

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

<table>
<thead>
<tr>
<th>TOTAL BALLOTS RETURNED</th>
<th>967</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUMBER FAVORING 5% RULE</td>
<td>146 or 15.1%</td>
</tr>
<tr>
<td>NUMBER OPPosed TO 5% RULE</td>
<td>821 or 84.9%</td>
</tr>
</tbody>
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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 of the particular industry or profession, exchange of information, rules of business and professional conduct, etc., etc.

But, there are 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 unenforced 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 rational legislature, and it is common knowledge, they are bombardizing the public with diametrically opposed views, from within and from their organizations. Some refuse in protest. The fight goes on, and it 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)
MARYLAND DRYDOCK COMPANY
ELASTIC STOP NUT CORPORATION
STRUTHERS WELLS CORPORATION

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 Finally Still Further In 1946 And 1947—Levels Of Traffic And Gross Earnings During The Whole Post-War Period Will Be Above The 1939 Figures And Railroads Should Continue To Remain A Major Transportation Agency.

By J. H. HARPELLE*

The railroad industry, as one of the most important and naturally amongst the critical industries, have about three-fourths as far as is apparent, while operating revenues were less than two-thirds of the 1929, and most comparisons are made, in general, in the 1929 base which subsequent railroad operations have developed.

What has happened to the railroad industries in terms of demand for transportation service? A short and dandy answer would be: Plenty! Traffic and revenues increased during each year from 1939 to 1944, and are still rising in 1944. Starting at a relative level of 100 in 1939, ton-miles increased in 1940 to 117. During the year 1944 Under the heading of Railroad Securities on page 1005. (Continued on page 1006)

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

The use of part of the $21.5 billion monetary gold held by the United States in 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, and member of the American Import & Export Bulletin. One of the several factors which favor the use of gold for this purpose is the fact that the United States is a net exporter of raw materials and that the \( ^{\text{same time ease the strain the gold left on our reserves of certain-domestic raw materials.}} \)

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

"It would be helpful to lessen the danger of post-war depressions—and, in some cases, possible political upheavals—in countries that have largely been dependent on our gold and silver we have had cached for many years."

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This balance and perspective is reflected in our analyses and in our dealer relationship. Dealers with whom we have done business realize the truth of these statements; you are cordially invited to test them for yourself.

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, Coordinating 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 pertain to this proposal and his comments merit private placement of new issues and competitive bidding follows:

"More American brows are furrowed over the money ques-
tion 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 bankers may look to the government at 3% 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 isirked by his idle dollars now staying home under the bed growing pale and anemic. Getting this.

(Continued on page 1522)
UTILITY PREFERENCES

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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 rates. Gross revenues have declined in only four of the 17 years—during 1931-33 and in 1938, periods of substantial business depression. During the entire period the utilities' net earnings (after federal income taxes) have never declined, and even in 1938, the utilities were able to offset this by greater efficiency in operations and by lower interest rates on their funded debt. With this steady ratio of net to gross 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 66% below the 1926 level? The answer is that the utilities have been working for the Government during World War II, and in 1943, taxes took 23 cents out of each dollar of revenue, compared with 9 cents in 1928. This is not due merely to the present wartime revenue demands; the utilities' tax bill has doubled without exception, and the ratio to gross revenues (figured as a round portion of the current month's revenue) has increased during this period. During the period 1938-42 the utilities were able to retain about 30 cents out of each dollar of gross, offsetting the gain in taxes by economies elsewhere, and in 1938 the ratio dropped to 21 cents and remained around that level until 1940, after which there was a downward trend to 17 cents in 1943.

The 1938-42 period, 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.

January, recently released, indicated a gain in revenues of 7%, but the other hand, expenses were up 17%, depreciation 2%, and taxes 6%, resulting in a decline in net operating revenues of 5.1%. While the utilities were able to save about 4% on their fixed charges, due to refunding operations, they were not able to offset about the same decline as net operating revenue, 6%.

The gain of 17.4% to expenses for January compares with an increase of 12.7% for the 12 months ended January. Presumably it reflects an increase in material costs. Continuation of the January rate of decline in net during the remainder of the year would bring down to about $475,000,000—the lowest since 1926.

PROBLEMS OF COMPILING A C'OST 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 F. D. Bell, 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 a basis for making wage adjustments and other tools. The index of prices is also used as a measure of the effectiveness of price control, and may be used in the development of the purchasing power of the public. It is the rate of change with reference to wage adjustments. To serve all these purposes, the index must be made technically and economically adequate and publicly acceptable. The technical methods to which an index of prices must be subjected are familiar to all of you. The index of prices must truly be that which prices must be, representable, and adequate to serve the uses to which it is put.

The national index of the cost of living compiled by the Bureau of Labor Statistics meets these requirements, and was directed the conduct of a number of the American Statistical Association, after a careful examination by experts and thepike index of prices, the dollar cost of living charged to the individual and family. The index will be published in the Thursday, April 13, 1944

"Our Reporter On Governments" By ELIHI BRADBURY

Official policy on Treasury war financing, which is the principal determinant of the market, has been set forth in a variety of ways. Every action and every recommendation indicates that no deviation is contemplated from the course set soon after the United States entered the War, that of controlling the market and the costs of war finance are readily available, and equally in the realization that the monetary authorities to the outset of our participation...

MARKET STABILITY

This suggests continued stability of the market, but it does not mean infinite stability. Communication will be held that the policy might change the pattern, although none is discernible at this time. End of the war, or even the end of the present tax year, may produce disturbing monetary and credit phenomena.

The Treasury, indeed, seems to be prepared 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 may imply the Treasury set up with the aid of Congress, with the result that a way out of the current tax dilemma is found even if it should be.

Notwithstanding these difficulties, it has long been apparent that a change in the "normal" tax rates was inevitable. The Treasury's recognition of this fact is being reflected in the present tax year, and the last quarter showed in many instances a decided rise in earnings and yields on the market for securities, as well as for governments.

Lengths to which our central banking system is prepared to go in maintaining the established war borrowing program are suggested in the current monthly bulletin of the Board of Governors, published on April 17th. The review touches briefly on the amount of funds which the Reserve System will need to cover the suppling the year through normal working balances.

Such purchases, it is stated, may need to be as much as $2,000,000,000 before the next war loan drive.

The increase, moreover, is likely to be effected mar.

(Continued on page 1528)
A Discussion of the Prospective Prices of the New Railroad Second Mortgage Income Bonds

Pflugfelder, Bampton & Rust

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Railroad Securities

(Continued from page 1500)

(OUR RAILROADS, WAR AND POST-WAR)

1940 and 1941, reached 1943 in 1942 over last in the volume of industrial production. It seems likely that railroad freight traffic was closely parallel to the production trend and that revenue ton-miles will show even greater increase of perhaps as much as 50%. The actual increase in January was 10%, but this rate of increase is expected to well off at the end of the year. The passenger traffic is expected to show an increase of from 75% to 100% in 1944. The increase in January was 25%, but this rate, too, will decline later in the year.

Revenues will reflect the trends in freight and passenger traffic. In 1941, net earnings was about $1 billion, and on railroad net earnings will also be greater. Greater revenues offer no guarantee, however, that railroad net earnings will not also be increased. Although total revenues in 1942 increased more than 1½ billion dollars over 1941, net earnings, after adjusting for taxes and expenses, reduced a decrease of over 70 million dollars. Similarly, despite a prospective increase of some 500 million dollars in total revenues in 1944, compared with 1943, net earnings may be certainly less this year than last. In January, for example, revenues this year were 15% below the 1943 level, and net was down 21%.

The decreased net in 1945, and the further prospective decrease in net in 1946, as the result of higher wages, higher prices for materials and supplies, and higher taxes.

Summarizing these various prospects, the physical performance of the railroads in 1945, the latest complete year, you already know, was highly likely that railroad traffic and total revenue will decline in 1946. If these expectations are not realized, the volume of freight traffic in 1946 will be nearly twice as great as in 1943, the peak year for the first World War, and passenger traffic will be nearly 50% as great as in 1940.

Railroad net earnings, however, reached their peak in 1943, 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 freight traffic in 1946? We know, shortages in critical war materials during the past two years have both improved and maintained production. Furthermore, because of comparatively small allocations of new steel and other metals, the railroads have found it nec-
“SUGGESTIONS”

We will be pleased to make suggestions to dealers who are interested in the real-estate distribution of Real Estate Securities.

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Real Estate Securities

By JOHN WEST

Commercial Buildings Again In The Foreground
One Park Avenue 6, 1901, have just been called at par, joining the Chrysler Building, at 100, and the Pershing Square Building, at par.

Designs of real estate bonds secured by commercial buildings are illustrated by current bids of 105 for Lincoln Building bonds with stock, 108 for 11th Fifth Avenue; 95½ for the Graybar Building, and 5½ for 18 Eastern 44th Street bonds.

Behind the parade of similar buildings on Broadway along with them, are the first mortgage bonds of Lincoln Building. These bonds are only selling at around the 70 level, yet they earn their interest requirement 2.03 times. Issue has been reduced from $6,000,000 to $1,043,600. 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 7% mortgage merchandise building has long occupied the position of display and sales center for the rug and carpet manufacturing trade. This industry has suffered from a lack of orders, permitting an increase in revenue from the rents of 5%. Sept. 23, 1943, in this column we compared the Channing Building bonds, selling at 91%, with Graybar Building bonds, selling at 95½%. Graybar bonds are 3 points since that time, while Channing lower bonds have gone up 13½ points.

We are still of the opinion that the price of a 6½% bond is too low. 10% yield is possible according to current market prices of the 6½% bonds at the Bank of America, at 97. This 3-story office building contains a rentable area of 570,000 square feet. Its stories 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 called "Macy-Gimbels Line." Adjacent to these huge department stores are the loft buildings that house the manufacturers of wearing apparel. Within the bonded buildings have been raising their rents, adding to the allure of the bonds securing the mortgages of the buildings.

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Thus the Street is still confused. Most of the confusion comes from the fact that the market refused 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 their pretensions 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 there is no need to talk about it. The name can occur. The other side pooh-poohs that opinion and says that when the Big Shout'ing 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 economic one. Cold-blooded analysis seems to indicate that no whopping up of a market is possible with growing casualty lists. The market, however, is quite impersonal about casualty lists on masse. The price of the market as a whole is the most important political figure, if expected, will have more of an effect. This, of course, brings you back to the discounting qualities of the market. Anything can be theoretically forecast, but you can set up large casualties are an integral part of a war, more so for the off-market than the market. In the former market his discounted them to some extent is possible. What it hasn't discounted is of the start of the actual invasion, e. g. newspaper headlines, relative news fearlessness. If the invasion is feed (Continued on page 1225)
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 Economic Consumption Essential—U. S. Oil Industry's Predominance Due Primarily to Individual Free Enterprise And Competition—Sees Need For Oceans of Oil After War

By CLARENCE P. HOLT, Chairman, Standard Oil Company, New York, Vice-Presidential and Director of the Standard Oil Company of New York, speaking at the 22nd annual meeting of the Chamber of Commerce of the State of Kentucky, at Louisville, April 6th.

A point on the imper- tance of petroleum prod- ucts in con- ditioning the war, and the part it is playing in our defense needs, was made by Mr. Holt on this topic, Dr. Holman commented as fol- lows:

"But there is no reason to be- lieve that the production will fall off when the final battle for freedom is won. If we are to move on to a higher and more progressive world—a world in which even more people enjoy the fruits of the earth through the means of a living— we shall need far more oil and gas to meet the needs of a growing civilization. Social and economic advance in post-war conditions and the construction of devastated areas of Europe, the progressive industrialization of relatively undeveloped areas such as China, Brazil and parts of South America—all this will call for oil.

"In the face of this great anti- doted demand, there has been much public discussion of our oil resources. Some of this dis- cussion has created a great deal of uneasiness, especially in our own country in the very verge of running out of this commodity, of course, alarming. Without oil, America cannot live. Our present situation and the world would be severely curtailed. Our capabilities by our own selves 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 above discussion. It has been said, for example, that we have only enough oil for the country to last 14 years. This figure is obtained by taking the fig- ures for the 30 years that will be required to drain all the nation's oil fields, as we have about one and one-half billion barrels.

"The trouble with this compu- tation is that it ignores several important factors. In the first place, such a computation assumes that our consumption is what it was in America. The fact is that we are still finding considerable quantities of oil, and we certainly agree that there are still huge deposits of oil on land, and beneath this land of ours. It is true that we are running down the oil fields, but we are finding it as we go. In fact, we are finding it more than we are using it.

"Improvements in technology have made it possible to extract far more of the amounts that are being made available. This is particularly true in the case of the relatively new crudes that are being found in the Gulf Coast area. These crudes are much harder to refine and we have not been able to develop them as efficiently as we were able to do with the crudes that were found in the West.

"The problem is that we have been finding it more than we are using it. In fact, we have been more fortunate in finding it than we have been in developing it. The net result is that our oil reserves are increasing rather than decreasing.

"The increase in the amount of oil we can produce is due to several factors: the development of new fields, the discovery of new pools, the improvement of our wells, the increase in the use of the more efficient types of equipment, and the improvement in the efficiency of our workers.

"In conclusion, I believe that the potential supplies of oil are sufficient to meet our needs for many, many years to come. The important thing is to use our oil resources in the most efficient manner possible, and to conserve them for future generations. With these principles in mind, I am confident that we will be able to meet the demands of the post-war world and beyond.
Chicago Brevities

In an attempt to solve Chicago's ancient problem—that of traction—our reporter has drawn up a bill for private reorganization of the transit lines. This plan, along with the municipal ownership proposal advanced by Mayor Edward J. Kelly 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 recent private reorganization proposal, which will soon be up for hearing in Federal court. The amended plan slashes the capitalization of the Chicago Transit Company, lowering annual fixed charges from $596,558 to $494,367; eliminating preferred stock by amounting to $325,465,000; and increasing interest on the proposed first mortgage bonds from 5% to 6% fixed and 2% contingent on earnings. Under the newly suggested capitalization, the reorganiza-
tion company would have 471,718,356 first mortgage bonds; $7,005,359 first mort-
gage bond series B; and the $966,279 common shares. Surface lines will retain the privilege of reti-
tive the series A bonds and two common stockholders; 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 prevent security holders of the two companies. This plan would greatly cut the par value of all of the out-
standing securities which would get nothing.

LaSalle 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 bonds to the extent of $7,000,000 of the warrants outstanding, plus about $16,000,000 in interest due, and the paper is fairly widely distributed.

The Supreme Court opinions held that the judgments which had been referred to collect (Continued on page 1507)

Chicago Recommendations

Brailford & Co., 208 South LaSalle Street, have issued an in-
teresting memorandum on railroad freight

North Shore & Milwaukee Rail-
road Co., which may be had upon

request.

Farol & Co., 208 South LaSalle Street, have prepared recent analyses on Merchants Dispatch Corp. and Standard Silica Corp. common stock. Copies of these analyses have been had upon request from Sincere and Co.

Sincere and Co., 231 South LaSalle Street, have in preparation for sale, a special circular on American LaFonde and stock. Copies of this circular have been had upon request from Sincere and Co.

Thomson & McKinnon's Stock Review Committee has just released an im-
portantly to consider the Excess Profits Tax and the effect of the Excise Tax on the relative worth of the certificate stock. They have requested their release of last month on "The Changed Status of Railroad Equities" by this column. Possibly a number of these reports are more or less general in char-
acter, Thomson & McKinnon have made a new little booklet ready for dis-
tribution entitled: "A List of Low Priced Equities." It is an imaginary portfolio, listing 10 specific stocks with a short sum-
mary of each, represents an in-
vestment of approximately $1,150,000. it does not contain many of the highest capitalized industrial stocks. Anyone desiring of securing copies of any stock listed, is urged to obtain them, free of charge, by addressing Thomson & McKinnon, Statistical Library, 4 South LaSalle Street, Chicago, Illinois.

LaSalle Street, will send com-
plete, up-to-date information on
Continental Commercial Corp. and Rieke Metal Products Corp. upon request.

William A. Fuller & Co., 208 South LaSalle Street, have prepared an interesting study of Goldblatt & Co., Inc., Chicago, and a copy may be had from the firm upon request.

Straus Securities Co., 133 South LaSalle St., Chicago, have prepared recent reports on Black Hills Power & Light Co., committed are operated under the names of the "Fine Drug Company in Chicago", "The Drug Company" in Rockford and Springfield. Net after all charges and taxes of 1943 amounted to 50c a share with dividend payments of 30c.

With Hornblower & Weeks

Chicago, ILL.—Frank M. Darby has been added to the staff of Hornblower & Weeks, 28 South LaSalle Street.

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APPLIANCE
COMPANY

RYAN-NICHOLS
& CO.

185 South LaSalle St.

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Member of Chicago Stock Exchange

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The Changed Status of Railroad Securities

Investment has been made in the preparation of a comprehensive memorandum on railroad securities, including the reorganization issues.

Available on Request

THOMSON & McKINNON

New York Stock Exchange and all principal exchanges

231 South LaSalle Street

Chicago 4

Summer田

1944

Thursday, April 13, 1944

FOREIGN
SECURITIES

Bought — Sold — Quoted

ZIPPIN & COMPANY

208 S. LaSalle Street

CHICAGO 4

RANDOH 4096

Chicago Recommendations

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

Floyd D. Cerf Company To Offer Shares 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 by the Floyd D. Company, which plans to issue Class A and common stock of American Frozen Food Lockers, Inc., which operates a chain of plants in Chicago, Illinois, and Westchester County, New York. Proceeds of the stock offering will be used primarily for the expansion of the company's two additional locker plants planned for Brooklyn, New York, and for use in Westchester County. The company is the first in the industry, in operation 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, with 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 4,056 lockers. The number of resources Corp. International

A holding Company owning extensive interests and lands in MEXICO

Information on request.

CASWELL & CO.

120 South LaSalle Street

CHICAGO 3

Tel: 209 S. LaSalle St. • Chicago 275

Teletype CG 123

NEW YORK MARKETS for the MIDWEST

STRAUSS BROS.

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231 South LaSalle Street

Chicago 4

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CG 123

Chicago Brevities

In an attempt to solve Chicago's ancient problem—that of traction—our reporter has drawn up a bill for private reorganization of the transit lines. This plan, along with the municipal ownership proposal advanced by Mayor Edward J. Kelly 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 recent private reorganization proposal, which will soon be up for hearing in Federal court. The amended plan slashes the capitalization of the Chicago Transit Company, lowering annual fixed charges from $596,558 to $494,367; eliminating preferred stock by amounting to $325,465,000; and increasing interest on the proposed first mortgage bonds from 5% to 6% fixed and 2% contingent on earnings. Under the newly suggested capitalization, the reorganization company would have 471,718,356 first mortgage bonds; $7,005,359 first mortgage bond series B; and the $966,279 common shares. Surface lines will retain the privilege of retaining the series A bonds and two common stockholders; 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 prevent security holders of the two companies. This plan would greatly cut the par value of all of the outstanding securities which would get nothing.

LaSalle 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 bonds to the extent of $7,000,000 of the warrants outstanding, plus about $16,000,000 in interest due, and the paper is fairly widely distributed.

The Supreme Court opinions held that the judgments which had been referred to collect (Continued on page 1507)

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NEW YORK MARKETS for the MIDWEST

STRAUSS BROS.

Members New York Stock Exchange and all principal exchanges

231 South LaSalle Street

Chicago 4

Telephone 209 S. LaSalle Street

CG 123
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 System," but who are not in a position to make the hard decisions which represent the debt and the ownership of the industries of which they are comprised.

These are the individual investors which the progressive securities dealer should cultivate. They are not too wise—they don't read the knack of much financial story—they ask for help in investment decisions and term fluctuations. Neither are they so devoid of understanding that they believe that it is possible to achieve the millennium when it comes to making an investment.

They are interested in practical safety—supervision of their portfolios 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 details, 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 wish the highlights. Imagine that you would tell every day your doctor looked you over, be present with you with a technical analysis of your entire anatomy—you might find it interesting and enthralling, but that's the limit.

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 the real win or lose 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, you 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 returns, too," you are wasting time, money, and effort.

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 about 18,000,000 people, who we refer, will also be worse lost one by one, service for service. We believe that security dealers should make a profit—that comes first—before anything else. That means seeking out the type of business on which a fair reward for the effort expended can be secured.

HOTEL SHERMAN 55/57 w.s.
AMBUSSEAD EAST HOTEL 55/52 w.s.
MORRISON HOTEL 5/9/48
EDGEWATER BEACH 64/69 w.s.
BISMARCK HOTEL

KNEELAND & CO.
161 W. Washington REY, CHICAGO
Tel. WAR. 8286 and Western Union Telephone

TO MAKE

CHICAGO BREVIETES

(Continued from page 196)

unpaid obligations were still valid judgments—but at the same time the court said that there was no 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 seem 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 of Baltimore; the Boston Stock Exchange; the Federal Reserve-Food Corp.; the Chicago City Bank and Trust Co., and numerous others.

The future of the warrant holders started in 1921, when the amount of unpaid warrants of $85,000,000 was claimed. They sued for redress and obtained $53,000,000. As a result of this decision the Board of Education was forced to pay the judgment, but before it could do so, a new public act was passed in 1923, repealing the outstanding warrants and making the court order final. The last of the cases must be decided before the end of the year.

Investment Securities

Public Utility — Railroad Industrial — Municipal Issues
We Maintain Active Trading Markets in the Leading Over-Counter Securities

E. H. Rollins & Sons

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Professionals in CHICAGO

Traction Securities & Chicago No. Shre & Mfr. R.R.

$1,500,000

Katz Drug Company

Fifteen Year 4% Sinking Fund Debentures

Dated April 1, 1944

Price 102% and accrued interest

The Proceeds may be obtained from the underwriker.

A. G. Becker & Co.
INCAPORATED

April 11, 1944

TRADING INTEREST IN
Reliance Steel Corp.
Fuller Mfg. Co.
Central Elec. & Tel.
Common & Preferred

C. L. Schmidt & Co.

120 South LaSalle Street
Chicago

HIKES & RICE

New York Stock Exchange
Exchanged Wholesalers (Ass'n)

Consolidated Gas Utilities Corporation

Bought — Sold — Quoted

231 S. LaSalle St.
CHICAGO

Bought — Sold — Quoted

DANIEL F. RICE & CO.

Bought — Sold — Quoted

Illinois, Iowa and Wisconsin Municipal Bonds

18,000,000 Americans

1914

Another innovation on the Chicago Stock Exchange is a new policy releasing information about the purchase, gift 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.
Presidential Report On Stabilization Of Wages And Prices Incident To "Hold-the-Line" Order

A report in which it is stated that "the record—one year of stable living costs—is unprecedented in our history. The same is true of prices. The fact that the "Hold-the-Line" order prevents increases in wages and prices, was submitted to the Office of Economic Stabilization, to the Office of Price Administration, and to the Chairman of the National War Labor Board. The report stated that the need for continued restraint and continued cooperation with every phase of stabilization program is evident. Obviously, the need for policies and machinery which have served us so effectively thus far.

"The President, it is stated, made the following recommendation: "It is the first indication of the need for policies and machinery which have served us so effectively thus far."

"On this first anniversary of the "Hold-the-Line" order we can report that the task of stopping the rise in prices has not yet been accomplished. Stronger controls provided by the "Hold-the-Line" order have been put into effect. As a result the cost of living, which before the "Hold-the-Line" order was rising 4% a month, has been held without change of any consequence.

"It is true, as everyone knows, that the cost of living is rising. It is sometimes explained by some items, clothing, for example, which are not included in the index. In this year, however, it has been fully offset by decreases in the prices of other items, notably food, which has left the cost of living as a whole is slightly lower than it was a year ago to day. This record—one year of stable living costs—is unprecedented in this war in or in the history of the country.

"On wages, too, the record is clear.

"Under the strict standards imposed by the Federal Reserve Board of the "Hold-the-Line" order it was decided that the price of living wages had to be made to correct gross inequalities, to eliminate substantial payments for "apprenticeship" to "the Little Steel formula."

"During the year, wages have been increased, which those which lagged behind the general upward trend of wages have increased due to factors not regulated by the "Hold-the-Line" order. Each working man will have to work harder, working longer hours, in order to maintain his standard of living. Must the policy been to restrict working hours? "The "hold-the-line" is recommended, the result would have been increased and social unrest could not have been made. The people's standard of living remained substantially unchanged during the period of wage stabilization. The level of basic wages has increased and the average wages of $1,200.00 per year.

"Taxes After the period."

"Wages, however, are not a monopoly of the wages, but the prices for the stabilization period are still rising. The "Hold-the-Line" order is interpreted 'as the government's formula for maintaining the "Hold-the-Line" order."

"Manufacturing Company

"We are interested in:

"Chgo. Milw. & St. Paul

"Missouri Pac.

"GIVAN COMPANY

"UNDERLYING SECURITIES

First Wisconsin Natl Bank Building

Chester, Wis. 53077

Tel. May 522

equal to $1.00 a share for the fiscal year ended Nov. 30, 1943, against $1.54 a share for the fiscal year ended Nov. 30, 1942. Profit before taxes amounted to $170,000 for the fiscal year ended Nov. 30, 1943, against $120,000 for the fiscal year ended Nov. 30, 1942. For the quarter ended March 31, 1944, profit before taxes amounted to $19,000 against $19,000 for the quarter ended March 31, 1943.

"This stabilization has brought untold benefits to all groups. Corporation profits, which were $5,000,000,000 in 1939, had increased to $10,000,000,000 in 1942. This means that the American people, through the purchase of bonds and other stabilizing measures, have contributed more than $5,000,000,000 to the war effort.

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### SOURCES AND DISPOSITION OF INCOME

<table>
<thead>
<tr>
<th></th>
<th>1915</th>
<th>1918</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from coal</td>
<td>$42,761,918</td>
<td>$54,417,564.28</td>
<td>$11,655,646.28</td>
</tr>
<tr>
<td>Revenues from coal and coke</td>
<td>6,063,810.09</td>
<td>5,639,609.09</td>
<td>224,201.00</td>
</tr>
<tr>
<td>Revenues from passengers</td>
<td>3,684,738.27</td>
<td>2,135,624.89</td>
<td>1,549,113.38</td>
</tr>
<tr>
<td>Transportation revenue</td>
<td>2,524,308.49</td>
<td>2,069,887.74</td>
<td>454,420.75</td>
</tr>
<tr>
<td>Dividends from stocks owned</td>
<td>74,901.50</td>
<td>79,113.50</td>
<td>4,212.00</td>
</tr>
<tr>
<td>Other income from non-railroad operations</td>
<td>772,312.06</td>
<td>509,229.56</td>
<td>263,082.50</td>
</tr>
<tr>
<td>Total</td>
<td>$55,831,488.36</td>
<td>$44,983,709.31</td>
<td>$10,847,779.05</td>
</tr>
</tbody>
</table>

**We disposed of our income as follows:**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>$19,283,859.10</td>
</tr>
<tr>
<td>Materials, supplies, and fuel</td>
<td>8,247,009.09</td>
</tr>
<tr>
<td>Railway tax accruals, other than Federal and Canadian tax on income</td>
<td>2,677,783.98</td>
</tr>
<tr>
<td>Payments to contractors, associations, other companies, and individuals</td>
<td>4,567,809.23</td>
</tr>
<tr>
<td>Rent for equipment of others used by us, less amounts received from others</td>
<td>119,646.11</td>
</tr>
<tr>
<td>Rentals and expenses paid for facilities used jointly with others, less amounts received from others</td>
<td>3,159,551.59</td>
</tr>
<tr>
<td>Interest on funded debt</td>
<td>2,904,133.95</td>
</tr>
<tr>
<td>Other interest</td>
<td>57,963.35</td>
</tr>
<tr>
<td>Depreciation, amortization, and retirements</td>
<td>4,740,889.19</td>
</tr>
<tr>
<td>Total</td>
<td>$46,277,871.47</td>
</tr>
</tbody>
</table>

**Net Income before Federal income and Canadian income and excess-profits taxes** | $9,554,076.89 |
| Federal income and Canadian income and excess-profits taxes | 2,619,150.69 |
| Balance remaining for other corporate purposes | 6,934,926.20 |

**Italic denotes credit**

It is interesting to note that whereas operating revenues in 1943 were greater by $6,554,965, or 13.6 percent, than those of 1929, the highest previous year, net income for 1943 was less than half the net income of $7,473,729 in 1929. The difference is more than explained by taxes which amounted to $5,612,341 in 1943, compared with $5,962,186 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 measures the proportion of revenues consumed by Operating Expenses, was 72.2 percent in 1942 and 70.96 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 1953 First Mortgage Maturities.

The fact that since October, 1942, $2,451,700 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 23.12 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 paying off the outstanding debt, thereby lessening the burden of fixed charges, any present deviation from the policy adopted by the Directors would be unwise.

During the year $1,366,000 First and $4,167,700 of First 5s, totaling $6,534,700 due in 1944, and $3,020,000 First 4½s due in 1980, were retired. These bonds were acquired for $5,284,700, or $1,029,000 less than their face value, an average discount of 16.49 percent. The 1940 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 1,000 of its total of 7,000 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 $526,674. It is estimated that in 1944 these new sources may account for 10,025 cars of freight and produce revenues of approximately $642,650. 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 $3,025,037.

**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 win the war, is now having 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.
Mutual Funds

"Growing With American Industry"

An unique piece of investment literature comes to hand (this week from Investors Mutual, Inc. of Milwaukee, Wisconsin) the title of this piece which takes the form of a 13-page booklet shaped to fit comfortably in the pocket of the average income earner.

And we believe that most investors will be glad to hold it for copies. For it presents the results of a great deal of first-hand 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 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 Keynesites writes: "A prudent investor cannot offer a forecast for the future. He must weigh the possibilities of the present position. He knows that all investments are subject to changes and that an investor who is the possessor of 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 re-investment, and therefore to build up to the maximum size for future benefits.

Chaired the objectives of a "prudent investor" so clearly, Keynesites notes the following suggestion to provide "a balanced investment program for $100,000."

A. 14% in reserves (high-grade bonds)
B. 55% for income (10% medium-grade bonds and 45% in low-priced securities, high-return bonds in some preferred stocks)
C. 20% for income and growth (100% in high-grade common stocks and 10% in income and growth preferred)
D. 15% for growth—inf lation, hedge against loss in each in speculative common, appreciation preferreds and low-priced preferreds and stocks

National Securities & Research Corp., in the current issue of RAILROAD SHARES

A Class of Group Securities, Inc.

Prospectus on Request

DISTRIBUTORS GROUP, INCORPORATED

69 WALL STREET—NEW YORK

Investment Timing, published a detailed analysis of common stock yields and concludes that the yields of high-grade common stocks today are still attractive.

The present figure for the Investment Timing index is 4.7%, which compared with 2.82% for the high-grade bond index. The index points out that although the current stock yield of 4.7% is considerably lower than the high yield of 8.5% 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 of high-grade bonds and consider- ably better than the market brackets prevailing in 1929 and 1937, years of high earnings and stock prices. The stock market average in 1932 when 2.5% was the lowest stock yield ever recorded by the Indexes." (p. 4)

Distributors Group has published a new one-page memorandum entitled, "How About Steel Stocks in the New Normal Era?" to 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 from the shares of the Fund with steel emphasis, it seems that shortly after the split-up is effected, 200,000 additional Speeches can be secured at $1,400,000 shares. The company states that the Flight From Free Markets (Continued from first page)

lutions, or be 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 way of service, from the modern counter-

depart of building pyramids to plowing under what they have constructed. Having cleared the ground, a kind of forced construction is initiated, transforming the voluntary market place into a vast portion of buyers or sellers, or both, for commodities, capital and labor. We are thus witnessing a great change in the economy. The dividend yield on 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 the third round of the Dow-Jones Industrial Average at its recent high was still 5 points below the 1943 peak.

Hpreciation timing, published a detailed analysis of common stock yields and concludes that the yields of high-grade common stocks today are still attractive.

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"On the contrary, the present level is still favorable in comparison with the yield of high-grade bonds and consider- ably better than the market brackets prevailing in 1929 and 1937, years of high earnings and stock prices. The stock market average in 1932 when 2.5% was the lowest stock yield ever recorded by the Indexes." (p. 4)

Distributors Group has published a new one-page memorandum entitled, "How About Steel Stocks in the New Normal Era?" to 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 from the shares of the Fund with steel emphasis, it seems that shortly after the split-up is effected, 200,000 additional Speeches can be secured at $1,400,000 shares. The company states that

This is the economic enigma which challenges the financial lab oratory have brought home to the attention of the world. We of this nation without the free market and trying to keep out of it as far as possible, but we have been superimposing on it by way of service, from the modern counter-

depart of building pyramids to plowing under what they have constructed. Having cleared the ground, a kind of forced construction is initiated, transforming the voluntary market place into a vast portion of buyers or sellers, or both, for commodities, capital and labor. We are thus witnessing a great change in the economy. The dividend yield on 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 the third round of the Dow-Jones Industrial Average at its recent high was still 5 points below the 1943 peak.

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**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 11 1/2% 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 52.57% to 54.53%.

**TAXES** amounted to $36,564,020, an increase of more than 10% 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 $9,188,025.52 as compared with $8,690,571.33 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 the employees 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 offices, 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 to the railroad 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:**
  - Operating revenues increased by $100,093,565 from $88,742,412 to $194,834,119.
  - Total income after taxes amounted to $119,834,119.

- **We disposed of our income as follows:**
  - **Wages:** $75,745,541.80, $39,436,458.78, $4,249,079.08.
  - **Materials, supplies and fuel:** $12,606,779.03, $10,814,431.50, $2,023,945.98.
  - **Railway tax accruals other than Federal income and excess profits taxes:** $4,060,020.19, $3,758,739.32, $308,894.97.
  - **Payments to contractors, associations, other companies and individuals for services and expenses:** $5,077,117.07, $2,499,854.79, $122,595.81.
  - **Depreciation, amortization and retirements:** $4,609,714.96, $3,192,951.82, $1,716,735.47.

- **Total income after taxes:** $119,834,144.92, $90,821,365.68, $11,712,749.24.

---

**Disposition of the Net Income was as follows:**

<table>
<thead>
<tr>
<th>Partition</th>
<th>1943</th>
<th>1942</th>
<th>1941</th>
<th>Increase</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriations for Sinking and Other Reserve Funds</td>
<td>$9,089,173.02</td>
<td>$8,762,477.63</td>
<td>$8,712,525.39</td>
<td>$376,647.33</td>
<td>$496,735.39</td>
</tr>
<tr>
<td>Balance remaining for other corporate purposes</td>
<td>$77,745,541.80</td>
<td>$70,852,564.35</td>
<td>$70,852,564.35</td>
<td>$6,893,977.45</td>
<td>$78,001,998.99</td>
</tr>
</tbody>
</table>

The above summary excerpts from our current Annual Report 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.
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 Bulletin, the experience of stock casualty and life companies in 1943 was generally quite favorable compared with 1942, but not in all respects.

As shown on the favorable side, for example, that on December 31, 1943 their total admitted assets were $1,886,500,000 compared with $1,688,500,000 on the 1942 year-end, a gain of 11%; policyholders' surplus was $72,860,000 or 10% higher; unaired premium reserves were $388,214,000, a gain of 3% over 1942. Premiums written in 1943 were $509,091,000 or 13% higher than in 1942.

Operating ratios, on the other hand, were slightly lower in 1943 than in 1942. The aggregate loss ratio was 54%, compared with 55.1% in 1942. The aggregate expense ratio was 9.7%, compared with 10.9% in 1942. Both the loss ratio, however, was fractionally higher than 36.3% compared with 36.2%.

With regard to earnings, net investment income was 1.1% higher, by $41,235,000 or $53,500,000 in the aggregate, compared with 1942, and was 0.9% larger. However, the net investment gain was $3.78,000,000, a gain of $3,927,000, or 5.8% over 1942.

It is of interest to note that the market for casualty stocks, as measured by Standard & Poor's Weekly Stock Index, has declined 10.3% from 271.945 during March 1943, moving from 172.8 on Dec. 30, 1942 to 141 on Dec. 29, 1943, a decline of 18.7. This performance compared with a 3.9% gain on aggregate insurance stocks as per Standard & Poor's Index, and of 13.8% for the Dow Jones Industrial Average.

Looking now to the experiences of the underwriting year, with the premium collections increased 9.4% over 1942 in 1943, figures for 13 representative stock casualty and life companies published in Tables I and II. Net operating income has declined more or less in 1943, although a few companies show increases. The majority of companies show moderate improvement in net investment income for the sake of uniformity, Federal Reserve Bank of St. Louis

Our Railroads, War And Post-War

(Continued from page 1005)

Peters With R. M. Horner

N. Peters, formerly head of the office of Frederick Town & Co., has been associated with R. M. Horner & Co., and is in business at

Bank and Insurance Stocks
All Issues Traded

| Table I | Underwriting Profit Distribution | |
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Canadian Securities

By BRUCE WILLIAMS

Canadian National Railways
Dominion of Canada Guaranteed
4 1/2% Bonds, Due July 1, 1957

Price 118 and interest, yielding 2.86%.

Wood, Gundy & Co.
Incorporated
14 Wall Street, New York 5
Direct Private Wires to Toronto and Montreal

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

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

New and far-reaching plans for the development and expansion of post-war air transport services on the North Atlantic have been revealed on April 6 by Mr. V. S. Bennett, of St. John's, Newfoundland business man who served as a RA F Captain in World War I, that important interest between Canada, United States and Newfoundland group in the development and operation of North Atlantic air services, based on Newfoundland, U. S. and British materials in Canada and Newfoundland, U. S. and Great Britain is given a definite and definite

North Atlantic Airways. Subject to the consent and approval of the United States Government and other Others, Governments, it plans to operate, over the improved North Atlantic routes, fast, specially-equipped aircraft on the routes connecting Great Britain and the North American and European markets. Mr. Bennett who has initiated the project, says that the capital requirements of the company will depend upon results of an intensive, study of conditions in Newfoundland, Labrador and the North Atlantic area and is expected to begin work next month.

The German airways project would be the first step in the development of air transportation in the North Atlantic area and would be undertaken with the backing of Canadian companies and firms engaged in the air transport industry and since the preliminary shaping of plans by competitive air transport interests has aroused wide and widespread interest, the company will operate under

The “company will operate under

British law and regulations, which provide for the greatly facilitating the operation of the project. The company, Mr. Bennett, said, will be composed of Canadian, Newfoundland, Canadian, United States, and British interests. The Newfoundland Government will be interested in the development of the company and the Newfoundland Government will be invited to have a representative on the board. The company has under consideration method whereby other countries may have an opportunity of participating in the organization. This would tend to strengthen it politically as regards the importance of its operation and ownership and operations.

Participation in the financing of the company by any country will be permitted on the basis of those of the other countries.

Mr. Bennett stated that the company is being formed immediately to the Newfoundland Government in the form of local and national rights and rights to the use of other transport services existing now or projected, and for reciprocal rights in those countries which to which the Newfoundland Government has established similar facilities in Newfoundland and Labrador, Mr. Bennett expressed the belief that only a strong company with international support of this kind would Newfoundland to 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

CROWLEY SEES REICH

Exhausted In Year

Leo T. Crowley, Foreign Eco-

nomic Adviser, said on April 9 that "the Nazi economic power the Nazis can still wage a war, the economic resis-

ence will produce an exhaus-

tion of Germany without parallel in modern history." Mr. Crowley was thus quoted in a dispatch from Berlin to the New York "Times," which noted the following:

Mr. Crowley reported that the mobilized economic strength of the Nazi was now over-

whelmingly greater than that of Germany, and that as well as in raw materials and other supplies essential for warning, however, though German economic production is inadequate to the needs 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 for air, sea plans tanks, sub-

marines and other important war materiel, and merchant ships, to much greater than the German program of 1943 was partially successful. But since bombing over Germany has been an "agonizing experience" to the Nazi industrial enterprise, Mr. Crowley's

The Germans are now reduced to the very point of trying to stop war bookings, to replace and disperse industry, to expenditures for war purposes at the day at whatever cost.

"It is now apparent," said Mr. Crowley, "that the German de-

nomic turnover will greatly prevent the loss of one priority and the resumption of selling down production in the most important industrial industries and war production and the loss of valuable labor.

"On the materials front, the Germans have already lost some very important supplies, especially manganese from Nikopol for steel production, and wool and other foodstuffs, which they thought they had some amount in the Ukraine. The loss of other ferro-alloys and of wool and food supplies in the Nazi territories, or other peripheral areas is threat-

Some other very important industrial, including the early years of the war have been cut off by the improved Allied air traffic and by Allied economic warfare measures.

"The air war waged by the Nazis apparently are determined to make war on every nation in the hope that time and chance are still worth playing for.

"The air war waged by the Nazis apparently are determined to make war on every nation in the hope that time and chance are still worth playing for.

Taylor, Deale & Company

64 WALL STREET, NEW YORK 5
Whitehall 3-1874

CANADIAN SECURITIES

Government • Provincial • Municipal • Corporate
The Post-War Outlook For Money And Its Consequences

(Continued from page 149)

far seeing countries a decline in
the levels of their currency, for
rising interest rates. But in the
United Kingdom and other
major countries, the high levels
of their currency, foreign exchange stabilization,
and greater international trade so urgently needed to stimulate economic and em-
ployment throughout the world of the
interlating period. The debt problem is a part of the
situation, and its solution will probably be solved first
by the proper relief of the debt problems will be the
confusion, unemployment, hunger, poverty, and trade stag-
nation.

What are the Allied powers on
internal debt problems, and cur-
rent foreign exchange stabilization? On the answers to these
questions the future of the new international trade problems wait.

The Money Problem
Currency depreciation or coin elopement by
the people of their country, and the government in
without the help of the government or in the
by the shallow and impu-

The lack of history and economic appraisal in the
world, and the necessity has not been used by the
to use this de-

NORFOLK AND WESTERN RAILWAY COMPANY

SUMMARY OF FORTY-EIGHTH ANNUAL REPORT FOR 1943

The volume of traffic handled in 1943 by Norfolk and
Western Railway Company exceeded the pre-
vious record established in 1942 as a result of con-
tinued increase in general business activity and
heavier demands of the Government in the move-
ment of personnel and war equipment. Railway Operating Revenues increased $10,560,-
000, or 7.5% over 1942. Railway Operating Expenses, $8,386,641.14, increased $3,194,027,
or 10.79%.

Net Revenue from Railways
1942
1943
Railway Operating Revenue.
$9,579,280.11
$10,134,126.08

Other Income...:
6,839,505.86
7,489,903.25

Railway Tax Arrears
1,012,179.61
1,158,377.13

Interest in Stock
8,464,095.21
8,994,927.51

Depreciation
5,979,410.62
6,955,120.39

Net Income
$2,170,000
$2,024,000

Costs and Expenses:
$7,059,280.11
$7,485,903.25

The internal and external
debts of the countries of the
capital countries have increased very little during the
present war. Perhaps the in-
deriment of certain countries
has been offset by debt paid or
canceled. In addition to the
imbalances due South American
and European countries with the
United States and England.

Prior evidence indicates that
the debtors countries, including
the United States, and the neutral
countries, will be delved. The countries of Western Europe
will be burdened with debt at the end of this war from 300 to 1000%
original amount. The cost of the post-war period. Statistic
indicate that the largest trade incre-
se in debt will probably be in
the United States, and the United
States, and the neutral
countries, will be delved. The countries of Western Europe
will be burdened with debt at the end of this war from 300 to 1000%
original amount. The cost of the post-war period. Statistic
indicate that the largest trade incre-
se in debt will probably be in
the United States.

While the world's capacity to
produce and distribute goods has
increased, the production of indus-
trial goods has increased, but all
result of the genius of industry,
the effects of the war is that this
increase is not available, but it is
to me that a generous
of the nations of the world.
main part of that increase has been
in the three or four main Eu-
ropean states and the United States
states, and Russia, China, and
China, and Russia,

-888,448.73
$80.00
1,998.00
1,741.42

Interest paid by the public was
$31,535,332, and represented 23.7% of
outstanding stock at the year's close. The
year's close.

The Capital Stock of the Company held by the
public was $162,849,900, and represented 76.03
percent of the outstanding stock and bond capitalization. On December 31, the
numbered 14,010.

The Common Stock of the Company held by the public was
$3,107,320,000, and represented 23.7 percent of
outstanding stock at the year's close. The
year's close.

Securities in the voluntary sinking
fund for refunding of the
company's debt had a value of
$7,102,800 and a market value of
$5,166,794.

Employees
Employees during the year averaged 22,549.

Railway employees in the armed
forces on December 31, 1943, were
44,000. The Corporation's Real Estate
Property Investment of $58,323,000 averaged $25,004 per employee.

On December 31, 1943, the
Common Stock of the Corporation held by the public was $3,147,000 for Railroad Retirement
Insurance taxes and employment
and Relief and Pension taxes per employee.

Wage Demands
Wage demands which had been presented to the
railroads by employees, were the subject of exten-
sive discussions between the
employers and the
evolved the creation of a

 Since the end of World War I, the
only period of rapid business activity has been
the period of the Great Depression. This
period was characterized by a sharp
contraction of business activity, a
decline in employment, and a
widespread decrease in prices.

The Federal Reserve Bank of St. Louis
Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis
Post-War Federal Revenue Requirements And Fiscal Policy

(Continued from first page)

have upon Federal fiscal policy? I mention these points because it is necessary to review Federal revenue requirements and fiscal policies which, in turn, intrude upon the enterprise system and the great middle class of producers and employers of our American way of life. From these considerations the highest standards of living, that is, the greatest freedom and the greatest opportunity of any nation, are possible only if you render them the very base upon which they are built.

Present Tax Load

Our current Federal taxes of 45 billion for Federal Government and 10 billion for State and Local Governments is a necessity for 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 1913 through 1940. They are about five billion dollars more than the total national income in 1929, or 25 percent of this income. Nonetheless, the Federal Government may continue to bear such a tax load as part of the nationalistic effect; its effect on our fiscal policies would be disastrous. Federal taxes are not only oppressive, but, in many instances, they stifle initiative and innovation.

We discourage the formation of new enterprises. We now have a reasonable reward for achievement. The penalizing of failure is a cornerstone of the policy of the Federal Government. We discourage and unwarranted suggestions to bring changes in our social and economic way of life. They discriminate against those who own businesses or seek to own businesses.

They destroy the great tradition and incentive of our people-our love of the dollar.

Drastic Reduction Essential

It must, therefore, be apparent that an immediate and drastic reduction of Federal, State and Local taxes is essential and that the new policy should reflect this priority. If the immediate and drastic reduction is not brought about, the nation will revert promptly to peace, with all the resulting hardships. It will destroy our national production picture of goods in sufficient quantities to provide employment to the millions now 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 major source of revenue to maintain Government.

Federal Tax Load

My studies of the situation, I estimate that we can carry a manageable Federal tax load of about 20 billion dollars annually. By comparison, approximately 21 billion dollars annually would be collected in State and Local Government without undue hardship upon any of our people. This tax load would bring in roughly 215 billion national income which may be well applied. Our present effective rate is about 70 percent. Our present Federal Government operates with roughly 12 percent per annum set aside for Federal revenues and expenditures. Federal taxes, however, are about 25 percent of the national income. It is estimated that if this federal tax load is reduced to 10 percent the national income may be increased to 44 percent.

It is necessary to return to the basic principles of taxation in order to set the stage for the new great national fiscal policies. Federal Government finance is intimately involved with every source of production, service, and distribution, including the distribution of the enterprise system and the great middle class of producers and employers of our American way of life. From these considerations the highest standards of living, that is, the greatest freedom and the greatest opportunity of any nation, are possible only if we render them the very base upon which they are built.

Government should respect the rights of the private sphere to rebuild itself. The Federal Government should reduce its role from a major corporate player to an efficient service provider.

Government should respect the rights of the private sphere to rebuild itself. The Federal Government should reduce its role from a major corporate player to an efficient service provider, allowing the private sector to take on a more significant role in the economy. This can be achieved by reducing government spending and lowering taxes, while ensuring that essential services are still provided.

Debt Refunding Tax

As the source of this revenue, I suggest a 1/2 tax rate (of about 12 percent) to be levied on every transaction throughout the country, directly or indirectly, to prevent war profiteering and to be collected by the use of stamps.

A careful study of the factors involved indicates such charges would result in approximately 3 billion dollars per year. If this is the debt charged thereby.

Great Middle Class Endangered

Under the present revenue act, among the greatest sufferers are those in the so-called white collar class. Those are those who earn roughly 25 million, or about half of our working population. This includes farmers, homemakers, professional people, and many corporation and county officials and professional people, many of whom are millions of dollars of what they have had little or no increase in income or expenditures since the war, while at the same time they may be suffering from uncontrolled increases in taxes and costs of living.

This white collar class is the symbol and backbone of America today. Its members maintain the morale and character of the nation and our government, and in our country's effort. If the present fiscal policies are continued, this group will lose its vigor and the nation will lose its strength.

We do not see an immediate and drastic reduction of Federal, State and Local taxes is essential and that the new policy should reflect this priority. If the immediate and drastic reduction is not brought about, the nation will revert promptly to peace, with all the resulting hardships. It will destroy our national production picture of goods in sufficient quantities to provide employment to the millions now 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 major source of revenue to maintain Government.

Venture Capital

Venture capital is an essential to the establishment and growth of new businesses, and it is particularly relevant to today's business and its resulting fiscal policies. Venture capital is in today practically unavailable as a result of government policies and philosophies and the stiffing policies and regulations of the Small Business Administration agencies. It is self-evident that the private sector of our economy must be assisted and encouraged to assume a larger role in the economy. This cannot be done if venture capital is not hampered and discouraged.

In the post-war period it is currently fully realized that some 80% of all new businesses are financed and the small business owner has not been and is not likely to be again. Dividends are as a rule, in the cost of doing business as the
The Post-War Outlook for Money and Its Consequences

(Continued from page 1315)

evaluating its currency in harmony with international values. There is no question that the gold standard must be restored, and that the security of the dollar is essential to the maintenance of the gold standard.

If the United States and England had restored their standards of value to the pre-war level, and had not had currency depreciation, the value of gold and the dollar would have been stronger, and the time required shorter, for them to make adjustments for their standards, and thus hasten the restoration of sound international trade relations.

It is evident that the leading industrial and commercial countries of the world would seek to use the value of their standards and seek to use currency value flogging to bring political pressure to gain advantages, thus several nations would maintain inter- national economic deterioration, and currency self-sufficiency are probably ahead. By far the best methods by which one country would attempt to keep a country's currency in its own domestic and foreign markets which work, therefore, is to make foreign countries struggling to restore sound economic conditions, or to restore the gold or foreign exchange or to trade privileges.

Help From The United States

At the present time, the problem of the world is getting from the post-war slump. But in the operation as we can give in the struggle for freedom against the gold standard, we will be expected to give genuine help against the monetary foundation of sound financial conditions and the world. How much can we do in the face of our own appaling debt and international monetary and financial condition? We could of course do more if our domestic affairs were in better condition.

What of our gold supply?

Economic conditions will take time to become normal and the gold where it will serve best for the time being, and it can do about it. Any attempt on the part of the world to use the gold will only further aggra-vate international economic rela-

There is an economic law that sets the standard of the exchange of our world. What is our gold supply? It is our legal tender. We are no longer free to carry on our international economic relations as we please.

Our own investors will seek opportu-

ness, we will leave as conditions improve in the rest of the world and the signers who have money here re-

the rest of the world provide the loan business in this penvens.

Therefore, it is imperative that the sharp differences which have been fostered between these countries and their careful work to-gether for common objectives. The gold standard is the key to the grave question whether we can have permanent prosperity.

The effect of gold on the United States would promptly realize these facts and take steps to meet the problem and handicap to full business activity in each country, and to organize a last service to the Nation.

I have complete confidence in the pliability of these countries and people, and that they will see that the situation that we pursue sound fiscal policies. We can then look for-

Our high costs plus cheap foreign goods, and the distribution of the gold and leave us with currency and bank deposits to maintain a reserve which has been the basis of our international safety. At the present time our reserves have shrunk to less than 60% and at the present rate of decline will reach the minimum level of 50% in the next few years. Then if after the war we maintain an adequate foreign account to meet the economy that our foreign account, the valuation of the standard to 100, and the dollar will be brought into balance or definition of our currency. It will suit the existing values. Either of these solutions bring about costly economic adjustment, will wipe out all the money of purchasing power savings from war prosperity, and carry us into an economic depression, more costly than that of 1928-34.

If we are fined with either of the above choices, it is absurd to talk about gold as a reserve. We already have the gold, and we will have to put the money on the table. It is not possible to say that we will have to go to the gold standard, or that we will have to get the money out of the gold reserves, or that we will have to burn the money that we have been creating.

A Summary Of Some Needed Measures

1. A definite plan for the management, servicing and payment of the National Debt should be established in order to get all other measures in line, and to preserve this country's high credit.

2. Assurance beyond doubt the maintenance of the standard of value, and the freedom of international trade and reduction of currency in circula-

3. Deflate American costs and prices to levels where we can carry on commerce with the world without subsidies in an era of over-production. The example of our (out of line costs and prices) can be found in a re-

4. Free gold to the world as it was when the gold standard was restored.

5. Aid in setting up an international gold standard to control the exchange rates between the countries of the world and through the International Monetary Fund. The dollar and sterling would be accepted as legal tender, and the other countries would be able to use the dollar as their reserve currency.

6. Cooperate with the rest of the world in eliminating narrow bilateral trade barriers and agreements, and encourage the world's broad, free exchange markets for all currencies. The United States and the other nations must be guided by the same economic policies to which we are committed, or we will be unable to maintain the present situation.

7. Provide now for the speedy

increased gold price

Denyed By Treasury

Stating that reports in the New York Times that the Treasury Department would agree to set up a flat U.S. dollar standard flat denied from high Treasury officials. Speaking to the New York "Journal of Commerce" from his Washington bu-

The Treasury had reported that the United States would need $2,700 billion in the gold price as a measure to prevent the gold flow. It was agreed by Treasury officials that the United States would have to make payments to the United States and £1,700 million in the gold price as a measure to prevent the gold flow.

The "price of this country's $2,700 billion in gold is at a level of $3.70, which I would expect will go as high as $3.90, and possibly up to $4.10, but it will not go to $4.30, as I have been told."" said the New York "Journal of Commerce."" The price of gold, after the gold flowed, the dollar, and the dollar to the gold, would be $3.70, which will not go to $4.10, but it will not go to $4.30, as I have been told.""

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No Danger of Failure Of Oil Supply

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

BANGOR, ME.

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

LINCOLN, NE.

We don't get 5%, but it's not the NASD's business to tell me we can't—when I can't—I challenge them to come through with this questionnaire, print the results. Perhaps there is a way that we small businessmen can remove a few of the boys that are sure what's best for us.

SEATTLE, WASH.

None.

NEWARK, N. J.

It will tend to eliminate the practice of small dealers. What would happen if this same rule would apply to small merchants in the next election of the 5% rule, also the vote of the members that favor the small business corporations in the capitol. It will mean more on a trade if the labor and time elements enter the picture.

NEWARK, N. J.

It will have a definite effect in curtailing business by closing the capital markets to small businesses practically impossible.

A SMALL NEW JERSEY TOWN

Very bad.

ST. PAUL, MINN.

Hurt distribution.

NEWARK, N. J.

We believe it will make smaller dealers 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 guiding these transactions is much greater than that required in servicing large corporations and can be practically impossible.

SEATTLE, WASH.

None.

ST. PAUL, MINN.

(1) Would drive GOOD men out of the business. (2) Stimulate unnecessary competition. (3) Penetrate the cream of the investor.

LOS ANGELES, CALIF.

None.

ST. PAUL, MINN.

Have no definite opinion, as it works both ways. Will probably result in more firms going into the trade, but not in taking more of positions in them on the other hand.

ST. PAUL, MINN.

Although this firm is determined 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 this proposal will favor the larger corporations. We believe that such laws are necessary 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 can, we see no excuse to allow such competition.

DALLAS, TEXAS

In our opinion will retard the financing of legitimate requirements of many small corporations and we would favor the elimination of this question and have the capital traded in the market for the security with a 1% mark-up.

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 under 2% gross 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 and of a good character, and with a great deal less sales resistance on the part of the public. The marketability of the securities of the smaller corporations will undoubtedly be greatly diminished by this 5% mark-up rule, and many small corporations, and the buyers who are interested are likely to make 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 each man with his clients, we are not in favor of this 5% limit. This section is not, that it is very bad as a profit limitation, a limitation that sooner or later will be applied to business by the social reformers, or isn't it now?

It is almost impossible for a dealer to find a commission scale that will not favor securities business, under the 5% mark-up rule, that will draw salesmen from the other fields. If any travel is required for making the sale, it is impossible for me to make and maintain the contacts essential to the distribution of this class of securities, which are sold to individuals or a security in which they feel that they are locked before they start, and the customer is the one who suffers.

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

PORTLAND, ME.

Market will be limited.

PORTLAND, ME.

No market will be.

PORTLAND, ME.

The average investor served by the brokers in the securities of hundreds of small and medium-sized companies, buys for income and protection of principal, and potential capital gains. This is the real reason for the existence of the private security and the distribution of this profit to such a small amount as 5% will, in any case, be a disincentive to the average investor. However, the individual who buys small lots of closely held stocks because they are not available on the exchanges makes it almost impossible for me to make and maintain the contacts essential to the distribution of this class of securities, which are sold to individuals or a security in which they feel that they are locked before they start, and the customer is the one who suffers.

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(Continued from page 1519)

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veip a market with work and care when the reward is no better than that enjoyed by the lowest paid tramp.
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 move back to BFC for lack of dealer interest.

PORTLAND, OR.
It will inevitably affect the over the counter markets adversely with resultant losses to the Investors. Truly—the pendulum which has been swinging tells us.

Incidentally—our gross profit for 1943 was 2.15% of dollar value of securities sold—given—before commissions, rent—salaries—wages.

The point is that you can make a profit on low priced securities, on that basis.

Under the circumstances it seems the only solution is to organize a small market. We have initiated a plan to see if we cannot sell all major stock exchange members. An association for an

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 two purposes. It is to cover overhead and to make a profit, not primarily in the manner in which it has been promulgated, and also for 5% mark-up is based on the thin line of red tape which the present administration appears to be attempting to ham¬
string, strangle, and by inactivity, and I am unhappily opposed to regi-

It is hard to forecast the effect of the above-mentioned rule on the market. It will, I think, dampen the activity to a considerable extent and the Securities Division of the State Corporation Commission will approve the issuance of securities. So long as the total cost incident to such issue does not exceed 20%. After such securities are placed, the securities are held by the bank and our initiative is definitely upon the successful operation of the company, and if these operations are successful, the shares will be traded at 5 mark-ups considerably less than 5%.

I know of many cases in this State where securities mar¬

THEEPEK, TENN.
(From favoring rule)
No under effect. The marginal dealers that exist on high mark¬

A NEW SMALL ENGLISH TOWN
We fail to see any reason why it is not a failure, and the security of

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 percentage of such capital. The same procedure would have

PROVIDENCE, R. I.
Will retard the development of new enterprise and crowd the little man out. It is an extreme, an endorser. All of the dealers 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 favoring rule)
We do believe there is enough way to allow up to 7½% on real check stocks. This would not apply otherwise.

MILWAUKEE, WIS.
Will have to go out of business altogether.

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 myself tyrannized over in local securities by the marginal dealers, those who take advantage of the small investor, and sell him securities at intenience of high standards? At the stock exchange groups have forced others out of business and prices have 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 "Discipline rule."

MILWAUKEE, WIS.
The 5% mark-up will definitely endanger the market for the

RICHMOND, VA.
The great majority will have no market, especially those now selling under 20. For instance, if a dealer is forced to cut prices 50c it might be forced to cut prices 5c. The mark-up at most must be, under the present rule, 25c out of this house would be proportionately reduced in the same way.

Do you think the salesman would have much interest?
It is apparent that the New York Stock Exchange members are running small corporation and this is absolutely necessary for they have no 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

As for ourselves the 5% mark-up does not bother us in our trad¬

ing in securities generally. None of us can make a fair profit on
dlow priced securities, on that basis.

of themselves, the office in Fort Worth.

Barron McCulloch Opens Office in Fort Worth

FT. WORTH, TEx—Barron McCulloch has opened an office in the Fort Worth National Bank Building, to conduct a general se¬
dar, specializing in Texas bank, bond, mortgage, and oil and

Barron McCulloch & Williams and recen
ty was with Dallas Rupe & Sons.
Business After the War—Inflation or Deflation?

(Continued from first page)

...large amounts, in which case the effect of "boom and bust" will not be "different" this time. It is possible. But a lot is going to depend upon just what we do after the war, and what we do after the war will be determined by the decisions taken upon individual spending after the war. We find back to 1919 as early as 1920 that the whole problem of finance and the future of the economy had to be looked at, and we find that the vital change in the situation was that the Government was not going to hold in personal deposits.

Such studies of business finance in 1919 by the National Bureau of Economic Research show that there will be a shortage of money for private consumption and for business expansion. The factors preventing a general increase of corporate funds, not only for new corporations, but also for existing corporations, are similar to the factors of 1920. The only difference is that now there is a surplus of funds available.

Little or no return will be available for general corporate purposes, nevertheless, and the mortgage against which these deposits are put is against consumer goods and not against individual spending. It is entirely possible that during the war, the whole system of finance will be so thoroughly broken down that the war may not be so readily won. The Liberty Loan, which is the entire new class of permanent investors, is a much more important factor, and is a factor of such magnitude that the Government is thinking seriously about what is going to happen to the economy.

Many are planning to spend a large part of their money in the home. The fact is the experience of the last war, and the depression of the 30's has taught us all the value of having a reserve of cash, of not being able to count on making a profit somewhere; and this feeling may continue to influence individual spending, particularly if people are not sure that inflation will not be followed by a depression.

A second factor in the intermediate post-war outlook relates to the huge accumulations of individual savings and the question of how this money will be spent. The largest type of saving is the purchase of bonds, hardly more than a form of income, and is less certain than similar savings during the war, accounting for the whole of it in 1920. There are many savings bonds, mostly in the hands of individuals, and the Government will not be able to take them over. Most of these bonds will lose their value, and the Government will not be able to pay them off in gold.

A third factor in the intermediate post-war outlook relates to the huge accumulations of individual savings and the question of how this money will be spent. The largest type of saving is the purchase of bonds, hardly more than a form of income, and is less certain than similar savings during the war, accounting for the whole of it in 1920. There are many savings bonds, mostly in the hands of individuals, and the Government will not be able to take them over. Most of these bonds will lose their value, and the Government will not be able to pay them off in gold.}

The real question of the immediate post-war period is, what are the possibilities of the Government using its money in a way that will be secure? It is obvious that the Government cannot be trusted with the readjustment period and lastly with the future. The Government has used unwisely in a scramble for goods that are still scarce it can cause a great deal of trouble.

What are the possibilities? It is important to note that, according to surveys by the Federal Reserve System, the result of the increase in demand has been an increase in personal deposits. While it would be improper to assume that this increase represents a return of the people to money, it is important to note that a large amount of the deposits will not be spent on goods and services, but will be invested in business. This is because of the high interest rates and the uncertainty of the future. The Government will not be able to use the money in a way that will be secure, but it is possible that the people will use it in a way that will be secure. This is because of the uncertainty of the future and the high interest rates.

The only thing that can take its place is long-term investment for the growth and improvement of the country. To bring this about, however, is an altogether different proposition from the short-term desires of the Government and businesses. One may be compelled to take over control of the Federal Reserve. In this case, the Federal Reserve will have more power over the economy, and the people will have less power over it. The people will have to accept the control, and the Federal Reserve will have to use it in a way that will be secure. This is because of the uncertainty of the future and the high interest rates.
products for ministering to them. The triumph of chemistry, in metallurgy, is electricity, in plastics, in aviation, in television, and in innumerable other lines. There are a continuous disproo of the thoroughgoing use of our own naturally-grown mature and is running out of the man's mind.

For those whose pessimistic forebodings spring from inability to foresee ends of the industry, comparable to the building of the steel mills, the planning of the electrical industries, and the coalmining of the iron trade, it can be said, with the view far out that, one answer is that developments of this kind are neither recognized nor reorganized by the market. We do not know what revolutionary changes may result from new industrial conditions in the making. The other answer is that this "New Thought" idea greatly undervalues the contribution to economic activity of changes from Julian Caesar on in already established industries. As George Toepferich, research director of the Machinery and Allied Products Institute, has pointed out, "even in the periods of their greatest relative contribution, the railroad, the automobile, the telephones, have been dwarfed by the industrial revolution, and the construction of one of the most ancient of all outlets for capital." New York City, the splendid city of New York, disheartened by the huge national debt was a result of the war. The growth of debt in war time is an unavoidable evil, and the steady growth in the gross national debt will be a burden and handicap in the post-war period. The sum of the gross national debt was larger than was necessary. Yet the interest on approximately $6 billion interest cost would not be in itself an unbearable burden for a nation of the produce and potentialities of this country. Great Britain emerged from the Napoleonic Wars with a national debt of only $400,000,000, to the relation to national income as we are likely to have at the end of this war. France, Germany, Greece are equally in power and wealth in the century that followed. The real question with us is not as to the level of interest alone but (1) how many costs other than debt service were paid 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 relatively short space of 150 years has transformed our 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 written by Caesar: The fault, dear Brutus, is not in our stars, nor in the heavens, but in ourselves.

But in ourselves, that are our underlings. With the vast complexity of the problems that crowd upon us in the post-war period, we have greater need for wise counsel and intelligent, high-minded leadership in all ranks.

Situation Attractive

Chicago Sun-Times, 1 Wall Street, New York City, members of the New York Stock Exchange, have issued a study of Marchant Calculating Machine Company and its place in the industry. Copies of this interesting and instructive material are available from this firm upon request.

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

Ours Reporter's Report

Barring any last-minute change in plans bankers expected to open subscription books to the public today for an issue of 380,000 shares of preferred stock, 4.75 series, of the Celenese Corporation of America.

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

Coincident with the offering of the new preferred, the company will offer to common stockholders the right to purchase 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% cumulaive preferred shares. And it will, moreover, make available the initial funds, which will be part of the general funds of the corporation, for the financing of a vast program of new constructions.

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.

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

Invitations have been sent out for tenders to be made to the company on April 15, next, when the bonds are obligated to fix the interest rate for the hands 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 first-rate public utility undertaking in several weeks. Proceeds will be applied to redemption of the outstanding first 5& 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 issues are receiving a very counter trading at a premium of several points above the subscription price. The subscription price, on that basis, is that an unsubscribed portion may prove small.

Rails and Debt Reduction

A hint that railroad management may be inclined away temporarily from the operation of picking up portions of their fund balances, and towards a larger 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 using their undedolated 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 occasion, have recovered quite substantially in recent years and perhaps have gained a bit out of line with ideas of some inances.

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.

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

Piltzfelder, Hampton & Hunt, 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

Schendley 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 Merkl, in care of Schendley Distillers Corporation, 365 Fifth Avenue, New York, N. Y.

Confident Outlook

Straus 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 Straus Bros.

Celenese Corporation of America

350,000 Shares First Preferred Stock, $4.75 Series

139,622 Shares Common Stock

Prices:

$99 per share for the Preferred Stock

plus accrued dividends from April 1, 1944 to the date of delivery

The Common Stock is being offered by the Corporation to its common stockholders for subscription at $31.50 per share through the issuance of Subscription Warrants. Unsubscribed Common Stock is being sold to underwriters after expiration of the Warrants at prices determined as set forth in the prospectus.

Copies of the prospectus may be obtained from each of the underwriters (who are members of the New York Stock Exchange) for the following commission, which may legally be charged: 10% to 15% on securities under applicable securities laws.

Dillon, Read & Co. Morgan Stanley & Co.
Clore, Forgan & Co. The First Boston Corporation Lehman Brothers
Blithy & Co., Inc. Harriman Ripley & Co. Incorporated
Merrill Lynch, Pierce, Fenner & Beane Smith, Barney & Co.

Celenese Corporation of America

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issue

April 15, 1944

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"Zero Hour." Copies of this interesting booklet, including investment suggestions, may be had upon request from Straus Bros.
Effect Of 5% Mark-Up Rule On Market For the Securities Of Small Business

(Continued from page 1519)

MADISON, WIS.

Don't know.

SHIBOYAN, WIS.

No small corporation is able to finance through bonds or stocks. We can see this at present—many small corporations are still having outstanding bonds at high interest rates—but dealers continue to hold them. It is too hard for underwriter to handle these days—small bond and stock issues.

HOUSTON, TEXAS

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.

And thus 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 can profitably, or at a 5% "riskless" trade profit has no business continuing in the securities field.

A SMALL CALIFORNIA TOWN

At the time, many of the people in the town, overhead and management was geared at 5% or below, so on the face of the 5% rule the town felt it was not in line, in the context of 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 when you are dealing with statistical and research reports directly, as otherwise customers or prospects would not understand the nature of our representation and it is only with volume that we can succeed on the 5% rule. When the boys return from the fields of battle and re-enter the investment business around the world and desire to get back into more normal line and travel to accomplish the same result, it is our belief that the 5% rule is burdensome or destructive.

To clarify the controversy, why don't the NASD obtain and furnish unbiased arguments against the rule and enclose a ballot as a referendum of the 5% rule. If they are right in their contention, this would demonstrably 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 that to a foreman man to sign an application aren't. Isn't the real and monopolistic privilege of participation in underwritings, secondary offerings, etc., which members of the NASD are permitted to undertake by the Maloney Act—until its constitutional phases shall have been tested—isn't that a powerful compelling force? We Americans feel we have a right to engage in enterprise, to do business, to make offerings of goods and services, 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 domination.

As to withdrawal, there is first the penalty, among others, of no further 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 not the rule, 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 and all of our divisions, and which is in part 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 unforobably 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."

"... 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 reviewing 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 originated at 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 right 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 Committees, (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 system this is!

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

One of the most vicious, pernicious and undemocratic influences of hearings before the District Business Conduct Committee 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 one 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 may have on his decision. A trite maxim of judicial ethics is this: he has no influence when his opinions 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 country, and smaller markets, should be more widely appreciated than they are.

The NASD has undertaken to supervise over-the-counter quotations in a number of reputable reports, amongst thousands of others we have been unable to find a safe guide to get by. Yet recently, a dealer at Boston way who testified that his sales prices never exceeded the " Herald" quotations he found guilty, and the SEC, in affirming the NASD in effect, criticized the latter's supervision of these quotations.

What brings us to the 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, get along as the girls do, I feel—I am bold enough to say I think it is high time we take a look at the Securities Acts after ten years of operation.

Now this brings us to International Banking. In the good old days when government was supposed to protect the cartoonists loved to dress up the international banker in a silk hat, coat, and hat and baby window—putting on the label—"International Banker." Well, capital loves high returns and low taxes. We will run down hill. We're already running down hill. When our dollars get in the foreign field, they are not just Wall Street dollars, to be laughed at, if they get international, it is amazing how many people think they are in the hands of investors' money. Well, individuals bankers are worth a large sum now. They earn their living in day to day merchandising. The dollars of Canada are old good American cartwheels which someone has to work for. They deserve all the protection we, as government officials, and private bankers need the cooperation of the government in the foreign field. Why, what wouldn't it be realistic to set up here a Foreign Bank? Such a Bank could supply practical information and guidance in the foreign field for our investors and bankers. How important it is that our government treat the foreign exchanges the same way one would in Canada. It would be interesting for me to observe a statement in the English Parli-
Monslugo Norman Resigns As Governor Of Bank of England—Cato Named Successor

The resignation of Montagu C. Norman as Governor of the Bank of England, on advice of physicians, was made known in press ac-
counts by the Board of Trade, to which Lord Cato has written, advising a successor to the Treasury, has been chosen as Mr. Norman's successor.

"Mr. Norman, one of the world's foremost financiers, has been in" British missions in the United States. Later he acquired several properties in the United States, including one in the Bank of England.

"In November of last year it was known that Norman Montagu would be proposed for the London vacation, for the Governor has recently been suffering from a nervous condition. His recovery is being delayed by the resumption of his strenuous duties and the directors accepted his resignation."

E. C. Manning, Alberta's new Premier, has received a strongly worded letter from the Owners and Stockholders Protective Committee for the Bank of England urging that the bank not continue to be abroad without further delay for adjustment of their outstanding obligations. The committee, ac-

Municipal News & Notes

Dealers Unite To Upset NASD's 5% Rule

(Continued from page 149)

As the saying goes, in UNITY THERE IS STRENGTH and it follows that if any of the many factions in the same field join they can achieve the ultimate suc-
cess of their combined efforts by our only problem is that it is the many tributaries that in the final analysis makes the mighty stream. Let us hope therefore, that all existing groups in the insurance business will realize this and collaborate to the utmost in in-
sounding the death knell of the NASD's vicious, unAmerican rule.

The letter of the Committee follows:

To All Securities Dealers

Gentlemen:

There is danger, real, stark and immediate, that threatens to deprive Retail Security Dealers of their livelihood by over-extinc-
tion, and which we believe has been terminated by bureaucratic philosophy operating through administra-
tive rule.

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

1. It seeks to infer fraud merely from a "spread," the differ-
ence between the purchase and the sale price.

2. The "rule" was passed over the head of the NASD mem-
bership, contrary to the provisions of the Maloney Act, and con-
trary to the provisions of the NASD constitution and by-laws.

3. It disregards the profit motive in business, for quite gen-
erally the overhead of many firms exceeds 5%.

4. It is a direct curb on our ability 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 only 1942 and 1943, and covers only 1942 and 1943. Members of Exchange, large and small, dealers, traders and investors represent all of us, and not only the securities dealers who do business primarily with individual in-
vestors. Therefore, the results of this poll did not fairly demonstrate actual trade customs and practices with respect to the transaction of retail dealers, but, on the contrary, merely resulted in the drawing of false inferences from related but differing phases of the securities business. Many mark-ups among security 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 forefather of the strangulation of the retail dealer—yet to be seen if it be stopped. Certainly not by talk.

This must be stopped, or the future of the "full disclo-
sure rule," "riskless transaction rule," etc., may be lost.

The undersigned are part of the Committee engaged in a coopera-
tive attempt to concentrate upon the application of the necessary remedies, and to coordinate the results of the "5% rule" and frustration of the possibility of further illegal "regulation."

These remedies, among other activities, must involve legal and Congressional action, hearings before the Securities and Exchange Commission, and before the House Committee on Finance, the issuance of "non-disclosure rule," and "riskless transaction rule" are involved, and we feel that a program of a sufficient and conclusive pro-
tection—and we mean protection, not policing—of over-the-counter dealers.

INSOLVANSE THE 5% RULE IS CONCERNED, WE CONTEM-
PLATE SEEKING IMMEDIATE RELIEF IN THE COURTS.

We have reason to hope and to believe that if we show the strength of our united in a common interest to bring to our support because the questions involved are not limited to the security dealers but are vital to the interest of all Americans. We hope and trust that this committee is already active and constructive work, your work, for your protection.
The Outlook For Foreign Trade

(Continued from page 1496)

This tremendous increase in unemployment is due mainly to private enterprise, which has come to the view that it is not in its best interest to fill the gaps caused by the war and the recession. It is due to private enterprises, who have been left to themselves, that we have experienced the greatest production nation of all time.

After the War

When victory comes, we shall find that we possess the greatest national resources of any nation, and that we have been able to produce them with unprecedented speed and efficiency. We shall also be faced with a problem of finding a market of $30,000,000,000, with Government holdings of surplus materials of probably $4,000,000,000, and material and labor skills of the highest order.

All countries will be desirous of purchasing the goods that we have produced during the war. Some will have a larger demand for our goods than for those of any other country, for our industries have expanded beyond what we have anticipated. Each country will have the opportunity to use its own raw materials and to produce its own goods. The demand for our goods will exceed the demand for the goods of any other country.

We are faced with the problem of finding a market for our goods. We must plan to sell our goods in foreign markets, and we must plan to build a better world.

To plan for the future, we must plan for the peace. We must plan for the time after the war.

The economic problems of the world will be solved by the United States. The United States will have the largest amount of gold, the largest amount of resources, and the largest amount of production. The United States will have the ability to buy and sell goods to any country in the world.

We must plan to sell our goods in foreign markets, and we must plan to build a better world. We must plan to make the world a better place to live in.

The Outlook For Foreign Trade

The outlook for foreign trade is excellent. With the war over, we will have a large demand for our goods. We will have the ability to sell our goods in foreign markets. We will have the ability to build a better world.

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The Future of Foreign Trade

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Opportunities And Responsibilities of The Securities Business
In Reconversion

(Continued from page 1506)

needed reserves which were behind the production lines, the
round, shall urgently require our cooperation at the end of the war.
In that connection it is great opportunities when victory

izes; and

satisfaction of risk capital.

This would be part of a broad

give incentives to the healthy

olution of our economic system.

their tax policies that they will

ative and the providing of the

roll, and of 15, the aver-

agement for commerce and

bank profits in a minimum of 10

1 — I consider that this is an excep-

in the United States and chemical companies to study the Latin American

countries. Some of the leading chemical execu-

tively has lately yoked many of the

is not in which we are interested. Today the average profits for in-

at locality and capital and not in

4%. The price of all stocks were estimated around 15%, the aver-

in the and points and plans all would do well to consider that

the future policy of Latin Ameri-

trade on this side of the Atlantic. Dr. Byrnes, of course, did not return to the former German

plausible object; but this will not be held and operated as local

in our business opportunities for post-war world trade, short of

the new war, as our European competition will depend

and increase our future exports. However, the war will not only

in the future through better and

communication and improved bank-

we will find that markets are built and maintained principally by the

the ability of the sales agent, and the

amendment to our trade and cost.

the horizon before us, that the loss of the restoration of world

The war has taught us that we

cannot isolate ourselves from the

character which we face a new era in our industrial relations, and

that the future of our country depends to a large extent on

this challenge of world leader-

ship.

We must maintain our private

keep our workmen employed at

income, and reduce our Govern-

ment's increasing costs, we have made the greatest contri-

bution possible towards the de-

velopment of world trade.

Attractive Growth Outlook

E. W. Clucao & Co., 78 Pine St.,

New York, N. Y., has decided to

New York Stock Exchange, have

price... (Continued from page 1506)

Tomorrow's Markets

Walter Whyte

Saves...

(Continued from page 1504)

by optimistic reports such as

in Italy, the Italian campaign,

beach head, etc., and even developments in the Pacific if there is then a market reflection can be expected.

Here at home there is still

another factor which will

play a major part in the future

election campaign is about to

start. That each party will

have a chance to show itself or to oust the other is a

foregone conclusion. What

is not certain is whether it 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 recog-

nized.

Above I have given you

some of the reasons why I

don't think a major bull

market is likely to appear.

For the long-term picture seems
dubious, the short-run outline is poor, and I can dig up some reasons for this.

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 I

have given in this article

will be learned until tomorrow,

hence by that time whatever was

behind the move will be over and

with.

Two weeks ago, with the

market on the verge of a re-

action, I advised the purchase

of certain stocks at prices

some points under the then

existing figures. Up to date, I

have been justified. (See

J. F. Case at 36, stop 34. Current price about 36. Stock

will run into trouble across 36.

Electric, 18, stop 37. Current

about 39. In the region of 42, EF will have offers. Services

are at 18, stop 16%. Currently 18.

Stock has gone off as much

as 3%. That's how it is at the present. Our current

bank election program is suitable to meet the long-term picture.

In the short term, however, the

demonstrates the way for a

sound and stable business. Thus

we are pointing the way for the

New market

volume

about 20.

In the near-

horizon of 30

the number of

20,000

30

10

10

10

10
Problems Of Compiling A Cost Of Living Index In Wartime

(Continued from page 192)

In the computation of an average, it is not likely to correspond with what is commonly spoken of as the price of living. Large changes make a greater impression on small ones. Thus, when the Bureau of Labor Statistics states that the cost of living has increased on the average by 23% since the price of living index proves they are living better than they were before the war, they know better. Do so. We should all of you.

We are reminded to remember that for the entire migrant group of the United States, the numbers for any which is currently more radical, though it might be possible for them, or between the two cost of living index prove the contrary. The wage rate to a war center. Migrating, in and of itself, normally reduces the average living costs. The migrant is normally induced to live in the United States of higher wages. Only a comparison of his manner of living before and after migration will reveal whether he is better or worse off.

The group which has migrated is made up of the more mobile States is large. Since the cost of living has increased by nearly 23% less experience is logical to expect that the average index will be no different.

When all this has been said, it is difficult to remember that the appraisal of Amariolo will be satis-

fied. The Statistical Asso-
ciation compiled figures of a number of additional cities, not because they would change their conditions, but because they would allow the development of a basis for the compu-
tation of changes in living-costs, such as the cost-of-living index.

The cost of living in Anchorage, Montana is adequate from the point of view of the national income, in view of the very great distances between, but is still a small part of our total national average when we consider their state of living. The Bureau of Labor Statistics in its report states that the British were in fact ready to get a new index and when the old index was discontinued. So far as I know, we have seen no index, and the index has not been chal-
ge by the Bureau of Labor Statistics, and it is under the supervision of Mr. Davis. The two labor members of the Bureau of Labor Statistics, Mr. Meaney and Mr. Thomas, prepared a recom-

mendation to the committee, which they subsequently submitted to the President of the United States, the chairman of the Mr. Davis, to the President of the Bureau of Labor Statistics for the purpose of keeping the index in the proper channels. The index, the accuracy of whose weights can be both of the weights used in the GNP, is not the full story. We shall have to consider the index along with the official index, the Bureau of Labor Statistics.

Let us look now for a moment at what has happened to this index. We have now, from this chart you will notice the fol-

owing points:

First, the cost of living has been reasonably well stabilized. It is actually running lower than it was in May, 1943, and for the last three months has been running steadily lower than the prices in the latest index. The Bureau of Labor Statistics, in its April issue, has shown that the April index was slightly below the March index. This is a stabilization of the index which has been a change in the cost of living. Our experience has been that the cost of living was more stable than the index. This is an indication that the cost of living is not likely to rise steadily to the time of Armistice in the war.

We may be able to see from the trend of the price index in the first 2 1/2 or 3 years of the two years ending in May, 1943, that there was only a slight increase in the cost of living between December, 1941, and May, 1943. Similarly, there was little change in the cost of living in August, 1938, to January, 1941.

In the Treasury's report, the cost of living climbed sharply and there was very little difference in the index between December, 1940, and May, 1943, the cost of living rose even more rapidly than it had been for a very slight diminution in the increase from May, 1940, to January, 1944.

We may say, therefore, that our cost of living is reasonably well stabilized. The index has been far more satisfactory in general.

It will not do for us to rest very long with this combination of facts. It is a tragic fact that food prices continued to increase through April, 1943, to May, 1944. That was particularly true of fats, meats, and vegetables. Over that period food prices were stabilized by a number of meat and bakery products group. Meat prices as a result in some instances, to a degree that largely because of the things that happen to fresh fish. I suppose this is large change over the dam, but really for a few foods in the early winter of 1943, in my opinion, in the whole series of difficulties in which we now find ourselves.

Food prices were brought under control in the early months through the subvention program. In my opinion that control of food prices, indispensable to the maintenance of the old a balanced budget.

At the present time it is in the process of being solved, not in the field of food prices, which we must face. It is against the background since Summer of 1943. The rise of food prices has been small part due to an increase in the demand for food, but also in the cost of producing it.

We have not yet developed a policy which insures adequate income for producers, and we do not really know how important the role we can play in the same kind of difficulties in the future was, and was not, by the addition of a number of new elements. There is no reason to believe that the increase in the food index is going to continue, but it is possible to obtain a more intensive regional coverage of the cost of living index than that which is now in general.

We may have occasion to include figures from small cities in a national cost-of-living index. In the work that has been done, it may seem as if we were not adequate to our time. We have to be careful, however, not to be too optimistic, to be able to be fully adequate from a statistical standpoint, to be able to fully understand what is going on, if we are

more than a check. It is necessary to keep the index accurate as a basis for measuring economic conditions and have constantly to improve the index.

It has not been accepted by all. The fact that the accuracy of the index by trade association and the appointment by the President of the Wartime Cost of Living Committee. It consists of five mem-

bers, under the chairmanship of Mr. Davis. The two labor members of the committee, Mr. Meaney and Mr. Thomas, prepared a recom-

mendation to the committee, which they subsequently submitted to the President of the United States, the chairman of the Mr. Davis, to the President of the Bureau of Labor Statistics for the purpose of keeping the index in the proper channels. The index, the accuracy of whose weights can be both of the weights used in the GNP, is not the full story. We shall have to consider the index along with the official index, the Bureau of Labor Statistics.

Let us look now for a moment at what has happened to this index. We have now, from this chart you will notice the fol-

owing points:

First, the cost of living has been reasonably well stabilized. It is actually running lower than it was in May, 1943, and for the last three months has been running steadily lower than the prices in the latest index. The Bureau of Labor Statistics, in its April issue, has shown that the April index was slightly below the March index. This is a stabilization of the index which has been a change in the cost of living. Our experience has been that the cost of living was more stable than the index. This is an indication that the cost of living is not likely to rise steadily to the time of Armistice in the war.

We may be able to see from the trend of the price index in the first 2 1/2 or 3 years of the two years ending in May, 1943, that there was only a slight increase in the cost of living between December, 1941, and May, 1943. Similarly, there was little change in the cost of living in August, 1938, to January, 1941.

The index as a whole was probably no more than a rise of 10% in the whole series of difficulties in which we now find ourselves.

Food prices were brought under control in the early months through the subvention program. In my opinion that control of food prices, indispensable to the maintenance of the old a balanced budget.

At the present time it is in the process of being solved, not in the field of food prices, which we must face. It is against the background since Summer of 1943. The rise of food prices has been small part due to an increase in the demand for food, but also in the cost of producing it.

We have not yet developed a policy which insures adequate income for producers, and we do not really know how important the role we can play in the same kind of difficulties in the future was, and was not, by the addition of a number of new elements. There is no reason to believe that the increase in the food index is going to continue, but it is possible to obtain a more intensive regional coverage of the cost of living index than that which is now in general.

We may have occasion to include figures from small cities in a national cost-of-living index. In the work that has been done, it may seem as if we were not adequate to our time. We have to be careful, however, not to be too optimistic, to be able to be fully adequate from a statistical standpoint, to be able to fully understand what is going on, if we are

more than a check. It is necessary to keep the index accurate as a basis for measuring economic conditions and have constantly to improve the index.

It has not been accepted by all. The fact that the accuracy of the index by trade association and the appointment by the President of the Wartime Cost of Living Committee. It consists of five mem-

bers, under the chairmanship of Mr. Davis. The two labor members of the committee, Mr. Meaney and Mr. Thomas, prepared a recom-

mendation to the committee, which they subsequently submitted to the President of the United States, the chairman of the Mr. Davis, to the President of the Bureau of Labor Statistics for the purpose of keeping the index in the proper channels. The index, the accuracy of whose weights can be both of the weights used in the GNP, is not the full story. We shall have to consider the index along with the official index, the Bureau of Labor Statistics.

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**The Business**

**Man’s Bookshelf**

American Housing, Problems and Solutions has just been published by Miles L. Collier for the Committee on the Resolution of the Housing Problem. The book outlines the problems of housing and presents solutions that are practical and effective.

**Calendar Of New Security Flotations**

- **Offerings**
  - **Allied-Sonora Corporation**
    - $40,000,000 of 5% convertible bonds due June 21, 1965, at 100
  - **Associated Oil Corporation**
    - $20,000,000 of 5% convertible bonds due June 15, 1964, at 100
  - **Bell Telephone System of New York Corporation**
    - $40,000,000 of 2% bonds due July 1, 1965, at 100
  - **Boston & Maine Railroad Company**
    - $15,000,000 of 5% bonds due July 1, 1964, at 100
  - **C&O**
    - $20,000,000 of 5% bonds due July 15, 1964, at 100
  - **Consolidated Corp.**
    - $20,000,000 of 5% bonds due July 1, 1964, at 100
  - **Erie Railroad Company**
    - $15,000,000 of 5% bonds due July 15, 1964, at 100
  - **Federal Reserve Bank of St. Louis**
    - $20,000,000 of 5% bonds due July 15, 1964, at 100
  - **General Electric Company**
    - $20,000,000 of 5% cumulative preferred stock due July 1, 1964, at par
  - **Great Northern Railway Company**
    - $15,000,000 of 5% bonds due July 1, 1964, at 100
  - **Holly Petroleum Company**
    - $15,000,000 of 5% bonds due July 15, 1964, at 100
  - **International Harvester Company**
    - $15,000,000 of 5% bonds due July 15, 1964, at 100
  - **Jefferson National Forest Products Corporation**
    - $15,000,000 of 5% bonds due July 1, 1964, at 100
  - **John Deere Machinery Co.**
    - $15,000,000 of 5% bonds due July 1, 1964, at 100
  - **Koppers Company Inc.**
    - $15,000,000 of 5% bonds due July 1, 1964, at 100
  - **Southland Corporation**
    - $15,000,000 of 5% bonds due July 15, 1964, at 100
  - **W. T. Grant Co.**
    - $15,000,000 of 5% bonds due July 1, 1964, at 100

- **PRESIDENTIAL DISTRIBUTIONS**
  - **General Motors Corporation**
    - $15,000,000 of 5% bonds due July 1, 1964, at 100
  - **International Harvester Company**
    - $15,000,000 of 5% bonds due July 15, 1964, at 100
  - **J. C. Penney Company Inc.**
    - $15,000,000 of 5% bonds due July 15, 1964, at 100
  - **Koppers Company Inc.**
    - $15,000,000 of 5% bonds due July 1, 1964, at 100
  - **Southland Corporation**
    - $15,000,000 of 5% bonds due July 15, 1964, at 100
  - **W. T. Grant Co.**
    - $15,000,000 of 5% bonds due July 1, 1964, at 100

**Result Of Treasury Bill Offering**

The Secretary of the Treasury announced on April 10 that the tenders for $1,000,000,000 of 6% Treasury notes due 1991, which were offered on April 7, were accepted at $1,000,000,000. The rate of discount was 0.75%.

**Situation Attractive**

Herszeg & Co., 170 Broadway, New York City, have prepared a memorandum which outlines the current market conditions in which the firm feels there offers an investment opportunity. Copies of this interesting memorandum may be had upon request from Herszeg & Co.

**Transportation and Service Facilities**

A new facility has been opened by the Bureau of Labor Statistics which cannot be dealt with by a manipulation of any of the above-indicated indexes. They do exist for effective administrative action.
For Dealers

5 stocks with post-war prospects in the Non-Step Air Pick Up, Home Laundry, Electronics, Die Casting and Television fields.

- All American Aviation, Inc.
- Bendix Home Appliances, Inc.
- Allen B. DuMont Laboratories, Inc.
- Harvill Corporation
- Majestic Radio & Television Corp.

Trading markets and Information on request

Koob's, Garhart & Co.

Our Reporter On “Governments”

(Continued from page 1921)

keen, in future, for the most obvious and likely policy is one of an open market policy to the extent of about $15,000,000,000 a week 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 in currency in circulation. Banks in large centers now keep fully invested, and even many smaller country banks are coming around to this sensible practice. They will feel the 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 necessary in the likely event that currency in...