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Defeat Of FDR Won't Hurt War

By FULTON LEWIS, JR.

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CHICAGO, April 24.—As for the military prosecution of the war suffering by a change of Presidents, let's analyze it.

One of the President's most admirable virtues has been that, except for the most general and broad co-ordination of our war plans with those of other countries, he has left the entire prosecution of the war to the trained military personnel of the Army and Navy. Were he or any other President to do otherwise, it would be suicidal.

Fulton Lewis, Jr.

If the public is confidently convinced that those same Generals and Admirals will continue to run

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In This Issue

OHIO SECURITIES section containing information bearing on dealer activities in that State on page 1714. SAVINGS and LOAN ASSOCIATIONS material, with special reference to Indiana institutions, starts on page 1720.

For index see page 1736.

National Income The Measuring Rod Of Our Sales Effort: Fuller

By WALTER D. FULLER*

President, The Curtis Publishing Company

Publisher Declares We Have Learned The Fallacy Of An Economy Of Scarcity And That In Peacetime Ours Was Never A Problem Of Over-Production But One Of Underselling—Says Selling, Not Production, Comes First—Always

The phrase "post-war planning" means different things to different people. I want to begin today by defining what it means to me, and then to suggest some simple practical angles that are necessary for real post-war prosperity.

Walter D. Fuller

To me post-war planning is part of winning the war, almost as much as it is necessary to win the peace. Surely the morale of our servicemen can best be sustained by concrete evidence that there is certain to be a future worth fighting for. Also, post-war planning is that part of winning victory in this war which gives tangible evidence to the men and women on the production line that instead of working themselves out of a job they are producing for a happier America, for themselves and everyone else, with peace, prog-

*An address delivered by Mr. Fuller before the New York Chapter of the Chartered Life Underwriters, New York, N. Y., on April 21, 1944.

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The Outlook For The Interest Rate

By CLAUDE L. BENNER*

Vice-President, Continental American Life Insurance Company

Life Insurance Executive Holds That If A Period Of Business Expansion And Prosperity Follows The War Conditions That Caused Low Interest Rates Of Thirties Will Disappear—Avers Rise In Interest Rates In Peacetime Should Not Be Construed As A Source Of Danger But One Of Satisfaction

At the outset may I state that my discussion is going to be directed primarily to the factors controlling the long-term interest rate. I am going to pay only passing attention to such short-term rates as are commonly found on acceptances, notes, bills or commercial paper. I am going to do so because the interest rate on mortgages is the one in which you are primarily interested and this mortgage rate is more nearly analogous to the long-term rate on bonds than it is to any of the other interest rates commonly found in the money market.

Claude L. Benner

Morever, the short-term interest rate fluctuates more widely

*An address delivered by Mr. Benner at a meeting of the Mortgage Bankers Association of America on April 14, 1944, at the Hotel Biltmore, New York City.

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The Gold Premium In The East: Is It A Portent?

By HERBERT BRATTER

Large wartime increases in the prices of gold and silver abroad have been reported in news dispatches from time to time. Such reports from India, Iran, Egypt, Turkey, Mexico and Argentina have given rise to speculation that similar price increases here are a possibility. Sometimes, there seems to be not merely wonder, but hope that American bullion prices will be "brought into line." What is happening to bullion prices abroad, therefore, is of more than mere academic interest to America; for here gold and silver are basic to the currency system and, barely a decade ago, the Government saw fit to respond to organized clamor and make those two metals still more "precious."

Herbert M. Bratter

In this article it is proposed to outline in some detail the situation as to gold in India: the market premium on gold, the reasons for the official policy of selling gold to the public there, the effectiveness of that policy, and its internal repercussions. Much that is true of the Indian premium on gold is true also of that in other countries. And a great deal that can be said about the price of gold can also be said about the price of silver abroad.

First, what are some of the statements that are being made here?

As Seen from Afar

An example of what western gold miners are reading is an article in the Nevada State Journal, Reno, of March 23, 1944. It bears the caption: Prices of Gold and Silver in Foreign Markets Induce

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Full Employment After The War

Harvard Economist Maintains Increase In Productivity So Vast Since Boom Years Of The Twenties That Should We Permit Our Income To Fall Again To 1929 Level We Should Have 18 To 20 Million Unemployed—Urges Mapping Of Program Designed To Achieve Economic Stability And Full Employment—Favors Public Works That Will "Enlarge Private Investment Opportunities"

By ALVIN H. HANSEN*

Professor of Economics, Harvard University, Special Advisor to the Board of Governors of the Federal Reserve System

1. Full employment after the war, can we achieve it? No one can fail to be impressed, I think, with the magnitude of the problem.

Alvin H. Hansen

We have witnessed the prodigious output of war material and equipment with an amazingly high volume of agricultural products and of civilian goods despite the fact that 10 million of our best workers have been withdrawn into the military forces. Prior to the war, no one had even an inkling of the productive capacity of this country. The gross national product in 1943 was twice that of 1939. The increase in productivity since the high boom year of the twenties is so vast that should we permit our income to fall again to the 1929 level—the peak boom year—we should have from 18 to 20 million unemployed.

These facts indicate the magnitude of the problem. Moreover, increases in man-hour productivity are continuing at an unabated pace. Unless our income continues to rise with every increase in productivity, unemploy-

* An address delivered by Prof. Hansen before the American Federation Post-war Forum at the Hotel Commodore, New York City on April 12, 1944.

(Continued on page 1715)

The Menace Of Post-War Silver

By A. M. SAKOLSKI, City College, New York

Silver, as a monetary factor, has been a problem in the United States for over three-quarters of a century. And it is likely to be a serious post-war problem. At present, little attention is being paid to the question. Perhaps, this is because international monetary stabilization discussions ignore the position of silver as a monetary medium. The lack of interest may also be due to the fact that none of the great powers now use silver as a metallic monetary base, and, therefore, the problem is considered purely as an academic one, and applicable only to the United States.

A. M. Sakolski

However, new economic conditions throughout the world will exist after hostilities cease, and silver, as a source of "hard money" supply, may assume a new position; perhaps a position of more importance because of the scarcity or absence of gold reserves in many countries. On the other hand, a universal adoption of an international currency based on gold may lead to the complete elimination of silver as a monetary base, in the few countries where it still feebly operates in this capacity. This is more likely to be the outcome.

With the possible exception of China and India, the United States is the only important nation in which silver is recognized as a part of the metallic reserve upon which the value and the redemption of its currency is based. Under our present monetary system,

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Magid Named Director Of Empire Steel Corp.

Samuel E. Magid has been elected a director of Empire Steel Corporation of Mansfield, Ohio, formerly the Empire Sheet & Tin

Samuel E. Magid

Plate Company. Mr. Magid is Vice-President of Hill, Thompson & Co., New York investment bankers, and a director of Richmond Ice Company, Raleigh-Hopewell Ice & Coal Company, and Vice-President and Director of American Sealcone Company.

Gude, Winmill & Co. To Admit Geo. Watson

George E. Watson, Jr., member of the New York Stock Exchange, will become a partner in Gude, Winmill & Co., 1 Wall Street, New York City, members of the New York Stock and Curb Exchanges, as of May 1st. Edna B. Morris will become a limited partner in the firm as of the same date.

Mr. Watson was formerly an individual floor broker in New York and prior thereto was a partner in Watson, Armstrong & Co.

Earle Land Member Of N. Y. Security Dealers

At a meeting of the Board of Governors of the New York Security Dealers Association held on April 19, 1944, Earle E. Land, Green, Ellis & Anderson, New York City, was elected to membership in the Association.

The membership of L. J. Goldwater & Co., Inc. was transferred to L. J. Goldwater & Co., a copartnership with Leo J. Goldwater continuing as representative.

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Free Enterprise

How It May Be Unshackled
An Answer To A New Deal Threat

By E. S. PILLSBURY*

Speaking at a post-war conference of independent enterprise, of the American Business Congress, in New York, on March 17th, Vice President Henry A. Wallace, evidently representing the New Deal, is quoted in the March 23rd issue of the "Commercial and Financial Chronicle" as follows:

E. S. Pillsbury

"It was part of the American tradition for more than 100 years that every man could make a living and prosper if he worked hard and was honest"—in 1930, however, Mr. Wallace continued, "innumerable business men found themselves bankrupt and millions of men also who were anxious to work could find no jobs. There were 10 million unemployed in the United States in 1932, and the savings of millions were wiped out, and countless thousands had lost their homes."

In a later interview, Mr. Wallace is quoted in the press as follows:

"Private enterprise will be given every opportunity to function on its own. But we must keep in mind that the people will not **tolerate** unemployment. They will expect and **demand** full employment at good wages." (Emphasis supplied.)

Conceivably, an economic system might function for five, ten, or even 20 years, as a consequence

*Mr. Pillsbury is President of the Century Electric Co. of St. Louis.—Editor.

(Continued on page 1728)

Current Results Of Poll Of NASD Members On 5% Mark-Up Rule

The results of the "Chronicle" poll of all members of the National Association of Securities Dealers on the latter's 5% mark-up rule, as of last night (April 26) show little change from the figures that prevailed on April 19. The returns now read 835 **opposed** and 148 in favor of the rule. In connection with the survey, reference is made to the fact that, starting on page 1708, we publish another group of comments made by Association members on the effect of the rule on the market for securities of the nation's smaller corporations. The bulk of these letters express the opinion that the rule will virtually close the capital markets to such enterprises.

As to the standings of the poll as of April 26, they are shown herewith:

RETURNS FROM NASD MEMBERS

Total Ballots Cast	983	
Number Favoring 5% Rule	148	or 15.1%
Number **Opposed** to 5% Rule	835	or 84.9%

How To Guarantee A Depression In The Post-War Era

By DR. IVAN WRIGHT
Professor of Economics, Brooklyn College

The present quarrel over underwriting agreements and their legal status seems to me to have far-reaching implications. Unless the difficulties are cleared in the near future this situation could be the cause of a log-jam in the capital markets which would gurantee a business depression instead of reconstruction in the post-war years. At the present time the private capital markets are subdued as a result of government war financing. But when the war is over or the end is in sight the private capital markets should take over the traditional functions of private financing and providing the capital for the rebuilding of private enterprise. Recently I have seen in the news items various estimates of the need for private capital in the immediate post-war years. These estimates may not be well thought out but they run from 12 to 50 billion dollars, yes, even 100 billion dollars. It is said that this capital will be needed for reconversion, new plants, expansion, new industries, and to provide the necessary production to meet the consumer demand for peace-time goods. Without having in mind any definite figure, past history indicates that the post-war demand for new capital will be huge. This capital can only come from private surplus, savings, and the accumulations of investors. The capital wanted will be of all varieties, from high-grade investments with the minimum of risk to speculative ventures in new enterprises with an unknown future. Fortunately, in

Dr. Ivan Wright

(Continued on page 1729)

A Doctrine Lost In Practice

NASD "Code of Procedure" Unjust In Its Operation

We have on occasion inveighed against administrative bodies because of their many faceted activities in acting as complainant, investigator, prosecutor, and judge. Is it unreasonable to believe that such bodies, having a stake in the result of successful prosecutions, are thereby both consciously and subconsciously induced to a state of excessive zeal under which the rights of citizens are frequently submerged?

A persistent evil that dogs those appearing before these units is the absence of uniformity in their rules of practice. Some have no code that can be dignified with the term "rules." Amongst others the variations are constantly confusing, subject to frequent modification, and sometimes dependent upon the caliber of the individual, or individuals pro tem who head the instant bureau.

The laws and rules of evidence which have characterized court practice for centuries are seldom if ever observed. In fact, some of these agencies have a positive edict that observance of the rules of evidence is not required. Top this with court rulings that when these administrative bodies make findings of fact as the result of a trial, even though these findings be against the weight of the evidence, if there is some evidence to support them, such findings will ordinarily not be disturbed, and you have a vicious bureaucratic set-up existing today, which is enlisting some of our nation's best minds for remedial action.

The Maloney Act which gave birth to the NASD created

(Continued on page 1733)

Small Business Seen Chief Victim Of NASD's 5% Mark-up Rule

Closing Of Capital Markets To Smaller Enterprises Inevitable, If Measure Remains In Effect, Dealers Hold

It is possible to give in today's issue, starting further below, some more of the comments made by members of the National Association of Securities Dealers regarding the effect of the Association's 5% mark-up rule on the market for securities of the smaller corporations of the country. These expressions have been received incident to the poll conducted by the "Chronicle" to ascertain the exact attitude of both members of the NASD and non-member dealer firms towards the organization's attempt to change, on its own volition, trade custom and usage in the securities business. Insofar as non-members are concerned, the returns showed that 93% are opposed to the rule. In the case of member firms, the current results of the balloting from this source, which will be found on page 1707, once again emphasize that an overwhelming percentage of the Association's membership is opposed to the rule.

Regarding the effect of the rule on the nation's smaller enterprises, with respect to their ability to finance capital requirements, the bulk of the expressions made on the subject by NASD member firms leads to but one conclusion. It will make it extremely difficult, if not impossible, for such enterprises to market new securities and also materially damage the market for their existing obligations.

In connection with the comments given herewith (others were given in our issues of April 13 and April 20), it should be noted that the name of the city or town preceding the dealer's comments was obtained from the post-mark appearing on the envelope in which the questionnaire was returned. In cases where publication of the name of the community would tend to identify the firm (as in places where only one firm exists), the point of origin is indicated by using the phrase, "A Small Maine Town," as an example, or its equivalent.

A SMALL UPSTATE NEW YORK TOWN

It is our opinion that the 5% rule gross profit as instigated by NASD, will have the effect of destroying small corporation securities. These securities would be neglected if it was not for the efforts of the dealers and their salesmen in bringing them to the attention of their clients.

It should be realized that the average investor is rather a passive individual, not as a rule taking any initiative action in buying securities, but rather investing on the advice of the salesmen. The dealer's position, having to foot the expense of overhead and the salesman's living, and traveling, as, in our case, many miles to see the client, could not afford to do this work for 5%.

We distribute many prospectus issues, but, after the distribution, these securities would be kicking around at less than half their real value, to the detriment of the investor if it was not for the dealer's work in resale.

We have been in this business 24 years and have charged 10% or less for our work in "over-the-counter securities." Since the new rule of 5%, we have not done any further of this kind.

The capitalist system has been on trial for some time, and if it is ever destroyed, it will be due to the selfish individuals who are responsible. It is our opinion that there is a distant attempt to destroy the small dealer, who has done much towards the growth of this country. We have in our day helped to establish many corporations now employing thousands of workers and paying taxes to the government.

Until there is a well-defined opposition to the present dictatorial rule, we would prefer that our name not be published.

ST. LOUIS, MO.

Will seriously retard sale of securities of smaller corporations.

BOSTON, MASS.

Our opinion is that the financial markets will be so restricted as to make it difficult for small corporations to obtain help. Free enterprise is at stake and we cannot afford to hamper industry after the war when the need for employment will be of paramount importance.

SEATTLE, WASH.

It is impossible to sell the securities of inactive and small corporations, pay salesmen commissions, and overhead, on a 5% mark-up regulation. Sometimes the effort required to make such sales is very great and such a low mark-up would not begin to compensate for the time and expense. To my way of thinking, the NASD sold us down the river when they made such a rule. There are many small companies in this part of the country, little known,

(Continued on page 1730)

Named President Of Texas Company

Announcement was made of the election April 25 of Col. Harry T. Klein to the Presidency of the Texas Company, as successor to W. S. S. Rodgers, who was made Chairman. The latter will remain as Chief Executive Officer of the company. Mr. Klein was formerly Executive Vice-President and General Counsel.

Col. Harry T. Klein

R. L. Saunders was appointed Vice-President and will also continue in his capacity as Secretary. O. J. Darwin, former Associate General Counsel, was promoted to General Counsel of the company.

Jerome Melniker Co. To Be Formed In N. Y.

Effective May 1st, the New York Stock Exchange firm of Jerome Melniker & Co. will be formed with offices at 61 Broadway, New York City. Partners in the firm will be Jerome Melniker, member of the Exchange, and Walter Seligman. Mr. Melniker was formerly a partner in Mervin Ash & Co., with which he had been associated for many years. Mr. Seligman was a partner in William B. Anderson & Co. and prior thereto in J. & W. Seligman & Co.

Milton Kaplan Heads Dept. For Bittner Co.

Bittner & Co., 80 Broad Street, New York City, announce that Milton Kaplan is now associated with their firm in charge of the reorganization securities department. Mr. Kaplan was formerly manager of the trading department for The Kenwood Investing Corporation.

Ins. Situations Look Good

The current situations in American Fidelity and Casualty Company and American Surety Company offer interesting possibilities according to circulars just issued by Huff, Geyer & Hecht, 67 Wall Street, New York City. Copies of these circulars may be obtained from Huff, Geyer & Hecht upon request.

Edward P. Field To Be Williston Partner

Edward P. Field will become a partner as of May 1st in the New York Stock Exchange firm of J. R. Williston & Co., 115 Broadway, New York City. Mr. Field, a member of the Chicago Board of Trade, was previously a partner in Gude, Winmill & Co., Winthrop, Whitehouse & Co., and Whitehouse & Co.

America's Place In World Affairs

By Hon. JOHN W. BRICKER*

Presidential Aspirant Holds A Cooperative Organization Of Sovereign States Bent Upon Peace And Supported By A Will For Peace Among Their Peoples, Can Solve The International Problems That Lead To War—Would Avoid "All Visionary" Monetary Stabilization Plans Such As The Keynes And White Plans And Declares Best Hope Of Future Lies In Return Of World In Due Course To The International Gold Standard

For the second time within the brief span of our generation, America is involved in a grim and bitter world war. We were caught shamefully unprepared. But today, after months of anxiety and preparation, the tide of battle is running strongly in our favor. Our country again is demonstrating the prowess of her fighting men and the potency of her industrial system. Tough fighting and hard work are ahead. But we shall carry on, with increased determination, until Germany and Japan are decisively defeated.

John W. Bricker

I.

We well may pause to speculate concerning the reason for our involvement in these two world wars. We had no territorial ambitions. We had no major quarrels with other nations.

America was settled by people who sought to be free from the interminable wars between the coalitions and alliances of the Old World. But to their disillusionment and sorrow, even in colonial days, they discovered that the New World was an ever-present pawn in the imperial ambitions and rivalries of the European powers.

Whatever may explain our early involvements, I have no doubt as to the principal forces that involved us in World Wars I and II. We were drawn in because we had become of such great importance in world affairs, economically and politically, that we could not escape involvement. Neither Germany in the last war, nor Germany and Japan in this war, could hope to achieve world domination so long as the United States stood strong and free in this hemisphere.

The simple truth is that we have always had a tremendous stake in world order and stability. Yet our national consciousness of our commanding place in world affairs has not kept pace with our own national progress. We have not kept ourselves alert to developments threatening world order. And we have not kept ourselves prepared to deal with them before they attained world-shaking proportions.

Instead of accepting, with intelligent self-interest, a degree of responsibility for world events commensurate with our rank, we have allowed events to control us. Almost a half century ago, we assumed obligations in the Pacific. We accepted a direct responsibility for protecting the Philippines. The present administration failed to fulfill this obligation in the face of Japan's growing power.

During the past decade we have unwisely pursued a course of day-to-day diplomacy. Hitler seized the reins in Germany about the time the New Deal came into power. Though the threat to world peace was widely recognized, our government did not exercise ordinary prudence for our national security. We squandered our substance in boondoggling and took no heed of the gathering war clouds. The present administration sought to appease Japan by selling to her scrap iron and oil, in spite of Ambassador Grew's warnings as to the intentions of her war lords. This policy was continued until late in 1940. Our sons are receiving back those materials today, in bullets and death.

II.

Any approach to the future foreign policy of this country, I believe, should be based upon three inescapable premises.

First, our civilization cannot survive if it continues to engage in legalized mass murder every generation or two. It must not pervert its scientific discoveries into instruments of destruction. No Napoleon, no Hitler, no Japanese war lord, nourishing overweening ambition, should ever again be permitted to force catastrophe on the world.

Second, we in America must recognize, in view of our vast expanse of territory, our population, our natural resources, and our scientific skills, that we must share responsibility for world order as a matter of self-interest. I have said before and I repeat now: "If we do not, after the present most destructive of wars, make a serious effort to build a better understanding among nations, then we must stand convicted before posterity as ignorant, heartless and unworthy reactionaries."

Third, we must assume our responsibilities realistically. The pages of history record many plans for preserving peace. From

(Continued on page 1734)

*An address delivered by Governor Bricker before the Ohio Society of New York at the Hotel Pennsylvania in New York City, April 25, 1944.

The "Cartel" Problem

By GILBERT H. MONTAGUE*

"Cartel" is the newest epithet in the anti-trust vocabulary.

This word has now been so overworked that it is fast losing all its sting.

This point was reached last January, when a motor carrier consolidation, which had been expressly authorized by the Interstate Commerce Commission after full hearings, report and argument, and later had been unanimously approved by a statutory three-judge court after full hearing and argument, and later after appeal and argument before the Supreme Court had been approved in an exhaustive Supreme Court opinion, was nevertheless called a "cartel" by the two dissenting Supreme Court Justices.

Gilbert H. Montague

"Cartel" means today, therefore, merely something that somebody happens to dislike.

Most of the international trade agreements attacked as "cartels" by the Department of Justice rest on patent license limitations and conditions based on Supreme Court decisions whose authority was unquestioned before 1938.

Since 1938 the Supreme Court has been narrowing its interpretation of the patent laws, and stretching its interpretation of what the anti-trust laws forbid, so that today there is legal doubt about limitations and conditions in patent agreements which before 1938 rested securely on Supreme Court decisions in which had concurred such percursors and stalwarts of the New Deal as Justice Holmes, Justice Brandeis and Justice (now Chief Justice) Stone.

In this new area into which the Supreme Court has been beckoning and leading since 1938, it is hardly strange that the Department of Justice is now instituting many new prosecutions.

Deficient in petroleum, rubber, quinine and numerous other materials essential in case of war, and deficient also in sea power by which to import them in case of embargo or war, Germany concentrated for many years on chemical research and production synthetically on a commercial scale of products or substitutes of these materials.

With respect to these strategic materials, German universities have graduated more chemists, and German governments have aided more chemical research and production on a commercial scale than any other nation in the world.

America and Great Britain did not concentrate on these things, because for a small fraction of the cost of producing these synthetics America and Great Britain could produce or import the natural materials themselves, and because America and Great Britain, unlike Germany, were always confident that their sea power would enable them to import any materials they did not themselves produce.

Because of all this, German chemical companies led the world in chemical research and production synthetically on a commercial scale of products and substitutes of petroleum, rubber, quinine and other strategic materials, and the governments of every nation in the world, especially the United States and Great Britain, in consideration of the public disclosure of these German inventions, were issuing in the 1920's and 1930's to German chemical companies and their nominees thousands of patents covering thousands of German inventions.

If "Patents for Hitler" had been "Germany's Master Plan," those German chemical companies should have kept for themselves the patents they thus obtained from the governments of the United States and Great Britain and every other nation in the world.

Just the opposite happened, however.

Throughout the 1920's and 1930's American industrialists, now defamed by the authors of these books, articles, statements and speeches as traitors or saps or both, succeeded in obtaining from the "supermen" and "herrenvolk" directing these German chemical companies, now acclaimed by Dr. Goebbels, and these authors as the intellectual and business masters of these American industrialists, the right and "know how" to develop and improve upon and manufacture on a gigantic scale German inventions covered by these German-owned patents.

This has enabled America in its hour of greatest need to produce 100-octane aviation gasoline now used by all bombers and fighters of the United Nations, and buna synthetic rubber, which is the chief part of the Government's present syntheticrubber program, and substitutes for quinine like atabrine, whose production has been raised from 5,000,000 tablets annually before this war to over 1,000,000,000 tablets in 1943, without which American troops could not take the field against the Japs in the Solomon Islands or New Guinea or China or in any other malaria-infested region of the world.

To obtain for American industry the right and "know how" to use the German inventions covered by these German-owned patents, American industrialists had to come to terms with the German companies owning these patents.

If all that a German company would grant was a right and "know how" under a United States patent, the American industrialist had no right to manufacture or sell in South America, for a United States patent, is of course limited to the United States.

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*An address made by Mr. Montague, a member of the New York Bar, before the Institute on Post-War Reconstruction, New York University, New York City, April 19, 1944.

Tilghman Sharp Joins Stein Bros. & Boyce

BALTIMORE, MD.—Stein Bros. & Boyce, 6 South Calvert Street, members of the New York and Baltimore Stock Exchanges, announce that Tilghman H. Sharp has recently joined their organization. Mr. Sharp, a graduate of the University of Virginia, has been a resident of Baltimore for nearly 20 years. He was formerly associated with Jenkins, Whedbee & Poe, and for the past 12 years he has been a member of the investment analysis staff of the Safe Deposit and Trust Company of Baltimore.

Real Estate Securities

Quality Yardstick And Its Relation To Real Estate Bonds

By JOHN WEST

One of our leading statistical services in evaluating bonds for the purpose of assigning quality ratings, divides their analysis into three broad fundamental groups:

(1) Earning Power
(2) Financial Resources
(3) Property Protection

The service has enumerated the groups in the sequence of what, in their opinion, is the importance of each item. We quote them: "Earning Power is the most important of the three; Financial Resources next, while Property Protection is the least important. No matter how much property there is behind an issue, it is the earning power of the enterprise which measures the obligator's ability to accumulate funds to pay principal and interest, or, if refunding is necessary, at maturity, or advantageous at other times."

They recite further that Finances, given second place in the group of factors, are a measure of the company's solvency and give a good indication of whether it can ride through a depression period or finance expanding business.

Property Protection, they say, merits considerable weight, but not so much as Earning Power or Financial Resources. According to them, it measures the conservatism of the funding.

The service has established 11 different ratings for bonds. Their first rating, in their opinion, relates to bonds which show the ultimate degree of protection in all respects. According to this service, the top rating represents the highest grade corporation bond available.

Fifth rating is given to bonds regarded as lower medium grade, since they have some investment characteristics, though not enough to warrant an investment rating, while sixth rating is given for bonds where essentially speculative characteristics clearly govern.

Fifth or six ratings were the highest we have ever noticed given to a Real Estate bond.

We have no quarrel with this investment service; as a matter of fact, we think they give excellent service to both dealers and the public.

At the inception of this column, about two years ago, we called "Real Estate Bonds a neglected security." We still feel the same way and have merely introduced these "quality ratings" to illustrate how a little more investigation of real estate securities might be very profitable to dealers.

For instance, rated in sixth place, according to the service in question, is a bond called the Hotel Taft 5s, 1947. Only last week the newspapers carried the announcement that a new mortgage loan had been arranged with the Penn Mutual Life Insurance Company of Philadelphia for this property and that the bond issue would probably be paid off.

Let us take this issue step by step and see if you do not agree with the writer that real estate bonds are not receiving the attention they are entitled to.

First, the bond has now been refunded at a 1% lower interest rate, immediately falling into and meeting the requirement of property protection, because lower interest rate refunding is surely the best measure of the conservatism of its funding.

Second, as proof of earning power, since the bond was issued in 1937, see how well interest was earned (times earned): 1943, 3.47; 1942, 2.82; 1941, 2.56; 1940, 2.88; 1939, 2.54; 1938, 1.87. In addition, they paid the bondholders $253,065 in scrip at par and cancelled enough bonds during this time by sinking fund operation, to reduce the issue from $4,088,300 to $3,255,741.

Yet, this 5% bond has sold as low as 93 this year, and in 1938 sold down to 50. Imagine an industrial or utility bond with all the attributes of this real estate bond. We dare say such a large yield would have commanded a much bigger price.

We reiterate that it will pay you to investigate the large amount of investment material that can be purchased very cheaply in real estate securities.

Utility Looks Good

United Public Utilities Corporation continues to offer an attractive situation, according to a memorandum contained in the current issue of the "Preferred Stock Guide," now being distributed by G. A. Saxton & Co., Inc., 70 Pine St., New York City. Copies of the "Guide," containing the discussion and quotations on public utility preferred and common stocks may be had upon request from G. A. Saxton & Co.

Eberstadt Offers 35,000 Shares Of Westvaco Stock

F. Eberstadt & Co. headed the underwriting group that offered April 26 35,000 shares of the Westvaco Chlorine Products Corp. $4.25 cumulative preferred stock (no par) at $101.50 and accrued dividends a share.

Others in the underwriting group are Eastman, Dillon & Co., the Lee Higginson Corp., Coffin & Burr, Inc.; Riter & Co.; E. H. Rollins & Sons, Inc.; G. H. Walker & Co.; Paine, Webber, Jackson & Curtis; The Milwaukee Co.; The Wisconsin Co.; Ames, Emerich & Co., Inc.; Laurence M. Marks & Co.; Alex. Brown & Sons; Equitable Securities Corp.; Moore, Leonard & Lynch; Schwabacher & Co.; Starkweather & Co.; Spencer Trask & Co.; Whiting, Weeks & Stubbs, Inc.; Hornblower & Weeks; Kebbon, McCormick & Co.; Stix & Co.; Boettcher & Co.; Brush, Slocumb & Co.; Davis, Skaggs & Co., and Stein Bros. & Boyce.

Proceeds will be used for one or more of the following purposes: Enlarging and improving plants and processes, building plants to make new products, acquiring and converting plants owned by the Government now operated by the company and increasing working capital.

The $4.25 preferred stock will be redeemable in whole or part at $105 a share until April 1, 1949, and thereafter at $102.50. In addition to the new $4.25 preferred, the company will have outstanding 56,003 shares of $4.50 cumulative preferred and 353,132 shares of common, no par value. Sales for the year to Jan. 1 last were $18,177,377 and net was $1,176,529.

Defeat Of FDR Won't Hurt War

(Continued from first page)

the war, a change of Presidential horses means nothing.

It's true that a change of Presidents probably would mean a change in Secretaries of War and Navy. The Republican problem is to convince the public that you can change Cabinet officers as easily as you change hats.

"Purely Political"

And in this case a change should be an improvement. They're essentially figureheads; their jobs are purely political. The permanent civil service employees really do the work, as in the case of the present incumbents, neither of whom have any particular training or experience. They, too, frequently have been a headache instead of a help to the military.

If the G. O. P.'s challenger can put those points across to the public, with complete conviction, the Sunday wallop loses most of its potency. From there on the fighting is in the champ's most vulnerable quarter—the one he and his trainers are hoping to stay away from—the home front.

And little old New York to the contrary, that home front is the major consideration to the overwhelming majority of the American voters, the other two considerations having been satisfactorily countered.

Voter Has Problem

China, and the rebuilding of Europe, and whether Russia is to be allowed to take over Poland, and the precise details of a postwar international police force are considerations, to be sure, but Poland is 4,000 miles away, and China is twice that far, and the average John Voter has an immediate problem on his doorstep every morning and every night, which interests him a lot more: The little business of making a living, and raising his own family, and trying to get a chance at the pursuit of life, liberty, and happiness.

He has a quaint desire to have some attention paid to his own problems, not to the exclusion of foreign problems or the military prosecution of the war; but conversely, he doesn't want sole attention paid to world problems, to the exclusion of his own.

He doesn't think that being pushed around by Government officials, regulations and formulas is any solution of his problems.

If you're inclined to doubt that, ask Mr. Willkie.

Coburn & Middlebrook Open New York Office

Sullivan & Farrell Mgrs.

Coburn & Middlebrook announce the opening of the New York offices at One Wall Street, under the co-management of Robert J. Sullivan and John J. Farrell. Charles R. Leake, 2nd will be associated with them.

Mr. Sullivan and Mr. Farrell were formerly with Fitzgerald & Co., Inc., in charge of the real estate department and prior thereto with Craigmyle, Rogers & Co. In the past Mr. Sullivan was a partner in R. H. Johnson & Co., with which Mr. Farrell was also associated. Mr. Leake was previously with R. S. Dickson & Co., and Josephthal & Co.

The firm organized in Hartford, Conn. in 1934, maintains offices in that city as well as in New Haven, New London, Conn, and Portland, Maine.

Opening of the firm's New York office was previously reported in the "Financial Chronicle" of April 6th.

Tomorrow's Markets Walter Whyte Says—

Primary trend proves itself when it lops off potential secondary rally—Constricted price movement ahead.

By WALTER WHYTE

When I advised the disposal of long-pull as well as short-pull stocks I was aware that certain conditions had arisen that indicated that the back of the long up-trend which started in November of 1943, had been broken. The reasons didn't concern me then, and they don't concern me now.

* * *

When, a few weeks ago, I saw what I believed were signs of more than just another rally, I veered again. I recommended the purchase of various stocks at specific prices, but I emphasized such buys were only for the short-term. So far as long-pull positions were concerned, there was no change in the position that side lines would be more comfortable.

* * *

It might be argued that if I felt that way about investment holdings, why did I go out on a limb for the trader. The answer is that markets, like life itself, seldom run on an even keel. For even if a market's primary trend dominates the secondary movement, the latter frequently is characterized by sharp rallies which do not affect the course of the main trend.

* * *

Before SEC, there was only one way to play a secondary market when the prime movement was down. That was, to sell on all strength and cover on weakness. Occasionally, it was possible to go long when covering, thus getting a few more points out of the swing. But, primarily, it was a seller's market and selling on strength was the proper procedure. Today such a method is outmoded. Regulations prevent going short and rules of the game have changed completely. In the

(Continued on page 1732)

Broker-Dealer Personnel Items

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

NEW YORK, N. Y.—**Irving Heine** has joined the sales organization of **R. M. Horner & Co.**, 30 Broad St.

(Special to The Financial Chronicle)

ALTON, ILL.—**Albert E. Elliott** has become associated with **Fusz-Schmelzle & Co.**, whose main office is located in the Boatmen's Bank Building, St. Louis, Mo. Mr. Elliott in the past conducted his own investment business.

(Special to The Financial Chronicle)

ATLANTA, GA.—**Wallace M. Kirkpatrick** has been added to the staff of **Clement A. Evans & Co., Inc.**, First National Bank Building.

(Special to The Financial Chronicle)

BOSTON, MASS.—**William F. Swift** is with **Draper, Sears & Co.**, 53 State St.

(Special to The Financial Chronicle)

BOSTON, MASS.—**W. Stuart Morrell** is connected with **R. H. Johnson & Co.**, 30 State St.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Harold D. O'Brien** has joined the staff of **J. Arthur Warner & Co.**, 89 Devonshire St.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Robert G. Lester** is now affiliated with **J. S. Bache & Co.**, 135 South La Salle St. Mr. Lester was formerly with Geo. Rossetter & Co. as accountant; in the past he was with E. W. Thomas & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Olaf A. Sorenson** is now with **Jas. H. Oliphant & Co.**, 209 South La Salle St. In the past he was with Lawrence Stern & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Walter W. Smith** has been added to the staff of **Russell M. Anderson**, 559 South Figeeroa St.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**George A. Coulter** has become associated with **Harris, Upham & Co.**, 523 West Sixth St. Mr. Coulter was previously with Pacific Company of California, J. A. Hogle & Co. and Wm. Cavalier & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Lester J. Washburn** has become affiliated with **O'Melveny, Wagenseller & Durst, Inc.**, 626 South Spring St. Mr. Washburn was formerly with Protected Investors of America and Morrison Bond Co.

(Special to The Financial Chronicle)

PITTSBURGH, PA.—**Albert B. Brushaber** is with **Mellon Securities Corp.**, 525 William Penn Place. He was previously with Wood, Struthers & Co., New York.

(Special to The Financial Chronicle)

RALEIGH, N. C.—**Z. H. Bacon** has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane**, 302 South Salisbury St.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**Harry E. Pahl** has joined the staff of **Wilson, Johnson & Higgins**, 300 Montgomery St.

Henry Tupper Elected Taussig, Day V.-P.

ST. LOUIS, MO.—Taussig, Day & Company, Inc., 506 Olive Street, announces that Henry A. Tupper, who has been manager of the firm's Peoria office for more than eight years, has been elected to Vice - Presidency. Mr. Tupper started his career in the investment field in 1924. His office is located in the Alliance Life Building, Peoria, Ill., and his clientele covers much of Central Illinois.

Doremus & Co. Add Jack Gelber To Staff

Jack A. Gelber, formerly Assistant Production Manager of Harrison, Rothschild Agency, and recently honorably discharged from the armed services, has joined the production department of Doremus & Co., advertising agency, 120 Broadway, New York City.

Railroad Securities

The way things have been going it seems as if railroad security analysts will have to develop greater versatility if they are correctly to appraise the potentialities of the securities they follow. Diversity of interest first entered the picture when Union Pacific began getting substantial income from its oil properties. More recently there has been the development of Gulf, Mobile & Ohio oil properties. Now the annual report of Northern Pacific reports important oil discoveries in its territory.

The report mentions the discovery of oil in the Tensleep sand in the old Elk Basin Field of Northern Wyoming and Southern Montana, stating that the field is considered to have the highest potential possibilities of any area brought in in recent years in the Rocky Mountain territory. Northern Pacific owns some well located land in this area from which oil is already being taken. The report goes on to state that oil in commercial quantity has also been discovered in the Gage Dome east of Roundup, Montana, on the Milwaukee main line, and that a good field seems to be in prospect. Northern Pacific also owns well located land in which oil has been found in this area.

Quite obviously these oil developments in Northern Pacific's territory have not as yet become an important earnings consideration. Nevertheless, they do present interesting potentialities for future substantial benefits. In the first place, and regardless of the company's own land holdings, there would be direct traffic benefits—the discoveries have stimulated the search for oil in Eastern Montana beyond anything undertaken in many years. Development and search mean the inbound movement of machinery, etc., and actual discoveries bring the outbound movement of the petroleum itself. To these considerations will be added any revenue from oil in the company's own substantial land holdings, the possibilities of which can not even be estimated but which might reach very sizable proportions.

Even without the prospect of substantial profits from oil developments Northern Pacific has been experiencing a gradual rehabilitation of credit, and its stock has been attracting a growing speculative following. The road resisted the general industry trend in 1943, and was able to report a gratifying increase of more than 50% in net income to $10.29 a share compared with $6.57 a share in 1942. Taxes have been a greater burden in the opening months of 1944 and the increased wages have been taking their toll. Nevertheless, there appears to be little question but that results for the full year will remain well above any recent pre-war period, and probably above the 1942 level.

With the higher earnings, the management put the stock back on a dividend basis in 1943 (the first in over ten years) but by far the larger proportion of earnings is still being utilized for debt retirement and financial rehabilitation. Last year the non-equipment debt outstanding was reduced by $10,107,500 although this was in part represented by purchases from the wholly owned Northwestern Improvement Co. of bonds bought by that company in previous years. Eliminating the holdings of the subsidiary, publicly held debt (exclusive of equipments) was reduced $9,311,500, bringing total retirements and subsidiary purchases within the last three years to $14,001,500.

As of the end of last year, and excluding bonds held by Northwestern Improvement, the total non-equipment debt had been pared to $290,291,240. This is still too large in relation to the road's normal earning power, particularly in view of the high average coupon rate. Nevertheless, there are other elements of strength other than the mere debt reduction and the size of the debt. For one thing, maturities within the next 50 years amount to less than $2,000,000 and the major portion of the debt has more than 100 years to run. In the second place, finances have been very materially strengthened. Cash items as of the end of January stood close to $70,000,000. Net working capital at $58,691,000 was some $12,600,000 above a year earlier and equivalent to more than four years' fixed charges. Thus further substantial debt retirement appears assured in 1944 and future years.

Interesting Situation

Steady and substantial growth in earnings of the "Utility Group" have increased the speculative attraction of both the Prior Lien and Plain Preferred stocks of New England Public Service Company according to a detailed circular on the situation prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of this interesting circular may be had from Ira Haupt & Co. upon request.

L. H. Rothchild Moves

L. H. Rothchild & Co., specialists in rails, announce the removal of their offices as of May 1 to 52 Wall St., New York City. Their telephone number will be changed to HAnover 2-9072.

Public Utility Securities

United Light & Railways

United Light & Power Co. submitted a dissolution plan to the Securities and Exchange Commission July 1, 1942, and this was approved with modifications April 5, 1943. The Commission filed application with the U. S. District Court in Delaware for judicial approval of the plan, which was granted July 30. Under the plan, United Light & Railways, the sub-holding company, would take over all remaining assets of Power Company (except its own stock) and assume all remaining liabilities. Power Company would then distribute its only asset, the Railways stock, to its own stockholders in the ratio of 94.52% to the preferred and 5.48% to the common.

To the surprise of Wall Street, Otis & Co. (who headed the banking group which offered the preferred stock in 1929) appealed the decision to the Circuit Court, contending that the preferred should receive all of the new common. That court has now sustained the District Court decision, but an appeal to the Supreme Court remains a possibility.

The preferred stock of the Power Company on the Curb advanced five points last Friday to 57, closing at 55½. Under the plan, the stock would receive five shares of Railways' new common, which is quoted over-the-counter about 11¾ to 12. There is therefore a slight arbitrage profit available if the plan is consummated, since the price of the old preferred is equivalent to about 11⅛.

United Light & Railways is one of the "solid" holding companies, where income from the operating companies has almost an untrammeled flow through the sub-holding companies to the top company. System capitalization is in general conservative and there have been relatively few difficulties with the SEC (thus far at least). One of the two sub-holding companies, American Light & Traction, plans to dissolve, presumably by retiring the preferred stock and distributing assets to the common; this has probably been delayed by difficulties over the Detroit municipal excise tax, which was a severe blow to Michigan Consolidated Gas, the principal subsidiary, and Detroit Edison, in which American Light & Traction has a substantial (though not controlling) stock interest. However, dissolution appears likely within a year or so, and this would mean that Railways would acquire a substantial interest in the Michigan-Wisconsin subsidiaries. To conform with the geographical requirements of Section 11, Railways might decide to sell these stocks; in fact, because of this problem, American Light & Traction might conceivably dispose of all its interests by public offerings, which would simplify Railways' problem.

To complete the geographical integration of Railways, the other sub-holding company, Continental Gas & Electric Corp., might have to dispose of its second largest property, Columbus & Southern Ohio Electric. Remaining system companies would then be principally in the States of Kansas, Iowa and Missouri, and would probably conform sufficiently to SEC regulations, particularly as Continental is buying additional properties in this area from other systems (Des Moines Electric Light, Iowa Power & Light, Missouri Power & Light, etc.). Further purchases would seem possible, since at the end of last year Railways had a very substantial system backlog of cash and Government securities (nearly $56,000,000,000), and the current ratio was well over two-to-one. However, some part of this cash may be earmarked (as in the case of American Light & Traction's $9,000,000) for retirement of securities or other purposes.

As with most holding company systems, Railways' common stock earnings are affected by the new form of "leverage" resulting from varying adjustments of Federal taxes. In 1943, on the new stock basis, only $1.49 was earned per share as compared with $2.17 in the previous year, due to a rise in taxes of about $4,500,000. Had all system companies turned in individual Treasury reports, taxes would have absorbed $2,705,837 more, reducing earnings to only 54 cents a share. However, it seems unlikely that the present advantage of a consolidated system tax report will be wholly lost due to any changes required for conformity to geographic requirements. And by the time these requirements are met, assuming that the war is not unduly prolonged, the system may be relieved of excess profits taxes (the amount of which for 1943 was not separately reported).

Earnings for earlier years on the new basis were approximately as follows: 1941, $1.12; 1940, $1.57; 1939, $1.58; 1938, $1.06; 1937, $1.60, and 1936, $1.39. Because of the fluctuations due to capital and tax leverage, these earnings obviously cannot be capitalized marketwise at anything like the times-earnings ratios (about 12-16) which apply to sound, operating company equities. The eventual price of Railways' common may hinge largely on the dividend policy, which in turn will depend on the flow of cash to the top company. In 1943 the "company only" report showed net income of $3,374,785, of which $2,178,925 remained after deducting preferred dividend requirements, or about 69 cents a share. Assuming that some of the large amount of extra cash held by various system companies can be put to work during 1944-45 (either by buying new properties or retiring system securities) it would seem logical to look forward to a possible dividend on the new Railways' common of around 75 cents a share, which would yield about 6½% on the present price.

Investors Syndicate Elects Smith V.-P.

Was Secs. Commissioner

MINNEAPOLIS, Minn.— Robert L. Smith, Commissioner of Securities for the State of Minnesota since 1939, has been elected a Vice President of Investors Syndicate in charge of sales of investment certificates of Investors Syndicate of America, Inc., and shares of Investors Mutual, Inc., according to an announcement made by E. E. Crabb, Chairman of the Board of Investors Syndicate.

Mr. Smith, a graduate of University of Minnesota's College of Law, was appointed Commissioner of Securities of the State of Minnesota, Feb. 1, 1939 by Governor Harold E. Stassen. Prior to that appointment Mr. Smith had had an extensive background in the investment and insurance business. He has also served as a Vice President of the National Association of Securities Commissioners.

Comparative Data On 129 L. I. & Westchester Banks

Troster, Currie & Summers, 74 Trinity Place, New York City, have just compiled an interesting comparative tabulation on 129 Long Island and Westchester banks. This is an informative memorandum on securities not traded actively. Copies of the tabulation may be had from Troster, Currie & Summers upon request.

Purcell Praises Operation Of Public Utility Holding Act

Chairman Of The Securities And Exchange Commission Says It Promotes Local Control Of Local Enterprise—Points Out Measures For Financing Small Business—Holds That Unprecedented Accumulation Of Savings Will Provide A Substantial Source Of Capital Funds

Addressing the Texas Group of the Investment Bankers Association of America at San Antonio, Texas, on April 17, Ganson Purcell, the Chairman of the Securities and Exchange Commission, commended highly the work of the Commission in carrying out the provisions of the Public Utility Holding Company Act. After referring to "the great dislocations in our financial system," which arose from "a habit of financial excesses" that existed before 1933 Mr. Purcell described the purpose and operations of the Act in part as follows:

Ganson Purcell

"Not so many years ago the country as a whole was straining under a burden resulting from great dislocations in our financial system. There had grown up a habit of financial excesses—excesses of optimism and a general disregard of fundamental principles of sound business conduct. The really democratic aspects of our financial system had practically disappeared through neglect and disuse so that the good of the many had become, perhaps unconsciously, submerged and our system was being operated for the benefit of the few. This burden was borne, as I don't need to tell this group, certainly as much by the people of Texas as by those of any part of the country.

"Beginning in 1933, steps were taken by vigorous and enlightened men to cure that unhealthy situation—and in this undertaking Texans were in the vanguard. Those early steps, as you will remember, grew into legislation, the main thrust of which was complete fairness to all and the development of a set of rules for the game of finance which outlawed cold decks, required all cards to be on the table and the shooting irons to be parked at the door. In other words, it was aimed in the direction of establishing a system built on public knowledge of the affairs of business and designed to enable all participants, large and small, to make informed decisions—a system basically analogous to our democratic principles of government.

"As a result of the efforts of these pioneers in the field of financial democracy, we have left more and more behind us the day of corporate management when the little fellow who had contributed his money to the venture rarely found out how things were going and how they were being run until after the petition in bankruptcy had been filed—if then. The badly shattered faith of the people in the fairness of dealings in securities has been largely restored through the practical elimination of the manipulator and his pin-wheel game.

"But these things were not achieved merely by the passage of legislation and the creation of an agency to administer it. They were brought about only by the combination of such measures with a favorable disposition toward their objectives on the part of the people whose operations constitute our financial system—the men like you who are here today. It has been my experience that no measure ever undertaken in this field through government has been successful until it received the active support of a majority of those whose affairs were concerned.

"I think we Americans can be forgiven for indulging in some pride over the fact that the British Empire is beginning to cast rather envious eyes on our record. Recently the British Parliament, apparently concerned over the adequacy of financial and corporate regulations under the Companies Act, has appointed a royal commission to study and make recommendations for necessary changes in the law. The London Chamber of Commerce, which has traditionally represented business and finance in Britain, has submitted a list of proposals to that Commission which reads like a catalogue of many of the things which we have done here, and now accept as basic to our system. These proposals include supervision over the proxy soliciting machinery and requirements for greater information to stockholders; improved and uniform standards of accounting; requirements for disclosure by officers and directors of their beneficial interest in securities of the corporation and of their trading in those securities; and a recommendation against the continuation of the all too frequent practice of concealing corporate reserves and profits.

"While these improvements in custom and practice have been taking place in our country, we have made only limited progress toward the realization of one of the greatest objectives on the road to financial democracy—local control of local enterprise. And when I say local control, I mean not only local management, but local finances as well. As we have built our businesses, just as we built our system of government, we have always had the problem of centralization as against local government and management. In the business field too often centralization and concentration of control over business units have gone far beyond the bounds of economic advantage. We have seen absentee management of local enterprises grow up and result in abuses which were inevitably detrimental to the public interest. You have seen the brains and brawn of Texas build up profits from Texas enterprise while the men in control, by various financial devices, have siphoned off those profits to be used for their benefit—and very little for the benefit of Texas.

"The development of this system of centralization and high finance reached its climax in the public utility field. The disastrous results of the building up of the great utility holding company empires were felt in every corner of the land. The need for a thoroughgoing reorganization of the utility industry was realized only after painstaking work against tremendous odds. You know the long investigation which was made by the Federal Trade Commission and embodied in over one hundred volumes of reports. Judge Robert E. Healy, of Vermont, now a member of our Commission, had a leading part in the conduct of that investigation as Chief Counsel to the Federal

Trade Commission. One of the greatest contributions toward the creation of a formula for bringing about that reorganization on a sound basis was made by a Texan, a former president of your state university, Dr. Walter M. W. Splawn. The legislation which embodies that formula and put it into effect — the Public Utility Holding Company Act of 1935—was sponsored in one house of the Congress by a great Texan and a great American, Speaker Sam Rayburn. On the other side, fighting shoulder to shoulder with Sam Rayburn, was Senator Burton K. Wheeler of Montana. This is a good illustration of the wisdom of our political system and institutions which made possible the enactment of national legislation to restore and assure the preservation of the dignity and the self-reliance of our communities through opening to them the opportunities of local enterprise in the public utility field.

"The core of the Public Utility Holding Company Act is best expressed in President Roosevelt's message to the Congress recommending the legislation. He urged the restriction of holding companies to single integrated systems in order to 'take the control and the benefits of the essentially local operating utility industry out of a few financial centers and give back that control and those benefits to the localities which produce the business and create the wealth.' Under that statute it became the duty of the Securities and Exchange Commission to achieve that objective by requiring holding company systems to reduce their holdings to single integrated utility systems and to simplify their complicated capital structures. In this important field of fostering local control the work is going forward at this time with gratifying results. What's happening in Texas under this statute is an outstanding example of achievement. The success of the program in Texas has been in great measure due to the efforts of Texans to put the utility industry in this State in sound condition to operate for the benefit of Texas consumers and to the profit of Texas investors. . . .

"As I have said, the work is not yet completed. A good many jobs remain to be done throughout the country and in Texas, too. Several Texas utilities are still under the domination of the American Power & Light Co. and the Electric Power & Light Corp. in the Electric Bond & Share system. Extensive holdings in Texas and in neighboring portions of Oklahoma and Louisiana are still under the control of The Middle West Corp. and the Engineers Public Service Co. Orders of the Commission, however, are outstanding against these holding companies which will require them to dispose of local properties or to integrate them with local systems.

"The results of this work in the utility field, not only those already achieved but those which are in the process of consummation, will do much to protect local enterprise, local management and local interest generally in the future development of the electric and gas utility industry in Texas and throughout the country.

"What I see in all this is that when the job is completed Texas capital will have more chance to stay at home and work for the good of those who produced it. Employment will be found for Texas citizens in every step of creating, financing and conducting Texas utility enterprises. Local lawyers familiar with the problems of this region will be called upon to advise your companies; local accountants will handle their auditing and certify their financial statements; and local investment bankers should have the leading positions in the necessary financing. Those jobs can be handled so much more efficiently and satisfactorily by the lawyer, the accountant and the investment bankers whose offices are just down the street—or at most in the nearest large city—than they can be by obtaining the same professional consultation from people a thousand or more miles away who must be transported to and from the scene and educated from scratch in the history and possibilities of a venture and the needs and capacities of the community. These are the things which provide a broad base and firm foundation for the healthy and vigorous development of sound and self-reliant local institutions.

"The preservation of our democratic institutions as we have known them depends in large measure on our ability to maintain and strengthen the foundations of small and medium sized independent enterprise. One of the essential components in any such design is a responsive, capable local banking machinery which can function freely and effectively only if absentee control and the evils of monopoly are eliminated. In our present critical days, these are fundamental to a democratic solution of our most pressing post-war problems—the maintenance of full employment and a high level of national income.

"It is well known that for many years small and medium sized as well as new businesses have faced almost insurmountable difficulties in obtaining new money from the capital markets, particularly equity capital, indicating a substantial gap in the investment banking machinery. When such capital has been available, costs have been excessive, in contrast to the low costs of financing large established companies. To be sure, the RFC has done excellent work in making loans to small business throughout the country but it is precluded by statute from supplying equity funds which is frequently a more pressing need.

"A great many people have thought and written about this question. A number of proposals varying in degrees of definiteness have been put forward. From time to time members of the Securities and Exchange Commission have, as a result of their day to day experience, stressed the importance of doing something to insure the availability of capital in the locality where it is created. We must establish some system which will provide a lasting source of venture capital to finance existing local enterprise as well as to foster additional businesses which will arise out of individual initiative.

"I don't suppose any of us has a ready made prescription for such an institution. Doubtless all of you are as familiar as I am with a good many of the suggestions that have been made. You know the proposal to permit the Government, perhaps through the RFC, to supply additional capital to investment bankers through the direct purchase of senior securities or other participation in investment banking firms. You are also doubtless familiar with suggestions for the creation of regional financing corporations, properly staffed to investigate possibilities for investment, their capital to be supplied by local investors, which would make equity investments in businesses operating in the region. A variation of that suggestion is that some sort of senior position in these corporations be assumed by the Government—again through the RFC. Another proposal would set up permanent industrial loan corporations to be owned by the United States Government and operated by the Federal Reserve System to assist financial institutions in making credit available to commercial and industrial enterprises. A variant of this last suggestion, which was made to me in a recent conversation, would be to have the ownership of such institutions in the member banks in the Central Reserve and Reserve cities in proportion to their assets or capital and surplus.

"I do not advocate any particular one of these suggestions; nor do I wish to be understood to say that still other proposals may not be forthcoming of equal or greater feasibility. But the thing of greatest moment today is that we are in a position where we can see the outline, at least, of things to come and can, if we will, devise a scheme to emerge from this war—whenever its end may come—with a healthy, sound and ever-growing industrial and financial system. At the war's end there will be the immediate problems involved in the termination of war contracts and the reconversion of war time plants, as even today we are experiencing the difficulties incident to the cutback program.

"We have only to look about us to note the possibilities which will be at hand. Both the opportunity for tapping private local sources of funds for worthwhile investment and the need for such funds will probably be greater at the end of the war than ever before. During the war there has been an unprecedented accumulation of savings by individuals and unincorporated businesses. These huge accumulations constitute one of the most important economic phenomena of the war. The growth in the currency and deposit holdings of individuals and unincorporated businesses since the war started in 1939 has exceeded $35 billion. In addition, their net purchases of U. S. Savings Bonds and other U. S. Government securities have also been close to $35 billion. Other substantial items of saving include insurance and debt repayment. The total "liquid" saving by individuals and unincorporated businesses during this period amounted to the phenomenal total of over $90 billion. The present rate of increase in such saving is close to $40 billion a year, of which over $30 billion consists of cash and deposits and U. S. Government securities. These immense savings have implications of the utmost importance for the post-war economy. If these resources are safeguarded by a gradual rather than an abrupt lifting of wartime controls, they will provide a substantial source of funds for the capital needs of industry in the post-war era, as well as a huge reservoir of purchasing power for peace-time goods.

"Though the increased business activity in recent years has produced a marked improvement in the financial condition of most American corporations, small as well as large, the need for new funds should be very great to take care of the long-deferred replacement and renovation of plant and equipment and the purchase of government plant. Even more important is the anticipated expansion of business to new heights of peace-time activity and into new fields, utilizing the techniques and processes which have been developed during the war. After the war, with the removal of present obstacles to the formation of new firms and with the return of potential business men from the armed forces and war jobs, we can expect a resurgence of small business and a broad demand for investment capital."

President Asks Observance Of National Family Week

Endorsement of National Family Week May 7 to 14 has been indicated by President Roosevelt in a letter to members of a joint committee identified with the program, which is sponsored by the churches of the country.

The Committee consists of Rev. Dr. Edgar Schmiedeler, OSB Director of the Family Life Bureau, National Catholic Welfare Conference; the Rev. Harry C. Munro, Director of Adult Work for the International Council of Religious Education, and Rabbi Ahron Opher of the Synagogue Council of America.

In his letter the President says:

"Always deserving of primary consideration, there is particular need for focusing attention on the family and its needs during these trying and disturbing times of war.

"May the observance of National Family Week this year result in an increased reverence and respect for the American home. May it invite God's blessing in a special manner on the American family."

The President went on to say, according to special advices from Washington to the New York "Times," that it was "always exceedingly heartening to see the churches give their special attention to the home and to stress its great spiritual values.

"The race has always owed much to its family life. The genuinely humanizing forces of life are nurtured in our homes. Our homes are outstanding among the mainsprings of our striving upward, among the wellsprings of our civilization. The old spirit of the home must by all means be safeguarded; the family sense of the nation must by all means be kept healthy and vigorous."

Deeds Guest of NYSE

Edward A. Deeds, President and Chairman of the Board of Vertientes-Camaguey Sugar Company of Cuba, was the guest April 24 of Emil Schram, President of the New York Stock Exchange upon the occasion of the company's common stock being admitted to the Exchange list. Accompanying Mr. Deeds were Philip Rosenberg, Executive Vice-President and Treasurer, George N. Lindsay, Charles G. Meyer and Garrard Winston, Directors. The guests visited the floor, chatted with the specialists in the issue and were entertained at luncheon, which was attended also by Raymond Sprague, Vice Chairman, and Howland S. Davis, Executive Vice President, of the Exchange.

Ohio Brevities

Liquidity is the distinguishing feature of the Cleveland banking structure as revealed by the March 31, 1944 call for condition statements. Five of the city's largest banks reported 1½ billions of deposit liability. That includes both demand and time deposits. It counts out the war loan account.

Coverage was $339,000,000 cash and $1,014,000,000 in government bonds. The total is $1,353,000,000. Reserves are an imposing and fast growing total. Other quicks "as-good-as-cash" make an interesting display in the show windows in the detail of the individual reports.

It is safe comment that without dividing the time-demand account both display a liquidity of 100% or better.

Total footings of all Cleveland banks are approximately $1,930,000,000. This is an all-time high. Loans in the biggest institution turned up $42,000,000 for the three months to $439,649,800. Gain from a year ago was over $120,000,000.

Society for Savings led in individual performances, setting new highs in total footings, deposits, loans and governments. National City Bank and Central National were next with three new marks each.

Government holdings of Cleveland Trust increased around 15 millions and now lack about 3 millions to reach the half-billion mark.

Union Bank of Commerce reported a gain in surplus of $892,000, to $3,000,000, boosting capital and surplus to $7,000,000.

* * *

Five Cleveland houses participated to the extent of over $2,000,000 in the Louisiana Power & Light Co. offering of $17,000,000 first mortgage 3% bonds.

Firms and the amount of their participation were Otis & Co., $1,500,000; Field, Richards & Co., $200,000; First Cleveland Corp., $150,000; and Wm. J. Mericka & Co. and Curtiss, House & Co., $100,000 each.

* * *

M. A. Hanna Co., Cleveland ore, coal, dock and vessel operator, announced plans to issue $10,000,000 new preferred stock and to retire outstanding $12,853,000 $5 preferred shares. The new stock would carry annual dividends of $4.25 per share. Chairman H. M. Hanna and President G. M. Humphrey told stockholders they would receive a notice soon announcing the special meeting date to vote on the plan.

Company's statement said, "it is the intention to create a new issue of 100,000 shares of $4.25 cumulative preferred stock and give the holders of the present 128,531 shares of existing $5 preferred stock the opportunity to exchange each share of present stock for one and one-twentieth shares of the new issue before any public offering of the stock is made."

* * *

Merrill, Turben & Co. of Cleveland, and Harriman, Ripley & Co. reported that nearly 93% of the new $16 par value shares of National City Bank of Cleveland was taken by the bank's stockholders. They said the remainder of the stock—7,944 shares—was sold privately.

The new stock was sold at $30 a share on the basis of one new share for each four old shares held. The financing provided $3,375,000 in capital funds and boosted the bank's capital to $9,000,000 and surplus to $9,000,000.

* * *

Investment dealers reported an oversubscription in an offering of 24,985 shares of Union National Bank of Youngstown. The stock, $20 par value, was offered at $375.50.

McDonald-Coolidge & Co. of Cleveland, purchased large holdings held by Youngstown industries and offered the stock in the market. Industries had bought large blocks of the stock when the bank was organized during the depression.

* * *

Public Relations Committee of the Cleveland Chapter, American Institute of Banking, is eagerly looking forward to its next "Information Please" program with Cleveland high school students.

In an experiment to inform students what banks mean to the community and what their possibilities are as a career, the com-

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Bond Club Of Toledo Elects New Officers

TOLEDO, OHIO—The Bond Club of Toledo has just elected the following new officers for the year 1944-1945:

Oliver Goshia

President—Oliver Goshia, Collin Norton & Co.

Vice-President—Celian Rorick, Spitzer, Rorick & Co.

Secretary—E. P. Liska, Braun, Bosworth & Co.

Treasurer—Orville W. Desmond, Stranahan, Harris & Co.

Board of Governors—George A. Roose (Siler, Roose & Co.), retiring President; Frank L. Ryan (Ryan, Sutherland & Co.), William Milne (Toledo representative of Otis & Co.).

Chairmen of the Various Committees—Entertainment, Durwood DuBois (Stranahan, Harris & Co.); Finance, Wm. H. Schliesser (Stranahan, Harris & Co.); Legislation, Ford R. Weber (Ford R. Weber & Co.); Membership, Hazen S. Arnold (Braun, Bosworth & Co.); Speakers and Publicity, Wm. G. Sutherland (Ryan, Sutherland & Co.).

Ohio Municipal Comment

By J. A. WHITE

Recently we have had occasion to note that considerable work is being done by dealers to demonstrate to investors that there is little or no basis in fact for most of the objection which one finds to paying premiums. This work should be encouraged, for the elimination of this objection would be a great step forward for the good of the business as a whole and equally for the good of investors as a whole. More and more buyers are coming to the realization that it's the quality and the yield of an investment that counts, not the premium. It may be a tedious task, to teach investors to put the proper degree of unimportance on premium, and the proper degree of importance on quality and yield; yet those dealers who look to the future of the investment business can do themselves, their clients and the business a great good by demonstrating the fallacy of objections to premiums.

Education, like charity, begins at home. Those of us amongst the dealers who still worry about premiums, had better give the matter a thorough analysis ourselves. It has been interesting to note that many of the larger dealers are doing a great deal of educational work with their salesmen, to convince them that premiums should mean little or nothing to investors. This, too, is an encouraging step, for all too often dealers and salesmen alike simply accept without analysis a customer's objection to premiums. Every time we hear such an objection voiced, and do not question the reason for it, we add to the difficulty of this task of education, for by passing over the statement lightly, we let the buyer think there is some ground for agreeing with him.

This job of teaching a proper appreciation of the unimportance of premiums, is an educational task which should begin first with the dealer himself, then the salesman and finally the investor.

Recent Ohio Sales

While, during recent weeks, activity has been slow in the municipal market as a whole, the Ohio market has been somewhat more active. Although most have been small, several new issues have come into the market. Sales have been made at prices which fully demonstrate the strong demand for bonds. Warren sold a $72,000 issue due 1945 to 1949 at 100.43 for 1's, with 7 other bids for 1's. Gallipolis entered the market for the first time in many years, to sell an issue of $42,000 due 1945 to 1958 at 100.57 for 1¼'s. In all, four bids were made for 1¼'s for this issue, despite the fact that maturities ran to 1958. Wauseon School District sold $210,000 bonds due 1945-64 as 1½'s at 102.04. The second bid for the Wauseon Schools was 101.90. Smaller issues were sold by Ashland, Ironton and Struthers.

However, all of the Ohios that have come into the market, as new issues and as liquidation by institutions, do not help much even to meet the spring maturities of Ohio bonds. Cincinnati has called for payment on July 1, $500,000 more of its completely tax free Southern Railway 3½'s. The call for payment has been announced, moreover, for July, of some $200,000,000 Federal Land Bank bonds, to be retired from cash. While this amount is small in comparison with the huge amounts of partially and totally tax free bonds and notes which the U. S. Government is taking out of the market regularly, nevertheless, the retirement of these Federal Land Bank bonds should have a bolstering effect on the municipal market, for these $200,000,000 of bonds were totally tax free, and in the past at least, have been owned by many individuals and institutions who wanted tax exemption.

Diversification Assumes More Importance

Figures just released by the Federal Deposit Insurance Corp. clearly demonstrate that banks are finding it increasingly difficult to maintain diversification in their investments. During the year 1943, holdings of government securities by all the insured banks in the U. S. increased by $17,982,000,000. In the same period holdings of municipal securities declined by $246,000,000, and holdings of other securities declined by $402,000,000. As of Dec. 31, 1943, total holdings of U. S. government securities by these banks amounted to $58,694,000,000, and total holdings of municipal securities, to $3,288,000,000.

It is little wonder, after considering these figures, that banks are willing to purchase high grade municipal bonds at the same yields obtainable from governments, after taxes. In fact, the desire for diversification is causing some bankers to buy municipals of high quality at even lower yields than can

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Ohio Municipal Price Index

Date—	*	†	‡	§
Apr. 26, 1944	1.31%	1.46%	1.17%	.29%
Apr. 19	1.32	1.46	1.17	.29
Apr. 12	1.32	1.46	1.17	.29
Apr. 5	1.32	1.47	1.17	.30
Mar. 29	1.33	1.48	1.18	.30
Mar. 22	1.33	1.48	1.18	.30
Mar. 15	1.34	1.50	1.19	.31
Mar. 8	1.35	1.51	1.20	.31
Mar. 1	1.36	1.52	1.20	.32
Feb. 16	1.37	1.53	1.21	.32
Jan. 19	1.40	1.57	1.23	.34
Dec. 15, 1943	1.42	1.59	1.24	.35
Nov. 17	1.39	1.57	1.22	.35
Oct. 13	1.39	1.58	1.21	.37
Sep. 15	1.43	1.62	1.24	.38
Aug. 18	1.44	1.63	1.25	.38
July 15	1.50	1.63	1.32	.36
Mar. 16	1.76	1.97	1.55	.42
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

Foregoing compiled by J. A. White, Cincinnati.

*Composite index for 20 bonds. †10 lower grade bonds. ‡10 high grade bonds. §Spread between high grade and lower grade bonds.

Full Employment After The War

(Continued from page 1706)

ment on a vast scale will quickly develop even though we start off at the end of the war with a full employment income. Improvements in technology continually going on spell either a rapid rise in our national income or else a continued rise in unemployment.

All of this means, of course, that we have indeed reached an age of plenty with the possibilities of continued rapid increases in our standard of living provided only that we have the wit and wisdom to put our productive resources to work. This is the great task that confronts us in the post-war period.

2. What problems will confront us when the war is over? Will we experience a great price inflation as some assert of maybe four or five hundred per cent? Shall we move smoothly and automatically into a long period of prosperity lasting 10 to 15 years? Or is it more likely that we shall experience turbulent conditions with a violently fluctuating economy?

I do not think we can afford to let events take their course. I think we must map out a constructive compensatory and developmental program designed to achieve economic stability and full employment.

3. First consider the transition period from war to peace. This period may be divided into three parts: First, the partial demobilization after the defeat of Germany. Second, the critical demobilization period after the defeat of Japan (6 to 12 months). Third the ensuing deferred demand boom.

The partial demobilization should give us an opportunity to increase the production of urgently needed consumers' goods.

The critical demobilization after the defeat of Japan involves vast problems of readjustment. Millions of people will be dismissed from the military forces and from the great war industries, notably aircraft, shipbuilding, and munitions.

This will very likely be followed by a general all around restocking boom. The elements of such a boom are: (a) an accumulation of inventory stocks by retailers, wholesalers, and manufacturers; (b) a large demand for consumers durables (automobiles, household equipment, etc.); (c) manufacturers' and other business demand for machinery and equipment; (d) a huge net export surplus of foodstuffs and other materials for relief and rehabilitation. These are the four main elements of any post-war boom.

The boom after World War I in 1919 and 1920 was based on exactly these same factors—inventories, net export surplus, business equipment, and consumers' durables. After World War I, these stimulating factors petered out in less than two years. There is no dark secret about the depression of 1921. Inventory accumulation fell from over 5 billion dollars per year in 1919 and 1920 to zero in 1921. The huge lion dollars per year in 1919 and 1920 drastically declined after European agriculture got back on its feet.

How long are these stimulating factors likely to last after this war? Inventory accumulation at a high level has never lasted more than a couple of years. Relief requirements throughout Europe, it is believed, will be largely met in, say, 18 months. The pent-up demand for automobiles will be very great, but the capacity of the automobile industry is sufficient to supply every family in the U. S. with a new car in, say, three or four years. The high post-war demand for industrial equipment and machinery is likely to ease off after two or three years. Thus, after two, three, or four years, the deferred demand boom is, I think, likely to end in a slump unless we do something about it.

I can find only one answer to prevent this slump and that is to push up construction, public and private, to a volume of 15 to 18 billion dollars a year.

4. There is nothing very mysterious about what happens in depression and what must be done to overcome it. Take the great depression that began in 1929. The essence of that depression, as indeed of all depressions, can quite simply and plainly be stated. Private capital outlays fell from 17 billion dollars in 1929 to 2 billion dollars in 1932. This decline let loose repercussions that nearly bankrupted our society. The decline in capital outlays laid low our heavy goods industries and caused vast unemployment. This in turn induced a decline of 30 billion dollars in private consumption expenditures. The unemployed cannot spend, and those still holding jobs are afraid to spend. Thus the decline of 15 billion dollars in private capital outlays had a magnified effect upon the economy causing total national income to fall not by 15 billion dollars but by 45 billion dollars.

5. To offset the inevitable post-war slump we need to prepare a compensatory public investment program. We should have federal, state, and local public improvement and development projects planned clear through to the blue-print stage. We should be ready to throw them in when needed. The experiences of the 1929 depression teach us the lesson that once the decline has started it feeds on itself, each decline inducing a further decline.

Suppose the government had been prepared with an adequate compensatory investment program of useful public works and development projects. Had this been done it cannot be doubted that private capital outlays would not have fallen by 15 billion dollars, but perhaps by no more than 6 or 7 billion dollars. If total construction and total investment outlays, public and private, had been held at the high level of 1929, we can be sure that the public in general would have kept on spending. We should not have had the decline of 30 billion dollars in private consumption expenditures. Thus, adequate planning ahead and proper timing of public investment can do the job. Boldly thrown in on a sustained basis, public investment outlays could have prevented the ever-widening breach which we did experience from 1929 to 1932, and which brought us close to national bankruptcy.

6. It is not enough to iron out the cycle. We must insure not only economic stability but also full employment and rising living standards as rapidly as increases in productivity permit. We are no longer confronted with the easy conditions of the past. The great western frontier and the vast outpouring of population into the great reaches of our country provided boundless and easy opportunities for investment. We now need to develope a great new frontier in our own back yard. This requires ingenuity and planning.

Consider, for example, urban redevelopment. Here indeed is a great new frontier for investment. But it will not happen automatically. There are serious obstacles in the way. These we must attack and overcome. The rebuilding of the slum and blighted areas in our towns and cities presents one of the major areas for private investment outlays in the generation that lies before us. But nothing will happen unless we develop a program. This requires the investment of public funds to purchase the slum and blighted land and make it available under properly planned conditions for private redevelopment.

A well conceived public investment program will enlarge the opportunities for private investment. The role of government is a marginal one but it is very important. The government need not enter the general field of production at all. That is the job of private enterprise. Private enterprise in our country has never shown any incapacity to produce. It is the role of government to play its part in the creation of an adequate over-all effective demand. And its role can be fairly accurately measured. What is necessary is that public and private construction and other investment must be adequate to take up the flow of savings seeking investment. Percentagewise this represents a small fraction of income, but it is the all important one in the maintenance of employment.

Consider regional resource development. Consider what has been going on in recent years in the Columbia River Valley in the Pacific Northwest, and in the Tennessee Valley. Private enterprise is looking up in those areas. Why? Because of the basic public investment made in those areas. The basic public investment in those areas has opened up outlets for private investment, has raised productivity and purchasing power, and increased the market for private enterprise all over the country.

These two projects may not return 100 cents on the dollar to the Federal Treasury. But the repercussions on our whole economy make these projects nevertheless profitable ventures. Private enterprise cannot undertake a development which does not offer an adequate direct return. The government alone can look beyond the immediate return to the benefits accruing to the society as a whole.

A program of public investment can provide not only a stabilizing balance wheel to our economy; it can also open and enlarge private investment opportunities, revitalize private enterprise, and give us in the generation ahead an expanding economy with rising levels of income and employment.

7. No modern society can endure for long the strains and stresses of deflation, depression, and unemployment. In the seventies and nineties we tolerated serious depression because we were then largely a rural society. But highly urbanized and highly industrialized societies are extremely vulnerable to depression and unemployment. We can no longer take a laissez faire attitude. No government in the future can again permit our national income to fall to one-half in three short years as it did from 1929 to 1932. We shall, in fact, I am convinced, use fiscal policy. The only question is shall we use it haphazardly and, therefore, with quite unsatisfactory results or shall we use a compensatory and developmental fiscal program in a rational and planned way. This is the question.

We have thus far made little headway with a rational fiscal program. The spending program of the thirties was essentially a salvaging process. We salvaged the banks, we salvaged the railroads, we salvaged bankrupt farmers, we salvaged bankrupt home owners, we salvaged the 17 million unemployed with work relief. We now need a positive program to prevent serious depression. Yet the fact is that we are still making no adequate preparations. We have done nothing so far which gives us any assurance whatever that we shall not again be confronted with a devastating depression. And let us not forget that under modern conditions the national income can fall with dramatic suddenness to astoundingly low levels within a few months. Without useful and productive public improvement projects planned ahead we shall again be forced to resort to boondoggling. Our utter lack of a well-developed public investment program is a shocking revelation of economic and financial irresponsibility.

New Rules Bearing On Investment Co. Act

The Securities and Exchange Commission announced on April 17 the adoption of two rules, pursuant to Section 31(a) of the Investment Company Act of 1940, prescribing the period or periods for which records, books, and other documents shall be preserved by registered investment companies and other persons enumerated in the rules. In its announcement the Commission says:

"Rule N-31A-1 is applicable to every registered investment company, and to every underwriter, broker, dealer, or investment adviser which is a majority-owned subsidiary of such registered investment company. The rule prescribes the period or periods for which such persons shall preserve records, books, and other documents that constitute the records forming the basis for financial statements required to be filed pursuant to Section 30 of the Investment Company Act of 1940.

"Rule N-31A-2 is applicable to every investment adviser not a majority-owned subsidiary of, and every depositor of any registered investment company, and every principal underwriter for any registered investment company other than a closed-end company. The rule prescribes the period or periods for which such persons shall preserve records, books, and other documents as are necessary and appropriate to record such person's transactions with such registered investment company."

The rules became effective April 17.

N. Y. Central Switch

Vilas & Hickey, 49 Wall St., New York City, members of the New York Stock Exchange, have issued an interesting circular discussing a switch within the New York Central System which offers attractive possibilities at the present time. Copies of this circular may be had upon request from Vilas & Hickey.

Canadian Securities

By BRUCE WILLIAMS

The basic truth inherent in the constantly expressed view that the only practical solution of the world currency stabilization problem lies in the "key currency" approach received tacit recognition in the announcement just made on behalf of the 34 allied nations. It would appear that the Bancor & the Unitas can now be buried without even crocodile tears of regret.

Despite the feeling to the contrary, there was never any doubt that the British Commonwealth would support the claims of gold as the ultimate standard not only because of the Empire's vast vested interest, but also because of the City of London's deep-seated faith in the metal as the only practical monetary basis.

It is not without significance that the obvious claims of Lord Keynes as successor to Montagu Norman as Governor of the Bank of England have been set aside in favor of Lord Catto, a staunch upholder of traditional British banking methods as opposed to a life-long exponent of managed money and a pioneer of the "New Deal" monetary philosophy.

It is to be hoped that the next step will be worked out by practical experts drawn from the banking and commercial communities of this country, Britain and Canada operating in concert (if possible also in collaboration with Russia) to fix the value of the key currencies as a preliminary to a global consideration of currency values.

A querulous commentator recently demanded why Canada of all the small countries should be included in such a group. This can be answered by the following summarization of the Dominion's material attainments, apart from the recognition of the fact that Canada has led the world in her wartime management of fiscal matters and price and wage controls:

With only 1/188th of the world's population, Canada ranks first in the production of nickel, newsprint, asbestos, platinum and radium, is second in wood pulp and gold, third in aluminium, copper, zinc, cobalt and silver, and fourth in wheat and lead. The Dominion is the fourth largest producer of the United Nations war supplies, the third world trading nation, the fifth world air power and fourth among the United Nations and the third among the United Nations in sea power.

Finally it can be conclusively stated that of all the leading countries of the world, Canada has the greatest opportunity of further tremendous development by the utilization of her vast untapped material resources, her strategic position on the cross-roads of the world's aviation routes, and last but not least, the basic soundness and ingenuity of her people.

A current illustration of Canadian financial strength is the proposed modification of the Hyde Park Agreement of April, 1941, which was arranged for the purpose of safeguarding the Dominion's supply of U. S. dollars at the time when Canada was at war and before our involvement. Since then events have conspired to change Canada's foreign exchange position to a radical degree. Instead of a deficit, the Dominion now has an embarrassingly large surplus of U. S. dollars.

Rather than invoke the anomalous provision of the agreement that Canada in such circumstances give reverse lend-lease to this country while she has never accepted a penny of lend-lease aid, it is now agreed, according to a recent statement by Mr. Ilsley, the Dominion Minister of Finance, to lower Canadian holdings of U. S. exchange, by purchasing defense installations, such as airfields built by the U. S. forces in the Dominion. The broad intention, however, of the original arrangement apparently still remains unchanged. Should Canada again become embarrassed by lack of U. S. dollars, there is little doubt that this country will once more take steps to correct the exchange position.

With regard to the market during the past week, the Canadian section like all others was again under the influence of pre-invasion uncertainties. Although exceedingly quiet, prices were well maintained. In fact there were strong bids for Canadian Nationals which could not be filled, which were inspired no doubt by the impending call of the Canadian National 5s of July 1, 1969. The new public issue of New Brunswick 2¼s of 1948 resulted in an immediate sell-out, and bonds were bid at ¼ point above the issue price.

In reviewing future prospect it appears that the lack of offerings in connection with the Sixth Victory Loan points to the fact that the bottom of the barrel has now been thoroughly scrapped. Canada continues to retire her external debt while interest in this country in Dominion obligations continues to increase. It is hard to escape the conclusion, therefore, that when general conditions become more settled the Canadian market here should resume its upward course.

National Income The Measuring Rod Of Our Sales Effort: Fuller

(Continued from First Page)

ress and prosperity ahead. The fact that American business and industry are planning how to lick another depression before it can get started is one of the healthiest economic developments in this country in a long time.

Winning the war, of course, is the first essential to any future planning — whether the planning is by businessmen, by government or by individuals. But the point at this moment is—we are going to win. There can be no doubt about that now. And we must be ready, when V-day comes, to go forward and to meet the new problems, many of which already are apparent.

On the other hand, for business and industry to fail to prepare now for victory would be as lacking in social consciousness and responsibility as the "public be damned" attitude of those rugged individualists of the era of Vanderbilt, Astor, Gould and Fish. Business and industry today have a keen sense of their social responsibility and are demonstrating it in planning for the future.

True to its sense of social responsibility, American business today—and I mean industry, mining, retailing and the whole field of business activity—is thinking in terms of jobs and how to prevent abnormal unemployment in the days to come. Jobs are the big goal. Jobs for Americans after the war is won. Profitable jobs, of course. Jobs which contribute to the general welfare by adding a little more to national wealth than they take out.

That is the way in which we can make progress under the American system. For if there are jobs there also will be profits. Employed people will buy what they want and need. If there are too few jobs there will be losses and business failures. There no longer is a question of which comes first here—the chicken or the egg. Most businessmen have learned some of the economic facts of life. They know that in this day jobs come first. Jobs create profits. Employed men and women are profitable customers. That is an important part of the evolution in business thinking—in economic understanding — that has come about in the last 20 years.

It is in the light of this evolution of business thinking, so marked in many different directions—this broader gauged understanding of what makes America tick—that I prefer to consider post-war planning by business. Post-war planning is the progressive business approach to the social and economic problem of jobs and more jobs.

This is the Golden Rule at work. Contrast business emphasis upon jobs today with the "public be damned" attitude of 30 years ago and you have the measure of how far we have come in developing our social consciousness.

The cynics might label it enlightened selfishness. Whatever it is called, the fact is that business realizes it can be healthy only as the nation and the community are economically healthy. Call it what you will, the important fact is that the American people as a whole benefit from this new and broader outlook.

It is the practical viewpoint that customers who have jobs and a sense of security will buy the products of our mines, fields and factories. Customers who have no jobs are no customers at all. The difference between depression and prosperity is very simple. It is the difference between mass fear and mass optimism. It is what Arthur Brisbane had in mind when he used to caution "Don't sell America short."

There are no idle plants, idle money and idle men when there is no fear. All during the ten years of the depression—up until war came — people wanted and needed things that could have been produced in our idle factories with our idle men and women. It wasn't that we were oversold on goods. We were oversold on fear. And the salesmen of fear were the unfortunate ones on WPA projects. In every man's heart, over and over, was echoed the fatalism of "There, but for the grace of God, go I."

As a nation we have learned a lot since that inglorious era. Wartime necessity has taught us much. It has taught us how to add two and two together. It has taught us the error of some of our ways. For instance, it has taught us the fallacy of an economy of scarcity and all the sophistry that goes with it. We can produce. In peace-time we never produced up to our capacity to consume. We know now that ours was never a problem of over-production. The wants and needs of the American people have never been fulfilled. Our problems rose, we can see now, from underselling. Industry is not decrepit and our economy is not mature. But our selling capacity and progress have failed to keep pace with our capacity to produce. While Americans were patting themselves on the back as the world's greatest salesmen because the pressure of mass selling had necessitated the technique of mass production, we should have been increasing our selling capacity to meet the new and greater responsibility.

Yet, throughout the depression our selling technique was most severely criticized. Not for delivering "too little, too late" but on the fictitious grounds that it had succeeded too well. Some reformers argued that it was wrong to stimulate people to buy things. They attacked brand names. They attacked advertising. They attacked insurance selling. They said, in effect, that selling was non-essential. But selling always has been and today is the secret of America's success. It is the difference between what has been accomplished here and the slow progress of other countries. It is the factor which caused plants and factories to be built and better methods perfected throughout the land so that we were ready to turn the tide of this war toward a United Nations' victory.

It is the stimulation to buy things that they want and need that causes people to be more energetic, more ingenious, more industrious. And these are the elements of America's greatness. Men in America will work harder and be more productive for a big pay envelope with which to buy an Easter outfit for the children than for all the promises of regimented security. A man who wants a new automobile knows the only way to get it is to work harder. And women—they want new hats, and new clothes and new furniture and things—they know how to get them, too. They sell their husbands on working a little harder in order to procure them.

If that is wrong, then it is wrong for mankind to progress from the ape stage. And if that is wrong, then it is wrong today to think about a better world—with peace and prosperity for everyone.

And the evolution in business thinking shows that the critics were equally wrong when they centered their attack on the cost of distribution. They make quite a case about the cost of distribution. You can almost weep, when you hear them, over the argument that these distribution costs prevent some people from buying the things they want and need. But do they? Let's be realistic instead of emotional. What are the factors of the cost of distribution? There are all kinds, salesmen, transportation, advertising, and many other items. One of the larger costs is based on the human desire for service—the delivery from store to your door, the wide range of choice on retail shelves involving large inventory investments. There are charge accounts, bad risks, bookkeeping costs and the similar things involved, all of which the American people have demanded and said they were willing to pay for. But the important thing is that the cost of distribution is the cost of jobs.

Some of these distribution costs could be reduced. You can always eliminate some jobs if you have to. Reducing distribution costs would reduce employment. Do we want to reduce the number of men and women at work? Employment in distribution and related lines had grown greatly in pre-war years. That employment was a hallmark of our higher standard of living. In 1940 there were 12,000,000 men and women employed in these trades. To arbitrarily reduce the cost of distribution by eliminating employment opportunities would mean a slowing of the selling tempo and a corresponding slowing of production. It might well have the effect of bringing higher costs and thus higher prices and in turn smaller sales, less distribution and production.

Any real waste in distribution should be eliminated, of course, just as we benefit by betterment of any process, but the answer isn't to point to some segment of our economy and say "it costs too much" without realizing what the costs represent.

I think the late C. C. Parlin of our company, who originated the whole field of commercial and public opinion research, made this quite clear one day. He had discussed the function of advertising before a large audience when a gentleman thought he saw a chance to hoist Mr. Parlin on his own petard, by attacking the "cost" of advertising. Holding up a full page advertisement from the "Saturday Evening Post," he said, "Mr. Parlin, how much did that page cost?" Mr. Parlin wasn't easily tricked. "Why," he said, "it cost less than 3 cents—less than the costs involved in sending out a penny postcard. I think what you really want to know is how much did it cost for 3,500,000 such pages. Well, the answer is something less than 3,500,000 copies times 3 cents."

Those who attack selling are attacking the very heart-beat of America. Ours is the selling way of life—the way of persuasion as opposed to the way of dictation. It is one of the vital things which we are fighting to defend on a score of battlefronts in the world today. The freedom of choice is as important as any freedom in our way of life.

There have been faults in our sales techniques. Many of them. If there had not been, selling would have kept pace with production through the years and there would have been no need for the misery of the '30s. But the faults have been with the employment of selling, not with the institution of selling. It takes the same business courage to do the necessary selling job as to redesign a product or re-equip a factory.

In our institution of selling we have had a tremendously constructive force in our hands. And we have been timid in using it. That has been one of the principal deficiencies in our selling technique in the past. Too few businessmen have realized that markets have to be built just the same as plants and machinery. Because markets are intangible we have put the emphasis upon production. Actually we make things only because we can sell them. Selling comes first—always. Alexander Graham Bell made a telephone but no one wanted it until there had been proper selling. Now everyone wants one. When the first autos were produced no one wanted them. No one dreamed how important they would become in our pattern of life. Selling did it—not production. And so it is all through the list of things we sell and make today. If there is a better example than insurance I can not imagine what it is. Insurance is entirely a result of selling effort.

And in planning for tomorrow —planning for the post-war world, the better world that is possible for all of us—our job is to raise our sights, utilize our ingenuity and do the sales job that is so necessary in every line of activity. That is the handwriting on the wall. If we fail again to employ selling to its utmost we will be flirting with another depression— or a return of the one we locked in the closet when we hurried off to war.

If the new social and economic consciousness of businessmen is to be put into action when the war is won, it will be through greater sales effort than ever before. And in that way business will fulfill its new social responsibilities.

But let me point out a danger. It is the danger of misunderstanding of so-called purchasing power. It is the danger—and it is very real—that businessmen will be lulled into a sense of complacency by the astronomical figures on purchasing power. We know that complacency is dangerous. It is just as dangerous in business as in international affairs. It can lead straight to depressions just as surely as internationally it can lead to war.

There are businessmen today, probably many, who believe that because the American people have accumulated a tremendous backlog of purchasing power that all of our economic troubles are ended. That is complacency on the business front. It is true that statisticians can add up a possible purchasing power total of about $100,000,000,000 in the hands of the public. That is a tremendous sum—the greatest sum that ever blessed any economy. But does it mean that on V-day and forever thereafter customers will be waiting on the doorstep of American business clamoring for the goods and services that are offered? Does it mean a wild and wooly spending spree by 135,000,000 people in this country?

The Federal Reserve Board in its April Bulletin indicates that the American people, probably fearing post-war depression, are building backlogs in savings and investments instead of spending recklessly even for the things now available. The Bulletin says:

"While funds available for spending by civilians have increased enormously, a large share of the increase has been added to the civilian holdings of cash, deposits and Government obligations and has not been active in bidding for the limited stock of civilian goods."

Even so, some people seem to think that when the last shot is fired the curtain will automatically rise on a better world, a seller's paradise and that with a probably national income of $135,000,000,000 or more everyone will get a great big juicy slice of the pie—a sort of painless, effortless share-the-wealth Utopia.

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

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

Fundamentals don't change. Business will be entirely a matter of an incentive to buy as well as to sell. A dollar will go only so far, whether it is pre-war or post-war. Everyone will want a fairer share of the fruits of our American civilization. And only those who earn it will get it. Jobs will be more important than doles.

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

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

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

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

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

Then not one industry, but many industries will do what single-handedly the automobile industry did through aggressive selling after the first World War—lick a depression and lift America to new heights of prosperity.

But what about predictions of a national income of $135,000,000,000 or more? Some people will tell you that with such a healthy national income there would be nothing at all to worry about.

There is only one way to get a national income of $135,000,000,000 or more after the war. National income doesn't grow on trees. It isn't manna from heaven. It grows on salesmen's order books. You don't have sales because you have national income—you have national income because you have sales. National income is the measuring rod of our sales effort. It can be high, as it must be if we are going to escape depression— or it can be low, as in the years of the '30s when selling was our idle opportunity — but high or low, national income is simply the figure that selling effort rings up on the American cash register.

But with a backlog of about $100,000,000,000 of purchasing power, and tremendous unfilled wants and needs of the American people, won't sales just naturally be high? Some very sincere people ask that question.

Such complacency about sales effort needlessly prolonged the last depression. It is far more dangerous now. Our whole selling effort— our American incentive system—is at stake this time. The American people will not be complacent about another disappointment.

There is a great fallacy in believing that purchasing power and markets are one and the same thing. Purchasing power is only the potential. It is static. Markets are the actual force. Markets are dynamic. Does a good salesman count a bright prospect as an order in the bag? A salesman who fails to turn prospects into contracts is courting disaster.

If business neglects to turn purchasing power prospects into orders on the books, it, too, will be courting disaster. Good intentions not implemented can pave the road to more want amidst plenty. And that kind of a road can lead right straight to State capitalism this time. Certainly there will be no delaying with further pump priming experiments. Pump priming, you remember, was a theory of getting purchasing power into the hands of the public. But after the war the public won't need purchasing power or pump priming. People will need jobs in order to have the confidence to buy what they want and need and make the wheels go round. If it is up to the Government to provide some form of relief, the pattern the next time, well may be productive employment in socialized, non-profit Government shops, housed in the war production plants built with $16,000,000,000 of the people's money. The temptation may be too great for any administration to resist if the post-war selling job is inadequate to turn purchasing power into markets and jobs and payrolls.

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

To be complacent about purchasing power is like assuming that there is electricity because there are wires. It doesn't mean anything in either case until someone throws the switch. When selling throws the switch and turns purchasing power into markets the engine of our economy runs.

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

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

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

The "Wall Street Journal," discussing a WPB survey of the need for civilian goods, said recently that Washington was surprised by the few complaints about shortages and particularly by the disinterest indicated in new washers, ironers, radios and other consumer goods.

Incidentally, that is a great testimonial for the importance of advertising in our national economy. It is a case history of what happens to wants and desires when they are not constantly stimulated through advertising and selling. It is evidence that there was an idle opportunity in the depression years of the thirties to sell more aggressively and create additional wants and desires, which in turn would have increased productivity, employment and payrolls. But in the thirties we did not open the door to the knock of that opportunity. Tomorrow must be different.

Optimism that the public will spend simply because people have money jingling in their pockets, got a jolt last Christmas time. The stores offered toy wagons with wooden wheels, some synthetic goods and some merchandise at pretty high prices. What happened? There were plenty of these goods left over. People still want their money's worth. Human nature doesn't change very rapidly. It takes sales effort to make money flow in the streams of commerce.

In these days the American people are getting lessons in thrift and conservation which may stay with them a long time. Taxes, too, are a restraining force. Obviously,

(Continued on page 1725)

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

Market divergence among fire insurance stocks is very pronounced, indicating a degree of selectivity and discrimination not usually associated with this non-volatile group. For instance, in 1943 there was only a moderate uptrend in the market for fire insurance stocks as measured by Standard & Poor's Index, which moved 8.8% from 105.4 to 114.7, and also by a group of 30 representative fire stocks which showed an average appreciation of 8.2%. Yet there was wide divergence within this group, Bankers & Shippers appreciating 21.3% while Security of New Haven declined 2.3%. Since the end of 1943 up to April 20, 1944, this same group of stocks has experienced an average decline of 1.8%, but again there has been wide divergence. Three stocks have registered no change, 18 have declined and 9 have appreciated. Franklin Fire shows the maximum decline with a drop of 12.0%, and Glens Falls the maximum gain with a rise of 5.9%. The record of these 30 stocks for the periods cited is shown in the accompanying table.

Name—	Asked Price 12-31-42	Asked Price 12-31-43	Market Change	Asked Price 4-20-44	Market Change from 12-31-43
Aetna	$51½	$54¾	+ 6.3%	$52¾	— 3.7%
Agricultural	69½	74	+ 6.5	71	— 4.1
American Alliance	21⅛	22¾	+ 7.7	22¾	--
American Equitable	17½	20	+ 14.3	17⅞	—10.6
Bankers & Shippers	71¾	87	+ 21.3	86½	— 0.6
Boston Insurance	537	560	+ 4.3	560	--
Continental Insurance	42	46½	+ 10.7	45	— 3.2
Fidelity-Phenix	44¼	50	+ 13.0	49⅜	— 1.2
Fire Association	54¼	64	+ 18.0	61½	— 3.9
Fireman's Fund	75¼	86½	+ 15.0	86¼	— 0.3
Franklin Fire	28⅝	29¼	+ 2.2	25¾	—12.0
Glens Falls	38¾	42¼	+ 9.0	44¾	+ 5.9
Great American	27¾	28	+ 0.9	28⅜	+ 1.3
Hanover Fire Insurance	24⅝	26½	+ 7.6	27¾	+ 4.7
Hartford Fire	93	99¾	+ 7.2	101½	+ 1.8
Home Insurance	29⅜	32⅛	+ 9.4	29½	— 8.2
Insurance Co. of N. Amer.	71¾	81¼	+ 13.2	84¾	+ 4.3
National Fire	56¼	58½	+ 4.0	57	— 2.6
National Union	162	191	+ 17.9	185	— 3.1
New Brunswick	30⅜	30¾	+ 1.2	31	+ 0.8
New Hampshire	42½	46¾	+ 10.0	48	+ 2.7
Northern	87½	93½	+ 6.9	94	+ 0.5
North River	23½	23⅝	+ 0.5	23⅝	--
Pacific Fire	93	110½	+ 11.6	108½	— 1.8
Phoenix Insurance	86	87¾	+ 2.0	83¾	— 4.6
Providence Washington	33⅛	36⅜	+ 9.8	34⅜	— 5.5
St. Paul Fire & Marine	268	298	+ 11.2	300	+ 0.7
Security Insurance	37¼	36⅜	— 2.3	36⅛	— 0.7
Springfield F. & M.	124½	132	+ 6.0	122	— 7.6
United States Fire	49¼	49½	+ 0.5	48¾	— 1.5
Average			+ 8.2%		— 1.8%

It is of further interest to note that, although the average current market for these 30 stocks is approximately 6.3% above their 12-31-42 level, yet 5 stocks are actually lower, viz: Franklin, Phoenix, Security, Springfield and United States Fire, while Home and North River are each only ⅛ of a point higher.

It is now of interest to consider a somewhat longer period and go back to the market lows of two years ago in April 1942. From April 29, 1942 to April 20, 1944, the average appreciation of the 30 stocks has been 23.6%. Divergence again is quite marked, and ranges from a maximum gain of 59.3% for Fidelity-Phenix to a minimum of 6.6% for Security of New Haven.

If an investor over this period had invested $5,000 equally among the 5 best performers, and $5,000 equally among the 5 poorest performers, his investment results, ignoring dividends and measuring by market gain only, would have been as follows:

$5,000 INVESTED IN FIVE BEST

	4-29-42	4-20-44	Gain
Fidelity-Phenix	$1,000	$1,593	$593
Continental	1,000	1,406	406
Insurance of North America	1,000	1,398	398
Fire Association	1,000	1,382	382
Hanover	1,000	1,370	370
Total	$5,000	$7,149	$2,149 = 43.0%

$5,000 INVESTED IN FIVE POOREST

	4-29-42	4-20-44	Gain
Security	$1,000	$1,066	$66
American Equitable	1,000	1,100	100
Aetna Insurance	1,000	1,116	116
Prov. Washington	1,000	1,220	220
Phoenix	1,000	1,260	260
Total	$5,000	$5,762	$762 = 15.2%

It is elementary to conclude from this brief study that if the investor in fire insurance stocks would secure results reasonably in line with the market, he cannot afford to pick at random 1 or 2 good stocks, but must instead select with great care and also diversify.

The Menace Of Post-War Silver

(Continued from page 1706)

silver can constitute one-fourth of the basic money (as distinguished from redeemable currency). As yet, it has not reached that point, merely because during the years immediately preceding the present war, there were abnormally heavy importations of gold. This was due to the flight of capital from Europe and other parts of the world, as well as to the heavy purchases of American supplies by the belligerent governments. If such had not been the circumstances at the time, the United States might have had a relatively larger silver monetary supply and its monetary system, instead of being technically on a gold basis, would have been but partially linked to gold. Certainly, if conditions arose under which we were required to make large payments abroad to settle adverse balances or to redistribute more equitably the world's supply of gold, the proportion of silver to gold in our monetary base will be larger than contemplated by the Congressional legislation.

Well, why is it that silver again may be our monetary incubus? A brief review of the nation's experience with silver money may help to answer this question.

In 1791, Alexander Hamilton, though admitting the weaknesses of bimetallism, urged its adoption, on the ground that it would furnish more hard money with which to transact the nation's business. Congress adopted his recommendation, and fixed the ratio of silver to gold at 15 to 1. But silver soon fell in value, and gold dollars ceased to circulate. Congress wanted to bring gold eagles into circulation, so in 1834 the ratio was changed, and in 1837 it was made 16 to 1. This change failed materially to effect the purpose. However, with the advent of the California and Australian gold discoveries after 1848 gold in relation to silver was cheapened, and silver dollars in turn ceased to appear. At that time no section of the country and no important business interest was much concerned over the situation, because the United States' production of silver was comparatively insignificant. So when, on Feb. 12, 1873, Congress, in revising the coinage laws, failed to provide for the free coinage of silver dollars, very little attention was paid to the measure, and scarcely any public comment was made about it.

But just about this time, the American production of silver began to assume enormous proportions. The mines comprising the Comstock Lode in Nevada, alone, gave up more silver than had been produced at any time, anywhere, in the history of the world. This increased output, together with the abandonment of silver as a monetary base by Germany and the continental countries, greatly cheapened silver. It threatened disaster to the new silver industry in the West. Accordingly, a demand arose to restore silver as a metallic base of the nation's currency. Its demonetization by Congress was characterized as "The Crime of '73."

The political agitation bore fruit. As a result, Congress on Feb. 28, 1878 enacted the Bland-Allison Act. This law directed the Secretary of the Treasury to purchase silver bullion at the market price to the extent of not less than $2,000,000 nor more than $4,000,000 in value per month. The Treasury was required to coin this silver bullion into standard silver dollars, i.e., at the mint ration to gold of 16 to 1. This ratio greatly overvalued the silver dollar. The act did not restore the bimetallic system in the nation, since there was no free and unlimited coinage of silver. It merely permitted the circulation of silver dollars along with other currency. Such a system is called "a limping gold standard." The silver dollar remained as subsidiary or fractional coin, but unlike fractional coins, these silver dollars were *not* redeemable in any other money. As they were continuously issued, and not withdrawn, the supply in circulation constantly increased.

As the silver purchased and coined under the Bland-Allison Act was insufficient to offset the vast production of new silver, the agitation for additional silver coinage was renewed. It culminated in the passage of the Sherman Silver Purchase Act of July 14, 1890. This act required the Secretary of the Treasury to purchase silver bullion at the rate of 4,500,000 ounces per month, through the issuance of Treasury silver notes. These notes were made redeemable in silver coin only, and when redeemed, could be reissued, but the amount outstanding could not exceed the cost of the silver purchased.

This injection of a new flood of silver had its natural effect. The nation's currency become redundant, and, in accordance with Gresham's Law, the undervalued metal (i.e., gold) was withdrawn from circulation and exported. The Treasury was unable to maintain sufficient gold to meet the redemption of the "greenbacks" as required by law. The Panic of 1893 was the inevitable result. It shook the economic foundations of the nation, and caused widespread misery and unemployment.

Congress, after several months of acrimonious debate in a special session, repealed the Silver Purchase Act on Nov. 1, 1893. But "the Silverites" did not give up the struggle. As generally happens during a period of severe business depression, there was a loud clamor for cheap money and currency inflation. The Democratic Party was swayed by the clamor, and, due in part to the silver-tongued oratory of William Jennings Bryan, its Presidential nominee, adopted a platform advocating the free and unlimited coinage of silver at the old rate of 16 to 1. The political campaigns that followed rocked the economic foundations of the nation and handicapped the efforts toward financial recovery. Following the final defeat of Bryan, Congress was sufficiently emboldened to ignore the "Silverites," and on March 19, 1900, enacted the Gold Standard Act.

Thus, the silver dollar was again shunted to the position of a subsidiary coin, but it has remained as a malignant growth on the monetary system. Nothing "was done for silver" until 1918, when, in order to replace silver bullion, which, at Great Britain's request during the war, was withdrawn from the Treasury and shipped to the Orient, Congress authorized a repurchase of the same amount at one dollar per ounce. This entailed a Treasury loss of $70,000,000. The act, known as the Pittman Silver Purchase Act, did not increase the silver in American coinage, but it gave a new stimulus to the agitation for again cheapening the currency by diluting it with silver.

An opportunity to take advantage of this agitation came with the banking crisis of 1933, and the ensuing election of President Roosevelt. As stated above, such crises generally lead to a clamor for "cheap money." So the halls of Congress again resounded with the demand to "do something for silver." This time, the agitation was based largely upon the pretense that raising the value of silver would greatly increase our foreign trade, particularly in the Orient, since China, India, and other silver-using countries would be able to buy our goods at lower prices in terms of their own currency. Domestic prices would also be raised, it was argued, and thus business would be stimulated and debtors would be better able to meet their old obligations with "cheap money."

These arguments seemed to have convinced the "New Deal" Administration. After devaluing the gold content of the dollar by the Gold Reserve Act of 1934, Congress passed in June of the same year, the so-called "Silver Purchase Act." This monstrous and wholly unwarranted legislation requires the Secretary of the Treasury to buy silver at such places, times, and rates, and terms as he deems in the public interest, with the only limitations that such purchases shall not cause the standard value of the monetary stock of silver to be in excess of one-fourth that of gold, and that the price paid be not more than 50 cents an ounce for domestic silver. This domestic price, however, has been increased by later legislation to 71.11 cents per ounce. The domestic output of new silver was "nationalized" and the Treasury Department was given full power to regulate and control all private dealings in silver.

If the provisions of this legislation are carried out to the maximum degree permitted, no one can readily predict its ultimate effect on our monetary system and national welfare. There was never any intelligent defense of the act, and it has not accomplished any of the results which its advocates promised when it was adopted. Instead of helping, it seriously harmed China, and compelled the government of that country to abandon its age-old adherence to the silver standard. Even Mexico's economic position was temporarily disrupted by the act through silver hoarding and exportation. In fact, Secretary of the Treasury Morgenthau seems to have become convinced of the expense and folly of the silver program, since, in August, 1941, he announced that he "would raise no objection to its abandonment."

The full impact of the evils of the situation will probably not be felt until after the war. In the readjustments that must necessarily take place in order to establish an economic equilibrium throughout the world, it is not unlikely that the United States will be compelled to part with a considerable amount of its vast gold reserve. There is already a substantial movement in that direction, and it is quite probable that the trend will gain momentum. If our currency were without any silver backing there would be nothing to fear from this development. In fact, it should have a curative effect, since it would be furnishing the means whereby we would be enabled to trade with other nations to mutual advantage. Moreover, the gold exports, would act as an effective check against post-war credit inflation.

But neither the Treasury nor anyone else in the United States will be likely to pay for foreign goods and services with silver. No important trading country wants our silver, but they certainly crave some of our gold. The Treasury's silver stock, estimated at around two or three billion dollars, will have to stay put for a while. The result may be, either its "sterilization" or its more important use as a metallic monetary reserve. If it is used, as required by law, as a monetary reserve, it may effectively put the nation's currency substantially on a silver basis.

Of course, much will depend on the future supplies, and the demand for silver. If copper, zinc, and lead production is severely reduced following the war, about three-fourths of the output of domestic silver will be affected. Moreover, there is no necessity of continuing the purchase of foreign silver, despite Section 2 of the Law, which declares "it to be the policy of the United States that the proportion of silver to gold in monetary stocks be increased, with the ultimate objective of having and maintaining one-fourth of the total metallic stock in silver." Moreover, the law directs or permits the Secretary to sell silver whenever the amount on hand exceeds the legal quota.

And here we have the problem! If, when the nation returns to a normal and equitable gold reserve in comparison with similar reserves of other nations, the United States Treasury seeks to sell its excess silver, who will want to buy it at anywhere near its cost price? Unlike gold, silver has not been sent out of war-torn Europe, and notwithstanding widespread property destruction, silver in the form of coin, bullion and plate has been largely preserved, and will again reappear from hiding when conditions are normal. There will be no great demand for monetary silver after the war. Certainly, all things considered, it may be presumed, that before the post-war silver problem is solved, the nation will undergo a severe financial loss—a loss that must fall upon taxpayers who were more harmed than benefited from the foolish monetary policy established during the last decade.

The outlook at present makes the silver incubus seem inescapable. Only through an unexpected and unusual trend in national or international monetary policies that will create a new demand for silver, can there be a favorable outcome of the situation.

Reconversion Principles Proposed By Leading Economists To Avoid Unemployment & Inflation

Widespread unemployment, inflation, unnecessary shortages in civilian goods, and black markets are in prospect when the war ends unless there is prompt action now in reconversion from war to peacetime production, eight leading economists warned on April 23.

Anxious to help avoid disastrous post-war conditions and to aid in the solution of the country's many intricate problems growing out of reconversion, the economists announced the formulation of a set of principles designed to avoid inflation, to maintain employment, to combat possible black markets, and to insure maximum production of consumer goods at the earliest possible time consistent with war needs for the benefit of both consumers and producers.

The eight economists who have joined together as the Economists Committee on Reconversion Problems are: Dr. Jules I. Bogen of New York University; Dr. Neil Carothers of Lehigh University; Dr. John M. Chapman of Columbia University; Dr. W. W. Cumberland of Wellington & Co.; Dr. W. I. King of New York University; Dr. Ernest Minor Patterson of the University of Pennsylvania; Dr. Ray B. Westerfield of Yale University; and Dr. Ivan Wright of Brooklyn College.

With the announcement of their purpose, the members of the Committee also made public a bulletin on "Reconversion Problems," through which their individual and collective views on various phases of reconversion are made known. This bulletin, in addition to containing the Committee's "Statement of Principles," includes individual articles by four members of the Committee. Articles by the other members of the Committee, as well as other leading economists and representatives of business and the public, are to appear in future issues.

The Committee's "Statement of Principles" follows:

"The nation should not wait until the war is over to study and solve the problems of reconversion of industry from a war to a peace basis. Some industries are in position to begin reconversion today, and others will be able to do so before the end of the war either in Europe or in the Pacific.

"Unnecessary delay in reconversion will serve only to:

"1. Make the task ultimately far more difficult, and the resulting disruption to the economy greater.

"2. Add to the danger of inflation by curtailing the production of consumer goods, thereby fostering black markets.

"3. Create unemployment in communities where war jobs no longer provide employment for the whole working forces.

"4. Weaken the civilian economy further because replacements cease to be available for essential products that wear out.

"Insofar as the production of civilian goods does not interfere with war needs, such production should be encouraged. The American public is determined to win this war, and needless delay in increasing production of consumer goods when materials, plants and manpower are clearly available could only injure morale by fostering the impression of inefficiency in the direction of the war effort.

"Reconversion of industry to the production of necessary civilian goods can be furthered by the adoption of the following principles:

"1. Relaxation of restrictions on the use of scarce materials after adequate supplies and stockpiles have been assured for the needs of the present war period.

"2. Modification of limitation orders on the manufacture of consumer durable goods when the War Production Board finds that materials, plant and manpower are available to make them. Necessities would be given preference over luxuries in the relaxation of restrictions.

"3. Price controls should be withdrawn gradually, but any continuing price control should be flexible enough to permit manufacturers and distributors of civilian goods to earn a reasonable return. Under such flexible control, every effort should be made to lower costs and prices through the expansion of sales volume."

National Banks Building Up Surplus to Equal Or Exceed Common Stock

Surplus has been built to equal or exceed common capital in approximately half of the 5048 nationally-chartered banks, it was stated on April 24 by Comptroller of the Currency Preston Delano. During the calendar year 1943, more than 200 national banks were added to the list of those which had reached this goal, said the advices which further stated:

"The Congress has provided that before declaring a dividend on its common stock, a national bank must add to its surplus at least one-tenth of its net profits for the preceding half year until the surplus equals the amount of the common capital.

"The banks in the District of Columbia are ahead of those in any state in building surplus to equal capital, three-fourths of them being in that class."

Mutual Funds

Progress Continues

The National Association of Investment Companies recently published a memorandum reflecting the views of State Securities Commissioners on the subject of investment company sales literature. As stated in the memorandum, the objective of the Commissioners **"is to eliminate all sales literature of an objectionable nature and to encourage healthy competition based upon an accurate presentation of all the relevant facts in such a manner as will be clearly understood by the investor without undue effort on his part."**

The points made (and to be enforced by the Commissioners beginning April 15) are mild and reasonable in the opinion of the writer. Boiled down to their essence, they might be listed as follows:

1. Predictions of future market values of mutual fund shares are not permitted.
2. Price comparisons with past market levels should give both sides of the picture.
3. Performance comparisons with general market averages should be fair and cover representative or significant periods, with proper adjustments for capital gains dividends.
4. Direct performance comparisons with competitive funds for the purpose of inducing "trade-outs" are not permitted.
5. All data with reference to dividend payments should make a clear distinction between payments from net investment income and payments from capital gains.

Not only would it be difficult to quarrel with these regulations but, by their very moderateness, they testify to the progress which the industry has made in the matter of self-regulation in recent years. With such cooperation between the regulatory authorities and the investment companies through their association, the steady progress of the field toward its rightful place in the American economy should continue.

* * *

National Securities & Research Corp. has published a new descriptive folder on **First Mutual Trust Fund.** In addition to listing the assets held on April 1, 1944, the folder invites consideration of the important features of the fund, which are discussed briefly under separate headings.

"Prospective Employment Problems" is the subject which comes under discussion in the current issue of **Investment Timing.** The following interesting conclusion is reached:

"Unemployment is showing a rising tendency, which will develop after the war as war production ends and demobilization proceeds during reconversion. It is unlikely, however, again to reach disastrous figures owing to an anticipated high production level following a relatively short period of readjustment. Its post-war extent thereafter will be linked to the national income and industrial production levels, which may range respectively between $100 and $135 billions and 125-175 for the Federal Reserve Board Index."

(Continued on page 1727)

Growth Of Savings And Loan Associations In Indiana Continues

By IVAN E. COOPRIDER

Secretary-Treasurer, Savings and Loan League of Indiana

League Official Sees Post-War Outlook Bright

Savings and loan associations in Indiana are making substantial contributions to the Nation's war effort. During 1943, the 246 associations in the state purchased $26,000,000 of United States Government securities, bringing their total government bond holdings to more than $48,000,000. Since Pearl Harbor, these associations have sold more than $30,000,000 of government bonds to the individual investors of their communities. Dealing as they do with a large number of small investors, this has meant the issuance of almost 1,000,000 individual small Savings Bonds.

Ivan E. Cooprider

The ordinary business activities of the associations during 1943 were carried on with reduced personnel as many of the younger savings and loan people have answered the Nation's call to the colors. Despite the additional war work which associations were called upon to do, particularly in the issuance of Series E Savings Bonds, the associations were able to handle a large volume of new savings and investment accounts and many new home mortgage loans were made. During 1943, new savings and investment funds in excess of $50,000,000 were received, making the net increase in the association's share accounts $26,000,000. All of this net increase was invested in government securities in order to aid the war effort.

More than 20,000 additional Indiana families during 1943 were started down the road to eventual debt-free home ownership by obtaining monthly amortized home mortgage loans from Indiana savings and loan associations. This brings the total number of present borrowers to 98,000 families. Savings and investment families in the associations total 204,000, making a grand total of 302,000 Indiana families represented in the associations. This means that the associations are serving more than one-third of all the families in the state either as savers or borrowers.

The associations made new mortgages aggregating $41,363,000. However, the additional war income in the state stimulated more rapid amortization of outstanding loans so that total repayments on outstanding mortgages during the year accounted for an inflow of $42,400,000.

The association's cash position at the end of the year was up $3,600,000 over the preceding year, making total cash $19,307,000. Cash and redeemable and marketable government bonds owned by the associations amounted to $67,673,000, or approximately 25% of the associations' total resources. Total resources increased during the year $25,000,000.

While the associations' gross income during 1943 was lower than

(Continued on page 1727)

Savings And Loan League Of Indiana Elects Officers & Executive Committeemen

The Savings and Loan League of Indiana at its annual election meeting chose the following officers and committeemen for the coming year:

President — George E. Hayes, President First Federal Savings and Loan Association, Marion, Ind.

First Vice-President—Arthur W. Allen, Secretary Home Building and Loan Association, Washington, Ind.

Geo. E. Hayes

Second Vice-President—Thomas S. Gozdecki, Assistant Secretary Peoples Federal Savings and Loan Association, East Chicago, Ind.

Immediate Past President—Edward W. Springer, Secretary Atkins Saving and Loan Association, Indianapolis 4, Ind.

Executive Committeemen—Donald L. Adair, President South Bend Federal Savings and Loan Association, South Bend, Ind.; Matt J. Vlasic, Secretary First State Savings and Loan Association, Gary, Ind.; James H. Haberly, President First Federal Savings and Loan Association, Fort Wayne, Ind.; L. B. Chalkley, Secretary Peru Federal Savings and Loan Association, Peru, Ind.; Otto C. Neumann, Secretary First Federal Savings and Loan Association, Lafayette, Ind.; Clyde W. Andrews, Secretary Merchants Loan and Savings Association, Terre Haute, Ind.; Leo F. Welch, Secretary Celtic Federal Savings and Loan Association of Indianapolis, Indianapolis, Ind.; E. F. Hadley, Secretary Mooresville Federal Savings and Loan Association, Mooresville, Ind.; Willard T. Jordan, Secretary Henry County Building and Loan Association, New Castle, Ind.; Frank Hatfield, Secretary Bedford Federal Savings and Loan Association, Bedford, Ind.; Edward L. Plane, Secretary Mid-West Federal Savings and Loan Association, Evansville, Ind.; George E. Padgett, Secretary The Gibson County Perpetual Building and Loan Association, Princeton, Ind., and Glenn M. Keach, Secretary Home Savings and Loan Association, Seymour, Ind.

Increase In Reserves Of Savings, Loan Ass'ns

Reserves maintained despite record expansion in resources and the practical disappearance of repossessed real estate from the balance sheets feature the consolidated statements compiled recently from 295 savings, building and loan associations in Illinois and Wisconsin reporting to the Federal Home Loan Bank of Chicago for 1943. A. R. Gardner, President of the Bank, which is their reserve credit institution, points out that while they were increasing their share and investment accounts by 23% during the year, they showed 6.75% in reserves as of Dec. 31, 1943, compared with 6.55% 12 months before. The figures are from all associations in the district whose share accounts are insured by the Federal Savings and Loan Insurance Corporation.

New Savings And Loan League Appoints Executive Manager

The National Savings and Loan League, new organization of home-financing associations, announced that Oscar R. Kreutz has resigned as general manager of the Federal Savings and Loan Insurance Corporation at Washington, and has accepted appointment as of May 1 as the executive manager of the League.

The announcement was made by S. H. Bever of Fort Worth, who was elected president of the League at its organizational meeting last December. Since 1941, Mr. Kreutz has been head of the federal agency which insures the safety of investments in some 2,450 savings and loan associations throughout the country.

The new League will establish offices in Washington, D. C., about May 1, Mr. Bever said. Its first annual convention will be held in New Orleans on May 30 and 31.

Peace Time Housing Program Should Rest In Private Hands

National Housing Agency Administrator Holds Government Should Extend Necessary Assistance And Stimulus But Responsibility Should Remain With Local Citizens And The Builders And Financing Institutions

In addressing the Philadelphia Home Builders Association on April 18, John B. Blanford, Jr., Administrator of the National Housing Agency, advocated the participation of private industry and private capital to the maximum extent possible in both the war and the peacetime housing programs. After pointing out that since Pearl Harbor "more than 1,000,000 new or converted family dwelling units have been or will be produced by private builders" and more than $4,000,000,000 of private capital (constituting two-thirds of the total investment) have been invested in the war housing construction program, Mr. Blanford remarked: "In my judgment, our immediate preparation for post-war must be to decide where the lines of responsibility must run to assure the most effective development of our housing resources. Until common agreement is reached on this point, it will be impossible to move into high gear when full peace-time production again is possible.

John B. Blandford Jr.

"In the National Housing Agency, we feel that the primary responsibility for peacetime housing rests with the communities in which the housing will be built, with the citizens who will live in it, with the builders and institutions who will develop and finance it, and with the workers who will build it. We do not believe that the Federal Government should directly program or build housing in communities in peacetime. But we also believe that this community responsibility carries with it the obligation to plan for meeting local housing needs much more effectively and completely than in the past: to determine how much housing is needed and where, what kind, and how in general it can be built and financed.

"The Government should extend every necessary assistance and stimulus to this community housing process. It should assemble the national information and conduct the national research to keep communities and the industry abreast of the best developments in housing technique, planning and financing. It should stimulate maximum performance by private enterprise through such tested national aids as FHA mortgage insurance and the Federal Home Loan Bank System, and whatever new methods of indirect assistance may prove desirable. Perhaps it should establish machinery for federal financial aid to communities to break the bottleneck of high land costs in urban redevelopment.

"It should seek in every way possible to aid private capital to serve the mass market with good housing. As representative of the people as a whole, the Federal Government must also work constantly toward the goal of decent housing for all American families. It must therefore be ready with direct financial aid through the Federal Public Housing Authority to help meet the share of the total need that cannot be adequately served by other types of housing production and finance."

"Broad responsibility and equally broad opportunities rest with the private building industry of this country. With the benefit of its wartime experience, it stands on the threshold of a large potential new market. This, in short is the mass housing market of America—composed of millions of families who will want good housing after the war, who do not have it now and who will be able to pay an economic price for an efficiently produced product. If the industry can develop this market—and I'm sure it can—it will be rewarded by a vastly greater volume of profitable production than it has ever enjoyed in the past. But it will not be an easy task and the responsibility for achieving it will rest with industry itself, even though communities and the Federal Government do everything within their power to help.

"In my judgment, it is the responsibility of the private building industry to concentrate all its energies and talents in carrying out this big new job successfully. I hope the building industry will not miss this opportunity or fumble this ball because it has been distracted by straining to occupy the bottom segment of the housing market. Clear, sober thinking should identify this area as one which clearly calls for subsidy. No transient, fancy formula can confuse this fact. This segment is fundamentally a rental area involving complicated and vexatious operating problems—and it is an area where governmental assistance in the form of a subsidy inevitably carries with it governmental regulation, be it local or federal or both.

"I believe if we all accept our full responsibilities and face the facts realistically we can move forward confidently to the post-war period. The prime remaining requirement is that we aim high. We must seek a 5 to 7 billion dollar industry—not a 2 or 3 billion dollar industry. We must seek a sustained production rate of a million to a million and a half new houses a year, not 400,000 or 500,000. In this way we can progress toward a goal of good housing for all Americans. In this way we can challenge the resourcefulness of all American producers of housing, and achieve a level of housing production, employment and profits commensurate with the horizons ahead of us.

"This is in the American tradition of progress."

Thomas S. Holden Foresees Increase Of Private Building

President Of F. W. Dodge Corporation Predicts An Abandonment Of Government "Artificial Stimulation Of Public Works"—Thinks Local Resources Ample For Post-War Construction Revival—Anticipates A Construction Volume In The Post-War Decade Double That Of 1930-1939

Speaking at the 23rd Annual Meeting of the New York Building Congress, Inc., at the Hotel Astor, New York on April 26, Thomas S. Holden, President of F. W. Dodge Corporation and a past President of the Building Congress, reviewed the evidence, as expressed by political leaders and members of Congress, concluding that the Federal Government was abandoning the philosophy of the "artificial stimulation of public works" in favor of the free enterprise system. After pointing out that "the F. W. Dodge Corporation has accumulated since September, 1942, reports on 33,900 specific construction projects contemplated for the post-war period," with an estimated construction cost of $8,300,000,000, Mr. Holden stated:

Thomas S. Holden

"Within the range of these estimated increases, I expect private building and engineering work to increase by considerably larger percentages than public projects. The principal reason why I expect this to happen is that I see our post-war as a private-enterprise economy and not as a government-dole economy."

Continuing his remarks regarding the post-war construction outlook, Mr. Holden stated: "It is my belief that construction revival will start, not with any grandiose Federally-subsidized works program, but with thousands of deferred maintenance and repair projects greatly needed to put our present private and public facilities in proper shape. Estimates of deferred maintenance and repair needs throughout the country run from three to four billions of dollars. Such work is going on in a very limited way today; it will increase in volume just as quickly as restrictions can be relaxed, which may be done in some degree even before Germany is defeated in Europe. This work is undertaken for protection of present investments in existing properties, and does not have to wait until the trends of post-war rents and post-war construction costs become clear enough to stimulate new private investment. Early in the revival will also come the building of homes on owner's orders for owner's occupancy and use. In many cases these will be built on lots already owned and with savings already earmarked for down payments.

"City building, however, aside from urgently necessary public improvements that can be financed locally, will largely consist of investment building, in which consideration of current rent-levels and current construction costs will figure very largely. This is a factor which places a definite responsibility upon the construction industry. Rents and construction costs are today held down by price controls. When controls are lifted, practically all commodity prices, construction costs and rents will tend to rise above wartime levels. Much depends upon whether these rises will be orderly and moderate and whether the higher construction costs will bear a reasonable relationship to general commodity prices and to rents. Thus, the producers and suppliers of materials and building labor have a direct responsibility in developing New York's construction market. Maintenance of a sound cost structure is one kind of salt to put on prosperity's tail.

"The extent to which any local community, whether it be Albert Lea, Minnesota, or metropolitan New York, will participate in post-war national prosperity and the anticipated post-war construction revival will depend, first upon the economic assets of the community, and second, perhaps even more importantly, upon the energy and initiative of its people. We can set up the economic and political framework of an enterprise system, as we are pleased to call it; but the thing we designate by that term is really a minimum of system and a maximum of enterprise—enterprise which is defined in the dictionary as "boldness, energy and invention." To appraise New York's future potentialities, it is necessary to add to statistical enumerations of its economic assets such evidences as we can find of its resources in initiative and business leadership.

"Now I hope my optimism as to the future prosperity of the United States and of New York does not give the impression that I think this prosperity will be achieved without difficulty, that there are no obstacles to be overcome, no problems to be solved. The problems are many and great. Over all will be the problems of taxation, on national, State and local levels. There is the problem of devising sound equity financing for investment building projects, including large-scale urban redevelopment projects. There will be the problem, mentioned earlier, of holding construction costs in line with general price levels, cost of living and rents; this will be a continuing problem, if we are to maintain our prosperity after we get it, if we hold on to our bird after we have put salt on its tail. At some stage there will be the problem of adequate numbers of skilled building craftsmen. In the early post-war stage there will be the problem of controlling inflation; later there will be the problem of controlling the boom. I take it, we all hope that this time, if we're smart enough to put salt on prosperity's tail, we'll be smart enough to catch the bird and hold it, instead of letting it get away from us, on account of our own mistakes and abuses, as we did in the great boom that followed World War I. As a matter of fact, the major post-war problems for our whole economy will be controlling inflation and controlling the boom.

"Standing here today, I do not know the answers to all these problems. But I do know that none of them can be licked in a mood of defeatism and fear, any more than a war can be won without confidence in the capacity of the people and their leaders to make the superhuman effort required for victory. I am sure we cannot conquer post-war problems until we have completely recovered from our depression hangovers, until we set our minds and hearts to plan courageously, boldly, consistently for prosperity; and realistic planning for prosperity must include full undertsanding of the problems, the obstacles, and the dangers that we face. To my mind, it is absurd to think that we shall win the war and lose the peace."

Electronics Outlook Good

A. L. Stamm & Co., 120 Broadway, New York City, have issued an interesting study of the electronic industry with emphasis on Emerson Radio & Phonograph. Copies of this study, which discusses the favorable outlook for this field, may be had upon request from A. L. Stamm & Co.

Ohio Municipal Comment

(Continued from page 1714)

be had from governments, after taxes.

Mounting Tax Rates

By "after taxes," we mean the net yield after normal tax and surtax deductions. Probably some people are buying municipals at what seem to be high prices in comparison with governments, because they cannot be sure just what tax rates they will have to pay in the future. We have just been advised of a small bank, in a small town in Ohio, that finds itself now paying a tax of 53%. The high rate, of course, is because the bank now finds itself paying excess profits taxes. Of late, and especially since tax bills were figured for 1943, there has been increasing talk among bankers about the possibility or probability, of their paying excess profits taxes. But most of the talking has come from larger banks, and it would seem advisable for the smaller institutions also to consider the possibility, or the actuality.

With F. I. du Pont & Co.

Francis I. du Pont & Co., members of the New York Stock Exchange, announce that Lloyd A. Kayser, formerly with H. Hentz & Co., is now associated with them as co-manager of their branch office at 342 Madison Avenue.

UNION PACIFIC RAILROAD COMPANY

FORTY-SEVENTH ANNUAL REPORT — YEAR ENDED DECEMBER 31, 1943

To the Stockholders of Union Pacific Railroad Company:

The Board of Directors submits the following report for the year ended December 31, 1943, for the Union Pacific Railroad Company, including Oregon Short Line Railroad Company, Oregon-Washington Railroad & Navigation Company, Los Angeles & Salt Lake Railroad Company and The St. Joseph and Grand Island Railway Company, whose properties are leased to the Union Pacific Railroad Company. The lessor companies have certain income and charges, and the figures in the Income Account, other than those relating to transportation operations, and in the Surplus Account and General Balance Sheet and tabulations and tables relating thereto are stated on a consolidated basis, *excluding offsetting accounts between the companies.*

INCOME

The operated mileage at close of year and income for the year 1943, compared with 1942, were as follows:

Operated Mileage at Close of Year	1943	1942	Increase	Decrease
Miles of road	9,781.57	9,836.94	--------	55.37
Miles of additional main track	1,540.07	1,537.86	2.21	
Miles of yard tracks and sidings	4,360.73	4,304.27	56.46	
Total Mileage Operated	15,682.37	15,679.07	3.30	
Transportation Operations				
Operating revenues	$480,274,934.19	$353,064,543.08	$127,210,391.11	
Operating expenses	300,074,772.40	219,039,130.43	81,035,641.97	
Revenues over expenses	$180,200,161.79	$134,025,412.65	$46,174,749.14	
Taxes	126,063,144.79	61,744,143.59	64,319,001.20	
Railway Operating Income	$54,137,017.00	$72,281,269.06	--------	$18,144,252.06
Rents from use of joint tracks, yards, and terminal facilities	1,806,832.53	1,802,117.44	$4,715.09	
	$55,943,849.53	$74,083,386.50	--------	$18,139,536.97
Hire of equipment—debit balance	$11,769,780.36	$10,328,128.04	$1,441,652.32	
Rents for use of joint tracks, yards, and terminal facilities	2,968,214.03	2,730,538.63	237,675.40	
	$14,737,994.39	$13,058,666.67	$1,679,327.72	
Net Income from Transportation Operations	$41,205,855.14	$61,024,719.83	--------	$19,818,864.69
Income from Investments and Sources other than Transportation Operations				
Income from oil operations in Southern California—net	$8,836,651.48	$7,790,678.43	$1,045,973.05	
Dividends on stocks owned	4,646,877.50	4,285,213.50	361,664.00	
Interest on bonds, notes, and equipment trust certificates owned	1,968,880.78	2,208,436.78	--------	$239,556.00
Income from unfunded securities and accounts	1,036,950.32	323,267.63	(a) 713,682.69	
Rents from lease of road and equipment	188,050.06	181,508.03	6,542.03	
Miscellaneous rents	404,982.51	390,799.92	14,182.59	
Miscellaneous income	1,793,638.08	618,958.70	1,174,679.38	
Total	$18,876,030.73	$15,798,862.99	$3,077,167.74	
Total Income	$60,081,885.87	$76,823,582.82	--------	$16,741,696.95
Fixed and Other Charges				
Interest on funded debt	$13,570,444.39	*$13,714,512.88	--------	$144,068.49
Interest on unfunded debt	567,147.93	*419,935.13	$147,212.80	
Miscellaneous rents	48,975.15	31,635.69	17,339.46	
Miscellaneous charges	602,059.43	573,514.45	28,544.98	
Total	$14,788,626.90	$14,739,598.15	$49,028.75	
Net Income from All Sources	$45,293,258.97	$62,083,984.67	--------	$16,790,725.70
DISPOSITION OF NET INCOME				
Appropriated to a reserve against possible refunds on U. S. Government shipments	$10,000,000.00	--------	$10,000,000.00	
Dividends on Stock of Union Pacific Railroad Co.:				
Preferred stock:				
2 per cent paid April 1, 1943 $1,990,862.00				
2 per cent paid October 1, 1943 1,990,862.00	$3,981,724.00	$3,981,724.00		
Common stock:				
1½ per cent paid April 1, 1943 $3,334,365.00				
1½ per cent paid July 1, 1943 3,334,365.00				
1½ per cent paid October 1, 1943 3,334.365.00				
1½ per cent payable January 3, 1944 3,334,365.00	13,337,460.00	13,337,460.00		
Total Dividends	$17,319,184.00	$17,319,184.00		
Transferred to Earned Surplus—Unappropriated	$17,974,674.97	$44,764,800.67	--------	$26,790,725.70

(a) Principally interest on short-term U. S. Government obligations. * Restated.

Operating results for year 1943 compared with year 1942:

	1943	1942	Increase	Decrease	Per Cent
Average miles of road operated	9,817.07	9,856.45	--------	39.38	.4
OPERATING REVENUES					
Freight	$357,590,629.30	$282,241,762.85	$75,348,866.45	--------	26.7
Passenger	86,742,472.28	45,793,903.42	40,948,568.86	--------	89.4
Mail	7,591,031.31	6,209,043.77	1,381,987.54	--------	22.3
Express	6,948,722.07	5,606,469.70	1,342,252.37	--------	23.9
Other passenger-train	10,856,957.62	6,261,538.26	4,595,419.36	--------	73.4
Switching	2,804,776.72	2,500,884.50	303,892.22	--------	12.2
Other	7,740,344.89	4,450,940.58	3,289,404.31	--------	73.9
Total operating revenues	$480,274,934.19	$353,064,543.08	$127,210,391.11	--------	36.0
OPERATING EXPENSES					
*Maintenance of way and structures	$66,153,250.85	$45,570,296.54	$20,582,954.31	--------	45.2
*Maintenance of equipment	82,040,968.89	59,889,098.15	22,151,870.74	--------	37.0
Total maintenance	$148,194,219.74	$105,459,394.69	$42,734,825.05	--------	40.5
Traffic	5,737,895.88	5,148,256.71	589,639.17	--------	11.5
Transportation—rail line	125,863,402.08	94,219,700.36	31,643,701.72	--------	33.6
Miscellaneous operations	12,296,457.31	7,404,479.07	4,891,978.24	--------	66.1
General	7,982,797.39	6,807,299.60	1,175,497.79	--------	17.3
Total operating expenses	$300,074,772.40	$219,039,130.43	$81,035,641.97	--------	37.0
Revenues over expenses	$180,200,161.79	$134,025,412.65	$46,174,749.14	--------	34.5

TAXES	1943	1942	Increase	Decrease	Per Cent
State and county	$10,006,674.26	$9,600,000.00	$406,674.26	--------	4.2
Federal income and excess-profits	$103,000,000.00	$42,526,201.58	$60,473,798.42	--------	142.2
Federal capital stock	2,095,026.49	1,812,031.50	282,994.99	--------	15.6
Federal unemployment insurance	5,216,242.79	3,878,172.96	1,338,069.83	--------	34.5
Federal retirement	5,653,102.61	3,878,145.86	1,774,956.75	--------	45.8
Other federal	92,098.64	49,591.69	42,506.95	--------	85.7
Total federal	$116,056,470.53	$52,144,143.59	$63,912,326.94	--------	122.6
Total taxes	$126,063,144.79	$61,744,143.59	$64,319,001.20	--------	104.2
Railway operating income	$54,137,017.00	$72,281,269.06	--------	$18,144,252.06	25.1
Equipment rents (debit)	11,769,780.36	10,328,128.04	$1,441,652.32	--------	14.0
Joint facility rents (debit)	1,161,381.50	928,421.19	232,960.31	--------	25.1
Net railway operating income	$41,205,855.14	$61,024,719.83	--------	$19,818,864.69	32.5
Per cent—Operating expenses of operating revenues	62.48	62.04	.44	--------	.7
FREIGHT TRAFFIC (*Commercial Freight only*)					
Tons of revenue freight carried	53,707,020	45,568,297	8,138,723	--------	17.9
Ton-miles, revenue freight	35,114,333,801	27,185,067,113	7,929,266,688	--------	29.2
Average distance hauled per ton (*miles*)	653.81	596.58	57.23	--------	9.6
Average revenue per ton-mile (*cents*)	1.018	1.038	--------	.020	1.9
Average revenue per freight-train mile	$9.84	$8.74	$1.10	--------	12.6
PASSENGER TRAFFIC (*Excludes Motor-Car Trains*)					
Revenue passengers carried	6,837,683	3,941,870	2,895,813	--------	73.5
Revenue passengers carried one mile	5,055,572,955	2,570,621,803	2,484,951,152	--------	96.7
Average distance hauled per passenger (*miles*)	739.37	652.13	87.24	--------	13.4
Average passengers per passenger-train mile	268.07	162.09	105.98	--------	65.4
Average revenue per passenger-mile (*cents*)	1.711	1.776	--------	.065	3.7
Average revenue per passenger-train mile, passengers only	$4.59	$2.88	$1.71	--------	59.4
Average total revenue per passenger-train mile	$5.47	$3.70	$1.77	--------	47.8

*Includes depreciation and amortization charges:			
Maintenance of way and structures	$4,201,438.68	$364,048.18	$3,837,390.50
Maintenance of equipment	13,869,226.25	12,087,723.53	1,781,502.72

GENERAL BALANCE SHEET—ASSETS

	December 31, 1943	December 31, 1942	Increase	Decrease
Investments:				
Road and Equipment	$1,038,062,158.19	$1,017,326,273.24	$20,735,884.95	
Less:				
Receipts from improvement and equipment fund	$23,823,091.13	$23,823,091.13		
Appropriations from income and surplus prior to July 1, 1907, credited to this account	13,310,236.52	13,310,236.52		
Total	$37,133,327.65	$37,133,327.65		
Road and equipment property	$1,000,928,830.54	$980,192,945.59	$20,735,884.95	
Donations and grants (Credit)	*$11,601,881.04*	(a) *$11,517,056.41*	*$84,824.63*	
Sinking funds	$50.00	$50.00		
Deposits with trustees in lieu of mortgaged property	$87,099.34	$3,847,435.55	------	$3,760,336.21
Miscellaneous physical property	$23,415,009.00	$24,532,578.02	------	$1,117,569.02
Investments in affiliated companies:				
Stocks	$18,679,175.24	$19,424,941.91	------	$745,766.67
Bonds, notes, and equipment trust certificates	4,244,230.08	6,035,782.38	------	1,791,552.30
Advances	11,822,158.87	10,907,817.58	$914,341.29	
Total	$34,745,564.19	$36,368,541.87	------	$1,622,977.68
Investments in other companies:				
Stocks	$62,835,342.31	$63,380,981.35	------	$545,639.04
Bonds, notes, and equipment trust certificates	35,296,364.23	41,962,376.46	------	6.666.012.23
Total	$98,131,706.54	$105,343,357.81	------	$7.211,651.27
Reserve for adjustment of investments in securities (Credit)	*$34,460,580.68*	*$34,972,395.88*	------	(b) *$511,815.20*
Total Investments	$1,111,245,797.89	(a) $1,103,795,456.55	$7,450,341.34	
Current Assets:				
Cash	$49,668,817.16	$48,954,293.85	$714,523.31	
Temporary cash investments (U. S. Government securities)	150,000,000.00	53,071,600.00	96,928,400.00	
Special deposits	1,190,326.88	1,064,705.68	125,621.20	
Loans and bills receivable	691.67	1,081.67	------	$390.00
Traffic and car-service balances—net	6,231,459.20	2,934,219.19	3,297,240.01	
Net balance receivable from agents and conductors	9,152,643.18	11,583,973.69	------	2,431,330.51
Miscellaneous accounts receivable	38,307,142.90	20,600,386.90	17,706,756.00	
Material and supplies	37,271,076.62	41,933,468.65	------	4,662,392.03
Interest and dividends receivable	1,385,807.87	949,943.31	435,864.56	
Rents receivable	74,247.44	141,694.81	------	67,447.37
Other current assets:				
Baltimore and Ohio Railroad Co. capital stock applicable to payment of extra dividend of 1914	111,359.10	111,451.10	------	92.00
Miscellaneous items	26,110.03	9,902.36	16,207.67	
Total Current Assets	$293,419,682.05	$181,356,721.21	$112,062,960.84	
Deferred Assets:				
Working fund advances	$88,991.99	$77,651.48	$11,340.51	
Estimated post-war refund of Federal excess-profits taxes	7,969,203.00	--------	7,969,203.00	
Other deferred assets	37,706,538.94	17,198,406.80	20,508,132.14	
Total Deferred Assets	$45,764,733.93	$17,276,058.28	$28,488,675.65	
Unadjusted Debits:				
Rents and insurance premiums paid in advance	$14,689.20	$41,516.89	------	$26,827.69
Discount on funded debt	541,440.32	573,134.36	------	31,694.04
Other unadjusted debits	4,973,782.49	6,957,973.94	------	1.984,191.45
Total Unadjusted Debits	$5,529,912.01	$7,572,625.19	------	$2.042,713.18
Grand Total	$1,455,960,125.88	(a) $1,310,000,861.23	$145,959,264.65	

(a) Restated to conform with change in Interstate Commerce Commission classification, under which the amounts of donations by individuals or companies and of grants by governmental authorities, towards the cost of road and equipment property acquired, formerly included in "Appropriated Surplus" and "Grants in Aid of Construction" (a liability account), respectively, are now included in one account, "Donations and Grants," as a deduction from investments.

(b) Principally loss from sale of Baltimore & Ohio R. R. Co. common stock, charged to this account.

High Spots In Department Of Justice Arguments Against Stabilization Rule

In view of the importance to the security business of the Department of Justice's attack on the legality of the price stabilization covenants in underwriting agreements, the "Chronicle" publishes herewith certain extracts from the oral argument of Lawrence S. Apsey, Special Assistant to the Attorney General, before the Securities and Exchange Commission in Philadelphia on April 11. These extracts are designed to reflect the Department's attitude regarding the prevailing method of securities distribution.

Securities Business a "Dangerous Instrumentality"

"The respondent [NASD] would have us believe that there is something unique about the securities business, which takes it out of this rule [that price fixing agreements are unlawful **per se**] and establishes it on some untouchable mountain top, which, of course, would make things very rosy for those on the peak. Maybe it is because finance is a mystery to many people that the bankers have attempted to enshroud it in a veil of sanctity and to contend that any tampering with the financial mechanism will cause the entire economic structure to come tumbling about our ears. This psychology is based on fear, perhaps naturally so, since the high and mighty in the financial world, taking advantage of the preoccupation of the common people in non-financial affairs, have not hesitated to separate them from their savings from time to time. If the securities business is unique, this is so rather in its potentiality for harm than in any presumption that it necessarily operates in the public good. From the investor's point of view it is clearly a dangerous instrumentality. Congress has declared this business to be 'affected with a national public interest,' (Exchange Act, Sec. 2) and has subjected it to stringent regulation by the Commission.

The Security and Exchange Acts Are Only Supplementary to Anti-Trust Laws

"The whole framework of the Exchange, the Securities Act, and other statutes administered by the Commission is supplementary to the aims of the anti-trust laws to maintain open markets, free from artificial restraints, and to protect the interest of consumers, who in the investment field, are termed investors. . . . The necessity 'for protection of investors' is a constantly repeated refrain through the sections of the Act.

"Congress could not have shown its intent to apply the principles of the anti-trust laws to security dealings any more clearly than by the provisions of Section (B) (7) of the Maloney Act to the effect that an association of brokers or dealers should not be registered as a national securities dealers association unless it appears that the rules of the association are designed among other things, 'to provide safeguards against unreasonable profits or unreasonable rates of commissions or/and the public interest, and to remove impediments to, and perfect the mechanism of, a free and open market; and is not designed . . . to fix minimum profits, to impose any schedule of prices, or to impose any schedule or fix minimum rates of commissions, allowances, discounts, or other charges . . .'

"The further requirement of Section (B) (7) that the rules shall 'promote just and equitable principles of trade' cannot be construed, in view of its vague and general nature, to require the observance of contractual relations which impede the mechanism of a free and open market. . . .

"It is clear that the price maintenance contracts guarantee to the underwriters and dealers certain minimum profits, which, simply because they are guaranteed, are unreasonable. Such contracts establish an artificial market and therefore preclude any mechanism of a free and open market. . . ."

The SEC's Requirement of An Offering Price in Registration Statements Not to Be Construed as "An Agreed Price"

"The language of Par. 16 requiring the issuer [of new securities] to disclose the price at which it is proposed that the securities shall be offered to the public makes it clear that Congress intended the proposal of an initial offering price. Certainly no requirement can be read into this provision that the underwriters should agree among themselves or with dealers to offer the securities at that price, much less to maintain that price during the period of distribution. . . .

"The initial price is only an hypothesis representing the guess of a comparatively small group as to the fair valuation for that security. There is nothing in Par. 16 to indicate that the law of supply and demand should not be permitted to operate as a check on that original hypothesis and to establish the sounder appraisal of the entire investing public. Congress indicated the contrary by recognizing in Section 16, the continued application of the Sherman Act, through the provision that the rights and remedies provided by the Securities Act 'shall be in addition to any and all other rights and remedies that may exist at law or in equity.'

"Underwriters Are Throwing Monkey - Wrench Into American Economy"

"For every evil which it is alleged will result from price-maintenance provisions, a corresponding benefit may be postulated. Proponents of the anti-trust philosophy point out that it is the underwriters and dealers who are throwing the monkey-wrench into the American economy by creating an artificial market and upsetting the natural course of events. It is they who seek to substitute the fallible judgment, as to price, of a handful of underwriters, with a financial axe to grind, for the collective judgment of the investing public, which might otherwise be registered in a free and open market.

"The extreme position of the respondents that no investors will come forward at the issuing price, and that no underwriter or dealer would undertake original distribution without price maintenance provisions is already refuted by the fact that several issues have been successfully distributed in recent weeks without these provisions. Granting that the performance under present market conditions is no test as to the full effect which the elimination of price maintenance provisions might have at other times, it shows that investors do come forward and dealers will distribute in the absence of such provisions. In many issues, distribution is completed in a very short time, and the market price, after termination of the underwriting agreements, is higher than the offering price. Knowledge of these facts will cause most investors to come forward promptly to avoid being compelled to buy at a higher price after distribution has been completed.

Elimination of Price Maintenance Will Reduce Underwriter's Risk

"Proponents of the anti-trust philosophy urge that the distribution [of securities] will not be impeded by the increased risk to underwriters. Elimination of price maintenance agreements will remove at least one element of risk; namely, that the distribution will be unduly retarded by an effort on the part of the sellers to maintain an excessive offering price. Any effort by the underwriters to increase their charges to issuing corporations can be thwarted by competitive forces, since underwriting profits are ample to permit competing underwriters to absorb the increased risk and bid each other down to present rates, if issuers feel that charges are being unduly increased.

"If underwriters refrain from such bidding for reasons of so-called 'business ethics,' the solution may be found in compulsory competitive bidding. . . . The same considerations will apply to thwart any effort by dealers to increase charges."

Supreme Court Rules Newsboys Employees

The United States Supreme Court, on April 24, in an 8 to 1 decision, ruled that the determination of whether a worker is an employee within the meaning of the Wagner Labor Act, should be based on Federal rather than state law and that the National Labor Relations Board has broad powers, in doubtful cases, to make that determination.

Associated Press advices from Washington, reporting this on April 24, also had the following to say regarding the decision:

The 8 to 1 decision upheld an N. L. R. B. ruling that full-time newsboys selling four Los Angeles newspapers are employees, not "independent contractors," and therefore are guaranteed the right of bargaining collectively with the newspapers.

Involved were newsboys, who sell newspapers at fixed places, and so-called "checkmen" who issue the newspapers to newsboys. "The Los Angeles Evening Herald and Express," "Examiner," "News" and "Times" had refused to bargain with the workers' union, the Los Angeles Newsboys Local Industrial Union No. 75, Congress of Industrial Organizations affiliate.

The majority of opinion by Associated Justice Wiley Rutledge held that determination of the newsboys' status could not be settled under State law because that would mean that persons who might be employees in one State would be independent contractors in another. Justice Rutledge said: "Both the terms and the purposes of the Wagner Act, as well as legislative history, show that Congress had in mind no such patchwork plan for securing freedom of employees' organization of collective bargaining."

Associate Justice Owen J. Roberts dissented, declaring it is plain "within the meaning and intent" of the act that the newsboys are not employees.

The Outlook For The Interest Rate

(Continued from first page)

than does the long-term rate and the causes for the fluctuations are usually found in the reserve positions of the banks. Changes in the long-term rate, on the other hand, take place more slowly and tend to reflect the change in the net productivity of capital. Short-term rates, therefore, are more susceptible to control through changes in banking practices and regulations than are long-term rates.

I do not wish to imply, however, that the interest rates found on the different kinds of obligations in the money market do not bear a relation one to another because they do. There is a very real relation between the short-term bank rate of interest and the rate on long-term bonds. But for the purpose of this discussion, we need not directly concern ourselves with this phase of the problem.

Composition Of An Ordinary Interest Rate

What is commonly called the interest rate on a bond or a mortgage consists of three elements: (1) Pure interest, (2) A payment representing insurance against the estimated risk in the loan, and (3) An item to defray the costs incurred in connection with making and carrying out the loan contract.

The rate on U. S. Government bonds is probably as good an illustration of a pure interest rate as can be found today. There is less doubt about the principal and interest on those bonds being paid than on any other security in the world. The wide variety of interest yields now being afforded by different railroad bonds shows how the payment for risk varies in the ordinary market rate of interest. Some railroad bonds today are selling on an interest return as low as 3% and others on a return as high as 8% or 9%. The fact that the interest rate on a well-secured mortgage loan is usually higher than that on a good bond is mainly accounted for by the greater expense involved in taking care of a portfolio of mortgage loans.

The item in the nominal interest rate that the lender insists on having for assuming the risk of lending his capital and for the defraying of the costs of supervising his investments varies from time to time. Right now this item is the lowest on record. It is only about one-quarter of 1% on the highest grade corporate bonds and about 1% on mortgage loans. May I state that I think experience may well prove that this differential between the pure interest return on Government bonds and the yield on these other forms of investments is much too small. The net yield on war bonds may well turn out to be higher in the end, when loss of principal and expense of handling are considered.

But whatever may turn out to be the correct payment for assuming the risks and defraying the costs of taking care of investments, there has been growing up for the last several years what might be called "A Cult of Low Interest Rates." In England as well as in this country it seems to be taken for granted that interest rates for an indefinite time in the future must be kept low. Two main reasons are advanced for this belief: (1) It is stated that otherwise the interest on the government debt will be too great a burden for the taxpayer to pay, and (2) Low interest rates are necessary to prevent deflation and to encourage borrowing so that business will expand in the years after the war.

It is further maintained by these advocates of low interest rates that the need for cheap money will be so imperative after the war that the government will be compelled to do whatever is necessary to see that the low rates are maintained. The problem thus presented, therefore, naturally breaks itself up into two parts: (1) Are low interest rates in themselves a positive good, essential to the maintenance of future prosperity and a sine qua non of maintaining the government's credit, and (2) If low interest rates are essential, can the government keep them low? And under what conditions and at what costs?

Low Interest Rates Not Essential To Prosperity

Let us first consider briefly how essential are low interest rates to the maintenance of prosperity? Is there any reason for thinking that the all-time low interest rates of the last decade had much influence in restoring business to a higher level of activity? What determines whether or not a man will borrow money to expand his business? Does not the question, in itself, imply the obvious answer, namely, that he will borrow money when he thinks he can put it to use in his business and obtain a return therefrom which will be sufficient not only to pay the cost of borrowing it but also to give him something beside to pay him for taking the risk in going to the trouble of borrowing it in the first place.

The simple truth is that business men borrow when they think they can use additional money to advantage and, when they do not believe that such conditions exist, they will not incur obligations, no matter how cheap money may be. Interest, even at a rate of 6%, is such a small factor in the cost of production and distribution of most articles that its reduction to 2% or 3% is not a sufficient reduction in cost to encourage business expansion, when other conditions essential for such expansion do not exist.

In fact, even in the flotation of bonds issues for the financing of capital improvements in such industries as the public utilities, where the interest cost is perhaps as important as in any segment of our industrial life, no correlation at all can be found between the amount of bond issues put out and the rate of interest which justifies one in believing that low interest rates lead to increased capital flotations. In fact, quite the reverse is true. You will find in periods of rising interest rates the amount of new stock and bond issues tends to increase, while in periods of declining interest rates they tend to decrease. I am not saying, here, that high interest rates are a cause for increased borrowing. I am only stating that other factors control the amount of the demand for capital much more than does the interest rate.

Throughout the decade of the twenties, new capital issues each year were well in excess of $5 billion; in 1929 they were approximately $10 billion. During this period of time, the interest rate on long-term government bonds was usually in excess of 3½% and on Aaa Corporate bonds in excess of 4¾%. During the thirties, when long-term government bonds sold to yield less than 2½% and Aaa Corporates less than 3¼%, new capital flotations did not reach 20% of the amount in the twenties. Is it not obvious that other factors than the cost of money are the determining factors in influencing the amount of borrowing? Among these other factors is the tax structure, the wage scale, and the whole possibility of making a profit on the transaction.

Time does not permit me to discuss at all adequately whether or not extremely low interest rates are necessary to keep the Treasury from going bankrupt after the war. May I be permitted, however, to point out one amusing inconsistency in the argument of those who insist that such is the case? So far as the total amount of the government debt is concerned, these advocates of low interest rates insist that its size is of little moment because the debt is an internal debt—all owned within the boundaries of the nation. "A nation can't go bankrupt by paying interest to its citizens," runs the argument, "because such payments only entail a transfer of money. Certain citizens of the country pay the interest and others receive it." This, of course, is obviously true. But is it not reasonable, therefore, to ask what is the difference then whether the interest on the debt is 2%, 3%, 4% or even higher? The argument is just as long as it is broad. It will take from some and give to others. The only difference would be that if the interest rate is a little higher on a given amount of government debt, you would have to transfer more from certain people to other people.

Now I do not want to give any support to the specious doctrine that the size of the government debt is of no importance. I simply want to point out that you cannot argue on that premise and then say that it is essential to have a low interest rate in order to maintain the government's credit.

Causes For Low Interest Rates During The "Thirties"

Now, let us go back and briefly review what were the principal causes for the extremely low interest rates which prevailed in the thirties. When we see the conditions that caused those low rates then perhaps we can form some intelligent estimate of whether similar conditions are likely to prevail to cause low rates after the war is over.

I think it is generally admitted that there were four principal factors which caused the low money rates of the thirties: (1) The large influx of gold which continued until this country had nearly 75% of the world's monetary gold. (2) A continuous decline in the amount of bank loans, both for security and commercial purposes. (3) Decline in the demand for new capital. New issues of stocks and bonds other than for refunding purposes, as I have previously indicated, regained only a small fraction of the 1920-1930 volume, and (4) The cheap money policy pursued by the Federal Government. First, when reserve banks in 1932-1933 pumped over $1 billion of excess credit in the banking system. Then, later, when the reserve banks stopped this process, the deficit financing of the Treasury, through the sale of bonds to the banks, created a huge volume of deposits which the banks were unable to loan out at almost any rate because of the decline in the demand for loans. There may have been other minor factors which caused the low interest rates of the thirties but these four, I think it is generally admitted, were the principal ones.

Let us now see whether or not these factors which brought about the low money rates of the thirties are likely to continue after the war, or whether they have come to an end. Is this country likely to continue to receive, after the war, such an influx of gold as it received in the years immediately preceding it, or may we be confronted with an outflow of gold? No one can be certain but I think it likely, if there is to be any monetary base at all for the currencies of the other nations of the world, that those nations may be desirous of taking back some of the ear-marked gold which is now held in this country, and they may even want to retain some of the newly mined gold.

Secondly, is it reasonable to expect that the bank loans will continue to decline after the war? Here, I think the answer is obvious. The banks do not have enough loans at the present time, even if they do decline, to materially affect their credit position. Bank loans can almost certainly move only one way after the war and that is upward. Should they continue downward, there will soon be no loans in the banking system.

Thirdly, may we expect the volume of new corporate securities offered in the market to increase or decline? Here, no one knows what will take place. But of this I think we may be certain, namely, if the country enters into a period of prosperity, we may confidently expect increased issues of new stocks and bonds because only in this way do corporations receive the new fixed capital necessary for their expansion.

And now, finally, we have come to the fourth factor which governed interest rates during the thirties, namely, the fiscal policy of the government. Can the government, through the Treasury and the Federal Reserve Banks so manipulate the money market that the long term rate of interest can be kept low just the same as it was during the depression of the thirties?

Interest Rates Will Be Low For Duration Of War

Here I wish to state that so long as the war continues there is little doubt but that the government can keep the interest rate low. We need expect little or no private borrowing either for production or consumption so long as the government is exercising the war time controls over business. But the maintenance and even the tightening of these controls over prices, production and consumption, in general, must continue throughout the war if the interest rate is to be kept low. Likewise, taxes must also be kept high and if the people do not voluntarily save enough to buy the proper amount of war bonds, then even compulsory saving might have to be resorted to. For the very essence of preventing interest rates from rising is the prevention of inflation and rising prices.

It must also be remembered that deficit financing, through the sale of government bonds to the banks, in its early stages makes for low interest rates rather than higher ones. The government spends the bank deposits which it creates by selling its bonds to the banks and these deposits, when spent, build up individual and corporate bank deposits, thereby making it unnecessary for these latter to borrow. This process, of course, has been going on apace during the last two or three years and is responsible for the tremendous increase in bank deposits and currency which is taking place. The market has been glutted with money and bank credit. The owners of this money and bank credit think of them as savings, which they are so far as the individual is concerned, but which they certainly are not, so far as the nation as a whole is concerned.

Inasmuch as the transfer of all kinds of goods, whether consumption or capital, is affected through the mediation of money, the public constantly thinks of capital in terms of money rather than in terms of goods, and it reasons therefrom that an increase in the supply of money and bank deposits is synonomous with increasing the supply of capital. Upon close analysis, of course, such a deduction is obviously absurd. The wealth of the nation cannot be created by increasing its supply of paper money nor by making entries on the books of its banks. To clarify your thinking on this matter, ask yourself the question, why is it that the government cannot send you a dividend tomorrow, on April 15th, instead of asking you to pay it part of your income. If governments can create capital, we have been tolerating high taxes way too long.

At the beginning of an inflationary movement, therefore, interest rates are temporarily depressed through an increase in the country's supply of money and circulating bank credit. So long as the increased amount of money and bank deposits remain inactive and the velocity at which they circulate is low, the increase has little or no effect upon prices. This was our experience during the thirties and on the whole, we may say it has been our experience thus far during the war. But is it reasonable to expect that the tremendous increase in purchasing power inherent in the supply of money and bank deposits will continually remain unused? No competent student denies the inflation potential that exists in this excess purchasing power. The difference in opinion is over whether or not there may be an attempt to spend it for goods and services faster than it is possible for the goods and services to be turned out.

Without expressing any opinion as to the degree to which the productive output of this nation may be expanded under such an impetus, I think it must be admitted that when government controls are removed, the increased supply of money and bank credit will be used and will make itself felt in rising prices. If it does not, there is not likely to be much business expansion. Should prices once get into a full upward swing, it has been the experience of the past that the velocity of money and bank deposit circulation increases. With rising prices, there is a tendency for everyone to desire to buy goods today because he feels that they are going to be dearer tomorrow. The storekeeper will want to increase his inventory. The manufacturer will want to add to his plant and buy in advance a supply of raw materials. Contractors will start to build houses. In short, with rising prices, almost everyone who expects to be in the market for anything in the near future rushes to buy it as soon as possible just because prices are going upward and because he fears if he waits it will make his purchase cost him more later.(1) Thus, what is commonly spoken of as a "seller's market" is created. A spirit of confidence is engendered. This stimulus to business, which we have seen many times in our country's history, the latest in the stock market boom of 1928-1929, greatly increases the demand for capital of all kinds and pushes up interest rates.

This rise in prices soon consumes the glut of currency and bank deposits which were created by the government's inflationary practices and then when business comes to the banks and asks for additional credit to carry on an increased volume of business at the higher price level, it finds instead of a superabundance of money and credit that the banks are loaned up and money is tight.

If one graphs the level of interest rates and the level of commodity prices, he finds that they follow the same general trend, moving up together in times of inflation and declining together in times of falling prices.

But some of you are probably saying that the government has in its power so many things which it can do to keep interest rates low, that it is foolish to expect them to increase. It is true that numerous methods are available to the Federal Reserve System at the present time to keep interest rates low. In spite of the fact that the ratio of gold to federal re-

(1) No doubt the tremendous productive capacity of this nation will prove a mighty force toward keeping prices low, even should the "inflationary potential" inherent in the increased bank deposits and currency be fully utilized. It is obvious, however, that there is a limit to the productive capacity of even this nation, and when that limit is reached, any additional creation of purchasing power by credit expansion must lead to rising prices.

serve deposits and currency has declined during the past year and a half from about 83% to about 61%, we still have plenty of gold. Should this decline continue for the next year and a half, however, at the same ratio, we will be down to the approximate 40% legal limit. Of course legislation could be asked for lowering the gold requirements of the banks. Or again the Federal Reserve Act provides that the Board of Governors could declare an emergency suspension of all gold requirements. Again, under the so - called Thomas amendment, a certain number of greenbacks can be issued without any backing and, of course, our huge stocks of silver could be monetized. The government could also transfer for reserve purposes the free gold now in the Stabilization Fund. The Board of Governors could also reduce member bank reserve requirements. Federal Reserve Banks could also issue Federal Reserve Bank Notes instead of Reserve Notes thus providing currency expansion without the need of so much gold reserve.

It is obvious that there are numerous ways which the Federal Reserve can use to continue cheap money so long as the war lasts, but it must be reiterated that each and every one of them carries with it potential inflationary dangers. During a period of war, under the spell of patriotism, when people are willing to submit to rationing and tight controls over their spending habits, and when business is closely controlled by the needs of war, such inflationary credit manipulations may be carried on without doing any immediate harm. Is it not doubtful, however, whether such an ever increasing huge volume of bank deposits and currency as will be created thereby can be held inactive when the government controls over spending and over production are once removed?

It seems almost certain that they cannot be held inactive if a period of business prosperity and expansion follows the war for no conceivable increase in production could be brought about quickly enough to meet the increased demand of this inflationary potential, when once its full force and effect was made felt in the markets for goods. Prices would then rise much in the same manner as they did in 1919. In discussing this problem recently, the Hon. Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, stated:

"There can be no doubt therefore, that inflation controls should be maintained during this transition period (from war to peace.) Continued rationing and price controls will be needed in the domestic market, and licensing control of exports should be retained. Wartime taxes should be kept up, including the excess profits tax, although it may be desirable to reduce the present 95% rate to, say 75%, in order to encourage efficiency, economy, and increased production."

Whether or not the public will continue in power a government that continues to levy wartime taxes and exercise wartime controls, after the war is over, is anyone's guess. I think it doubtful. But let them be removed and thereby be generated after the war a spirit of confidence in business and the velocity of our bank deposits and currency will materially increase. We may well be faced, therefore, with the following dilemma after the war is over. Either a continuation of taxes and controls of such a nature as may prevent business from expanding or a reduction of taxes and a removal of the controls in order to get the expansion,, but which will lead to a much higher price level. Briefly stated, there is a good chance that the tremendous increase in bank deposits and currency which has resulted from financing the war, is going to bring about a higher price level either because conditions are going to get better, which will cause a healthy increase in prices, or because conditions are going to get so much worse that confidence in the financial stability of the government will eventually be impaired through a continuance of unbalanced budgets, and then we would have a runaway price inflation, of the type usually described as a flight from money.

The point I am making here is that the limiting factor in the government controlling the short-term interest rate is the factor of confidence and the possibility of inflation. No government can continue to manufacture bank credit indefinitely without reaping the whirlwind of inflation. The only way it can continue it for a period of time, without suffering the evil effects of inflation, is by exercising strict controls through rationing. As Harold G. Moulton, the President of the Brookings Institution, phrased it some time ago, "It will be necessary for the government to make a choice. With unlimited debt expansion and the manufacturing of credit, inflation cannot be prevented without the use of totalitarian methods of control."

It is well to remember that Germany kept the interest rate low when she was rearming in the thirties with almost no gold in her banks and with a scarcity of capital in the country. Likewise, the Russian Government more or less completely abolished the interest rate in that land. I trust I need not point out to you, however, how different were the controls over business in those two countries from that in ours. Their governments controlled practically everything in addition to the interest rate.

And this brings me to my last point. It may well be possible for a government to so control interest rates as always to keep them low, but it seems to me nonsense to argue that a country can have a controlled interest rate and at the same time enjoy a free enterprise system, have a free capital market, and an uncontrolled price level. It is nonsense because we cannot have these things at one and the same time for they are contradictory. Free enterprise and a free capital market and a controlled interest rate are mutually incompatible.

Is it not obvious that to control the long-term rate of interest a government must first effectively abolish the market for capital? Is not interest merely the price of capital? Prices are normally made in markets and the essential to a market is that the bids and the offers made therein must be free. A government could not tolerate this if it adopted a policy of a controlled interest rate because someone might come into the market and bid more for the capital than the rate set by the government. It seems obvious that the government would have to control the dispositions of savings as they were accumulated and to do this it would have to substitute its will for the wills of the owners of the savings and for those who wished to borrow them. This is exactly what the governments of Germany and Russia did when they controlled the interest rate. Such control, it seems to me, over the disposition of investment capital makes a government, in the final analysis, the sole entrepreneur of the community. Competition in this field would have to be excluded.

Personally, I can see no escape from this conclusion. Nor do I believe it an over-simplification to state that any government which seriously sets about to control the long-term rate of interest will find that in the end it must first control the entire system of capital saving and capital investment, and then it will find that this will require the control of practically everything else in our whole economic life. No doubt there are those who would like to see such controls exercised but let us who believe in free enterprise be careful lest we advocate some individual control which will make such free enterprise impossible.

Conclusion

Now, may I summarize my position. It is somewhat as follows:

(1) The long-term rate of interest is determined by the net productivity of capital. This is set at the price business men will pay for it in the open market. It is not something arbitrarily fixed by legislative enactment. The wider the market and the greater the chance for profit the higher will be the bid price—the interest rate—for the available supply of capital. The underlying cause for the low interest rates of the thirties—more important than all other causes combined—was the relative absence of competing business men in the capital markets for the savings of the nation. No doubt there were many contributing causes for this absence but the bottom one was the fact that business men saw no use to which they could put additional capital without incurring risks which seemed to them too great to bear for the chance of gain that might ensue therefrom.

(2) The conditions that caused the low interest rates of the thirties are not likely to prevail after the war, if a period of business expansion and prosperity follows the war. History shows beyond peradventure of a doubt that periods of business expansion, rapid invention and general prosperity have been accompanied by rising interest rates.

(3) The government cannot control the rate of interest over any long period of time merely by such manipulations of our monetary and credit structure as reducing bank reserves or lessening the gold content of the dollar or monetizing silver or printing greenbacks. In the end, all such manipulation will inevitably result in rising prices and inflation, or in a loss of confidence, disorganization and anarchy, which will be followed by some form of totalitarian control.

(4) For the government to control the interest rate and make it artificially low, indefinitely in the future, will entail a control over much of our whole industrial life. A controlled interest rate and a free enterprise system with a free capital market is contradictory.

(5) Even with war controls removed and given a free enterprise system, I do not expect the interest rate, in the years after the war, to be as high as it was from 1900 to 1920. Before the last war, we were a debtor nation, importing capital. Since then, we have been a creditor nation, exporting capital. This makes a great difference in the interest rate. Compared to debtor nations, interest rates in creditor nations tend to be low.

(6) Finally, my fear is that interest rates may tend to be relatively low after the war, not because the government will make them so but because there will not be sufficient business expansion at home to make a large demand for capital and because a peace may not be made which will open up the capital markets of the world and make it easy and safe for this nation to export capital. Rather than to look upon a possible rise in interest rates after the war as a source of danger to the country, may I conclude by saying that if one could be certain at this time that they were going to increase gradually, it would be a cause for much satisfaction. Prosperity and rising interest rates are infinitely to be preferred even though the interest burden of the government debt become greater than is depression, unemployment and low interest rates.

National Income The Measuring Rod Of Our Sales Effort: Fuller

(Continued from page 1717)

it will take greater sales effort than before to do as much business in post-war days as in the past.

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

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

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

That need not be frightening. It is not necessarily pessimistic. It doesn't foretell that we will be hell-bent for another depression as soon as the war is over. It simply means that at the moment 55% of the people do not have an incentive to buy. It is a challenge. It is an opportunity for those who must do the necessary selling job, creating the necessary desires for things we can produce. It is a challenge for selling to be so compelling that people will be more productive.

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

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

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

By developing the incentive to buy still further, making it stronger and more dynamic, we can bring into reality the better world, a dramatic, satisfying post-war world. That is the opportunity ahead.

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

Post-war planning by company is not something new. Businessmen have been planning ahead all their lives. Post-war planning is just good old-fashioned business planning applied to a particular period. That period calls for more aggressive planning than ever before. We shall succeed with the vision which sees sales opportunities, chances for market expansion, better distribution methods, and needs for new products where they have been undeveloped before.

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

We can do it, if every businessman does his duty, by himself and by his country, while there still is opportunity knocking.

We have ingenuity and courage in America. Let us dedicate ourselves to this patriotic purpose.

Coal's New Horizons

Adams & Co., 231 South La Salle Street, Chicago, Illinois have prepared a new edition of "Coal's New Horizons" which is available for distribution to dealers. This four-page brochure sets up interesting high lights on three Central Illinois outstanding coal properties—Franklin County Coal Corporation, Old Ben Coal Corporation, and Ziegler Coal & Coke Company.

Copies of this interesting brochure and also a four-page booklet discussing the current situation in Bayway Terminal Corporation common stock, which the firm believes attractive at current levels, may be had by dealers upon request from Adams & Co.

Ins. Stocks Interesting

Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, Calif. have prepared an interesting tabulation of the aggregates and averages of the 82 fire and casualty insurance companies in their insurance and bank stock "Evaluator." Copies of this tabulation and interesting memoranda on Great American Insurance Company and Irving Trust Company may be had upon request from Butler-Huff & Company.

The Gold Premium In The East: Is It A Portent?

(Continued from first page)

Confidence in U. S. Advance. The article reports:

> In recent transactions in Egypt . . . purchases and sales of bullion bars have taken place at levels as high as $73 to $79 an ounce in U. S. equivalents, as compared with the fixed price of $35 in the United States.

Reporting that one Indian gold producer averaged $44.54 an ounce in 1942, and at much higher prices since then, the Reno Journal sees in these facts "another indication of the relative permanence of higher gold prices outside the United States." Such a conclusion naturally stimulates the salivary glands of American mining readers.

John W. Hausermann, wealthy owner of large Philippine gold mines, tells the Associated Press that the post-war price of gold must be higher, possibly $50 an ounce, to get it out of the ground. He adds that he holds this view not just because he's in the business.

Representative Compton I. White of gold-and-silver-producing Idaho, calling attention to the high price of gold in different foreign countries, told Congress that "it means that American currency is being discounted."

Governments and Individuals Want Gold

It is true that the war has increased the demand for bullion. Both central banks and individuals have been bidding for gold. Governmental demand has come notably from prosperous Latin American countries. The demand from individuals has come mainly in those countries like India and Mexico, where use of one or another of the metals has been adhered to in recent times or where the history of paper currencies has been particularly bad. In such countries, it should be noted, economic processes are usually rather primitive and political and other disturbances frequent. China's government, for example, recently acquired some American gold, with a view to distributing it to the Chinese people "to stabilize price and absorb idle capital."[1] China's inflation has been more severe than that of any other Allied or neutral country and the gold imports are not going to cure it, but that is neither here nor there.

Under wartime conditions of transportation shortage, exchange and capital-movements control, and the like, it is but natural to find that the demand for gold varies from country to country, and that local prices for the metal reflect conditions of scarcity, relative isolation, local currency inflation and the like.

On a single day, for example, you may find gold selling in Egypt at $71 an ounce — more than double the U. S. price, in Iran at $68 and in India at $58.

Incidentally, you will also find that, where there is a local-currency premium on gold bars abroad—as compared with the United States Treasury price — there is a still greater premium on gold coins or small bars. In part this preference for gold coins is to be explained by the fact that with coins gold can be bought in smaller quantities at a time. It is also easier to conceal, transport and sell gold coins than the same amount of metal in bar form.

This premium on coins is an indication that gold is being demanded because of political or other uncertainties within the country concerned. It is often misunderstood in this country. The disclosure that General Mark Clark took some gold coins to North Africa during his secret pre-invasion visit has been the occasion for the utterance of much poppycock about the North African experience proving that the people of the world won't take any money but hard money. The facts about North Africa are that our forces used their yellow-seal "spearhead" notes exclusively — paper money — until an adequate supply of local franc currency could be obtained. Anyone trying to use a gold bar in North Africa would have a hard time. He would be suspected by the people of trying to palm off a "gold brick." Soldiers, correspondents and others have found that for everyday use in North Africa no money is as effective as chewing gum, cigarettes or razor blades. Thus, the New York "Times" reports from Algeria, a knife costs 125 francs, "but only as an alternative price." The first price is 5 packs of "shoon gum".[2]

Since India, perhaps undeservedly, has the name of the sink of the precious metals, a somewhat inaccurate description, it is of special interest to see what has happened there. Without offerings of foreign gold, the Bombay bullion market was long on starvation rations, and from parity with the American price of $35 an ounce, the Bombay gold price rose to a large premium, varying daily.

Typical of local influences on the price of gold is a Bombay market weekly report of recent date. The report listed as causes of that week's changes in the price of gold four principal developments:

> The Japanese invasion of Assam;
>
> The Finance Minister's public observation that gold is in India the cheapest commodity as compared with the pre-war period;
>
> Liquidation of investments to avoid prospective death duties;
>
> Profit taking by traders.

High Bombay Prices

The price of gold in Bombay early in April, 1944, was reported as $60.80 an ounce, representing a premium of 73% above the U. S. Government price of $35. (An even higher price was recorded in April, 1943: $76.00 an ounce, or a premium of 117%.[3] The premium is indisputable. But it is being misunderstood.

It must be made clear that the Bombay market buys the precious metals with rupee funds, not with American dollars. To ascertain the dollar equivalent of any rupee price, a rate of exchange must be used. The rate so used, the only one available, is the controlled or official rate of $0.30122 per rupee. But this official rate does not reflect the inflation which has been taking place in India during the war, due to large expenditures there on British and American account. That development — which is by no means confined to India—has produced a surplus of funds seeking either goods or media of investment. The rupee, becoming so plentiful in India, has tended proportionately to lose its purchasing power, especially since commodity price controls in India are very imperfect. What we say about the rupee can be said about all Near Eastern, and many other currencies.

In ordinary times the loss of a currency's home purchasing power would be reflected promptly in the foreign exchange rate. But the rupee rate is, as mentioned, officially pegged at a level far above that warranted by its present home purchasing power parity. Instead of being worth 30 cents, the rupee is today worth considerably less and the moment the official exchange control should be removed the rupee would drop in foreign-exchange value.

What in the last analysis the high rupee prices of gold and silver primarily reflect is the local market's judgment as to the relative values of the rupee on the one hand and bullion on the other; and not, as is sometimes erroneously claimed, Indian opinion that the American dollar is worth less than 1/35th of an ounce of gold. Such an erroneous interpretation of the bullion markets abroad has been the basis of some of the predictions of a post-war increase in our own price of gold.

High Bombay bullion prices reflect not only the local speculators' and investors' estimates of the degree of post-war depreciation of the rupee in the foreign exchange markets, but more immediately the military, economic and political conditions affecting India; as well as the marriage season and other domestic factors not related to the war. In India gold and silver are traditional hedges against uncertainties and media of speculation and hoarding.

It cannot be overemphasized that the local prices of gold and silver in India—as well as other countries—are prices for only such metal as is actually available in the country, and are divorced from world prices by the fact that free movement of the precious metals from country to country does not exist. Were gold and silver free to flow to the highest markets, and were trade and exchange free, the local prices of these metals in India, Iran, Egypt, and other countries would at once subside; for who would pay $60 at home for gold that could be bought abroad for $35?

Inflation in the Orient

That inflation has got a head start in the countries at and east of Suez is well known. Money in circulation has soared, bank deposits have expanded greatly, prices under incomplete control have multiplied. The longer the war lasts and the longer we have large military activities and make large purchases of goods and services in these countries, the worse the situation tends to become.

The situation differs from that in the United Kingdom, since there prices are firmly controlled, scarce goods are rationed, and little hoarding of gold is possible. When we buy sterling for use in paying our forces there, we turn over dollars to the British here. The British, in turn, when they see fit may get gold for the dollars from the Treasury Department, either leaving it here under earmark, or moving it elsewhere.

Last September the Commerce Department published an illuminating article on the course of inflation in the Middle East, stating:

> The inflation which has been threatening since the outbreak of the present war to disorganize the economy of the Middle East has reached alarming proportions. Price levels in various localities have doubled or trebled since the summer of 1939. Families in the middle income groups, and especially those on fixed stipends, have been forced to reduce their standards of living drastically, and those in the lowest income groups are suffering extreme hardship. . . .
>
> There is now a large volume of the funds in all the countries of the Middle East. Part of this amount represents war profits, and part results from restrictions on foreign trade. Exchange-control regulations and import restrictions have kept practically all of these funds within the region.
>
> Together with the presence of large sums of money, there is a shortage of consumers' goods —a shortage both in relation to the amount of money in the hands of consumers and in relation to the amount of goods that were available before the war. . . .
>
> The degree to which prices have risen in countries of the Middle East is shown by various indexes. For example, the cost-of-living index for Egypt, with 100 representing June, July and August, 1939, had risen to 210 by November, 1942, to 215 by December, 1942, and to 222 by January, 1943. . . .
>
> It should be pointed out that actual prices in the Middle East may well be higher than is shown by price indexes, because of black markets and the probable downward bias of indexes. . . .
>
> The higher the prices paid, the more money there is in circulation and the higher prices rise. Thus the process continues, at a progressive rate.

Meeting the Inflation Problem

To ameliorate the inflation problem in India and the Near East, the British and other governments concerned last year decided to bring in gold—and in some places, silver. In Iran, for example, one of the steps taken was the enactment of a law providing for the importation of gold and its substitution for silver in the currency reserves, the silver to be sold to the public. In India the British and American governments decided last year to make gold available to the public. (On March 31, 1944, a London news dispatch reported a rumor that India was seeking to import silver, as well.)

Gold sales in India were quietly commenced in August, 1943. Recently some information on that program has been disclosed. Apparently, all is not as simple as it sounds.

Two main reasons have been advanced for the new policy of resorting to gold. One reason given is that the sale of gold for redundant local currencies tends to absorb those currencies and so minimize the inflationary trend of commodity prices. Secondly, gold sold in the bazaars brings a large premium to the seller. For example, we can buy more rupees with gold sold in the bazaars of India than we could buy in the official exchange market. In the latter market, one paper dollar will buy only about 3⅓ rupees, whereas, at April, 1944, prices, a dollar in gold will buy for our military in India about 5.8 rupees.

A third possible advantage to the use of gold is that it helps toward redistributing our national hoard of the metal, although from our standpoint it does this in only very modest measure. Still another advantage is that gold sales have long been demanded in native circles and the sales therefore tend to avoid or ameliorate local dissatisfaction.

In his budget speech early in March of this year the Finance Member of the British Indian Government, Sir Jeremy Raisman, after discussing the sale of securities to the investing public, commented on the sale of gold as follows:

> At this stage I may mention one other important anti-inflationary measure which has attracted public attention. I refer to the sales of gold which the Reserve Bank has been conducting for the last six months. These sales afford an age-old alternative to those who do not, for one reason or the other, wish to invest in Government securities, notwithstanding the advantages of the latter over investment in gold. As I said in reply to a question in this House earlier in the present session, the gold has been provided by H. M. G. and the Government of the U. S. A. from their own resources and the sale proceeds have been used by them towards their war expenditures in India. The import of this gold has thus usefully reduced the gap between India's exports and the restricted imports of other commodities which are available in present circumstances, and by its direct effect in absorbing surplus purchasing power, as well as by its less direct influence, has materially supplemented the other measures which we have been taking to counter inflation and check the rise in commodity prices.

The Farmer and His Grain

Not only by mopping up idle funds, but by persuading the Indian farmer to part with his surplus produce and by counteracting other forms of hoarding, the official sale of gold was intended to check the commodity price rise. That the effects of the policy have been "extremely beneficial" we have the recent testimony of the Indian Government's Finance Member. Yet Indian nationalists flatly deny these benefits. Thus, the Calcutta publication Indian Finance in its Dec. 4, 1943, editorial said:

> The policy of selling gold to the public has no apparent value in the solution of the big problems of the present. . . . It is possible to expect that nearly 30,000,000 rupees a month will be reclaimed from the public. Though this amount may not be inconsiderable, it is idle to think that the inflationary pressure will have been reduced so far as prices are concerned. . . . the money that will flow into the purchase of this gold is money that, in the absence of such gold sales, would have remained idle either in hoards or in the banks and would not in any case come into the market for ordinary consumer's goods. The inflationary pressure, so far as prices of consumer's goods are concerned, comes from the increased incomes of classes which cannot be expected to buy gold at the first opportunity provided by official policy. Silver may perhaps fit their needs better. . . . If the aim is to relieve the inflationary pressure on prices, nothing can be more inappropriate than gold, except perhaps Rolls Royces. The idea that by selling gold the agriculturalist is offered something more appealing than inflated paper currency and that thereby he may be induced to part with his surplus is a chimerical one that can be entertained only by those who have no idea of income groups in this country.

More in the same vein is contained in an editorial in the Dec. 31 issue of Indian Finance, which states that gold buyers are a small class. The editorial, observing that gold sales have helped lower the premium on gold in the bazaars, sees "an element of injustice" in the making available of gold to this small group.

But of direct interest to us for what it may portend is the paper's observation that "there is little to be said for encouraging so late in the day the historic habit of hoarding in precious metals." The editors of Indian Finance rather "look forward to an era of economic enlightenment among the masses in the country with which the old craving for gold is in ill accord."

With the last-mentioned view the so-called Bombay plan—it may be remarked in passing—is in accord, for it would tap the gold and jewels of the princes and use that treasure to acquire industrial equipment.

A Political Issue In India

Thus we see that, although the gold-selling policy was adopted by the British partly to placate Indian nationalist insistence, as might be expected it does not satisfy that "opposition" group. The nationalists criticize the policy on more than one score. They are especially critical of the fact that the sale of gold on the Indian market is bringing a profit to foreign governments, whereas the Indian Government ought to be

1—Finance Minister H. H. Kung, quoted in NYHT, 3-18-44.

2—NYT, 3-14-44.

3—Bombay also has bid up the price of silver during the war to a reported equivalent of $1.11 an ounce in late March.

making that profit. As some of them put it, Indians are now paying for gold about twice as much as the price they realized when they sold that metal to the United Kingdom a few years ago. This makes nice political tender.

One can get the flavor of the situation by dipping into the published debates of the Legislative Assembly. Answering Mr. Krishnamachari, a member of the Assembly, Sir Jeremy Raisman a few weeks ago observed:

His Majesty's Government and the American Government have to purchase certain supplies and services in this country. Now, we all know that the price of those goods and services in terms of rupees has risen; it has risen very considerably. That, of course, is one of our troubles. The object of their selling the gold is to obtain rupees with which to meet a part at least of the cost in rupees of those goods and services. The price at which gold is sold is actually at a lower index in relation to pre-war price than most of the other things which are for sale in India, so that on the transaction as a whole no country would be particularly anxious to come to India and buy goods and sell gold in order to finance these purchases. . . .

There is no profit on the whole of these transactions taken together . . . actually gold at the present moment is one of the cheaper commodities in India. The farmer who turns wheat into gold gets more gold at the present moment than he would have got to my knowledge at any time in the last 20 years. . . .

I do not think that the price at which gold is sold today has any significance whatsoever in terms of normality or in terms of more permanent parities.

I regard gold merely as a commodity, but in so far as the importation and sale of gold in India goes, it has undoubtedly had certain beneficial effects, and I welcome it. You have to take the psychology of the people as you find it. There are certain kinds of people—they may be black marketeers, hoarders, or profiteers—who either will keep currency notes with them or will hoard gold. They may not be tempted by any form of investment, they may not even be prepared to have a banking account. Nevertheless, the possession of currency in the hands of these people is a dangerous element. It is free purchasing power which may be and is at anytime brought to bear on the economy and which has ill effects. If these people prefer to acquire gold instead of getting their money in a bank or invest it in securities then I have to take their psychology into account just as one would take geology or the geography of the country into account.

Sir Jeremy's reference to the cost of supplies in India quickly brought forth from the President of the Federation of Indian Chambers of Commerce and Industry the sharp disclaimer that every article supplied to the British Government has been at prices controlled by the Government of India. The Eastern Economist, an Indian publication, adds its criticism of the high official gold selling price as a "heads I win, tails you lose" proposition. That magazine repeats the statement that the prices of Indian goods sold to the Allies are controlled and it pointedly observes that, if gold sales are necessitated by inflation, the inflation is "a British-induced affair." It adds that, in the case of silver a few years ago—when the American silver-purchase program was at its height—all India's silver was obtained by the British Government at the statutory price and then sold by it to the United States Government at a much higher price. In short, it is argued by the Indian nationalists, if foreign gold is not sold in India at its world price, then it is unfair for the United States to buy Indian mica at the controlled Indian price, instead of the much higher United States price or a free market price. Here Uncle Sam takes the rap.

To this nationalist picture of the prices of commodities there is, naturally a British rejoinder. What the Indian nationalists fail to point out is that, in general, "effective" overall price controls came into force in India only in 1943, four years after the war with Germany began and some 1½ years after Japan entered the war.

Old-Fashioned Hoarding

It is unofficially reported that the average daily "offtake" of gold from the Bombay market in the five months following Aug. 17, 1943 — when the official selling program became "a decisive factor in the market"—was 40,000 tolas.[4] (1 tola=⅜ oz. Troy). During those five months, some 3,500,000 tolas of gold were sold for the equivalent of about £20,000,000. That such large sales have had relatively little effect on the price of gold in Bombay the London Economist[5] attributes not to any hope that the sterling or dollar price of gold will catch up with the Indian price and not to any thought of subsequent resale, but to plain Indian hoarding instinct. "Consumer goods are in short supply, prices are high, and bullion seems the obvious medium of investment. The long-term prospects for the rupee price of gold do not consciously enter into his [the Indian gold buyer's] calculations. None of the gold is, in fact, being bought for speculative purposes, since the facilities for such operations have now disappeared." Forecasting a post-war depreciation of the rupee to below the present statutory ration of 1s. 6d., the London Economist goes on to caution that it would be unwise to count upon such a development to remedy the whole of the existing disparity between gold prices in India and elsewhere.

Are Gold Sales Effective?

Without attempting an analytical appraisal of the effectiveness of the gold selling program, we may note that, first of all, to date it has resulted in savings for the American and British Governments in their expenditures. Certainly, it has also tended to hold down the price of gold in the bazaars. There is also some evidence that the program has exerted a noticeable influence on the commodity price level, along with sales of securities and attempts to control commodity prices. In India, the general wholesale price index which rose from 145 in mid-1942 to 241 in July, 1943, ceased rising after October, and since that date has declined from 241.5 to about 235, at the latest report. The index naturally takes no account of black market prices.

It seems fair to state that gold sales are having a soothing, but not a curing effect on inflation in the East. The inflation process so far advanced in Asia and elsewhere can be really controlled and reversed only by a program of taxation and public borrowing far too drastic for the political realities. Therefore, it must be concluded that some of the depreciation in the various currencies will prove to be permanent. The price of gold in terms of such currencies will tend to remain above the pre-war level. Foreign-exchange rates on those currencies will have to be adjusted from the present artificially high quotations.

South Africa Takes Notice

In April the Government of South Africa, the leading gold-producing country, revealed its strong desire to participate in the advantages of the soaring gold markets of India and the Near East. According to press reports, Prime Minister Smuts suggested that it is unfair to South Africa to continue to sell gold to central banks at the official price and then see those banks realize a handsome profit on resale to Near Eastern countries.[6] He further informed the Parliament that the British Government has no objections to sharing with South Africa the premiums being brought by gold. Minister of Mines Stallard also revealed in Parliament South Africa's intention to obtain as high a price as possible for its gold after the war.

Should We Imitate Bombay?

What about the future price of gold in the United States? There will be the temptation to devalue the dollar and by a stroke of the pen wipe out a part of the big public debt. A repetition of the 1934 devaluation is not threatening at the moment, but it needs to be guarded against. Other arguments, too, are advanced from time to time to justify an increase in the price of gold. These are related to our post-war balance of payments and the reserve ratio. Gold mining companies would stand to gain from an increase in the price of gold. So, too, as in the 1930s, would speculators.

While an increase in the price of gold would bring profits to some, it would entail serious disadvantages to the country. Certainly the fact that Indians or Egyptians would today buy a small fraction of our gold at a high premium in wartime does not warrant increasing the government's price and revaluing upwards the book value of the $22 billions we hold.

The Treasury Department emphatically states that the Administration does not favor an increase in the price of gold. Reports to the contrary were recently characterized by a high Treasury official as "made out of whole cloth."

4—The Dec. 4, 1943, issue of "Indian Finance," Calcutta, however, gives 30,000 tolas per day as the approximate average daily gold sales of the Reserve Bank of India.

5—Jan. 29, 1944.

6—Cf. Shively's article in "N. Y. Sun," 4-4-44.

Growth Of Savings And Loan Associations In Indiana Continues

(Continued from page 1720)

the preceding year because of heavy government bond investments and reduced interest rates on mortgage loans, the associations' net income made a satisfactory showing. The associations were able to increase their reserve and undivided profits accounts by $1,800,000, bringing the total reserves for the protection of the savers and investors to almost $20,000,000. This is the highest reserve position ever enjoyed by the Indiana savings and loan associations.

The Boards of Directors of the Indiana associations in many localities are beginning to make very careful plans for the associations' participation in the post-war programs of their respective communities. The associations, strengthened as they are by their high reserve position and large amounts of liquidity, are prepared to provide home mortgage service vigorously with emphasis on the financing of the construction of new homes. It is estimated that 8,000 to 10,000 new homes a year will be built in Indiana in the first five years after the war. This would require additional home-financing funds of approximately $30,000,000 a year. Savings and loan associations will be well prepared to do their part in this home financing. In the past, savings and loan associations have financed the majority of the smaller urban homes built in the state. With their strengthened position and larger resources, it is expected that they will account for an even larger portion of the total new homes built in the state after the war.

It is expected that new savers and investors will be attracted to Indiana savings and loan associations by the thousands in the post-war years because of the safety of the associations' position which is backed up by large reserves and well diversified portfolios of United States Government securities. Coupled with this, the associations have been able to maintain reasonable dividend payments. Dividends range from 2% to 3% and in some few localities a slightly higher rate, representing a return on savings and investments higher than is offered on most investments which enjoy similar safety and availabilty.

136 associations in the state offer their savers and investors insurance of accounts as they are members of the Federal Savings and Loan Insurance Corporation and 163 Indiana associations are members of the Federal Home Loan Bank System. Membership in the Federal Home Loan Bank gives the associations an additional source of funds, both for home mortgage lending and for additional liquidity for savers and investors.

While new construction of homes has been curtailed because of wartime restrictions, new homes have been built in several Indiana war production centers. Many of these were financed by Indiana savings and loan associations.

Since 1940, construction costs of homes in Indiana have increased from 20% to 30% in various communities. It is expected that construction costs possibly will be somewhat higher in the first year or two after Victory has been won and then they may decline somewhat, although a large decline in construction costs is not looked for in the near future.

The cost of constructing new homes is of course one of the major factors in determining the sales value on existing houses. Many observers believe that the purchase of existing homes even at present sales values represents a good long term investment for most families in that the increased demand for homes and increased cost of construction are likely to maintain present real estate values on well-located, small homes for a long time to come.

Savings and loan associations are urging home purchasers to make as large down payments as possible on the homes they buy and to pay off their homes as rapidly as their income will permit. One of the two principal functions of the associations is the encouragement of home ownership and the philosophy of savings and loan managers is to urge individuals to acquire debt-free homes in the shortest possible time. Of course, such a philosophy makes sound institutions as well. By building sound institutions new savers and investors are attracted to the associations, thus providing ample flow of private home financing funds into Indiana's principal institutional source of monthly payment, long-term home mortgage financing—the savings and loan associations. Every evidence indicates an even broader service to the state by Indiana associations which have served so well for the past 75 years.

Brownhoist Attractive

Industrial Brownhoist offers interesting possibilities, according to a memorandum on the situation prepared by Gillis-Russell & Co., Union Commerce Building, Cleveland, O., members of the Cleveland Stock Exchange. Copies of this memorandum may be had upon request from Gillis-Russell & Co.

Mutual Funds

(Continued from page 1719)

Keystone Corp. devotes the current issue of **Keynotes** to an illustration of "How Money Grows at Compound Interest." A $10,000 investment with interest at 1%, compounded annually over a period of 20 years, grows to $12,201. At 4% the same original amount grows to $21,191; at 8% to $46,609. Other rates of interest are also given in the chart which graphically portrays the amazing productivity of money "at interest" when the income is compounded regularly.

* * *

Lord, Abbett has condensed and reprinted in the current issue of **Abstracts**, an interesting discussion from the "United States News" on the subject of "A $219,000,000,000 Post-War Inflation Threat." The conclusion of this discussion is: "As things now stand, the danger period comes after the war, not while the war still is in progress."

* * *

"Building: Post-War Outlook" is the subject of **Calvin Bullock's** current **Perspective.** Among the highlights of this study is a chart showing the price ratio of building stocks to the Dow-Jones Industrial Average. As compared with 100 for 1929, the base year, building stocks today stand at 160, which might be interpreted to indicate that they have already substantially discounted their favorable post-war outlook.

From Investment Company Reports

Fundamental Investors, Inc.—Assets increased approximately $1,500,000 during the 12 months ended March 31, 1944, to stand at $10,310,368 on that date.

General Investors Trust—On March 31, 1944, net assets amounted to $2,062,587, or $5.11 per share.

Chemical Fund, Inc.—Net assets on March 31, 1944, were $10,509,844, compared with $10,810,478 at the end of the preceding quarter.

Massachusetts Investors Trust—Net assets stood at $144,341,828 on March 31, 1944. During the quarter the number of shares outstanding advanced from 6,850,013 to 6,889,902.

Investment Literature

Keystone Corp.—A revised issue of the booklet "The Keystone Plan." Also a brochure containing the primary lists of Keystone Custodian Funds as of April 1, 1944. . . . **Distributors Group**—A current issue of **Railroad Equipment News** entitled "Looking Forward with the Industry." . . . **Selected Investments Co.**—A current issue of the weekly digest "These Things Seemed Important." Also a current **Selections** discussing post-war earning power. . . . **Massachusetts Distributors**—A current issue of **Brevits,** discussing the diversification obtained through **MIT,** and the broad market in the shares of that fund. . . . **Broad Street Sales Corp.**—The mid-April issue of the **Broad Street Letter,** containing a study on post-war purchasing power. . . . **Calvin Bullock**—A revised issue of the recently published booklet, "Half a Century," giving the history of that sponsor. . . . **Hare's, Ltd.**—A revision of the folder "Pertinent Facts to Remember," briefly describing the offerings of Institutional Securities, Ltd.

Free Enterprise

(Continued from page 1707)

of fortuitous conditions, but hardly for a long period. Mr. Wallace gives credit to our economic system for having furnished employment to all for over 100 years, or at least this was done with so little unemployment that no statistical data on the subject was asked for or compiled. It would seem that such a record should satisfy any reasonable person that, as constituted during these 100 years, our free enterprise system had incorporated within it a solution of the employment problem.

If, at a later date, business became disrupted to where a large percentage of workers were without jobs, in the above system, what ought to be done about it? Is Mr. Wallace justified in threatening and cajoling free enterprise as though many independent units can be ordered about like an army? Would it not be more sensible to reason that a system which had provided full employment for 100 years would continue to do so for 1,000 years, except, or unless, there has been vital disarrangement, or interference, at some point; and that in consideration of that fact a restudy of the problem should be made to find out what may have been done, left undone, or done badly, that is the source of its failure to solve fiscal and employment problems. To make such a study, we shall need to have before us a sketch of the manner in which free enterprise originated and functioned while growing to present dimensions. Here is what we find:

Origin of Trade

Primitive man supplied his needs by the hunt and with foods volunteered by nature, which were, of course, limited to articles available in the area of his habitat: as he became dissatisfied with nature's contribution to his needs, he sought ways to increase the supply of her products. In these efforts some succeeded with one product and some with another, while yet others could only contribute their labor to assist the successful. The production of a surplus of some things by some producers and of different things by others, resulted in a demand for the exchange, or interchange, and ultimately for the transportation of products.

In the beginning, each article was priced in the article for which it was exchanged, and thus, in a sense, every commodity constituted money. Interchange of articles of grossly unequal value—perishable for durable goods, for example — involved difficulties. Therefore, in the natural progress of affairs, things to be exchanged came to be priced in certain valuable, divisible, and generally desirable articles or commodities. These, in due course, came to be known as current merchandise, or money (the root words for which were identical in one language at least). Money is thus seen to have been merchandise first; becoming money only as its characteristics commended it for the medium of exchange job.

Such trade as indicated, ultimately evolved commodity money that combined durability, portability, dependability, and a measure of divisibility, thus permitting the laborer's compensation, and balances received in an exchange for merchandise of unequal value, to be held by the recipient until such a time as it might be needed for further exchange.

Metallic Money

With the development of the art of coining metals, a monetary unit of value was provided superior to any of the commodities theretofore in use as money. Money, consisting of a coin of predetermined weight and quality, thereafter replaced all other kinds of property as a medium of exchange. Numerous metals served as money at one time and another, but during the last two centuries gold has established itself, as the one metal best adapted, in the present state of industrial development, for a yardstick of value for domestic trade. Gold has also long been accepted, by weight, as the standard of value, and medium of exchange, for international transactions, as it ought to be for value measurements everywhere. Other value yardsticks have only one objective—to flim flam somebody.

Money's Prime Job

As has been pointed out, money's principal job is to correctly measure values. Capacity to do this gives it power to build a price schedule that tells the truth about the supply and demand situation (the basis for monetary value) with each and every article and service bought with or sold for money. Money functions in other connections, too, but we can pass those up here. Free enterprise can remain free only when guided by supply and demand prices. These, in turn, are only possible with real money, or an equivalent. Our bureaucrats, for the most part, represent an effort to accomplish by bull strength what was formerly effected automatically through supply and demand prices generated by real money or currency equivalent to real money. However, experience shows that while a bureaucrat is trying to straighten out one price at one point, 99 are going wild elsewhere.

According to Vice President Wallace, our economic setup worked so well for over 100 years that we developed a tradition of being able to take care of all comers. All they needed to do was to play the game on the level, and work hard, and success was sure. Note that all of this was done with money anchored to gold. Now comes Mr. Wallace and tells free enterprise that, unless it can do forthwith, following the war, what it did for the 100 years mentioned, the New Deal proposes to ditch it, presumably for bureaucratic management, oriented in a "compensatory economy" in which, as during recent years, government assumes full responsibility for whatever happens. Before continuing this analysis, let us note what is possible in the way of monetary measurements.

Monetary Measurements

Gresham's law to the effect that two, or more, metallic standards of monetary value cannot circulate side by side in the same markets because the least valuable will drive those of higher value out of circulation or out of the country, is universally accepted. In fact, there is no monetary phenomena more generally recognized, nor any more easily explained. With coin of various metals equal before the law, but unequal in the marts of trade (if they happen to be equal at a given time, they will not stay that way), the debtor will evidently sell his more valuable coin in the market where it commands a premium and pay his debts with the least valuable coin available for the purpose.

Evidently one coinage could not thus drive another out of circulation, on account of its being of greater worth, except it measured its value, or they measured each other, and determined which was the more valuable. Experience has demonstrated that as little as half of 1% excess value is ordinarily sufficient to drive the more valuable coinage out of circulation or out of the country. Value measurements with real money are thus seen to be in line for dependability with commercial measurements of weight, volume, etc.

The implications here, are far reaching. If we can compare and find out, in the ordinary course of trade, the value of one metal relative to another, we can ascertain with similar dependability the value of anything on sale relative to a standard, and, in due sequence, to anything else of value. In other words, we can build a price schedule that tells the truth relative to the supply and demand situation with whatever has monetary value, inclusive of the purchasing power and rental value of the money itself. What is true of merchandise is no less so relative to services. If our conclusions are justified, all we have to do is to keep our markets free and our money supply as natural as our supply of precious metals, and we can generate a price schedule that tells the truth relative to the supply and demand situation, with all items changing hands, in our free markets. This is no less true of rentals for property and for money (interest rates) than concerning other values. All are ascertained and readjusted from transaction to transaction, so as to reflect current values, at all times.

Does someone ask: "How do you do it?" We don't have to do it. It does itself, as pointed out in the case of the assumed coinages of different metals. Both were legal tender so they were equally good for paying debts, but since one contains more intrinsic worth than the other, the more valuable sells at above par, in terms of the less valuable. Metal coin, worth more as merchandise than as money, disappears from the money market and reappears in the merchandise market, at its proper value in terms of the monetary unit that really functions.

Dr. Benjamin Anderson, formerly of the Chase National Bank, has given us the most lucid description of price building in free markets that has come to the writer's attention. Here is his description of free market operation:

"Economic life as we have known it, certainly is, in large measure, an unconscious thing in the sense that no mind or group of minds can see the whole picture. Intelligence runs through it, but it is the intelligence of individuals or organizations seeking their own particular wages or their own particular profits, seeing their own sources of supply, seeing their own markets but not seeing, with any great clearness, the movement of the system as a whole. If a central brain is to be called upon to do the thinking for all, chaos is inevitable. Economic equilibrium can only be attained when markets are free and the price mechanism is untrammelled."

With commodity money, the process of trading outlined by Dr. Anderson generates supply and demand prices in terms of the monetary unit. These accomplish the result that Adam Smith describes thus:

"An invisible hand guides industry in such a way that it turns out those particular products which consumers desire more than any others. This invisible hand reaches indeed, far beyond our national boundaries and sets to work rubber growers in Malaysia, ivory hunters in Africa, and tea gatherers in China, who perhaps have never heard of our nation. Under free competition this process of adjusting production to fit the demands of the consumers is purely automatic, calls for no complicated system of administration, and works so smoothly and with so little friction that we are scarcely aware of the fact that the tremendous machine is in operation."

During recent years, Adam Smith's "invisible hand" that controls production to fit the demands of consumers has disappeared from our operations. Here is what happened to it. While our currency was anchored to gold, and additions to the currency supply were made only as 100% gold had been impounded for their redemption, or coined for circulation, we had gold measurements which automatically controlled production to fit the demands of consumers, and we had a balanced economy. This practice was abandoned and a practically limitless supply of currency was made available to the Federal Reserve Board by the "Act" of 1913, which empowered that body to expand the currency as trade demanded and to contract it when no longer needed, practically without reference to the supply of gold. A limitless supply of "promise" currency thus replaced a strictly limited supply of real money, or currency sufficiently restricted to be practically constant in volume and, in consequence, equivalent to real money. This limitless supply of currency disrupted automatic control of production, through the generation of supply and demand prices. The overall result, as someone has said, is that since 1913 we have been running by guess and by God.

We have now pointed to the place where our economy failed and have shown that our error was sufficient to account for our inability to provide the security that characterized our free-enterprise system for over a hundred years. In concluding, we will ask and undertake to answer two questions relative to current and future prospects.

How bad will conditions ultimately become if we continue the New Deal type of deficit-financing, that has characterized our economy for so many years?

We will let the writer of the National City Bank's January issue of its Bulletin answer this question: except for a brief comment at the close.

"In this book (Stuart Chase's 'Where's the Money to Come From?') written in the engaging style for which the author is renowned, Mr. Chase gives full support to the 'owing it to ourselves' argument about internal debt, and plumps unreservedly for the theory of the compensatory economy—that is, where the government takes responsibility for maintaining full employment by spending freely and running into debt in periods of depression, and siphoning off purchasing power and retiring debt by taxes in periods of boom."

". . . A second, and even more basic, objection to the compensatory budget idea is that it vastly over-simplifies the problem of maintaining economic stability. It would be a fine thing indeed if all that was needed to keep the economic machine hitting on all cylinders at just the right pace would be turning on and off the stream of funds from the public treasury. But it would be well to pause and think a moment of the full implications of this doctrine."

"What it means, first of all, is applying a single specific—government spending—to all the ills to which the economic system may fall victim. No need to bother about whether exorbitant demands of particular groups are blocking the channels of trade; no matter about international trade barriers, or wrong exchange rates, or bad tax laws, or other shortsighted actions and policies of individuals and governments which, in varying degree, may be responsible for interrupting the even flow of economic activity. For all these, the prescription is the same — more government spending."

"What it means, secondly, is attempting to shift to the government responsibilities that in a democratic society must rest primarily with the people. Putting everything up to the government means weakening the responsibility of the individual. Why should individual groups concern themselves with making adjustments, or place restraints upon their actions? The lid is off for pressure groups, whether they be labor, business, agriculture, or any other, if the government is responsible for keeping everyone employed. Why should anyone worry when the government underwrites everything?"

"The fact is that society cannot function under a system that encourages irresponsibility and indiscipline, and which protects everyone from the consequences of making mistakes. This is not to suggest 'putting on the hair shirt' deliberately for the sake of punishment, but simply that necessity is the mother not only of invention but of adjustment. Except as there are incentives and pressures to eliminate sources of disorder, sore spots in the economy tend to get sorer and sorer, until finally the treatment breaks down as after the last war when a maladjusted international situation was masked and propped up by a huge volume of international credits."

Doubtless some will want to know just what sort of developments to look for if we continue on with our system that the banker thinks must ultimately let us down, since, as he says, "Society cannot function under a system that encourages irresponsibility and indiscipline, and which protects everyone from the consequences of making mistakes." is where we are most likely to contact trouble.

During the last half of the century that Mr. Wallace mentions (that ending in 1930), we had the best currency in the world. Our dollar was worth 100¢ in gold anywhere on earth. A board was empowered to issue practically limitless currency in 1913. By 1934, the gold content of our dollar for foreign transaction was cut 41%, evidently to make it function, and the domestic dollar was divorced from gold, doubtless because we practically had to. The depreciated dollar now sells in Asia at about half price, which spells a 70% cut in the value of our dollar in 10 years. The forces that are destroying 70% of our dollar are no less potent, and will not fail to finish off what is left, if given time. Keep on down this road far enough and we will contact explosive inflation, which will blow our dollar into bits too small to be worth counting, and we will have to start from a scratch with wages at zero and other monetary obligations at a similar low level.

Our second question is:

What is required to fulfill Vice-President Wallace's promise to give "private enterprise" every opportunity to function on its own following the war?

While Mr. Wallace seems strong for free enterprise, devoting much of his address to telling what free enterprise can do, the appearance of such terms as "will not tolerate" and "will expect and demand" are indicative of driving rather than wooing. We conclude therefore that the Vice-President's admiration for free enterprise does not reach to the point of trying to preserve enterprise's freedom when it obstructs the road down which the New Deal proposes to go.

Money management was authorized in 1913. Before that the nation had to adjust its operations into a prearranged monetary setup that could be added to only as 100% of gold, coined or impounded, had been produced. This arrangement effected gold measurements. Under it about 10% of the nation's money was in the Treasury out of circulation. Within four years after the Act of 1913 the new Board was holding 30% of the nation's currency in the Treasury, and we had redundant currency. This threefold supply of available money, of course, ditched supply and demand interest rates. When the rental value of money is released from supply and demand, the rental value of what money buys—property, etc.—likewise goes by the board, as does also the purchasing power of money. It is thus evident that since shortly after 1913 supply and demand control of operations through price has been absent from our economy.

There is little doubt but that during the earlier years of managed money, management operated on the theory of non-interference with supply and demand, but they failed as, indeed, with the redundant currency they had provided, they could not help doing. As a result of this failure, in due course the New Deal came along with its "compensatory-economy" and deficit-financing. Our question then amounts to this: How are bureaucratic controls to be bowled over and automatic controls reinstated in our enterprise, formerly rightly characterized as a free enterprise system?

We will not undertake to suggest a program in answering that question, but here is the way it will be solved. Our Government operates under a two-party system. If the ins boob up a problem, sooner or later the outs realize the fact and advocate a return to sanity and reason. In the meantime we go on from bad to worse until the sleepy outs wake up.

In planning for post-war readjustments, two facts of prime importance should not be overlooked. First, a sound financial policy is not necessarily the best for an all-out war. To win is of prime importance. How it is done is secondary. When the war has been won, time is likely to be required to correct the maladjustments that have gotten into the system. We will have time to do this while thanking God that our mistakes were not bad enough to prevent the victorious outcome.

The second fact which should ease our minds a bit is that, during the last few generations, our control over nature's resources has been multiplied many fold. A couple of generations back, raising enough farm products to properly feed, clothe and house the population was a yet-to-be-solved problem. Now a third of the population is able to do that job. Thus our problem has been switched from one of production to keeping the crackpots from taking us for a ride. With the abundance we command now, there is no reason for being discouraged even though our losses are enormous. In due season, if the ins continue on the wrong road, the two-party process will put the outs in. If this were done before the ins had had sufficient time to establish their failure, to the satisfaction of the majority, we would probably have to travel over the same ground again, so too much haste would make waste here, as it does most everywhere.

Here is a record of what the two-party system has done for us during the century ending with 1930, the year Mr. Wallace mentions as that of our first experience with mass unemployment. Starting with a population of 12 or 13 million agricultural colonists, nearly all poor, some chattel slaves, within a century this population was multiplied tenfold. Furthermore, this expansion was accomplished while providing asylum to the oppressed of all Europe; and also, while this expanding population of farmers was being made over into the most aggressive and progressive nation of industrialists the world has produced thus far.

In conclusion, we find there is no need for any nation, with an intelligent economic system, which, like the U. S. A., can produce 90 to 95% of what it consumes, to be dependent upon foreign trade to provide employment for its people. Whenever goods are produced, the total cost of producing them, including interest and profits, reaches someone's hands as purchasing power, and thus automatically enables the nation to purchase its total product. The market for all goods except the 5 to 10% necessary to pay for needed imports is right in our own country, raising the standard of living of our own people. This being the case, we have no reason for asking other nations to adjust their tariffs to suit us. We can, rather, tell them to adjust their tariffs, and all other policies, to promote their own greatest good, and we will do the same. We will take our chances, as they also should, on profiting through the success of all.

Note that the above conclusion is limited to sizeable nations with **intelligent economic systems.** This may let our nation out for the time being, for intelligence is certainly absent from our economic setup. However, private enterprise freed from its monetary controls and from its bureaucratic monopoly, and labor shackles, and given time to make such readjustments as are called for, will put 100% of our employables back where it had them during our hundred prosperous years. Yes, and it will do a better job than ever before, because it has more to do with.

Ohio Brevities

(Continued from page 1714)

mittee arranged to have three students make a tour through a bank, having the entire organization explained to them.

Then a panel of three Cleveland bankers and the three students was formed. The group appeared before 500 commercial law and economic students and after a brief outline of various operations by the three bankers, pupils asked questions.

William L. Underwood, chairman of the committee, stated the spontaneous responses far exceeded expectations and that questions passed out in advance were not used due to the natural reactions of the students.

Members of the panel were J. B. Anderson, manager of bank and public relations department of Federal Reserve Bank of Cleveland, Dale Brown, assistant Vice President of National City Bank and Elbert H. Frank, assistant Vice President of the Cleveland Trust.

* * *

Clem Gunn, partner of Robbins, Gunn & Co. of Cleveland since the firm was founded in May, 1939, has gone into the Marine Corps. He is the father of three children.

Prior to his leaving, he retired as a director of Aetna Rubber Co. and has been succeeded by Paul A. Dunn, assistant trust officer of Central National Bank of Cleveland.

* * *

Eugene J. Krause, auditor of National City, is the new President of the Cleveland Conference of Bank Auditors and Controllers, succeeding George P. Dietzel of Union Commerce.

Otto Schwarzschild Dies

Otto P. Schwarzschild was killed when he fell from a room at Doctors Hospital, New York City, where he was under treatment for a cardiac ailment.

Mr. Schwarzschild for many years was president of R. M. Smythe & Co., Inc., New York City, appraisers of and dealers in old and extinct securities and former publisher of American Underwriting Houses and Their Issues. He was a native of Frankfurt-am-Main, where his family was one of the famous banking families that had established themselves in that city in the Middle Ages.

How To Guarantee A Depression In The Post-War Era

(Continued from page 1707)

a society of free enterprise, with foresight and inventive skill, we have all classes of investors and speculators to assume these risks. The progress of the United States could never have been accomplished by a people restricted and regulated in their endeavors to do things. After this war we will have the conditions for great progress if properly handled. We will have the demand for peacetime goods in quantities never before accumulated. We will have the need for new financing of old well established and reliable businesses, and the intriguing demands for capital in new ventures of all grades and varieties of risks. Moreover, we will have the savings, if present values of savings accumulated are maintained. To turn these savings into the right channels to suit the demands of the savers and to fit the needs of the country could truly be a "venture in prosperity."

The Machinery for Guiding Investment and Speculation

Mere savings, great demands for goods, and intriguing new speculative opportunities are not enough to put savings, men and materials to work and create the prosperity wanted. The financing is as essential as the men or the materials to production. The right kind of machinery to handle each is essential for the best results. The machinery to finance enterprise has been drastically revised in the past decade and it is a fair question to ask whether the present machinery with its limitations and legal restrictions will be capable of doing the job of the financing needed after the war. Both large and small business needs capital and requires the services of the capital markets. But, for lack of space, these comments will be confined to financing that requires more than one underwriter to handle the size of the deal and the so-called underwriting agreements with some of their related aspects.

The long established practice of underwriters agreeing to underwrite and distribute an issue of securities and maintain the price of these securities for a given period until the distribution is complete, seems to be under fire now from the Department of Justice. The question is now raised as to whether this practice is a violation of the Sherman Act. If there has been any suspicion that this practice was a violation of the Sherman Act why has this interpretation been delayed so long? It was my impression and, I am sure from the reading of the legal decisions relating to this matter, that every one in the trade, lawyers, economists, and the public in general, believed that these agreements were exempt from the Sherman Act.

It seems reasonable and common sense that dealers would have sought to build up the best possible machinery for their business. Is it possible that they did build up the best machinery for their purpose but to the disadvantage of the public, the investor and the general welfare of business? Such a statement does not seem to me intelligent. Surely the rank and file of security dealers and underwriters are striving to build sound business, to satisfy customers and to have a repeat business both from corporations seeking financing and from the public investors. Everyone will approve such regulation as will prevent from ever arising again such dishonest financial promotions as represented by Kreuger, Insull, Associated Gas and Electric, United Founders, the French Buildings and hundreds of like projects. But is it not going too far to tear down the whole scheme of underwriting agreements because of needed efforts to provide the necessary regulations to prevent crookedness? It seems to me that if underwriting agreements are to be prohibited, that the financing of large or even medium sized businesses will be greatly handicapped. Moreover, limiting business or financing to a size where one or a few underwriters can handle a deal is no criterion of soundness. Would it not be better to correct any defects of this underwriting machinery rather than abolish it? The history of this practice will surely furnish information of great value to the best interests of the capital markets and the investors.

Government financing is all done on a policy of uniform pricing throughout the country and for the whole life of the selling campaign. Financing policies and practices that serve the government best ought to be legal, at least for private industry financing.

A Solution Badly Needed

If price agreements among underwriters and dealers are found to be illegal new financing will be done on a smaller scale, or new issues will be sold on a conditional basis or some other arrangement. All this will make new financing more expensive and less dependable. It will raise costs of capital, defer new developments, cause unemployment and in every way retard the flow of capital and its functioning in industry.

This is an unreasonable and unintelligent bungle. If the Sherman Act was intended to apply to underwriting agreements in the distribution of capital issues the Congress should say so. If the Sherman Act was not so intended by the Congress they should make it clear. As I remember it, the Securities Act presumed underwriting agreements to be a part of the necessary machinery and practice of underwriting and distributing securities because in it Congress made provision for pegging, fixing and stabilizing, provided these practices were not done in contravention of the rules prescribed by the Commission. Now, if it turns out that the practice itself is illegal, this is indeed strange legislation. Then there is the Maloney Act, establishing the NASD, which seems to me to be ended by these activities. At least, it is ended in spirit. As I remember the Maloney Act, the NASD is a creature of it. If I read the columns of the "Commercial and Financial Chronicle" correctly, some time ago the NASD said in a brief that the association would never have been created under the Act if the members had known that their rules had no force and the practices under which they were operating were subject to the review of the Department of Justice and not valid at law under the supervision of the Commission. This may not be the wording but it is the way I interpreted it.

Irrespective of all this misunderstanding and confusion and the conflicting laws and authorities, this seems to me to have the capital markets by the throat. Any well informed student of the financial markets will know that business recovery and progress after this war depends as much on the smooth working of the capital markets as any other factor of production. Any period of business prosperity in the past can be pretty well measured by the new capital financing. This will be more true in the period after this war than in any other period unless it be the decade of the 20's, following World War I.

For these reasons there should be no uncertainty about what an honest banker or group of investment bankers can do legally. If the capital markets or the machinery to do financing are not permitted to function or are crippled by uncertainty and restraints, depression and unemployment will be guaranteed. For this reason it seems to me that the Finance Committee of the U. S. Senate should hold hearings on this whole matter and clear it up. While there are many factors that may cause a major depression after this war, to bottle up the capital markets seems to me a sure way to bring on a depression.

The CHRONICLE invites comments on the views expressed by Dr. Wright, in this article, or on any related phases of the subject under discussion. Comments shodld be addressed to Editor, "Commercial and Financial Chronicle," 25 Spruce Street, New York 8, N. Y.

Stewart Heads Greater NY Fund Committee

The acceptance by Charles J. Stewart, Vice-President of the New York Trust Company, of the chairmanship of the Manhattan Committee of The Greater New York Fund's Seventh Annual Campaign, was recently announced by J. Stewart Baker, general campaign chairman.

The appeal, brought under way on April 18, with a dinner at the Hotel Astor, is for an essential share of the $22,250,000 which the 403 participating hospitals, health and welfare agencies must raise each year in voluntary contributions. It is directed to business concerns and employee groups throughout the five boroughs.

Philip A. Benson, President of the Dime Savings Bank of Brooklyn, is serving as chairman in Brooklyn. James A. Lundy, president of Lunco, Inc., is Chairman of the Queens campaign and William C. Thompson, Vice-President of the Bank of the Manhattan Co. heads the Bronx appeal. In the borough of Richmond, the Staten Island Community War Chest acts for The Greater New York Fund.

Associated with Mr. Stewart in the Manhattan Committee in the capacity of "section chairmen," are Harry M. Addinsell, Chairman of the Executive Committee of the First Boston Corporation; John S. Burke, President of B. Altman & Co.; Jack I. Straus, President of R. H. Macy & Co., Inc. and William J. Wardall, Chairman of the Board of Best Foods, Inc. Mrs. E. M. Statler, Chairman of the Board of the Statler Hotels Corporation and a general vice-chairman of the campaign, will spearhead solicitation of employee groups.

Mr. Addinsell serves as Chairman of the Finance and Insurance Section, which consists of all divisions in the exchange, banking and insurance groups.

Mr. Burke and Mr. Straus, both of whom are members of the Fund's board of directors, share the chairmanship of the Commerce, Merchandising and Apparel Trades Section. Included in this section are 47 separate trades in the women's wear, men's wear, retail, specialty and general home furnishings fields. Mr. Wardall heads the Manufacturing and Industry Section, which covers 49 divisions in the building, consumer goods, foods, mining, metal and transportation industries.

Available On Request

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

The Cartel Problem

(Continued from page 1709)

This explains why some German inventions manufactured and sold within the United States have not been sold in South America.

Sometimes a German company would grant only a limited right and "know how" under a United States patent, restricting the American industrialist in respect to the quantity of the product he might manufacture under the German invention, the price at which he might sell it, and the purpose for which, the manner in which, and the geographical area within which, he might manufacture and sell it.

Sometimes a German company would grant the right and "know how" only on the condition that the American industrialist would grant to the German company reciprocal right and "know how" in improvements discovered or invented by the American industrialist in the field opened up by the German invention.

Foreign trade that in no way involves patent agreements seems also to be engaging the Department of Justice's attention.

A typical foreign trade pattern is this:

An American national gets a foothold in a foreign country, and its success attracts competition in that country from other American nationals, and from nationals of that country, and from nationals of other foreign countries.

American nationals continue competing in that foreign country with one another, and with nationals of that country, and with nationals of other foreign countries, until the nationals of that country, or the government of that country, or both, become restive and critical of the extent to which American nationals are winning the market in that country.

Thereupon the nationals of that country, or their government, or both, intimate to these American nationals that unless they consent to an arrangement restricting their proportion of the market in that country, or limiting their competition in that country with one another and with nationals of that country and with nationals of other foreign countries, the Government may enact a tariff, or impose import quotas, or establish a goverment monopoly, or take other measures to oust American nationals from continuing the business they have built up in that country.

On other continents outside North America such arrangements are customary, lawful, and encouraged by governments, and by public opinion, and by generations of judicial decisions and trade custom.

Arrangements analogous to these have repeatedly been upheld by judicial decisions of the House of Lords and the Judicial Committee of the Privy Council, which are the highest courts of Great Britain and the British Commonwealth of Nations.

Not as a complaint against our Supreme Court and our anti-trust laws, but as a plain statement of fact, it is axiomatic that American nationals doing business abroad must frequently condition themselves to customs and pressures of foreign governments, foreign opinion, and foreign competitors, compelling arrangements which if made and operative within the United States might be contrary to recent decisions of our Supreme Court and other Federal courts.

If American nationals, under these circumstances, are liable to prosecution by the Department of Justice, they will be as completely barred by the United States from doing business abroad as were the nationals of China and Japan during the centuries when these were the "hermit nations."

The United States with its allies is now engaged in a devastating war.

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Small Business Seen Chief Victim Of NASD's 5% Mark-Up Rule

(Continued from page 1708)

and their securities are quite inactive. No firm could sell these securities on such a small margin of profit, for it requires as much work to get the securities as it does to sell them.

KANSAS CITY, MO.

(From firm favoring rule)

I do not think it will have any marked effect on the business of conservative dealers in such securities. It may have the effect of diminishing some of the "sharp-shooting" and the unconscionable profits that some dealers have made in trading in such securities in the past. I have been familiar with the discussion of the so-called 5% mark-up rule and know that it was not intended and do not think that mark-ups are limited to 5%. The 5% is mentioned merely as a general guide to show dealers about what others are doing. There are cases where more than a 5% mark-up is justified, and there are cases where even a 5% mark-up would not be justified. Most dealers who have been in the business long know about what is right, and should conform to the general practice if they know what it is. The purposes of the "so-called" 5% rule was to let them know approximately what the practice is generally.

SYRACUSE, N. Y.

Curtail very much.

SYRACUSE, N. Y.

I am pleased to return the form of ballot which you have been kind enough to mail me and would like also to take this occasion to reaffirm my previously expressed admiration of your organization for the praiseworthy effort you are putting forth in behalf of some thousands of dealers like ourselves.

On the reverse side of this ballot you solicit my further comment or opinion. I think that this can best be covered by the newspaper clipping which I am attaching. This appeared in yesterday's edition of the Syracuse "Post Standard," and while its appearance is admittedly due to this writer's personal initiative, it is, nevertheless, representative of the opinion of other local dealers.

Perhaps it may contain a suggestion which might be followed by dealers in other cities, and you may possibly see fit to undertake similar action through the columns of your publication.

Although I do not profess to be qualified to speak for the directors of the many corporations whose securities enjoy the benefit of our trading activities, I, nevertheless, feel that they also should be apprised of the seriousness of this situation in so far as it obviously will affect their own stockholders. It may not be a practical suggestion, but I am not so sure but what reprints of the many articles which you have mailed the NASD members might be of equal interest to these corporation officials and I, for one, would be only too glad to provide you with a list of companies in whose securities we have been, and continue to be, a market factor.

NEW YORK CITY

Bad for the securities, worse for the securities business.

BOSTON, MASS.

It will hurt them.

DETROIT, MICH.

A strict interpretation of the 5% mark-up will have a very deterrent effect upon obtaining capital and marketability for and of the small corporations. Naturally, the more difficult the job the more pay one should expect—this from the corporate standpoint. As yet, there has been no specific written interpretation of the 5% mark-up or its application and until such is forthcoming, on more than a verbal basis, all dealers are pretty much out on a limb.

Our basic objection is that it puts all dealers in the same class which is no more possible than it is to put Woolworths margin of profit in same class with the neighborhood store. The local broker who gives specialized service to his customers should be allowed reasonable compensation, which may be over 5% in some instances. It all depends on the specific circumstances which can hardly be defined by mathematical percentages.

DENVER, COLO.

(From firm favoring rule)

None.

SYRACUSE, N. Y.

There will be no financing and no markets. Check and see how many small dealers are already discontinuing their membership. They may provide the markets and make more than 5%.

SYRACUSE, N. Y.

The market will gradually dry up and both the small corporations and small dealers will be out of luck. If we are to be saved, we've got to act quickly and in unison.

MINNEAPOLIS, MINN.

Ultimately, it should have a most grievous effect on marketability.

A SMALL MINNESOTA TOWN

Detrimental.

ST. LOUIS, MO.

Retard dealing and lower prices. Customers will have difficulty in finding real market for securities.

LOS ANGELES, CAL.

(From firm favoring rule)

I believe it will have a good effect on the securities of smaller corporations. The public will not be called upon to pay exorbitant prices for them. The rule may help to prevent the issuance of questionable securities promoted by questionable dealers almost solely for profit.

If a legitimate dealer cannot get by on a 5% profit limit he should be in some other line of business. Furthermore, if the NASD does not set up some guide post, then the SEC will set up some drastic rule probably much more drastic than the 5% suggestion. This so-called "5% mark-up" limitation is a good thing for our business. Lack of such a limitation is one of the reasons for SECs.

ST. LOUIS, MO.

The "5% mark-up rule" will certainly not broaden the market for securities of smaller corporations.

It is definitely our opinion that the manner in which this so-called "rule" has been handled is an insult to average intelligence. If it is to be a profit limitation rule, let us set up a regular schedule of the percentage of profit that is permissible on securities in various price ranges. Otherwise, let's do away with this neither "fish nor fowl" rule that leaves everyone in the dark and subject to the personal whims of any individual who currently happens to be in the driver's seat.

There has never yet been a governmental body that has successfully legislated honesty and integrity, and I don't think the present one is any exception.

This undemocratically adopted ruling will certainly discourage dealers' interest in "slow" securities—that is, stocks and bonds of the smaller corporations. If it takes more time and effort and advertising to dig up offerings of such securities, or, similarly, if it takes more trouble to locate markets for these issues, why should the dealer bother with offering this extra service when his efforts will no more be regarded were he merely to be an order filler on an active security.

We have always expressed our disfavor with this NASD ruling to fellow members here in St. Louis and cannot understand where the Association finds any support for this onerous legislation. All dealers here seem to agree in criticizing this ruling and we cannot understand where the NASD derives its support for these regulations.

The 5% mark-up rule is totally unfair and purely class legislation of the worst form. We are to be regulated in our profits but nonetheless we, as consumers, must take our own personal purchases in a free and unrestricted market. In our activities, we render services of varying degrees and our particular abilities and knowledge, born of years of experience, like those of a lawyer or a doctor, should certainly be capitalized when expended.

As a two-man shop, we cannot hope to have the volume of the large stock exchange house and our trades, being far from those of the salesmen staffed organization, should certainly be based on the amount of effort and services we render our customer friends. All of our trades and of our business is personalized and our clientele feel a close kinship to us, calling forth a responsibility that we have not failed to consider during our 15 years in the investment securities business.

KANSAS CITY, MO.

We think this is the most insidious rule ever promoted. It is not the profit limitation to which we object. It is rather the fact that such controls of individual freedom and enterprise are in direct contradiction to democratic form of government. There is no profit limitation on the merchant or, as a matter of fact, any other form of business.

We believe that the NASD and the SEC are working in close cooperation to enact the death sentence on small brokers in order to easier regiment the industry. The trend of regulating business of all kinds by bureaucratic rules must stop and in its place business should be responsible to laws enacted by the chosen representatives of the people.

ST. LOUIS, MO.

It will be impossible for small business to get markets for its securities. The worst thing about the rule is that it is un-American—against free enterprise—and is unnecessary. Why not limit all profits on all commodity transactions?

BOSTON, MASS.

Personal opinion is that it will make it quite hard to get new financing—let alone put a number of the smaller dealers out of business.

BOSTON, MASS.

Ruinous.

SAN FRANCISCO, CAL.

(From firm favoring rule)

None.

BOSTON, MASS.

I think it will make the raising of venture capital for small corporations very difficult.

BOSTON, MASS.

It will slow up the market for them, if not practically kill the market.

BOSTON, MASS.

It can only affect the market for securities of smaller corporations adversely.

BOSTON, MASS.

Five per cent is larger than we ever charge on standard securities, but the raising of new capital would require 15-25%. The field should not be limited by law.

BOSTON, MASS.

We think it will seriously affect the smaller corporations, as they will be unable to raise capital, and the public will not care to buy if no market is maintained.

CLEVELAND, OHIO

(From firm favoring rule)

None. We think that on the average the 5% mark-up is ample and we feel that many dealers, of whom Chas. E. Hughes was one, take much too large profits and harm the business generally by so doing.

LOS ANGELES, CALIF.

There won't be any.

PITTSBURGH, PA.

It will hurt the market for securities of smaller corporations. Such markets are usually thin and the dealer can't afford the time and expense involved with only a 5% spread.

PHILADELPHIA, PA.

It is our opinion that this ruling will not only affect the small security dealers, but will ultimately reach the underwriters and larger houses. The small dealer is the fellow who distributes the new issues for the underwriters and we believe if the so-called rule is allowed to stand and becomes an actual rule, the first thing the big fellows know there will be a limitation of 5% on underwritings of all kinds, including investment trusts.

SAN FRANCISCO, CALIF.

Probably no effect. However, we are against it as it sets a precedent. Why not restrict retail stores, etc. Then, when that happens, we are on the way toward socialism and complete destruction of private enterprise.

FROM CITY NOT INDICATED

Very bad.

ST. LOUIS, MO.
(From firm favoring rule)

None.

BOSTON, MASS.

We fully agree with you on the stand you have taken with regard to the 5% mark-up rule. Personally, we do not see how dealers in unlisted securities can pay commissions, maintain overhead and exist on the NASD interpretation of the 5% rule. It certainly would react to the disadvantage of the lower priced stocks which really need the support of the dealers.

NEW YORK CITY

I do not think this question has anything to do with the matter. The 5% rule (?) is aimed at "riskless" transactions. The securities of smaller corporations are dealt in by one or two dealers (per issue). As they trade "from position," the rule does not apply. If it is necessary to pay a salesman over 5% to sell something, the price is likely too high. Most small dealers-brokers are really salesmen.

I would favor an amendment to the NASD rules setting a maximum profit. I think the present so-called rule is a horrible example of modern bureaucratic dictatorship. However, if there is to be a rule, let it be adopted in an honest over (not under) the counter manner. Let the NASD submit it to a vote.

Speaking of voting, why not run a secret ballot where oppressive means are omitted. Very easy to do. Just get a bank to conduct an honest vote and certify the result. Cost would be nominal. ($100 or 5 cents per member.)

MEMPHIS, TENN.

Bad.

DALLAS, TEXAS

Narrow, but not eliminate it.

GREENVILLE, S. C.

I think it will practically destroy their markets.

KANSAS CITY, MO.
(From firm favoring rule)

We don't believe that the 5% mark-up rule, if it stands, would have any adverse effect on securities of smaller corporations of the country. We don't know why it would. We think that there should be a minimum commission; for instance, if a brokerage house handled a $25 transaction for somebody, we don't believe that it should be handled for $1.25. We believe there should be a minimum of, say $5, graduated up on a large amount of funds involved.

We do think, however, that if some brokers-dealers are going to stick to the 5% limit and others aren't, some definite program should be brought forth, and when it is, a list showing maximum and minimum permissibles printed and sent out, so that our salesmen could be instructed, accordingly, and know just what they must live up to.

RHODE ISLAND

Brokers and dealers will not be willing to devote the necessary time and sales effort that is necessary to distribute inactive securities if the financial return does not warrant it.

PROVIDENCE, R. I.

It would restrict the dealer interest in selling these securities and thus tend to make a poorer market.

PROVIDENCE, R. I.

It would **not** help.

PROVIDENCE, R. I.

Poorer markets.

A SMALL PENNSYLVANIA TOWN

It is our opinion it will be very difficult to dispose of a great many securities of the smaller corporations as advantageously if the 5% mark-up rule becomes the general practice as previously. There will be much less buying for own account because the profit limitation will not justify the risk involved. Last week we bought 212 shares of a local bank stock; under no conditions would we have bought if limited to 5% profit.

BIRMINGHAM, ALA.
(From firm favoring rule)

Securities of smaller corporations would be the ones that will really suffer marketwise.

HARRISBURG, PA.

It is our belief that the 5% rule will make a very thin market for the securities of said corporations.

GREENVILLE, S. C.

Bad.

NEW YORK CITY

Will probably wipe them out.

ERIE, PA.

It will either force them out of business or cause them to use any means they can to circumvent the rule. In other words, more black markets.

ERIE, PA.

Many times it is necessary for me to take a position in a local security. I might have an order to sell 50 shares of stock in a local security and can find a market for only part of the block. In order to fill what order or orders I secured through personal solicitation, will have to buy the 50 shares. This condition exists right now and cannot afford to take the risk with only a 5% mark-up. Have been trying to sell another block of stock in a local security and have called on 60 to 70 people without effecting a sale. A 5% mark-up is not enough commission on a tough one like that. There will be no market for several local securities with only a 5% mark-up, as I cannot afford any office help. There will be plenty of office help and salesmen available when the war is over but do not think they will work for me unless I can make an offer attractive enough to secure their services. Have been working alone for some time and do not think I can do otherwise unless this 5% rule is broadened for the benefit of small dealers like myself. It takes salesmanship and plenty of personal calls to make a sale on most of local securities. There would be no interest outside of this city for this class of security as most of them are not known away from here.

MINNEAPOLIS, MINN.
(From firm favoring rule)

None. I think that an intelligent application of this policy—not rule—will permit exceptions where clearly necessary.

PITTSBURGH, PA.

It will tend to dry up the market for securities of smaller corporations.

PHILADELPHIA, PA.

There will be little or no interest on part of dealer and markets will dry up and eventually cease to exist.

PHILADELPHIA, PA.

Diminish market activity resulting in lower prices and interfere with financing.

PHILADELPHIA, PA.

Bad, and not only that, it will put the small personal service companies like ourselves out of business.

PITTSBURGH, PA.

Disastrous. Underwriters, with big profits, control the NASD. I think all of us, who don't participate in underwritings, should resign.

DALLAS, TEXAS
(From firm favoring rule)

Should improve the market for them. Too often the securities of small companies which are not actively enough traded to justify continuous quotations in papers have been the mediums through which some dealers have exacted excessive profits. It is not always the securities of small companies. More often than not it is the security of a company of good size and actively traded and quoted at some distant point but never publicly quoted in territory where being sold at excessive mark-ups. We think the entire effect of the NASD 5% philosophy should be wholesome.

A SMALL GEORGIA TOWN

Loss of interest by dealers would make for a limited or, possibly, no market for them.

A SMALL ILLINOIS TOWN

It seems to me that this above rule is the forerunner of other ruinous regimentation in the security business—especially for the smaller dealers and corporate financing for smaller corporations. (If the 5% rule is allowed to remain). There will be no markets for the smaller corporation's securities.

I cannot understand why we cannot get some action out of our Congress to stamp out this idiotic, silly and ridiculous back-pat clique who are continually trying to confuse and ridicule the public. We do not need the NASD or the SEC. Let each State take care of their own security business.

In our case we do not operate outside the State of Illinois. What good is the NASD to us or the SEC? We have very strict laws here in Illinois today—the bucketshops have all been put out of business—so what do we need any national group or governmental group to tell us how to run our business?

A SMALL GEORGIA TOWN

Adverse.

ATLANTA, GA.

We think it would "kill" the market on such securities.

ATLANTA, GA.

Destructive.

NEW ORLEANS, LA.
(From firm favoring rule)

None.

ATLANTA, GA.

Would further retard markets in these securities.

A SMALL FLORIDA TOWN

It will be much harder, I believe, at times, to find markets for inactive stocks of small little known companies.

WILMINGTON, DEL.

It would have a deleterious effect on these markets by restricting trading.

TOPEKA, KAN.
(From firm favoring rule)

We are a very small organization. Have very seldom been able to make 5% on transactions as competition takes care of that. If we charged 5% or more we would lose many of our accounts. I do make a fair living at the business and do not fear that as a rule 5% should be exceeded. We know of no one in our territory hurt by the rule as it is being applied—at least, all our competitors tell us they had one of their best years, 1943, and this was true of us. I do not like regulation and favor free enterprise but think that the public is entitled to a degree of protection from excessive charges.

I feel that dealers fighting the 5% rule will not get much help from the public (or sympathy), based only on a contention that 5% profit is too small—but rather should direct their efforts against excessive regulations.

We handle underwritings for small corporations in our territory—if they can't sell well enough to justify our taking them on a 5% basis we are not much interested. Excepted, of course, would be small stocks (selling at low prices) and as we understand it, there is some relief afforded these situations, particularly where sold and authorized by the SEC. As I see it, the rule has had no effect on the market for the securities of small corporations in our area and I don't feel that it will.

WASHINGTON, D. C.

Over a period of time it will eliminate the sale of this kind of security entirely.

(Continued on page 1732)

The Cartel Problem

(Continued from page 1730)

With the peace will come international problems of the utmost difficulty.

The United States has a democratic political system and a competitive economic system.

The United States does not intend to coerce Great Britain, Soviet Russia, China and the rest of the post-war world to adopt the democratic political system of the United States.

But in the anti-trust division of the Department of Justice of the United States some officials now appear eager to coerce Great Britain, Soviet Russia, China and all the rest of the world to adopt the competitive system of the United States, with all the refinements added by successive decisions of the Supreme Court under the anti-trust laws.

This program these Department of Justice officials are now carrying out in the midst of the greatest war in history, instituting every kind of criminal and civil prosecution in their power for the purpose of injecting into foreign and international trade relationships every new requirement of competition that can be spelled out of the Supreme Court's ever-expanding interpretations of the anti-trust laws.

President Wilson in the First World War foresaw the folly of all this, and also the folly of subjecting Americans doing business abroad to all the requirements of all the American anti-trust laws as well as all the requirements of all the laws of the foreign countries where they are doing business, while the foreigners against whom they are competing abroad need comply only with the laws of the foreign countries where they are doing business.

To correct this obvious injustice and absurdity, Congress during the First World War enacted at President Wilson's insistence the Webb Export Trade Act of 1918 which now, however, is quite out of date.

Without delay, therefore, the State Department, the Department of Justice, the Foreign Economic Administration, and every other Government department and agency pertaining to this subject, should promptly collaborate in framing and recommending to Congress legislation to meet this situation, so that now in this present Second World War and for all the post-war period there can be achieved all the objectives that President Wilson sought to attain when he procured the enactment of the Webb Export Trade Act in 1918.

Municipal Bond Club Of Chicago Gets Slate

CHICAGO, ILL.—S. E. Johanigman, The Milwaukee Company, has been nominated for President of the Municipal Bond Club of Chicago for the 1944-45 term to succeed Lewis Miller of the First National Bank of Chicago, it was announced by Walter E. Lang, chairman of the nominating committee. Floyd W. Sanders, Smith, Barney & Co., has been nominated for secretary and Roswell B. Swazey, Harris Trust and Savings Bank, has been named treasurer.

Directors nominated include Frederick B. Carpenter, John Nuveen & Co.; Arthur M. Hoffman, Morris Mather & Co.; Lewis Miller, First National Bank of Chicago; Paul L. Mullaney, Mullaney, Ross & Co.; and A. G. Pickard, C. F. Childs and Company.

The annual meeting will be April 28 at the Attic Club when the nominations will be voted on by the members. In addition to Mr. Lang, the nominating committee includes L. Raymond Billett and William D. Kerr.

Small Business Seen Chief Victim Of NASD's 5% Mark-Up Rule

(Continued from page 1731)

WASHINGTON, D. C.

We seldom, if ever, mark up 5%, but we are opposed to being restrained and regulated. The principle is wrong, and if 5% can be enforced then any lesser degree of profit can be imposed. Integrity and fair-play should be the rules to keep men in business. You cannot legislate honesty and character.

A SMALL CONNECTICUT TOWN

Bad.

HARTFORD, CONN.

We believe it will force them out of business. With new telephone tax and postal increase, the margin is too small.

There is too much indefinite in the proposed NASD rulings.

When does mark-up start: If a stock is traded 25 to 25½ and we happen to buy at 25 on a portion of an order and pay 25½ for balance, what is mark-up on order?

We like your articles—we agree with you 100%. We strenuously object to paying several hundred dollars in dues per year for NASD heads to go to conventions and form rulings that they have in mind which are against the best interest of all. Why not a vote by all members—a popular vote—and see what happens.

MILWAUKEE, WIS.

(From firm favoring rule)

None whatever. We are not in sympathy with the attitude your paper has taken in this matter.

BRIDGEPORT, CONN.

We believe that it will narrow the markets of the less well-known smaller corporations. Any arbitrary rule of that sort is against the very principles that make for clean, keen competition in any decent business.

BRIDGEPORT, CONN.

We believe it will in some cases injure and in other cases almost destroy the market for such issues.

DENVER, COLO.

Do not believe it will have a great deal of effect one way or the other.

HARTFORD, CONN.

Restrictive. We have had too much "fiat" control of business for many years. We disagree with the policy of governmental dictation of percentage of profit in our business as we would the percentage of profits in any business unless it is found that such profits are unreasonable when service rendered and cost of same is considered.

DENVER, COLO.

Ruin underwriters.

CHICAGO, ILL.

Will automatically tend to decline marketwise through lack of interest and dealers will be forced to turn their selling and buying efforts to larger issues where information is more readily available and markets can be obtained with a minimum of effort and cost.

CHICAGO, ILL.

Will limit dealers' interest and thus tend to destroy ready marketability for such securities.

CHICAGO, ILL.

An attempt to adhere to the "philosophy" has resulted in our neglect of the smaller issues which have been responsible for a large part of our business.

PHILADELPHIA, PA.

(From firm favoring rule)

Best thing possible for securities industry. We are small dealers who have had 5% rule for years, which has not stood in our way of making money and building up our capital. There are too many profit-hounds in our business and the sooner they are forced out of business or go back to legitimate dealers or salesmen, the better everyone (including the "Chronicle") will be.

If a dealer can't work on a 5% rule and stay in business, it is high time they looked at their operation—that's why we have SEC's and NASD's, and still we don't learn until a 5% rule comes along to put the spotlight on the small percentage who would like to ruin the business for people who try to be respectable.

CHICAGO, ILL.

Doing little corporate business, we have no opinion on the above. However, in the inactive "dog" municipals we trade, the work involved in obtaining information sufficient to enable us to trade the securities is often too great to make it pay if the profit is arbitrarily fixed at 5%.

We are not in favor of an unreasonable spread but feel that in many instances circumstances surrounding a particular transaction warrant taking a profit larger than 5% or that each transaction should be judged separately on its merits or the profit be determined on the basis of work involved.

A fixed maximum mark-up rule would remove the incentive to check up or trade a great many inactive special assessment and tax warrant issues which constitute the major portion of our volume.

CHICAGO, ILL.

Will definitely tend to eradicate market.

SAN FRANCISCO, CAL.

(From firm favoring rule)

I do not see why it should have any effect. When Farnsworth Television was active and here at $6 and $7 a share, there was plenty of it retailed. It would seem to me that a commission of $30 or $35 a hundred was plenty of compensation. I personally think 5% is too high a mark-up in most cases. I know plenty of dealers that mark up rail bonds, such as So. Pac's, Mop's, Frisco's, etc., 5%. These bonds are all listed and how they get away with it I don't know. I think the client is a AAA sucker. If anybody would charge me $37.50 per bond to buy me So. Pac. 4½/81 I would holler so loud you could hear me in Seattle. Why I should pay $237.50 per 100 shares for the privilege of buying Bank of America is also too deep for me; that goes for the other bank stocks, too.

CHICAGO, ILL.

Bad. Too much regulation freezes markets and corporations out of existence.

CHICAGO, ILL.

Naturally, the market for securities of the smaller corporations of the country depends upon the activity of the smaller security dealer. A 5% mark-up would not permit of sufficient income to warrant any dealer handling that kind of business. Thus, the securities of the smaller corporation would not have a market, and if there was no market, the smaller corporations would have difficulty in getting any capital for their business whatsoever.

CHICAGO, ILL.

Don't know, for the reason that almost all our business is underwriting and selling at retail bonds of Catholic institutions; our gross profit is usually 2½%, seldom more. I agree with your views as expressed in the reprints which you sent me and I am opposed to regimentation.

CHICAGO, ILL.

It will put small dealers out of business and, therefore, lessen activity in small corporations' stocks and bonds.

TRENTON, N. J.

(From firm favoring rule)

We are in receipt of your recent questionnaire addressed to NASD members and in reply we wish to advise you that we are heartily in favor with the attitude of the National Association of Securities Dealers and their Board of Governors with respect to the so-called "5% mark-up rule."

We firmly believe that small security dealers, particularly, have much more to gain by a limitation on mark-ups than the large dealers do. Accordingly, we believe you are making a mistake in agitating for a change of the rule. We present the above solely as our opinion and in response to your request that security dealers advise you how they feel.

Attractive Speculation

Purolator Products, Inc., common stock appears attractive on a speculative basis at prevailing price levels, according to a memorandum on the situation just issued by Ward & Co., 120 Broadway, New York City. Copies of this memorandum may be had from the firm upon request as well as circulars on the following: Du Mont Laboratories "A"; Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory; General Instrument; Long Bell Lumber Co.; Great American Industries; Mid-Continent Airlines; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Brockway Motors; Consolidated Dearborn; National Airlines; Chicago and Southern Airlines; American Export Airlines; Northeast Airlines.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1710)

old days, if you didn't like a stock you could say "sell at the market," and you'd probably come close. Today you have to wait for long stock to be sold first. So by the time your order is executed you may find you're facing a couple of points loss before you've even started.

* * *

To overcome the handicap there is one of two things to do. Either leave the short side alone or, if a rally is in the process of materializing, go long of 'em and wait.

But taking on long positions in present day markets isn't enough. A piece of news can come along and turn a potential rally into a decline which may be anything but pleasant to sit through. Even in the absence of news the chances are that the main trend may come along and knock the rally into a cocked hat. So a safeguard in the form of stops is placed around each purchase.

* * *

Last week you were long of six stocks. Before the week was over three of them were knocked out when they violated their stops. This leaves you with three issues at this writing. These are, Electric Auto-Lite at 39, stop 37; Jones and Laughlin at 22½, stop 19½, and Servel at 18, stop 16¾.

* * *

Currently the market is about 135. Failure to rally across the 139 level (before the set-back) indicates that a new trading range will be set up. The upper level will probably be just under the 139 figure; the lower, somewhere between current lows and 134. Applying this to the above list would mean that Electric Auto-Lite will run into offerings between 39 and 40; Jones and Laughlin, between 22 and 23, and Servel, just under 19.

* * *

For long-term buyers the market has yet to give evidences of a turn which is more than minor in character.

More next Thursday.

* * *

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Security Traders Association Of New York Eighth Annual Dinner Largest Ever Held

The eighth annual dinner of the Security Traders Association of New York was held in the Grand Ballroom of the Waldorf-Astoria Hotel on Friday, April 21, 1944.

There were more than 1,130 members and guests present which makes this the largest dinner ever held by the association. Other than the introductions of the guests sitting on the dais by President Willis Summers of Troster, Currie & Summers, there were no dinner speeches.

All the officers of the National Security Traders Association were present: William Perry Brown (Newman, Brown & Co., New Orleans), President; B. Winthrop Pizzini (B. W. Pizzini & Co., Inc., New York City), First Vice-President; Jerome Tegler (Dempsey-Tegeler & Co., St. Louis), Second Vice-President; Russell M. Dotts (Bioren & Co., Philadelphia), Treasurer, and Edward H. Welch (Sincere & Co., Chicago), Secretary.

Some of the presidents of the other city affiliates present were: George Muller (Janney & Co.), President of the Philadelphia affiliate; James B. Maguire (E. H. Rollins & Sons Inc.), President of the Boston affiliate; Preston A. Taylor (Mead, Irvine & Co.), President of the Baltimore affiliate; James English (Cooley & Co.), Vice-President of the Hartford affiliate. Also present were: Frank Dunne (Dunne & Co.), President of the New York Security Dealers Association; Fred C. Moffatt, President of the New York Curb Exchange, and Frank L. Scheffey, Executive Secretary of the NASD. The Securities and Exchange Commission, was well represented by the presence of James A. Treanor, Jr., head of the Trading Division in Philadelphia; James J. Caffrey, Regional Chairman in New York, together with E. Allen McDuffy and Pete Byrne, Counsel to the SEC.

The elaborate entertainment which followed the dinner was enjoyed by all.

Michael J. Heaney of Joseph McManus & Co., was Chairman of the dinner, assisted by Frank A. Pavis (Chas. E. Quincey & Co.), Vice-Chairman.

Webb Richards Is Now With Mason Brothers

(Special to The Financial Chronicle)

OAKLAND, CAL.—Webb Richards has become associated with Mason Bros., Central Bank Building, members of the Los Angeles and San Francisco Stock Exchanges. Mr. Richards was formerly an officer of Stephenson, Leydecker & Co. Prior thereto he had his own investment business in San Francisco.

Municipal News & Notes

"Exposing The Premium Bugaboo"

The above caption is the title of the current municipal letter issued by J. A. White & Co., Cincinnati, the subject matter of which is both interesting and timely, dealing as it does with the question of high premium municipals. These latter continue to reach the market in considerable volume as a result of liquidations carried out by private institutional sources and public trust funds. Because of their rather ancient vintage, the coupon rates on such obligations range upward from 4%. In addition, they represent in large degree securities of prime quality, and this combination of circumstances results in their being priced at pery high premiums. It is apparent, however, that the market for such offerings is somewhat limited due to the reluctance of some investors to pay the high premiums entailed.

In light of this situation, the above-mentioned bond house has presented a searching analysis of the situation, the underlying theme of which is that, in the final analysis, "premium is only a minor consideration" where investment is concerned. To quote from the letter: "How much better it is that a bond have a high premium and high quality, rather than a low premium and low quality; or that it have a high premium and a high yield, rather than a low premium and a low yield."

In developing this feature, the authors cite the various objections voiced by some investors to the purchase of high premium bonds and then proceed to explain why such objections "are not well founded." Among the objections is the fear of considerable loss in event of a sharp decline in the market. On this point, the bond house makes the following observations:

"Some bankers exclaim that they don't want to be carrying 40 points premium in a bond, if the market drops to par. But if the market declines from 140 to 100 for high premium bonds, it will drop from 100 to considerable discount for low coupon bonds. There is no advantage in carrying on your books at 100 bonds that are only worth 60, over carrying bonds at 140 that are worth only 100, especially when the cost of 140 is to be amortized to 100 by the time the bonds mature, and they were bought with the intention, and probability of holding them until they mature. Some bankers, in fact, prefer to buy high coupon bonds, with high premiums, just so that, if the market does decline so drastically, they will not have in their portfolio a great volume of bonds which are worth well below par.

"Other comments are heard to the effect that bonds bought at 140 may entail a considerable loss if the market declines considerably and the premium disappears from the market value of such bond. As another dealer pointed out some few months ago, the purchaser of high coupon bonds very possibly may suffer less loss from a drastic market decline, than the purchaser of low premium bonds. A person who has $100,000 invested in bonds which cost him an average of, let us say, 130, has $77,000 par value of bonds. A 20 point decline in the market value of his bonds to 110, would, therefore, mean a market loss of $15,400. On the other hand, a person who has $100,000 invested in bonds that cost him par, has, of course, $100,000 par value of bonds. A 20 point decline in the market value of his bonds would mean a market loss of $20,000, or $4,600 more than in the case of the person who had $100,000 invested in premium bonds."

North Carolina's Net General Debt Now $52,000,000

When Gov. J. Melville Broughton shoveled nearly $25,000,000 worth of liquidated bonds and bond coupons into the State Capitol furnace recently, the State of North Carolina for the first time saw its general debt overbalanced by quick assets.

The net general debt of the State stands at $52,768,524.31 as of March 31, 1944. The Budget Bureau has estimated that the general fund surplus at the end of this fiscal year will be around $55,000,000, greatest on record. Of this surplus, $20,106,352.75 is invested in a post-war bond fund, and another $15,000,000 is in temporary general fund investment.

Going into the fire was $15,227,000 worth of bonds and $9,457,982.50 in coupons. The $15,227,000 represented a reduction in the general fund and highway debts for the fiscal year biennium beginning July 1, 1941, ending June 20, 1943, thus keeping up the State's record of paying over $7,500,000 per year on its debts, exclusive of interest.

The net debt of the State, both general fund and highway bonds, stands now at $100,082,529.90. In 1926, the figure was $144,065,000. The highway fund, which now also contains a large surplus, is derived from gasoline taxes and motor vehicle licenses.

Maloney & Co. New Firm In Los Angeles

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—Major Charles Maloney has formed Maloney & Co. with offices at 650 South Spring St. to engage in a securities business. He was formerly with H. R. Baker & Co. and Franklin Wulff & Co. and prior thereto was an officer of Sinclair, Dunlap & Co.

Nat'l City Of Cleveland Situation Attractive

Merrill, Turben & Co., Union Commerce Building, Cleveland, O., have prepared an interesting circular describing shares of National City Bank of Cleveland, which offer an attractive situation at current levels, the firm believes. Copies of the circular may be had from Merrill, Turben & Co. upon request.

Attractive Situation

Common stock of American La France Foamite Corp. offers attractive possibilities (the stock is tax free in Pennsylvania), according to a memorandum issued by Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this interesting memorandum may be had upon request from Buckley Brothers.

A Doctrine Lost In Practice

(Continued from page 1707)

a hybrid difficult of analysis. In its policing powers it savours of an administrative body. In some other functions, such as enlisting membership, collecting dues and assessments, its duties are strictly private. It would be enlightening to get an official expression as to whether NASD is to be regarded as a public, private or quasi-public institution; not that we would feel bound by any such expression if it were contrary to our own views on this subject. However, it might aid in the interest of clarity.

Whether public, private or quasi-public, this we do know. The NASD is a policing group supplementary to the SEC and the "5% spread philosophy" of ignominious and illegal origin was an attempt by the NASD's Board of Governors to throw a life-line to the SEC as a result of the latter's then floundering in unsuccessful efforts to create its own philosophy that sales prices should bear some reasonable relation to the market price.

We have asked editorially whether there was an understanding on this subject. Who of NASD conferred with whom of SEC? Result, a complete, if not discreet, silence.

Whatever else may be charged against the National Association of Securities Dealers, at least this may be said in its favor: It does have a "Code of Procedure for Handling Trade Practice Complaints." We are immediately concerned with Section 22 of that Code. Here it is:

"No member of the Board of Governors or of any Distric Business Conduct Committee or of any Local Business Conduct Committee shall in any manner, directly or indirectly, participate in the determination of any complaint affecting his interest or the interests of any person in whom he is directly or indirectly interested. In any case where such an interest is involved, the particular member shall disqualify himself, or shall be disqualified by the Chairman of any such Board or Committee."

Read hastily and without analysis, this rule would seem to be a safeguard in the interest of NASD members, intended to guaranty a fair trial. In truth, however, the whole trial set-up is self-defeating and calculated to prevent, rather than guarantee, the type of a trial that Americans through the decades have experienced as a part and parcel of our democratic way of life.

Under NASD rules, trials are conducted by Business Conduct Committees of the particular areas in which infractions of the rules are alleged to have occurred. Most frequently the members of the committees are direct business competitors of the defendants on trial. Under such circumstances "the interest" of these judges would be difficult of definition, or determination, and the fact that they are permitted to sit in judgment under such circumstances is in itself a miscarriage of justice, for influences are here at play which may have subconscious effects. Certainly, direct competitors cannot be said to have no interest in the outcome of such a trial.

The NASD Code of Procedure, viewed as a whole, is therefore abortive and tends to prevent fair and impartial hearings which could arrive at a just result. To all of this NASD members contribute through the medium of dues and assessments, contributions, as we have frequently demonstrated, by no means voluntary, but resulting from the monopolistic privileges enjoyed by the NASD as a result of the Maloney Act.

Strictly public policing bodies may have some excuse for hiding their strategy behind a wall of secrecy. The NASD is not such a body. Its members as well as the general public are entitled to know what liaison arrangements the NASD has with the SEC. Again we ask, did the representatives of both these bodies discuss the "5% spread philosophy" before it came into being? Who talked with whom, if such discussion took place, and to what effect? Are both organizations going to make a frank statement on this subject or will the public be treated to continued silence?

Tax Exempt Organizations Given Beyond May 15 For Filing Information Returns

Commissioner of Internal Revenue Joseph D. Nunan, Jr., on April 25 advised tax-exempt organizations that the time for filing the information returns required by Section 117 of the Revenue Act of 1943 will be extended beyond May 15 in the case of 1943 returns.

It is pointed out that the Revenue Act of 1943 became law on February 25, 1944, and the necessary regulations and forms are not quite ready. Commissioner Nunan, therefore, said a new filing date will not be determined until it is ascertained when printed copies of forms can be made available to the organizations that need them.

An earlier item relative to the filing of these returns appeared in our issue of March 23, page 1231.

Jos. B. Lang Dies

Joseph B. Lang, partner in J. B. Lang & Co., 42 Broadway, New York City, died on Monday, April 24. Funeral from Hoppe Funeral Home, 854 Avenue C, Bayonne, N. J. Solemn High Mass at St. Henry's Roman Catholic Church Thursday, April 27, at 10:45 a.m.

Moffat With Shields & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—David W. Moffat has become associated with Shields & Co., 135 South La Salle St. Mr. Moffat was formerly with Stifel, Nicolaus & Co., Inc., and prior thereto conducted his own investment business.

Arbitrage Possibilities

Chicago, Indianapolis & Louisville Railway Co. has attractive arbitrage possibilities, according to a circular issued by Sutro Bros. & Co., 120 Broadway, N. Y. City, members of the New York Stock Exchange. Copies of this circular may be had from Sutro Bros. & Co. upon request.

America's Place In World Affairs

(Continued from page 1709)

the Pax Romana to the League of Nations, the common men and women of the world have always yearned to throw off the shackles of barbarism and to establish concord. It is not the people who have failed. It is the leaders of people, through all the ages, who have fallen short of their high obligations. When the governments of the world become responsive to the will of the people, peace will abide.

Again many peace plans are afloat. Too few of them have been evolved with a view to the stark realities which the world will face when this war is over. The machinery of peace will be effective only if it relieves the tensions that cause wars. Only as men diagnose the forces that make for conflict can they provide a cure for this moral malady in our civilization.

III.

Let us consider some of the realities that will confront us as we set about the task of establishing world peace.

First and foremost, we must anticipate temporary economic and political instability in many parts of the world.

At the end of the war there will be all too few stable governments in the world. These must be established before any permanent international organization will be possible.

Likewise, there will be multitudes of starving, diseased and homeless men, women and children in Europe and the Orient. Their gaunt faces will haunt the peace table.

Millions of the ablest young men will have been killed or disabled.

Wealth and productive facilities will have been destroyed. Land will be depleted. Property ownership will be confused. No one will know who the rightful owners are because of the Nazi and Japanese scrambling of property rights and the destruction of title records.

There will be no financial stability. Money values today in the area of combat are highly artificial. If controls are removed, it is probable that many European currencies will collapse.

Many nations will be without resources with which to buy raw materials or foodstuffs, except such resources as may be made available by the credit of the United Nations.

Finally, we may expect a terrific conflict of opposing political forces struggling for dominance. There will be a release of deep-seated and engendered hate, especially in the occupied countries.

Unless these problems are frankly faced and solved, anarchy will be lurking around the corner. With anarchy, the hope of a just and enduring peace will collapse.

The United Nations therefore face the necessity of providing food, shipping, supplies, credits—and helping industry and agriculture get started abroad. The United States must do its full share, generously and compassionately.

But we must not be led into assuming a burden intolerable to us and demoralizing to others. We alone cannot repair the destruction of this war. We cannot buy international good will. Our major effort should be to help others help themselves. Any promise to do more than we can perform will breed ill-will and hate. There must be open and frank consideration of our responsibilities. There must be no secret international agreements affecting the post-war world. International good will can be developed by open and honest dealings with other nations and by keeping our commitments.

The long-range economic problems confronting the world are even more complex. I refer to the problems of currency, credit, markets and international trade. After the last war, all nations indulged in excessive economic nationalism. This expressed itself in discriminatory trade agreemens, quotas, excessive tariffs, monopolies and cartels, exchange wars, barter systems and many other barriers to international trade and commerce.

Let us not forget that the President of the United States had an opportunity to take leadership in controlling the world-wide economic maladjustment which deepened after 1933. We all know that monetary instability in the world is a serious barrier to international trade—and that trade barriers contribute mightily to wars. They were forces which helped Hitler rise to power. To meet this problem of instability which existed in 1933, the World Monetary and Economic Conference of London was held. The United States was represented. Suddenly and without warning, the President blasted the conference. It was wrecked just as completely as if a bomb had been dropped out of the skies and taken the lives of all assembled. The present administration, then and there, indulged in an act of extreme economic isolationism, and the hope of establishing monetary and economic stability in the world was crushed.

The failure of nations to deal forthrightly with the problems of currency, credit, markets and international trade contributed, more than anything else, toward sowing the seeds of present international conflict. The practice of international improvisation should end. The hour for forthright constructive action is here.

IV.

These convictions impel me to offer some specific recommendations:

First of all, as I have pointed out, there will be economic and political instability in Europe and Asia at the end of the war. Pending the time when we may establish a permanent international organization, we must have some kind of effective machinery to preserve international order and to help set the nations of Europe and Asia on the road to self-rehabilitation.

The United States, the British Commonwealth and Russia will emerge from this war as the nations having the largest responsibility for world order and the power to maintain it. China is a nation of great potential power. These four nations, in my judgment, while acting as independent sovereign states, must assume joint responsibility for world order until economic and political stability has been regained by the individual nations.

This means that these four great powers should agree now to maintain adequate military, naval and air power in the immediate post-war period. This does not mean an international police force, or a military alliance. The people of this country are opposed to both. It does contemplate that these four nations shall reach a mutual understanding as to their respective military establishments, and that they shall express that understanding in a temporary and transitional compact to be entered into as soon as possible. Other nations, willing to assume their share of responsibility, should be permitted to join this compact. The compact should also contain the principles and aims which these powers will support in the post-war world. It is important that nations know as quickly as possible what adjustments they must make. Through such a procedure the four great powers, and those who join with them, shall become effective guardians of the peace until a permanent international organization can be established.

Already much valuable time and opportunity to hasten the end of the war have been lost by our failure to make clear, both to ourselves and to our enemies, the prime objectives for which we are fighting.

Second, the United Nations should immediately explore the bases for a permanent international structure for peace. Such a structure cannot be completed until stable governments have been restored. The details must be worked out in the light of developing conditions and after open discussion. Lasting peace cannot spring full born by any grandiose plan, but step by step in solution of the problems which will confront us. Fundamental principles, however, can and should be agreed upon at the earliest possible moment.

I believe that the United States must take her place in a co-operative organization of sovereign nations. We want no super-government. We want no dictatorial world state. Moreover, declarations and acts of our allies indicate that they likewise want no supergovernment or dictatorial world state. A cooperative organization of sovereign states, bent upon peace and supported by a will for peace among their peoples, can solve the international problems that lead to war.

The major purpose of such an institution must be to establish a reign of law among nations. We need to develop judicial processes for the settlement of justiciable questions. The Hague Tribunal and the Permanent Court of International Justice have demonstrated that much can be accomplished by this means to avoid recourse to arms. They can be made more effective. Personally, I have always felt that the United States should join the World Court. It is vital that there be a continuing study and revision of the principles, and procedures of international law and tribunals. We also need more adequate machinery for the settlement of non-justiciable questions by mediation, conciliation and arbitration. Every problem solved; every commitment kept, will strengthen the program for peace.

The Republican Party at Mackinac took the initiative in bringing our post-war international program down to the hard ground of common sense. Its proposals may well be our guide.

Third, the United States, Great Britain, Russia and China should now inaugurate a continuing study of such problems as currencies, credits, tariffs, air rights, markets and international trade.

Of special importance in such a study is the problem of the money standard. This problem should be approached from the standpoint of stabilizing the currency of individual nations. International economic stability must be built upon the foundations of a sound money and sound economic policy in each of the individual nations. Our first step is the establishment of a sound internal economy in the United States.

In formulating a program for monetary stabilization, all visionary plans, such as the Keynes and White plans, must be avoided. There is no need for resorting to radical theories. The best hope for the future lies in the return of the world in due course to the international gold standard. In spite of its defects, the gold standard is the most satisfactory basis of stability the world has yet known. People generally have confidence in it because they can understand it better than any other monetary standard. It requires less management, and hence it is less subject to manipulation by international politics. In short, I believe that we should begin with what we have found best in our experience and endeavor to improve it by international cooperation.

Fourth, the United States is distinctly in need of consistency and competency in its diplomatic relations.

The State Department again must be permitted to exercise the initiative and responsibility that marked the administrations of such able Republican Secretaries as Seward, Blaine, Hay, Root and Hughes. We need a President who will permit his department heads the latitude to exercise the responsibility that is vested in them. The United States has just as able, adequately trained and thoroughly experienced career men in the diplomatic service as any other nation. They are thoroughly familiar with the individual problems and viewpoints of the various nations. This nation has the "know-how" in international relations. A Republican administration will use it. No one man knows all the answers, but someone knows each answer.

Finally, in our dealings with other nations, we must act fairly, but with resolution. Too often in foreign affairs the present administration has exhibited before the world indecision, vacillation and weakness. A strong nation should have a strong policy.

The time has come when an American President should be courageous enough to speak out for America—for our rights and for our convictions. For example, I believe that the President, supported by the Congress, should insist upon the retention of certain strategic military and naval bases and air fields which have been built with American money. We should be just as diligent in protecting our own national interests as our allies are diligent in protecting theirs. We can exert a wholesome influence in the world only if we ourselves remain powerful. After the last war, the United States held certain ideals before the world. Many of those ideals were promptly repudiated by the statesmen of Europe. We ourselves let them go by default. We yielded, and we lost the respect of other nations. Indeed, we earned their contempt and, worst of all, the armistice proved to be only an armistice. That tragedy must not be repeated.

America's cooperation with other nations must not be at the expense of her principles, her honor, her ideals or her form of government. But, I believe we can have international cooperation with justice and with honor, and that America must play her full part and do her full share. To do otherwise would be to break our covenant with those who struggle and die for us at this hour.

That is what our fighting sons and daughters are thinking. That is what fathers and mothers everywhere are praying for. Our great objectives must be: the speedy winning of the war; the establishment of a just and enduring peace; and the maintenance of a strong America—an America firm in her convictions, cooperative in the building of a better world, and free to enjoy the blessings which can only be assured in a world delivered from the scourge of war.

Ins. Stocks Compared

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting comparison and analysis of insurance stocks. Copies of these data may be had from the firm upon request.

Fashion Park Attractive

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

OUR REPORTER'S REPORT

Action by the Chicago, Burlington & Quincy Railroad Co., in applying to the Interstate Commerce Commission for authority to issue and place new bonds and serial notes, has revived interest in the decision which the Commission must hand down ultimately involving application of competitive bidding to all railroad securities.

It is not that underwriters feel that the decision might have changed the complexion of this financing. But rather that the consensus seems to be that there is a goodly volume of potential railroad financing in the wind once the air is cleared on that score.

The Burlington's $30,000,000 of collateral trust bonds, 25-year maturity, are slated to go directly to a group of large insurance companies, while the road will call upon banks for bids for the $10,000,000 of one- to five-year serial notes involved.

Funds raised through this operation, together with necessary treasury cash, will be applied to redemption of $56,773,000 of Illinois division mortgage bonds due in 1949.

And with regard to the decision on competitive bidding, it now appears that definite ruling on that score is some distance away, since the indication is that present Commissioners will await the naming of the late Joseph B. Eastman's successor before rendering their findings.

Moreover, it could be that the incoming member could swing the balance either way since it is current belief that the Commissioners are about evenly divided in their views.

Cudahy Packing 3s

Bankers opened subscription books yesterday for the issue of $14,000,000 of first mortgage sinking fund 3% bonds, series B, of Cudahy Packing Co.

Priced at 100 and accrued interest, if any, from May 1, the bonds were reported to have aroused considerable investor interest, especially in the mid-West, and to be moving well.

Proceeds, with company cash, will be applied to the redemption of $17,128,500 principal amount of first mortgage series A 3¾s now outstanding.

Maybe Too Jittery

Whether justified or not, there is no gainsaying the fact that the markets are in the grip of a severe case of nerves, better known to observers as plain "jitters."

At the moment it is anxiety over the seemingly impending European invasion. But as conversation wears along, according to people in the market place, it works around to the "tough time" the country will face with the return of peace.

Those of long experience find the last-mentioned phase a bit trying. They hold it is silly to think that a war is needed to make this country prosperous.

Their contention is that the country's industry can make more money with much less trouble without war, and they cite the record to prove it.

New Issue Market

While not attempting to thrust aside the idea that the growing indications of early European invasion have exerted a dampening influence on investment, as well as speculative activity, most observers feel that the market would be immensely benefited by flotation of a really "fast-moving" offering.

They contend that the rather unsatisfactory results accruing

The Securities Salesman's Corner

Using Direct Mail To Open New Accounts

The main purpose of any type of advertising is to build confidence in the advertiser. This enables the sales organization to follow up leads that have been uncovered through the use of properly prepared advertising and convert these interested inquiries into sales. If direct mail is used for this purpose, the best results are obtained when a solid basis of preparatory advertising is applied to the replying inquiries obtained from the first and second mailings. Such a program should follow a definite plan—it should be consistent.

Such a plan can be effectively constructed along the lines of the following. If a stockholder or bondholder list is available for circularization it is advisable to select one where the holders of the security are likely to have sufficient reason to show more than ordinary interest in receiving an analytical report on the current status of the security in question. Companies in receivership, preferred stocks that have not paid dividends for some years but where there has been an improvement in recent years, are examples that are usually worthwhile for direct mail purposes.

It is not necessary to send an elaborate mailing piece to such a list on the first mailing. A double reply card will serve just about as well as any other type of announcement providing the list to be circularized is properly selected. These cards are well known to most investment dealers. They consist of a double size postal card, perforated in the middle, with space for the recipient to write his name or address and return on a postage-paid return card. The message simply announces that "an up-to-date analysis has been prepared which is of interest to holders of the security in question, and that it will be furnished without cost or obligation upon request, etc."

When the requests are received THIS IS THE TIME TO DO A REAL JOB. Instead of sending out a stereotyped circular, prepare an analysis from an entirely different angle. First of all use a good layout, make it look impressive. THIS IS THE TIME WHEN YOU MAKE YOUR FIRST IMPRESSION SO LET IT BE GOOD. Then write it from the investor's angle. Make it interesting and readable. Put in a preface that states that the main purpose of the analysis is to help security holders who own the particular issue in question to decide for themselves the best policy for them to pursue. Be frank, acknowledge that trying to forecast the future is at best a hazardous procedure, but that it is the purpose of your firm to help investors to do a better job for themselves by placing before them the important factors which might affect the future value of their investments. In this way you begin to SELL SERVICE, AND SERVICE IS THE BASIS FOR ACQUIRING A FUTURE CUSTOMER.

Send out the analysis with a covering letter which thanks the prospect for his inquiry. In this letter suggest that after he has read the enclosed analysis, that if there are any further questions he may have that you would be pleased if he would write you and you would go into them further. Also suggest that if he has any other holdings that he would like to have analyzed as to future outlook and present position that you will send him reports prepared along the same lines as the analysis. A self addressed envelope can be enclosed for his convenience. After another week has passed write another letter STRESSING THE SERVICE FEATURES OF YOUR BUSINESS. Build up a strong case for sound investment based upon skilled supervision of investor's accounts who have found it worthwhile to do business with your firm. In this letter, once again offer something—a booklet—an anlysis of holdings—a reprint of an interesting article that has a pertinent bearing upon investments.

Incidentally, if it is possible to find a reason for a personal letter, or a telephone call in cases within local territory, by all means do so. When it comes to lists of holdings that have come in for analysis, it is sometimes possible to ask for a maturity date, interest rate, or the exact title of a specific issue, wherein the inquirer has not been specific. This all helps to get acquainted—but of course, don't try to make a sale at this point.

If inquiries such as these are turned over to the sales organization after they have been PROPERLY PREPARED, then the basis for a substantial and lasting customer relationship is established. Then customers can be created. There is a difference between making sales and making customers. On the other hand if the replies to the first mailing are handed over to the salesman and he takes a report in his hand, walks up to the prospect's place of business or his home and says, "Mr. Jones my name is Blank, here is the report on the XYZ company which you requested"—the chances are he may make some sales but only a few real customers will result from such a procedure. The longer way is the most productive way. There is no short cut to building up a satisfied clientele of real investor clients—but advertising along such lines as outlined here—IF PROPERLY FOLLOWED BY PERSONAL INTERVIEWS THAT BACK UP THE OFFER OF INVESTMENT SERVICE WHICH IS BASED UPON PLACING THE CUSTOMERS WELFARE FIRST WILL EVENTUALLY BUILD A BUSINESS.

in the last four or five undertakings have served to make people cautious all around.

But, on the other hand, they point out, the seasoned market, notably among the speculative issues such as reorganization rails, has shown evidence of good support buying on recurrent dips.

Future Prospects

Another public utility operation moved a step nearer to market with the recent filing by the New Jersey Power & Light Co. of a registration covering $9,000,000 of first mortgage bonds to mature in 1974 along with 30,000 shares of cumulative preferred stock of $100 par.

Baltimore & Ohio Railroad, Roy B. White, President, has just stated, expects to be able to take care of the road's publicly-held notes maturing Aug. 1, adding that the RFC has agreed to extend a loan for $13,490,000 secured by such notes.

Clifford Washburn Is With J. A. Hogle Co.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—Clifford M. Washburn has become affiliated with J. A. Hogle & Co., 507 West Sixth St. Mr. Washburn was formerly local manager for Merrill Lynch, Pierce, Fenner & Beane and E. A. Pierce & Co.

Attractive Situation

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

Calendar Of New Security Flotations

OFFERINGS

CUDAHY PACKING CO. — $14,000,000 first mortgage sinking fund bonds, series B, 3% due May 1, 1964. Proceeds together with general funds of company are to be applied to the redemption at 102% of entire $17,182,500 first mortgage sinking fund bonds, series A, 3¾%, due Sept. 1, 1955. Underwriting are Halsey, Stuart & Co., Inc., $4,800,000; Goldman, Sachs & Co., $1,400,000; Central Republic Co., Inc., $1,050,000; Ladenburg, Thalmann & Co., $1,050,000; F. S. Moseley & Co., $1,050,000; A. G. Becker & Co., Inc., $900,000; Hallgarten & Co., $750,000; Shields & Co., $750,000; Blair & Co., $600,000; Hayden, Stone & Co., $600,000; Paine, Webber, Jackson & Curtis, $450,000; William Blair & Co., $300,000, and First of Michigan Corp., $300,000. Filed April 6, 1944. Details in "Chronicle," April 13, 1944.

Offered April 26 at 100 and int.

CORNELL-DUBILIER ELECTRIC CORP. —20,000 shares cumulative preferred stock, series A (no par). Proceeds for working capital. Filed March 30, 1944. Details in "Chronicle," April 6, 1944.

Offered 20,000 shares $5.25 cumulative preferred stock, series A, offered April 25, at $100 per share plus dividend by Eastman, Dillon & Co. and associates

MILLER MANUFACTURING CO.—100,000 shares of convertible class A stock (par $5) and 316,667 shares of common stock (par $1). Of class A stock 95,000 shares will be offered to public at $10 per share. The remaining 5,000 shares of class A stock, and 16,667 shares of common stock will be issued to certain holders of Rieke Metal Products Corp. as part of purchase price of stock of Rieke Metal proposed to be acquired by Miller from such stockholders. Of the net proceeds from sale of 95,000 shares of class A stock ($790,445), $587,500 will be used to pay cash balance of the purchase price of stock of Rieke Metal and any balance will be added to working capital. Baker, Simonds & Co., Van Alstyne, Noel & Co. and Straus Securities Co. are underwriters. Filed Mar. 29, 1944. Details in "Chronicle," April 6, 1944.

Offered 95,000 shares convertible class A stock offered at $10 per share, April 25, by Baker, Simonds & Co., Van Alstyne, Noel & Co. and Straus Securities Co.

WESTVACO CHLORINE PRODUCTS CORP.—35,000 shares of $4.25 cumulative preferred stock (no par). Proceeds will be made available for one or more of following purposes: Enlargement and improvement of present plants and processes; erection of plants to produce new products; acquisition and conversion of plants now owned by government and operated by the company, as well as other properties, and other general corporate purposes. Filed April 8, 1944. Details in "Chronicle," April 13, 1944.

Offered April 26 at $101.50 per share plus dividend by F. Eberstadt & Co., Eastman, Dillon & Co., and Lee Higginson Corp.

NEW FILINGS

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

SATURDAY, MAY 6

NORTHERN INDIANA PUBLIC SERVICE CO. has filed a registration statement for 220,078 shares of 5% cumulative preferred stock, par $100 per share.

Address—5265 Hohman Avenue, Hammond, Indiana.

Business—Public utility.

Underwriting—Stone & Webster and Blodget, Inc., and Harriman Ripley & Co., Inc., New York, are principal underwriters, with others to be named by amendment.

Offering—The company plans to issue the 220,078 shares of 5% preferred stock to effect the retirement by exchange or redemption of an equal number of shares of its 7%, 6% and 5½% preferred stock outstanding, the exchange to be on a share for share basis plus a cash payment to be filed by amendment.

Purpose—To retire or redeem presently outstanding preferred stock.

Registration Statement No. 2-5351. Form S-1. (4-17-44).

MONDAY, MAY 8

KANSAS-NEBRASKA NATURAL GAS CO., INC., has filed a registration statement for $1,500,000 first mortgage sinking fund bonds 4% series C, due April 1, 1959.

Address—Phillipsburg, Kansas.

Business—Operating public utility.

Underwriting—Central Republic Co., Inc., Chicago, is named underwriter.

Offering—Price to the public is 107% exclusive of accrued interest from April 1, 1944.

Proceeds — For construction purposes. See statement below.

Registration Statement No. 2-5352. Form S-1. (4-19-44).

KANSAS-NEBRASKA NATURAL GAS CO., INC., has filed a registration statement for 2,000 shares of $5 cumulative preferred stock, without par value, and 58,636 shares of common stock, $5 par value.

Address—Phillipsburg, Kansas.

Business—Operating public utility company engaged in the purchase and sale of natural gas.

Underwriting—The underwriters for the preferred and common stock are First Trust Co., of Lincoln, Neb.; Cruttenden & Co., Chicago; Beecroft, Cole & Co., Topeka; Harold E. Wood & Co., St. Paul; Rauscher, Pierce & Co., Dallas; United Trust Co. of Abilene, Kan., and Frank & Belden, Inc., Minneapolis.

Offering—Holders of the company's common stock are offered the right to purchase one share of common at $6.50 a share for each four shares held of record May 12, 1944. These purchase rights expire May 26, 1944. Any unsubscribed shares of common will be taken up by the underwriters at $6.50 a share and offered to the public at $7 per share. Offering price of the preferred to the public is $105 a share.

Proceeds—Proceeds from the sale of the stock and the proposed sale of $1,500,000 4% bonds series C and working capital will be used to defray costs of construction expenditures estimated at $2,500,000.

Registration Statement No. 2-5353. Form S-1. (4-19-44).

TUESDAY, MAY 9

FLINTKOTE COMPANY has filed a registration statement for 237,902 shares of common stock, without par value.

Address—30 Rockefeller Plaza, New York, N. Y.

Business—Manufacture and sale of various asphalt and asbestos-cement roofing and siding products, etc.

Underwriting—Underwriters are Lehman Brothers, A. C. Allyn & Co., Inc., Bacon, Whipple & Co., Bear, Stearns & Co., A. G. Becker & Co., Inc., Alex. Brown & Sons; Dominick & Dominick, Graham, Parsons & Co., Granbery, Marache & Lord, Hallgarten & Co., Hemphill, Noyes & Co., Hornblower & Weeks, A. M. Kidder & Co., Ladenbury, Thalmann & Co., Laurence M. Marks & Co., Merrill Lynch, Pierce, Fenner & Beane, Paine, Webber, Jackson & Curtis, L. F. Rothschild & Co., Schoellkopf, Hutton & Pomeroy, Inc., I. M. Simon & Co., Stroud & Co., Inc., Swiss American Corp., Wertheim & Co., and White, Weld & Co.

Offering—The 237,902 shares of common are being offered for subscription to the holders of common stock at the rate of one share for each three shares of common held, at a price to be fixed by amendment.

Proceeds—It is contemplated the entire net proceeds will be used for the erection of additional plant facilities, or in the alternative to apply all or a part of the proceeds to the retirement and redemption of all or a part of the company's $4.50 cumulative preferred stock or fifteen year 3% debentures.

Registration Statement No. 2-5354. Form S-1. (4-20-44).

WEDNESDAY, MAY 10

NEW JERSEY POWER & LIGHT CO. has filed a registration statement for $9,000,000 first mortgage bonds due March 1, 1974, and 30,000 shares of cumulative preferred stock, par $100 per share. The interest rate on the bonds and dividend rate on the preferred stock will be filed by amendment.

Address—9 West Blackwell Street, Dover, N. J.

Business—Utility company.

Underwriting—The bonds and stock are to be offered for sale at competitive bidding pursuant to the Commission's competitive bidding Rule U-50, and the names of underwriters will be filed by amendment.

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

Proceeds—Proceeds from sale of bonds and stock, together with additional funds from the company's treasury to the extent required, will be used to redeem on or about July 1, 1944, $9,000,000 outstanding 4½% first mortgage bonds, due 1960, at 105 and 33,060 shares of $100 par $6 preferred stock outstanding at 110.

Registration Statement No. 2-5355. Form S-1. (4-21-44).

DATES OF OFFERING UNDETERMINED

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

AMERICAN BAKERIES CO.—13,000 shrs. of class B stock (no par). The stock offered for sale is that of L. A. Cushman and Martha Bryan Allen Cushman as trustees of L. A. Cushman Trust. Names of underwriters and price to public by amendments. Filed March 29, 1944. Details in "Chronicle," April 6, 1944.

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

CARPENTER PAPER CO.—15,000 shares of common stock (par $1). Price to public $30 per share. 1,717 shares are being currently offered to a group of officers and employees at $21.50 per share under a separate registration and prospectus. Net proceeds ($446,000) are to be used for working capital. No underwriters named. Filed Mar. 30, 1944. Details in "Chronicle," April 6, 1944.

KLINE BROTHERS CO.—$500,000 5% sinking fund notes, due March 1, 1954. To be offered at 100 net, proceeds will be applied as follows: To redemption of $243,600 5% sinking fund notes, due May 1, 1952, at 100, $243,600; to renewal of equipment, etc., $75,000; for working capital, $74,295, and for post-war expansion, $80,000. Illinois Securities Co., Joliet, Ill., underwriters. Filed March 24, 1944. Details in "Chronicle," March 30, 1944.

PEERLESS IMPERIAL CO., INC.—4,000 shares of preferred stock ($100 par). Company is offering, without underwriters, to its various customers and others the 4,000 shares of preferred stock at $100 per share plus dividends. Proceeds for working capital. Not underwritten. Filed March 29, 1944. Details in "Chronicle," April 6, 1944.

PLOMB TOOL CO.—$600,000 10-year 5% convertible debentures due Jan. 1, 1954. Proceeds will be used to redeem first mortgage bonds, reimbursement of company for funds used to redeem preferred shares and reduction in V-loan. Price to public and names of underwriters by amendments. Filed Mar. 29, 1944. Details in "Chronicle," April 6, 1944.

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

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

SOUTH COAST CORP.—$1,702,260 5% cumulative income debentures (subordinated) due Nov. 30, 1973. The debentures are owned by Celotex Corp. and do not represent new financing. Paul H. Davis & Co., Chicago, is named underwriter. Filed March 31, 1944. Details in "Chronicle," April 6, 1944.

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

THE TRION CO.—12,850 shares of 5% preferred stock, cumulative (par $100). Ingalls & Snyder; Wyatt, Neal & Waggoner; R. S. Dickson & Co., Inc.; Kirchofer & Arnold, Inc.; Robinson-Humphrey & Co.; Brooke, Tindall & Co.; J. H. Hilsman & Co., Inc.; Clement A. Evans & Co., Inc.; A. M. Law & Co., and H. T. Mills. Filed March 31, 1944. Details in "Chronicle," April 6, 1944.

VIRGINIA ELECTRIC & POWER CO.—An amended plan for merger of Virginia Electric & Power Co. and Virginia Public Service Co. filed with SEC April 17, 1944. Amended plan provides following changes from original plan: (1) $23,000,000 of 3% bonds of Vepco will be sold instead of $24,500,000 of 3½% bonds; (2) $9,000,000 of 2¼% 10-year serial notes will be issued instead of $5,000,000 2¼% 5-year serial notes; (3) each share of Vps preference will receive one share of new Vepco $5 dividend preference stock plus, for the 7% Vps preference, $24.50 in cash and for 6% Vps preference $19 in cash (plus accrued dividends in both cases); Vepco will restrict dividend payments on common to an extent which will leave in surplus $11,020,000 over a period of 10 years as compared with original proposal of $6,000,000 over a period of five years. Original plan filed Feb. 28, 1944, details of which were outlined in "Chronicle," March 16, 1944. Bond will be sold through competitive bidding.

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs. registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company, due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs. previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter. Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

Schram To Address New York Bond Club

Emil Schram, President of the New York Stock Exchange, will address a luncheon meeting of the Bond Club of New York to be held on May 1 at the Bankers Club, Richard de La Chapelle, President of the club announced today. Mr. Schram will discuss "The Role of the New York Stock Exchange in the Post-War Period".

Steep Rock Mines Look Good

The 5½% debentures of '57 and capital stock (VTC's) of Steep Rock Iron Mines, Ltd., offer interesting possibilities, according to a memorandum prepared by Otis & Co., Terminal Tower, Cleveland, O. Copies of this memorandum may be obtained from the firm upon request.

"Our Reporter On Governments"

By E. P. TEE

The dullness of the Government bond list in recent sessions gives evidence of developing into a continued stalemate for the next few weeks. The reasons are not hard to discern. . . . They are:

1. No particular urge exists on the part of buyers or sellers to do anything likely to change the present price level. . . . Switching around has ceased for the time and the savings banks and insurance companies have not as yet appeared with portfolio offerings to make room for their purchases of Fifth War Loan securities. . . . Indications are that most of these large investors will keep their high coupon and premium issues for another few weeks. . . . They feel that the market will be there when they are ready to act in clearing the decks for new drive securities. . . . In the meantime, the coupon income carry is too attractive to sacrifice at this early date. . . .

2. The market has no present leadership. . . . Normally the large New York banks provide this essential ingredient to market activity. . . . But they have no excess funds for investment, which means that the Federal Reserve banks must assume this role when conditions demand. . . . Their position as regards the market is exclusively that of a stabilizer. . . . With the market in balance of its own accord, the activities of the Open Market Committee during the past few weeks have been limited almost exclusively to bill purchases directly from those banks which are in need of reserves. . . .

3. The market has been waiting on invasion news. . . . This is perhaps the most important factor of all. . . . While Government bond dealers admit that their list is more immune to "jitters" than any other market, the impending assault on Fortress Europe has undeniably slowed up trading activity and caused potential buyers to hesitate. . . .

POSSIBLE FUTURE TRENDS

What will the Government list do once the invasion thrust starts? Well, of primary importance to Government bondholders is the fact that dealers are almost unanimous in the belief that no break in prices such as followed Pearl Harbor is likely to occur. . . . There has been too much advance talk about the invasion for one thing, so that the list is insulated to the main shock. . . . More important, the money market management is ready to give the list full support. . . . Fears respecting a sharp price break may be largely brushed aside, is the consensus of leading dealers. . . .

Opinion differs from that point on, however, with some people expecting nervous selling that may force prices down a few thirty-seconds. . . . But, and this is important, no penetration of the wartime interest rate pattern is looked for, even by the most pessimistic. . . .

Others anticipate that with the waiting period and its attendant uncertainties passed, the list might even show a slight uptrend. . . . They look for it to reflect psychological relief that we are at last swinging hard on the European front. . . .

QUICK SUCCESSES

Should we quickly establish strong beachheads, it is generally expected that a good rally in prices would get under way. . . . This would presage an earlier end to the war than most people have been schooling themselves to anticipate. . . .

The ending of the war to bank and insurance men means:

1. A sharp drop in deficit financing and the necessity of further large Treasury loans, and

2. Earlier revision downward of the excess profits taxes than now appears in prospect.

Therefore, dealers state that early success in the Continent will probably see some selling in the partially tax-exempts and buying of the taxable issues. . . . This can happen once we have "jumped the Channel" and long before ultimate victory is in sight. . . . It adds up to an earlier peace. . . .

The reasoning behind this opinion is that many holders will try to cash in on the handsome premiums now carried by the tax-exempts and replace these holdings with the taxables near par. . . . The lower coupon income on the taxables would more than offset the premium risk incidental to any impending change in the excess brackets. . . .

Should the invasion reveal that we have a long, tough fight ahead, dealers state that the effect of this realization on the market should be nil. It would put us exactly where we are today, except that we would then know that a hard war must be won. . . .

As the financial machinery is geared for a long struggle and since the present market has been conditioned to expect this, it is maintained that so far as the Government list is concerned, the only news out of the coming invasion likely to seriously influence prices is good news. . . .

FEDERAL RESERVE RATIO

Undue attention currently is being paid to the Federal Reserve Bank ratio, in the opinion of many bankers. . . . They believe that fears in some quarters concerning the probable effects of a further ratio decline on Government bond prices are not warranted. . . . The ratio stood at 60 last week, down 31 points since our entry into the war and 20 points above the legal minimum. . . .

Cause of the decline has been the steady increase in money in circulation (mostly Federal Reserve notes) and to a lesser degree, the loss of gold through foreign earmarking. . . . The declining ratio can be halted any time authorities see fit to act. . . . They have several strings in the bow, such as using the Stabilization Fund gold, issuing Federal Reserve Bank notes, issuing silver certificates, reducing reserve requirements or seeking Congressional change in the present figure. . . .

Federal Reserve Bank notes probably will be issued if the decline continues and authorities decide that some action is required. . . . But one thing is dead certain—no mathematical ratio is going to be permitted to interfere with the war financing or the smooth operation of the Government bond market.

Sees Equity Bargains Non-Existent Before Long

Ambrose R. Clark of Ambrose R. Clark Co., 71 Broadway, New York City, makes the following comment regarding equity values in a communication to a member of the "Chronicle" staff: "If only more intelligent discussions eventuated in the press we might get somewhere in our very over managed economy." "The trouble is," Mr. Clark continues, "everybody has so much to do and study they don't have much time left to secure a balanced judgment, the result is the rampant confusion which exists today. It is increasing and will continue to rise until after European invasion and until after the political conventions are held; then we shall begin to emerge from the fog of crushed private initiative and political dictatorships. Therefore, we firmly believe equity bargains will be non-esistant after the above events transpire. There is such huge hoards of idle cash piled up. Activity will run to volume and velocity as public confidence is gradually restored and the average person begins to have a clearer picture of the immediate future. I believe history will repeat and we are destined for a military President, the public is so fed up on New Deal, Old Deal politics, a clean slate evidently is wanted for Washington Government."

Pension Trust Advantages

A book on Pension Trusts is being distributed by The Connecticut Mutual Life Insurance Company, Hartford. This book covers such subjects as the advantages of a pension trust to both employer and employee, how to create a pension trust, legal requirements, and how to make it qualify for tax advantages. Copies may be had from Connecticut Mutual Life Insurance Co. upon request.

To Be Marks & Campbell

Effective today the firm name of Eric H. Marks & Co., 49 Wall Street, New York City, members of the New York Stock Exchange, will be changed to Marks & Campbell.

Halsey, Stuart & Co. Offers $14,000,000 Cudahy Bonds

A new issue of $14,000,000 first mortgage 3% bonds of the Cudahy Packing Co., Series B due in 1964, was offered April 26 at par and interest by an underwriting group headed by Halsey, Stuart & Co., Inc. Proceeds of the financing will be applied to the redemption of $17,182,500 of first mortgage 3¾s of the company, which also will borrow $3,500,000 on unsecured serial notes from banks in New York and Chicago to be applied to the retirement of $4,000,000 of 4% debentures.

Associated with Halsey, Stuart & Co. in the offering are Goldman, Sachs & Co., Central Republic Co., Inc.; Ladenburg, Thalmann & Co., F. S. Moseley & Co., A. G. Becker & Co., Inc.; Hallgarten & Co., Shields & Co., Blair & Co., Inc., Paine, Webber, Jackson & Curtis and William Blair & Co.

In the opinion of counsel, the new bonds will constitute a first lien on substantially all permanent physical propperty of the company, and there will be pledged as additional security substantially all outstanding shares of active subsidiaries. A sinking fund beginning in 1952 is designed to retire 42% of the bonds before maturity.

The financing will result in a reduction of more than $3,500,000 in funded debt and of more than $300,000 annually in maximum interest charges.

C. L. Ebner, Jr., With Bateman, Eichler Co.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—Charles L. Ebner, Jr., has become associated with Bateman, Eichler & Co., 453 South Spring St., members of the Los Angeles Stock Exchange. Mr. Ebner was formerly Manager of Protected Investors of America, San Francisco; prior thereto he was Los Angeles Manager for Hare's, Ltd., and was Manager of the Trading Department for Morrison Bond Co., Ltd., Fewel, Marache & Co. and Paul J. Marache & Co.

Vance, Sanders & Co. Is Formed In Boston

BOSTON, MASS.—The partnership of Vance, Sanders & Co., 111 Devonshire St., has been formed to succeed Massachusetts Distributors, Incorporated. Partners of the new firm are Henry T. Vance, David T. Sanders, Hatherly Foster, Jr., William F. Shelley, and Edward E. Hale, general partners; Margaret H. Traylor, Hovey E. Slayton, Jr., and Virginia S. Straw, limited partners.

The personnel of the firm will remain the same and representatives will be maintained in Chicago, Jersey City, and Los Angeles.

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