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The Keynes-Morgenthau Plan As Revised By The Experts Of Thirty Nations

By BENJAMIN M. ANDERSON, Ph.D.

(Dr. Anderson is Professor of Economics at the University of California, Los Angeles. He was formerly Economist of The Chase National Bank of the City of New York. He is Consulting Economist of the Capital Research Company, Los Angeles, is a member of the Executive Committee of the Economists' National Committee on Monetary Policy, and is a member of the Post-War Committee of the California Commission on Interstate Cooperation.—Editor.)

The "Commercial and Financial Chronicle" asks me to comment upon the "Joint Statement By Experts on the Establishment of an International Monetary Fund" released by the United States Treasury on the evening of Friday, April 21, 1944. The plan proposed in this joint statement is, of course, an outgrowth of the Keynes Plan dated April 8, 1943, and the Morgenthau Plan released April 6, 1943. The Morgenthau Plan was subsequently revised[1] on July 10, 1943.

Benj. M. Anderson

I said in my address of May 11, 1943, that both the Keynes and the Morgenthau Plans were, in my opinion, British plans.[2] Both were Keynes plans.

The plan released April 21, 1944, is still a Keynes Plan, though it is quite possible that Lord Keynes may himself repudiate it. It does not provide for a world inflation in so simple a manner as the original Keynes plan does. The new plan would rather pave the way for a world inflation with a series of somewhat brutal interruptions, though the ultimate result might be expected to be the same, and although the first joyride could well be very intoxicating.

In one important point Lord Keynes has triumphed over Mr. Morgenthau. The original Keynes plan provided a new international currency called "Bancor" which was to be fixed in gold "but not unalterably," whereas Mr. Morgenthau's original "Unitas" was to be fixed in gold with no provision for alteration. The new plan drops both Bancor and Unitas but provides (IV, 5) that "an agreed

1—The texts of these three documents will be found in the *Federal Reserve Bulletin* of June and September, 1943.

2—An address before the Los Angeles Chamber of Commerce, May 11, 1943. Since then I have discussed this problem in the light of subsequent developments in the *Commercial and Financial Chronicle* of December 16, 1943, and in an address before the Chamber of Commerce of the State of New York on February 3, 1944. Copies of these three documents may be obtained from the Economist's National Committee on Monetary Policy, 70 Fifth Avenue, New York City.

(Continued on page 1832)

Post-War Financial Problems And Outlook

Stock Exchange Head Not Concerned Over Wartime Fiscal Policies Impairing Purchasing Power Of Post-War Dollar—Sees Need For Balancing Federal Budget When War Terminates—Says Banks Are Or By Next Year Will Be Subject To Excess Profits Taxes

Speaking informally at a luncheon meeting of the Bond Club of New York on May 1, Emil Schram, President of the New York Stock Exchange reviewed the important and pressing problems which will confront the country during the period of post-war conversion and the readjustment to a peace-time economy. After pointing out the part played by members of the Bond Club in influencing industrial thoughts and policies, because of

Emil Schram

(Continued on page 1821)

Profits In A Strait-Jacket

By WILLFORD I. KING

Professor of Economics, School of Commerce, New York University
Member Economists' Committee on Reconversion Problems

That monetary inflation gradually undermines the whole system of private enterprise is well illustrated by the series of directives being issued from Washington by the Office of Economic Stabilization. Any competent student of economics knows that the relationship of profit to the system of free enterprise is much like the relationship of gasoline to the automobile—that profit, like gasoline, makes the machine go. When the motivating agent is lacking, the machine stops. But inflation is likely to lead to price regulation, and price regulation almost inevitably leads to limitation of profits. That such is the case is illustrated by the sequence of events connected with price regulation in the field of manufacturing.

Willford I. King

On Nov. 16, 1943, Mr. Fred M. Vinson, Director of Economic Stabilization, directed Donald M. Nelson, Chairman of the War Production Board, and Chester Bowles, Administrator of the Office of Price Administration, to take steps "to insure the production of adequate supplies of essential consumer goods" in those cases in which "existing maximum price regulations constitute a serious impediment to the effectuation of the production programs." In such cases, the Office of Price Administration was ordered, when necessary, to "allow price increases beyond the minimum requirements of law"—such price increases to be approved by the Director of Economic Stabilization. However, permission for such increases was to be granted

(Continued on page 1840)

In This Issue

Special material and items of interest with reference to dealer activities in the State of Pennsylvania appears on page 1826.

General index on page 1840

Gold In Post-War Monetary Plans

Dr. Edwin W. Kemmerer Outlines Eleven Principles Of Monetary Policy, Comprising International Monetary Cooperation With Voluntary Adoption Of National Monetary Units To Conform To Each Country's Needs; The Establishment Of A Simple, "Fundamentally Automatic" Gold Standard, With Convertibility Of All Currency Into Gold, And Elimination Of Restrictions On Gold Movements And Exchange Rates—Holds Central Bank, Free From Government Domination, Should Be Sole Monetary Authority—Favors An "International Central Bank"

Dr. Edwin W. Kemmerer, Emeritus Professor of International Finance in Princeton University, and President of the Economists' National Committee on Monetary Policy appeared before the Foreign Affairs Committee of the House of Representatives on April 26 and gave testimony regarding the position of gold in post-war monetary planning. Some of the major points discussed by Professor Kemmerer are to appear in his forthcoming book, entitled "Gold and the Gold Standard". His statement before the Congressional Committee follows:

E. W. Kemmerer

At the end of the war the world will be confronted with the problem of rehabilitating its monetary systems and of thereby bringing order out of the monetary chaos which the war has created. Many different kinds of monetary standards will have their advocates and the debate will be a vigorous one in terms both of light and heat. Discussions of the problem at this time should contribute to the formation of an intelligent public opinion and our own country should be prepared to act promptly and effectively in meeting its own great responsibility in the field of post-war monetary reconstruction.

The first requirements of any post-war monetary standard that can be wisely adopted internationally and maintained for any considerable time is that it shall have the confidence of the people. It should be free from international jealousies. Like Caesar's

(Continued on page 1830)

Riley and Wright Head F. H. Koller Depts.

F. H. Koller & Company, Inc., 111 Broadawy, New York City, announce the association with their firm of William G. Riley as manager of the trading department and R. M. Wright as manager of the wholesale department. Mr. Riley was formerly with T. J. Feibleman & Company, and Peter P. McDermott & Company. In the past he conducted his own investment business under the firm name of W. G. Riley & Co. Mr. Wright was with Schluter & Company, Inc., L. G. Smith Company, and was a partner in R. M. Wright & Company.

Beckhart Presents A Post-War Monetary Stabilization Plan

Chase Bank Economist Proposes Establishment Of A Foreign Credit Administration, Similar To That Contained In Resolution Of Congressman Chas. E. Dewey—Sets Forth Six General Principles To Be Followed And Offers A Five-Point Criticism Of The "Experts International Monetary Fund"

Professor B. H. Beckhart, Director of Research of the Chase National Bank of New York, Professor of Banking at Columbia University and a member of the Economists' National Committee on Monetary Policy appeared by invitation before the Committee on Foreign Affairs of the House of Representatives on April 27th to give testimony on the House Joint Resolution (No. 226) introduced by Congressman Charles S. Dewey of Illinois to establish a revolving fund of $500,000,000 to provide for post-war financial stabilization and financial assistance to foreign nations. At the same time, Dr. Beckhart presented on his own responsibility to the Committee a critique of the International Stabilization Fund proposed by the United Nations' Experts, and released by Secretary of Treasury Morgenthau on April 21st.

B. H. Beckhart

Dr. Beckhart's prepared statement before the Committee follows:

"Congressman Dewey's proposals can best be viewed against the background of the entire role of the United States in international finance and economic relationships in the post-war period. In other words they constitute one of a series of important actions which this Government might undertake in the extension of financial assistance to foreign nations.

"Accordingly, I should like to set forth a few general principles which might be given consideration in the development of our international financial and trade policies:

1. In extending aid to foreign nations we should distinguish very carefully between gifts and loans, between the financial aid which we extend to relieve human suffering and distress and for which we do not expect repayment, and the financial aid which we extend for economically productive purposes and for which we expect repayment. Nations occupied by the Axis powers will stand in desperate need

(Continued on page 1838)

Inglis Elected V.-P. Of Blyth & Co., Inc.

SAN FRANCISCO, CALIF. — The election of John Inglis as a vice-president of Blyth & Co., Inc., has been announced by Charles R. Blyth, President. Mr. Inglis has been engaged in the investment business in San Francisco for 20 years and has been with Blyth & Co., Inc. since 1933. He now heads the Pacific Coast municipal department of the firm, with headquarters in the San Francisco office in the Russ Building.

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Latest Score In Poll On NASD 5% Mark-Up Rule: 837 Opposed; 149 In Favor

The above caption is self-explanatory, containing as it does the current results of the poll conducted by the "Chronicle" to ascertain the views of the NASD membership on the Association's 5% mark-up rule. These results of the survey warrant two conclusions: (1) the abject fallacy of the statements by Association officials to the effect that only a "small misguided minority" do not favor the so-called "philosophy," and (2) that the Board of Governors can no longer fail to heed the demand of an overwhelming majority of its members that the rule be rescinded without further delay. For the record, we give here the latest results of the balloting, which includes votes cast up to and including May 3, 1944:

RETURNS FROM NASD MEMBERS

Total Ballots Cast	986
Number Favoring 5% Rule	149 or 15.1%
Number **Opposed** to 5% Rule	837 or 84.9%

N.A.S.D. Catechism

With Hamlet we soliloquize, "To be or not to be." That was a real issue when the N.A.S.D. was aborning. The history of the machinations behind the activities which brought it into being would make an interesting record and a revealing one to the suckers, some of whom are being hoisted by the petard they support, and more of whom will be increasingly destined to meet the same fate. What an astonishing view a behind the scenes picture would be! Perhaps some day it will be told.

In the meantime, we have our lesson, and here goes.

Question 1: Is the N.A.S.D. a private association intended to protect its members?

Answer: No. Because if it were

a) There would be no need for an enabling law such as the Maloney Act, and

b) It would be powerless to exercise legislative functions such as it has done through the medium of its "5% spread philosophy."

Question 2: Is the N.A.S.D. a strictly public body?

Answer: No. Because it has dues paying members, whom it assesses for the maintenance of organization.

Question 3: What is the N.A.S.D.

(Continued on page 1821)

Congressman Dewey On Post-War International Rehabilitation

Supports Before House Committee On Foreign Affairs His Resolution For $500,000,000 Revolving Fund—Opposes United Nations International Stabilization Plan And Urges Preservation Of Our Gold Reserve—Advocates Freedom of American Action

Representative Charles S. Dewey, Republican of Illinois, appeared before the Foreign Affairs Committee of the House of Representatives on April 25 in support of his resolution (H. J. Res. 226) to provide for a reconstruction fund to be used in joint account with foreign governments for rehabilitation, stabilization of currencies and reconstruction. The resolution calls for an initial revolving fund of $500,000,000 to be administered by a board of governors consisting in part of representatives of various government departments and organizations.


Rep. Chas. S. Dewey

Mr. Dewey's statement in substance follows:

I think we must have some means of world stabilization; we must have some means of world cooperation, but I have not been particularly impressed by the academic approach that has so far been had. I am not particularly impressed by an international conference representing, as was stated on Thursday last when the Secretary of the Treasury mentioned his plan of some 30 nations, which would sit together and discuss these plans.

I have the greatest admiration for the practically selfish approach of the representatives of other nations. They are only doing their duty that they should

(Continued on page 1836)

Securities Dealers Committee Sees Small Business In Jeopardy

Petitions SEC For Public Hearings On NASD 5% Rule

A petition was served on May 2 upon the Securities and Exchange Commission by the recently formed Securities Dealers Committee asking for public hearings and revocation of the "5% spread rule" passed by the Board of Governors of the National Association of Securities Dealers. The action, it is noted, represents the first formal step taken by the Committee to bring about the abrogation of the rule and is in line with its stated objectives to combat all such proposals which it believes are really harmful to the securities business and against the public interest.

The petitioners are William S. Baren, Baron G. Helbig and Benjamin S. Lichtenstein, who represent a group of dealers and brokers from all parts of the country, formally known as the "Securities Dealers Committee," which is being supported by nation-wide voluntary contributions. They claim the issues involved are not limited to the securities field but are national in scope, may affect our whole economy and have a distinct bearing on the post-war reconstruction period, because the rule invoked by the NASD prevents the financing of small business, destroys competition and aids in the dissemination of monopolistic practices.

Purport of the Rule

Last fall, the Committee points out, the NASD, by its governing board, passed a rule which, in effect, places a ceiling upon spreads between the purchase and sales prices in the securities field. The effect of this will be to gradually destroy the small dealers, since the profit motif is entirely disregarded and the cost of doing business in many instances is larger than the 5% limitation which has been fixed.

It is claimed that this rule, if

(Continued on page 1837)

Dealers Cite Reasons Why NASD 5% Rule Imperils Small Business

Emphasize That Attempt To Limit Gross Spread To 5% Will Kill Interest In Capital Issues Of Smaller Enterprises

The fact that approximately 85% of the members of the NASD are unalterably opposed to the Association's 5% mark-up rule was developed in the poll of the membership recently undertaken by the "Chronicle", current results of which will be found on page 1819. Of equal significance, however, is the further disclosure that the bulk of the comments received on the subject hold that the rule, if it stands, will virtually close the doors of the capital markets to the nation's smaller businesses. In this connection, we give further below some more of the expressions that have been received from members of the NASD. Others appeared in our issues of April 13, April 20 and April 27. Apropos of the rule itself, mention is made of the fact that, as reported in detail elsewhere in today's issue, the recently formed Securities Dealers Committee has petitioned the SEC to hold public hearings on the measure. This represents the Committee's initial formal action in its campaign to work for the abrogation of the rule and the correction of other measures which it deems equally injurious to the welfare of the entire securities industry.

With respect to the additional comments herewith regarding the effect of the rule on markets for securities of smaller enterprises, 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.

CHICAGO, ILL.

It will limit the marketability and trend toward weaker bids and lower prices.

SMALL TOWN IN ILLINOIS

We believe the effect this rule will have on the market of the smaller corporations of the country will be definitely adverse.

The securities of smaller corporations as well as most over-the-counter securities demand relatively greater investigation, study, attention and research work first, in the proper selection thereof for proper distribution or recommendation to customers and, second, in the constant checking of current conditions and future prospects in behalf of customers holding same. This applies, of course, to a substantial degree for larger or well-known listed issues; however, we believe, it is academic that the smaller issue or the normal unlisted security demands much more of the dealer's time and special data gathering.

Also, because of the plain fact that to retail such issues demands much more discussions, sales effort and specialized knowledge, before such issues can be placed. However, experience has shown that many of these issues prove to be much more satisfactory and profitable to customers than many larger, well known or listed issues.

We believe that one of the chief faults of a 5% mark-up rule is that it places the emphasis on percentage of profit (gross profit) to the dealer, rather than on the percentage of profit, satisfaction and security to the investor or speculative customer. A 2% mark-up or profit to a dealer or salesman is quite dear, if the security is poorly selected or judged, and the customer loses 50% of his capital. A 10% mark-up or gross profit is cheap if the security, because of

(Continued on page 1834)

A. A. Fraser With U. S. Trust Co. In N. Y.

Alfred A. Fraser, III, has become associated with the investment department of the United

Alfred A. Fraser III

States Trust Company, New York. He formerly did analytical work in the buying department of the Lee Higginson Corporation.

Complete Secondary Distribution Of Amer. Gas & Elec. Common

Secondary distribution was effected on May 2, 1944 by Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, and Coburn & Middlebrook, 1 Wall Street, New York City, of a block of 15,000 common shares of American Gas and Electric Co. at 27⅝ with a dealer concession of 75c per share. The offering was immediately oversubscribed.

Cruttenden Co. Opens Los Angeles Office

Cruttenden & Co., 209 South La Salle Street, Chicago, Illinois, members of the New York and Chicago Stock Exchanges, announce an expansion of their facilities as underwriters, distributors and brokers in listed and unlisted securities through the opening of an office in Los Angeles, Calif. at 634 South Spring Street.

The new office will be under the supervision of John B. Dunbar partner of the firm.

Bosworth An Officer Of Ball, Coons & Co.

CLEVELAND, OHIO — Ball, Coons & Co., investment bankers, Union Commerce Building, announced the appointment of Richard W. Bosworth as an officer of the company in charge of their investment and account analysis department.

Mr. Bosworth is a graduate of Oberlin College and Harvard Graduate School of Business Administration. Until 1933 he was manager of the statistical department of the Union Trust Co. Since then he has been with the National City Bank, of Cleveland, where he was assistant vice-president in the investment division in charge of trust investments.

At Ball, Coons & Co., Mr. Bosworth will continue investment work similar to that in which he has been engaged for the past 19 years.

Mr. Bosworth is a son of the late Dean Edward I. Bosworth, of Oberlin. He is a director of the Forest City Products Co. and a trustee of the Cleveland Society for the Blind.

Now Wm. S. Baren Co.; A. A. Smith With Firm

William S. Baren is now doing business as William S. Baren Company and has moved to larger quarters at 42 Broadway.

A. Albert Smith, formerly with Hunter & Co. and prior thereto with Dimpel, Hulsebosch & Co., is associated with the firm.

Mr. Baren is a member of the Securities Dealers Committee which was recently organized to fight the NASD 5% rule and other measures inimical to the stock and bond business.

Patton With Byllesby

H. M. Byllesby and Company, Inc., 111 Broadway, New York City, announce that Leo M. Patton has become associated with them. Mr. Patton was previously with Lee Higginson Corp. and M. J. Meehan & Co.

Armin A. Bohn Joins Merrill Lynch Co. Staff

(Special to The Financial Chronicle)

INDIANAPOLIS, IND.—Armin A. Bohn has become associated with Merrill Lynch, Pierce, Fenner & Beane, Fletcher Trust Building. Mr. Bohn was formerly with Fisher & Co. and was an officer of Fisher, Bohn & Co.

N.A.S.D. Catechism

(Continued from page 1819)

Answer: We have been trying to get the Board of Governors to state their position, but they won't tell. They seem to play up the public, private, or quasi-public nature of their activities, depending upon the instant tune which pleases them best.

Question 4: In the organization of N.A.S.D., how far have the democratic processes been observed?

Answer: Rather than give you the absolute negative in reply, we state some facts for you to mull over.

As we know, in true democracies, the reservoir of power is in the governed, the people. That is axiomatic and explains why in our constitutional form, the powers which were not expressly granted to the Federal Government were deemed to have been reserved to the several states.

How does the N.A.S.D. handle this problem?

We quote from its certificate of incorporation:

"Eighth * * * In furtherance and not in limitation of the powers granted by statute, the Board of Governors is expressly authorized unless the by-laws otherwise provide: To make, alter or repeal the by-laws of the Corporation."

"Tenth—The Corporation reserves the right to amend, alter, change, or repeal any provision contained in this certificate of incorporation, in the manner now or hereinafter prescribed by statute, and all rights conferred upon members are granted subject to this reservation."

As is plain from these quotations, the Board of Governors and not the members constitute the mainspring of power, and the by-laws have been cleverly drafted with this ideology in mind. Small wonder then that the "5% rule" can be flaunted, whilst these Board members persist in their refusal to explain what conferences their representatives had with S.E.C. to bring about this "philosophy."

You will observe that the rights of members are subject to reservations in favor of the Board. WE DON'T CHOOSE TO CALL THAT "DEMOCRATIC."

Then there is this other vital and dangerous situation, N.A.S.D. members are given certain exclusive privileges such as participation in underwritings, and dealing amongst themselves upon more favorable terms. From these, non-member dealers and brokers are excluded. This type of special legislation of monopolistic origin must not endure. It renders decadent the very fabric of our democratic processes.

Now, then, trials by one's competitors, by the members of the Business Conduct Committee in the very area wherein one is doing business—these certainly are a negation of what we have learned to regard as fair.

We can go on, but why? In the formation of the N.A.S.D., the flame of democracy sputtered low. Lastly, was there, is there, need for the N.A.S.D.? IT MUST BE PLAIN BY NOW, THE ANSWER IS NO.

The fact that the Board of Governors of this hybrid has saddled the securities field with the illegally conceived "5% rule," and has had the insulting and continuing temerity to persist in its enforcement despite the knowledge brought home to it that a large majority of the members opposed this "philosophy" is in itself an answer.

As we see it, outside of certain special monopolistic privileges of doubtful value or legality, those police powers which the N.A.S.D. seeks to exercise are more fully possessed, and capable of honest exercise by the S.E.C. Whilst there is much to be desired in the S.E.C. set up, still it is decidedly to be preferred over N.A.S.D., being a public administrative body, with trial commissioners who give full time to its work, and who are in no sense competitors of the defendants. Support is by Congressional appropriation, not by private exactions claimed to be voluntary, but really exchanged for special monopolistic privileges.

The autocratic attitude of the Board of Governors of the N.A.S.D. in flagrantly disregarding the views of its members, has gained no friends for it.

IN OUR OPINION, THERE IS NO NEED FOR THE N.A.S.D.

Post-War Financial Problems And Outlook

(Continued from first page)

their contacts with investors, Mr. Schram said:

I should like to consider with you today some of the questions that are in all of our minds concerning the shape of things to come after the war has been won. I shall first touch, briefly, upon the major developments that will occupy us during the months that must ensue until our victory has become final and, beyond victory, until the transition from war to peace has been completed.

We may expect that the defeat of Germany will precipitate a sharp decline in the volume of industrial production. Following victory over Japan, a further decline would seem likely, and this may carry our industrial output quite rapidly to the transition low level.

All of this decline, of course, will be in the production of war goods, for production of peacetime goods will begin to expand immediately after the defeat of Hitler and even when the aggregate output is at the transition low point the production of peacetime goods should have been greatly expanded. Full recovery from the low point should require not more than six or eight months and my estimate is that when this recovery is complete our aggregate production will be at least 20% higher than it was in 1940.

You will recall that the Baruch-Hancock report gave preliminary estimates that only about one-fifth of the nation's industrial capacity would involve a physical changeover problem. Assuming that this estimate is approximately correct, some of our most important industries will require time, labor and a considerable expenditure of capital to return completely to normal operations. Unquestionably, a substantial amount of peacetime goods will be produced soon after hostilities in Europe cease, particularly if there should be, as we expect, a time lag between the coming of peace in Europe and the defeat of the Japanese. A gradual, rather than an abrupt conversion, would thus occur. But, from the industrial opinion which I have gathered, it would seem that, however the transition begins, the products likely to be in heaviest demand are in the 20% area where the physical changeover of machines will be slowest and most onerous. Motor cars, household and other equipment, factory machine replacements and the like are the goods to which I refer; and surveys of consumer requirements, I understand, indicate that it is in such products that the most clamorous demand will develop.

Now, we hear a great deal about the problems of the transition period. The chief problem for large numbers of our people, of course, will be that of shifting from war jobs into peacetime jobs. If this is to be accomplished without prolonged dislocation, we must make speedy reconversion our main objective as soon as victory is in sight. This means that the Government must be prepared to cancel war contracts the moment the goods are no longer needed by our military forces. It means that there must be in readiness a procedure for prompt payment of amounts due under such cancelled contracts, and it means that manufacturers whose plants are wholly or partly freed from war production must be permitted immediately to use available materials and manpower to begin the production of civilian goods.

The problem of providing employment for all who are able and willing to work will dominate all other political, economic and social problems, not only in the transition period but in the post-war period beyond as well. Surely the will to work under good conditions and at a just wage need not be denied fulfillment in this great country, possessed as we are with magnificent productive facilities, the finest of scientific and managerial skill and an abundance of natural resources. We know that the problem of providing jobs cannot be solved unless we are farsighted and intelligent in putting our house in order. The first step in that direction is to prepare a sound tax program, to become operative upon the termination of hostilities. Such a tax program as I have reiterated so much that I am afraid the subject is becoming tiresome, would provide definite incentives to post-war business.

Our taxes must be so revised as to remove impediments to the free flow of short-term credit and long-term capital, which is the life blood of progress in this country. In this connection, I am reliably informed that many of the banks are, or by next year will be, subject to the excess profits tax so that, in effect, they will retain but 5% of the return received on future increases in the holding of taxable Government obligations and commercial loans.

(Continued on page 1824)

Harriman Ripley Adds W. B. Coy In Boston

BOSTON, MASS.—William B. Coy is now with Harriman Ripley & Co., Inc., 30 Federal Street. Mr. Coy was previously with E. H. Rollins & Sons, Inc., and was a Vice-President of Merchants National Bank of Boston.

Attractive Situation

H. H. Robertson Company offers an attractive situation (the issue is tax free in Pennsylvania), according to an interesting memorandum being distributed by Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum may be had upon request from Buckley Brothers.

Attractive Situation

The current situations in Loft Candy Corp., Majestic Radio and Television, and Allen 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.

Real Estate Securities

By JOHN WEST

New York Athletic Club First Mortgage Fee Bonds Pay Interest Arrears From Increased Earnings

Three Months' Earnings Of Current Fiscal Year Indicate 3% Interest and Approximately $200,000 Sinking Fund

On April 3, 1944, the Corporate Trustee received funds which together with previous receipts were sufficient to pay all current real estate taxes and to liquidate the balance of interest arrears. In view of the fact that all arrears have been liquidated and no defaults now exist, the agreement of July 9, 1942, between the Club and the Trustee under which the latter received the net revenue each month, is no longer in effect.

Following default in the payment of the semi-annual interest due June 1, 1942, efforts of the Club to improve its financial condition showed results which were encouraging. The Travers Island property which had in previous years shown an operating loss was closed and subsequently leased to the U. S. Navy on terms which result in a net income. Several rooms and athletic facilities in the New York City property were rented to the Air Transport Command of the Army Air Force. In addition, while membership had been decreasing for some time, this trend was halted and membership increased; in fact, as of Feb. 29, 1944, the total was 4,757 as compared to 4,127 as of Feb. 28, 1943.

All of these factors have enabled the Club to work out its difficulties without foreclosure and reorganization and the expense that would have been the result of such procedure. Fixed interest requirements amount to 2% per annum, 1% payable June 1 and 1% Dec. 1. 1% additional interest is payable, if earned, on Feb. 1 with any surplus applicable to sinking fund until the issue is reduced to $4,000,000, thereafter fixed interest increases. Based on three months of the current fiscal year, earnings indicate payment of the additional interest and about $200,000 available for sinking fund purchase and retirement of bonds.

To show the trend of earnings, the following comparison is interesting.

	Years Ended Nov. 30 1943	Years Ended Nov. 30 1942
Net before interest	$211,544.86	$12,722.14
Fixed interest	90,972.00	90,972.00
Excess over fixed interest	$120,572.86	
Deficit		$78,249.86
	Three Months Ended Feb. 29, 1944	**Three Months Ended Feb. 28, 1943**
Net before interest	$83,858.20	$49,725.38
Fixed interest	22,743.00	22,743.00
Excess over fixed interest	$61,115.20	$26,982.38
Depreciation book charges	28,401.66	28,401.67
Excess over interest and depreciation	$32,713.54	
Deficit		$1,419.29

Security for these bonds is the following:

1. A first mortgage on land owned in fee occupying the entire block front on the east side of Seventh Avenue, New York, between 58th and 59th Streets, and the 22-story clubhouse erected thereon overlooking Central Park. The land fronts 200 feet on Seventh Avenue, running back to a depth of 100 feet. The building contains all the usual appointments of a club, such as a swimming pool, gymnasium, squash court, indoor running track, lounge, library and dining rooms. The upper floors are designed as living quarters for resident members.

2. A first mortgage on 17 acres of land, the country clubhouse erected thereon, located on Travers Island, situated in Pelham and New Rochelle, Westchester County, New York, with facilities for outdoor sports. (This property has development possibilities in the post-war era.)

The encouraging feature in this situation, we believe, is the continual monthly uptrend in membership which creates a backlog of earnings to meet fixed charges. At the present level in the low 30s, the bonds should have appeal.

Laurence Simonds With Brown Bros. Harriman

BOSTON, MASS.—Laurence W. Simonds has become associated with Brown Brothers Harriman & Co., 10 Post Office Square. Mr. Simonds was formerly with Robert S. Morris & Co. and was a partner of Cooley & Co. of Hartford.

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.

Guests of NYSE

Six members of Parliament, Herbert W. Butcher, Frank Collindridge, Ralph Etherton, Lord Listowel, Major S. Frank Markham and Colonel E. T. R. Wickham, were the guests on May 1 at the New York Stock Exchange of Emil Schram, President, and John A. Coleman, Chairman of the Board. Assisting in their reception were William B. Haffner, Ernest L. Jones and George R. Kantzler, Governors of the Exchange. The guests visited the gallery overlooking the trading floor, the Board of Governors' room and the ticker department, remaining in the Exchange for an hour.

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.

Gain Or Lose On Friscos?

Raymond & Co., 148 State St., Boston, Mass., have issued an interesting discussion on how the current holders of Frisco issues will fare by the new capital setup. Post-war estimates and figures are presented in this discussion, copies of which may be had from Raymond & Co. upon request.

Public National Attractive

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

Report On Condition Of Major Solvent Railroads

R. W. Pressprich & Co., 68 William Street, New York City, members of the New York Stock Exchange, have prepared a report concerning the financial and earning positions of 39 major solvent railroads, giving fixed charges before and after Federal taxes; net income, cash and net working capital as of Dec. 31, 1943; also estimated are fixed charges for 1944 and important maturities through 1949.

Tomorrow's Markets Walter Whyte Says—

Market dullness in prospect as short covering causes minor rally—Important buying still absent.

By WALTER WHYTE

Three weeks ago this column went out on a limb in saying that the leaders were showing signs of life and that the market looked as if it were in for a real rally instead of just another one of those wiggles. Opinion was qualified by pointing out that the rally would be just a minor reversal in a down market and not the beginning of a sustained rise.

* * *

So a number of stocks were recommended, with stops. Well, you know what happened. The market slipped, grabbed a number of the stops and left the column out on a half-sawed limb. Of the original list of seven stocks only three remained. These were Electric Auto-Lite, bought at 39, stop 37; Jones & Laughlin, bought at 22½, stop 19½, and Servel, at 18, with a stop at 16¾.

* * *

As this is being written the above three stocks are back to about the prices you paid. They act all right, considering the state the rest of the market is in, but that's nothing to get excited about.

* * *

In the past two days, however, the down picture painted last week has again begun changing color. The same leaders which started poking their noses above the pack a few weeks ago are again sniffing around. The question is, are these signs important or are they the things which led me into a blind alley three weeks ago?

* * *

For the past two, or three days I've heard of various bids, interesting ones too, that existed in the market, calling for real bundles of stock. So I traced a few of these stories and discovered that in all

(Continued on page 1835)

Stitzer Joins Shields In Institutional Dept.

Mervyn B. Stitzer, for 14 years with Weeden & Co., Inc., and president of the Corporation Bond Traders Association of New York, has become associated with Shields & Co., 44 Wall Street, New York City, members of the New York Stock Exchange; in the firm's institutional bond department.

Keith Shearman Joins J. R. Williston Dept.

J. R. Williston & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that Keith W. Shearman has become associated with them in their research department. Mr. Shearman was formerly manager of the corporate statistical department for Amott, Baker & Co. and prior thereto was with Ernst & Co.

John J. Delaney Has Opened In Minneapolis

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN.—John J. Delaney has opened offices in the Roanoke Building, to engage in a general securities business. Mr. Delaney was formerly a principal of Delaney, Johnson, McKendrick Co.

Savs. Loan Ass'ns And Banks Increase Assets

During 1943, the savings and loan associations and cooperative banks of the nation in the over-$5,000,000 class marked up a $200,000,000 increase in assets, and the unprecedented number of 25 thrift and home financing institutions moved into this top-ranking group according to a recent tabulation of member associations' assets figures as of Dec. 31, 1943, by the United States Savings and Loan League. This was announced by the League's executive Vice-President, Morton Bodfish.

Morton Bodfish

Of the 185 member institutions over $5,000,000 concerned in the report, 93.5% showed an increase in assets, with only 6.5% remaining at 1942 levels because of local conditions in scattered areas. The Twin City Federal Savings and Loan Association of Minneapolis led the field with a gain of $6,795,504 bringing its assets of $18,750,496 as of December, 1942, to $25,546,000 at the close of 1943. Runner-up was the Coast Federal Savings and Loan Association of Los Angeles with a gain of $6,264,356, and the Carteret Savings and Loan Association of Newark, N. J., was third in line with a gain of $5,174,253. These are larger gains than have been made in any of the past 15 years by individual institutions.

These three outstanding associations were included in a total of 55 member institutions, each of which added over $1,000,000 to its asset figure of December, 1943, as compared to December, 1942, and collectively added well over half of the $200,000,000.

Rail Situation Interesting

Adams & Peck, 63 Wall Street, New York City, have prepared a brief resume of the plan of merger of the New York, Lackawanna & Western Railway. Copies of this interesting resume may be had upon request from Adams & Peck.

Railroad Securities

Rail men have evinced considerable interest in, and approval of, the amendments to laws regulating railroad investments of Savings Banks in New Jersey, recently signed by Governor Edge. Up to now the list of railroad bonds considered as legal investments for New Jersey Savings Banks has been notably meagre, consisting largely of equipment trust obligations and containing the mortgage bonds of only three of the country's major carriers, Union Pacific, Pennsylvania and Chesapeake & Ohio. The new regulations broaden the list materially and constructively. It is hoped that the action of New Jersey marks the beginning of a generally more enlightened legislative attitude towards the industry. For some time there has been particular agitation for revision of the archaic New York laws.

A statement accompanying the legislation (Senate Bill No. 232) outlining the purpose of the amending act states, in part, ". . . and especially so as to make eligible the bonds of certain railroads which have passed through reorganization. . . ." The act permits purchase of first mortgage bonds of a railroad company reorganized under Federal law or through equity receivership, provided the bonds were issued within five years preceding the investment.

Under previous regulations, and under the laws still regulating the legality of railroad bond purchases in New York, purchase of such bonds is impossible until they have been outstanding for a period of years so as to establish actual earnings coverage of the new charges. Pro-forma earnings of the company for pre-reorganization years applied to the new capitalizations are not sufficient to establish eligibility under the older laws. Under these older regulations the savings banks are not in a position to purchase the new high quality liens when they are first issued and most apt, because of their unseasoned nature, to be available at the most attractive price levels. The New Jersey banks will now be able to take advantage of the relatively favorable early prices.

The reorganization railroads are not the only ones benefiting from the amended New Jersey investment regulations. There is recognition also of the improved credit standing of the marginal carriers. As far as the writers knows, this is the first example of such recognition by any legislative body, and so far as regulatory bodies operating under less rigid legal restrictions are concerned there is no recognition of improvement until the improvement has become apparent to a majority of the rating agencies. Under the new New Jersey law the bonds of Atchison, Great Northern, Louisville & Nashville, Nickel Plate and Reading have become eligible.

As a new departure from the traditional practice of just taking actual reported fixed-charge coverage back over a specified period of years, New Jersey now gives weight to the effects of recent aggressive debt retirement programs of the carriers. The new law now takes the fixed charges as they are at the time of actual investment and applies the test of past earnings to such reduced charges to determine legality. In addition there may be excluded from fixed charges interest or amortization on debt already called for redemption, or any debt due to mature within six months, for the payment of which funds have been set aside.

The income available for fixed charges, and net remaining after fixed charges, is computed, for the purpose of arriving at the legality of a bond, before deduction of Federal income or excess profits taxes. It is gratifying to see at long last a realistic approach to a large investment field which, at least so far as regulatory and legislative bodies are concerned, had fallen into such disrepute. It is devoutly hoped that this step merely marks a start of a general change in investment thought.

L. E. Borregaard Is With C. W. McNear

(Special to The Financial Chronicle)

CHICAGO, ILL.—Louis E. Borregaard is now affiliated with C. W. McNear & Co., 105 West Adams Street. Mr. Borregaard was formerly with Otis & Co. and prior thereto was manager of the trading department for Baker, Fentress & Co. In the past he was a partner in Borregaard Brothers in Chicago.

Interesting Possibilities

Common stock of American-La France Foamite Corporation appears attractive according to an analysis of the situation prepared by Reynolds & Co., 1500 Walnut St., Philadelphia, Pa., members of the New York Stock Exchange and other leading exchanges. Copies of this interesting analysis may be had from Reynolds & Co. upon request.

R. A. Canon With Graham, Parsons Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Robert A. Canon has become associated with Graham, Parsons & Co., 135 South La Salle Street. Mr. Canon was formerly manager of the trading department of the Chicago office of Stone & Webster and Blodget, Inc., with which he was connected for many years.

Public Utility Securities

New England Power Association Merger Plan

SEC hearings were scheduled to begin yesterday (May 3rd) on the merger-recapitalization plan of New England Power Association, designed to streamline this rather complicated holding company system. Apparently there is no issue over geographical distribution of properties, since they are all located in New England. However, the company (which is part of the International Hydro-Electric system) controls four sub-holding companies and has a substantial interest in a fifth. Because of the "grandfather clause" and the requirements relating to capital simplification, it is necessary to readjust system relations and a plan was developed and filed with the SEC earlier this year. Under this plan, the parent and sub-holding companies will merge into a $475,000,000 company with the following capital set-up, according to the pro forma balance sheet as at March 1, 1944:

	Amount	% of Total Capital Pro Forma	Pro Forma Adj.
Oper. Subsidiaries' Funded Debt	$81,300,000	21%	28%
Oper. Subsidiaries' Preferred Stocks	22,100,000	6	8
Oper. Subsidiaries' Minority Interest	11,800,000	3	4
Reorgan. Holding Cos. Funded Debt	60,000,000	16	20
$2 Preferred Stock (2,594,423 shares)	71,347,000	19	24
Common Stock (5,227,368 shares)	133,653,000	35	16
	$380,200,000	100%	100%

The pro forma balance sheet shows plant account of approximately $420,000,000, less depreciation reserve of $75,000,000. However, a footnote indicates write-ups of about $82,000,000. It is understood that, in any eventual readjustment of plant account, the company feels that it would be unnecessary to write off this entire amount, because of offsetting factors. However, the FPC and SEC are apt to reduce plant account as much as possible, and assuming that the entire amount were squeezed out (together with some $4,000,000 of security values in excess of present market) this would reduce common equity to around $47,000,000 and on this basis the percentages would be as indicated in the last column of the table above.

Even if the entire write-off is deducted, the holding company's set-up remains conservative, since its securities will represent some 60% equity in subsidiaries' net plant accounts. The depreciation reserve appears ample, amounting to about 16% of pro forma assets and 22% after adjustment for write-offs.

The new holding company will hold investments in 44 operating utilities, seven miscellaneous companies, and four indirect subsidiaries, obtained as follows from the present sub-holding companies:

	Oper. Util.	Misc. Cos.	Indirect Subs.
New England Power Association (NEPA)	11	4	1
Massachusetts Power & Lt. Assoc. (MPL)	2	--	--
North Boston Lighting Prop. (NOBO)	9	--	1
R. I. Public Service (RIPS)	1	3	2
Massachusetts Util. Assoc. (MUA)	21	--	--
	44	7	4

Each share of old stock would receive new shares as follows:

Present Stock	Shares of New Company $2 Pfd.	Common
MPL $2 pfd.	.5	1.1
$2 second pfd.	--	.05
Common	--	.02
NOBO pfd.	1.5	3.0
MUA pfd.	1.0	1.0
Common	--	.2
RIPS pfd.	1.0	--
Class A	2.0	--
NEPA 6% pfd.	1.5	3.9
$2 pfd.	.5	1.3
Common	--	1.0

New England Power has not yet published its calendar year report, but for the nine months ended Sept. 30, 17 cents a share was reported earned on the common, compared with 35 cents in the previous period. For the calendar year 1942, with total system income of $16,531,336, 81 cents a share was reported and 1943 earnings will probably be lower. However, the management estimates that in a "normal average post-war year" gross income would be about $19,300,000, largely on the assumption that Federal taxes will be lower. On this basis, $1.15 would be earned on the common stock, and the preferred dividend would be earned 1.45 times on an over-all basis.

Hill, Thompson Adds

Theodore Zoob has become associated with Hill, Thompson & Co., 120 Broadway, New York City.

Post-War Financial Problems And Outlook

(Continued from page 1821)

The net return from a taxable five-year Government bond, for example, would be reduced to a little less than 1/10th of 1%. This condition develops at a time when our largest reservoirs of credit, the banks of this country, in conjunction with the Federal Reserve Board, should be formulating a broad and courageous credit policy in direct aid to production and employment after the war. My fear is that the incentive to lend will be so weakened, unless this condition is ameliorated, that we may find that sound credit risks will go wanting. This must not happen.

Our long-term private capital markets must likewise be opened up. We must revive venture capital. As we all know, it was the pioneer spirit of the past, coupled with risk capital, that made this country great.

In the attainment of our basic objectives, Congress should provide now for the elimination, directly when the war is over, of the excess profits tax and of the double taxation of corporate income. And, as a part of this program, Congress should have available a predetermined schedule of capital gains taxes which would definitely encourage broad private investment in business enterprise.

Congress is already giving thoughtful attention to such readjustments in our tax structures as would give a maximum stimulous to private initiative while at the same time marking adequate provision for the Government's fiscal requirements. Business, large and small, must know that the tax formula is to be for the post-war if it is to set up its budgets, allocate its funds and be prepared to dig its toes in and get ready to go with the ringing of the bell for victory. Likewise, individuals with an honest, wholehearted patriotic desire to pay our taxes, which we realize must remain heavy, should be permitted to plan our own personal budgets for the post-war. It goes without saying that the peacetime tax bill which Congress presents to the nation must be one that will preserve the sanctity of the national debt.

Now that presents an interesting question, and that is whether the tax burden which we will be obliged to carry in order to preserve the integrity of our money will stifle enterprise and initiative. The Federal debt after the war probably will be in the neighborhood of $275,000,000,000. It may be higher, but we should have a considerable salvage offset. The total post-war Federal budget will be close to $20,000,000,000. This would compare with a budget of $13,000,000,000 in the fiscal year 1941. The $20,000,000,000 of Federal tax revenues required to balance the budget would compare with revenues of about $8,000,000,000 in the fiscal year of 1941. If we can maintain our national income at $25,000,000,000 to $35,000,000,000 higher than it was in 1940, there is no reason why this prospective tax load cannot be carried without the impairment of necessary business incentive. The balancing of the Federal budget would put a strong foundation under the market for Government securities and it would smooth the way for a gradual refunding of short-term Government obligations into longer-term maturities.

There is another question with which we are all concerned, and that is whether we may expect a serious reduction in the purchasing power of the dollar. The increase in the nation's money supply during the war has not exceeded the expansion in the physical volume of output. It is undoubtedly true that our people could have borne a heavier tax load during the war, were it fairly distributed, and it is certainly true that a higher proportion of Government borrowings could have taken place outside of the commercial banks. We have, however, made our decision as to the level of war-time taxation and as to methods of distributing it. We have also refused to resort to compulsion in selling Government obligations to the public. In my judgment, there is little reason to believe that our wartime fiscal policies will substantially impair the purchasing power of the post-war dollar to the extent that some of our pessimists effect.

The cash balances held by individuals and by business after the war will be very much higher than before the war. These cash balances are not likely to be dissipated in reckless spending such as would drive prices to inflationary levels. They will be held as a backlog and their effect, I believe, will be to encourage a high rate of spending out of current income. In short, the prospect is for a high level of consumption, fed by a high level of production and financed from current income.

You are all familiar with the questions which are being raised today with respect to plans for the utilization of Government-owned plants and for the disposal of surplus inventories which the Government will have on its hands at the end of the war. Congress should provide concrete answers to these questions as soon as possible. For my part, I have no serious apprehension, as so many appear to have, that the Government will operate these plants for any extended period after the end of the war. The Government agencies concerned are carefully studying the problems involved and I do not anticipate any unnecessary delay on their part in disposing of the plants. There are many difficulties, however, to be overcome, and one of them is to see to it that these plants, which will necessarily have to be sold at a loss, do not compete unfairly with other plants which represent privately-invested capital.

Let us look briefly at the question of what will happen to wage rates after the war.

The answer to this question is suggested by the favorable outlook for production and employment. At the present time average hourly earnings of factory employees are about 50% higher than in 1940. When overtime premiums and shift bonuses are eliminated, the increase amounts to about 40%. There is every reason to believe that this gain of 40% in the basic hourly rate of pay will be held by labor in the post-war period. This indicates the prospect of continuation of the improvement in real wages when considered in relation to the probable lesser advance in prices over pre-war levels.

And may I remark here that one of the adjustments which Congress should quickly make in the interest of a stable post-war economy lies in the field of labor legislation. This question has been accented sharply in the last few days. the rights of employers as well as those of employees must be protected. This is essential to national solidarity and it is dictated by considerations of elementary justice.

At the present time the index of wholesale prices is 23% higher than in June, 1940, but there has been a very great divergence of prices as between farm products and prices of manufactured goods. The index of the former has advanced by 84%, the latter by only 24%. While farm prices will probably be supported by the Government's loan policy for many months after the end of the war, they probably will undergo some downward adjustment in the period after reconversion. Undoubtedly, our farmers anticipate such a correction and will regard it as a natural and wholesome market development. On the other hand, we may expect that prics of manufactured goods will probably be from 10% to 20% higher than they are today. This would still leave farm prices in a much more favorable ratio to industrial prices than prevailed before the war. And this much of an advance in industrial prices will likely cover such increases in raw material costs and in wage rates as are not reflected in wartime price ceilings.

I realize that when anyone attempts to examine the future price structure, under such circumstances as these, when the world economy has been deranged by the most destructive war in history, he is running considerable risk of being proven wrong by events. It is, nevertheless, a conjecture worth making.

When we approach the prospect for post-war business profits we find ourselves seeking to rationalize some of the anticipated trends in taxes, wages, employment and industrial activity to which I have referred. Corporate earnings will depend in large degree, of course, upon the scale of industrial activity when it loses the support of war orders. But when we consider **net** profits other elements besides gross business enter strongly into the situation.

As I have already predicted, production and distribution of goods will fall sharply for a time, when the instruments of war are no longer needed. But taxes on corporate earnings should also fall.

Reference to the Federal Reserve Board Index of Production, which was 242 in March, graphically indicates the extent to which the output of America's facilities has been expanded. In December, 1941, the month of Pearl Harbor, when foreign orders were considerable but not dominant in American business, the index stood at 176. In 1937, a good business year on the whole, the high point of the index was 121. In the business peak of the summer of 1929 it was 114.

A decline from 242 to the lowest of these figures—114—would be steep indeed for the months immediately following the end of war production. A decline to 176, the December, 1941, figure, could be more realistically contemplated, and 1941 was a good business year for profits. Although a sharp reversal of the production trend must be looked for at the war's end, it is reasonable to expect that some enlargement of the manufacture of peace goods will have occurred in advance of it, particularly if an interval should stand between the successful conclusion of the conflict in Europe, and in Asia, as we anticipate.

Whatever the cushion of peacetime production may be, it will lessen the shock of discontinued war business. With lower taxes and the two-year carry-back, which is a credit in the form

(Continued on page 1835)

"Our Reporter On Governments"

By JOHN H. RUMBAUGH

(Mr. Rumbaugh has been kind enough to act as guest writer this week. As is true of other contributors, the opinions expressed by Mr. Rumbaugh are his own and do not necessarily reflect the views of the Chronicle.—Editor.)

Anyone treading upon the toes of the economists should preface his remarks as did a well known Washington news letter publisher, "I am not an economist but I employ them when needed." . . .

It is true, as one local economist has pointed out that we saw what appeared to be the bottom of the dinner pail in 1920, when the reserve of the Federal Reserve banks got down to the penalty margin. . . . It was then that Liberty bonds reached their all-time low. . . . But it does not follow that gold certificate reserves will decide the destiny of outstanding Government securities in the near future or at any time. . . .

The Federal Reserve banks must maintain reserves of gold certificates equal to at least 40% of their Federal Reserve notes in circulation and reserves of gold certificates or lawful money equal to at least 35% of deposit liabilities. . . . If scarcity of gold certificates threatens, then why should the Federal Reserve banks hesitate to exercise their prerogative and issue Federal Reserve bank notes against which no reserve of gold certificates is required and, if expedient, use these notes as lawful money reserve against member bank deposits. . . .

RESERVE BANK SUPPORT

Successful financing of the war may require purchases of $10,000,000,000 additional Government securities by the Federal Reserve banks in order to bolster the reserve position of member banks and maintain current rate and market objectives, while we are experiencing continued increase in circulation, annual loss of upwards of one billion from the monetary gold stock through our foreign purchases and another billion or thereabouts to be contributed to international monetary stabilization. . . . We may see the reserve below the combined average of 37½% by late 1945, but why worry. . . . The Federal Reserve banks will pay their penalty for deficiency and reduce the franchise tax paid to the Treasury. . . . Federal Reserve bank earnings are increasing rapidly anyway, due to greatly increased securities acquisition. . . .

Long-term Government bonds are primarily savings bank and insurance company investments. . . . However, any commercial bank with a savings department needs long-term bonds for income and can employ them safely if using a cross section of normal deposits as a guide. . . .

Intermediate maturities are essential for the capital account appreciation and are a valuable border-line maturity investment for semi-volatile deposits. . . . Volatile deposits should be carefully distributed in maturities up to five years. . . . These can be used intelligently only after a careful analysis of the "honeymoon" deposits. . . .

BANK SOLVENCY

It is a mistake for anyone to conclude that Government securities market depreciation threatens solvency of banks. . . . Use of too many long-term bonds may temporarily embarrass the bank management, but insolvency and inability to meet deposit liabilities due to poor degree of portfolio flexibility is not even faintly a possibility. . . .

In short—there is no "dead-end" for the Federal Reserve System. It can and will purchase enough Governments to see the war financing through successfully, and the post-war reconversion period as well. . . .

If we have an inflationary boom, it would be in order for the savings bondholders to dissipate their holdings. . . . Then the Treasury meets redemptions with income and excess profits taxes. . . . Interest rates should increase to help brake the boom—curtail credit and temporize expansion. . . . But rates will not be permitted to rise. . . . More effective and less disturbing measures can be used, such as restricting credit and exercising price controls. . . .

If we have a post-war depression the price controls will work overtime. The RFC will be on hand to make essential loans. . . . The banks will be more than amply provided with investable funds. Interest rates will be low and the recovery background will be all set to "catch." . . .

Of course, there may be the time when the dealers will ask you to give them a firm offering of your bonds to be sold and permission to advise the Open Market Committee of the Federal Reserve banks just who is wishing to sell. . . . This may be followed by a request for actual proof that the funds from the liquidation are needed for essential loan purposes or withdrawals. . . . A bid would be forthcoming at once if the "Managers" were satisfied that liquidation was essential. . . . If you were making a temporary customer loan or expressed fear of market, you would probably be told to borrow at the Federal Reserve and to keep your securities. . . .

If contemplated liquidation of a portfolio entails losses that may bring a bank within a dangerous ratio of capital to deposits, the RFC or FDIC should be consulted first. . . . Chances are that a preferred stock purchase, the eventual retirement of which could be made with Government securities at par and interest, would tide the bank over. . . . However, headlong liquidation brought on through panic complex of any one or more members of an investment committee should be avoided regardless of any situation that may arise from current or post-war repercussions. . . .

As we approach the crisis in this war, portfolio managers should exercise every precaution to assure a maximum of earnings consistent with a reasonable degree of exposure of the none-too-large capital account. . . . It is virtually mandatory with good management to have daily diagnosis of volatile deposits rather than a postmortem over the investment account at some later date.

The Securities Salesman's Corner

Swimming With The Tide Is Sound Merchandising Policy

There are two types of "timing" operations that are essential to successful security merchandising. The first is concerned with offering the right security at the right time. This is fundamental to achieving investing success from the standpoint of the security buyer. Unless investors are successful, it is academic that no security dealer can continue to hold his clients and develop his business.

The second consideration, which in a way is tied in with the first, is based upon the premise that there are styles in securities the same as with any other product which is purchased by the general public. It is important, therefore, that dealers should offer the "types" of securities in the lines of industry that are currently in public favor.

Several times during the past few months we have discussed this subject with dealers who have been concentrating their sales efforts in such favored groups of securities and they have invariably attested to the lessened sales resistance to such offerings.

One firm has concentrated upon the sugar stocks, after having built a foundation of profits for their clientele in the bonds of these companies, which as is now well known have done very well marketwise during the past year. Another salesman, seeing the great public interest in television and electronics, has concentrated in this field. As he put it, I am not only doing a good job for my clients but I am convinced that this is not the day and age to try and sell "buggy whips, plush covered bibles and mohair sofas."

Still another attractive industry from the security merchandising standpoint is home appliances. One salesman of our acquaintance sold a substantial block of such a stock to one of his clients just because this investor's wife had been drumming the merits of this certain machine into his ears for several months and was eagerly awaiting her opportunity to buy one as soon as they are again available.

Other industries very much in the public eye are plastics, chemicals, post-war housing and building, and the whole wide field of automotive and accessory companies. Air transport is also an interesting and coming field of investment. There are several very attractive common stocks that are traded over-the-counter that have an excellent investor appeal.

It seems to us that an interesting investment program can be created out of these industries. There are several good merchandising angles that could be developed by alert dealers. One might be a post-war opportunity list of attractive new industry investment opportunities that could be offered to investors through newspaper or direct mail advertising. While on the subject of advertising, it is also quite evident that newspaper ads dealing with these "new industries" are especially effective as lead producers. The public is definitely interested in this subject. Another approach is to concentrate in one field. Select several outstanding television, home appliance, air-transport situations and offer them as a group or for individual selection.

The daily press is full of free advertising both editorially and from a paid standpoint—why not use it. Photo-offset reprints can be inexpensively prepared and included in mailings and with offering circulars. In this connection we can just refer as an example to the excellent advertisements of such companies as Du Mont Laboratories and Stromberg-Carlson in the electronic field, or Bendix Home Appliance in the automatic washing machine industry, as typical of the publicity that dealers are receiving regularly. It all helps to make the investing public conscious of a new trend which is developing in these industries.

If the industry is right, the company sound and the price in line with value and future outlook, why buck the tide; it's much smoother sailing to swim with it.

Reaction On Congressmen To Plan For International Currency Stabilization Mixed

In the view of Senator Connally (Democrat) of Texas, an international monetary conference is likely to be the fruit of current discussions on currency stabilization. Senator Connally, who is Chairman of the Senate Foreign Relations Committee, met, on April 21, with Secretary Morgenthau, along with his committee, and other committees to hear the proposals of the technical experts of the United Nations respecting the International Monetary Fund, reference to which appeared in our April 27 issue, page 1737. Asked whether he expected that an international conference would be the next step, Senator Connally according to the Associated Press, told reporters that "there probably would be one. I don't care to comment on the details." Congressional reaction to the $8,000,000,000 international money stabilization proposal ranged from warm enthusiasm in some quarters to the blunt conclusion of Representative Frederick C. Smith, Republican, Ohio: "So perilous to the United States that no words can describe it." We quote from an Associated Press account from Washington April 21, which also had the following to say:

Representative Robert C. Doughton, Democrat, of North Carolina, Chairman of the tax-writing House Ways and Means Committee, called the project "a fine approach to this international question." Representative Doughton presided at a conference in which Treasury Secretary Henry Morgenthau outlined the plan before it became public.

"It is the finest constructive step any government has ever taken," echoed Representative Wright Patman, Democrat, of Texas.

Several of the Representatives said they would need more detailed discussion of the plan before they could form an opinion.

Representative Harold Knutson, Republican, of Minnesota, Republican minority leader on the Ways and Means Committee, saw in the plan a "super-world government" and observed: "They deny, but not to my satisfaction, that if this super-world government is going to fix gold values they will also have the power to tell us what our tariffs shall be."

Senator Abe Murdock, Democrat, of Utah, commented: "I am not sure how all this would be done without some one getting their fingers pinched."

N. Y. Analysts To Hear

At its meeting on Friday, May 5, the New York Society of Security Analysts, Inc. will hold a round table discussion under the leadership of E. Ralph Sterling. Charles Tatham, Jr. of Institutional Service, Inc. will present some ideas on the F. P. C. and the post-war utility outlook. The meeting will be held as usual at 56 Broad Street, at 12:30 p.m.

Insurance Stocks Attractive

Huff, Geyer & Hecht, 67 Wall Street, New York City, have recently revised circulars on Employers Group Associates, General Reinsurance Corporation, and Standard Accident Insurance Company, which the firm believes offer attractive possibilities. Copies of these circulars and an interesting memorandum on American Surety Company may be had from Huff, Geyer & Hecht upon request.

Pennsylvania Brevities

Post-War Philadelphia

There is not going to be any reconversion slump in the Quaker City if the Citizens' Council on City Planning has anything to say about it, and it has. The Council is composed of 64 civic, welfare and professional organizations, formed last June from groups which supported a city ordinance creating the City Planning Commission. Since that time it has worked in close cooperation with the commission.

Last week the Council advocated Federal and State financing of an 18-point improvement program for Philadelphia and urged the "development of some borrowing capacity — perhaps $100,000,000 to $200,000,000, as the city debt is retired"—for proposed projects.

Among the projects listed as vital to the future progress of the city are:

Construction of underground or other adequate off-street parking facilities in the central city.

Widened approaches to the Delaware River Bridge and new bridges across the Schuylkill.

An elevated express highway on Delaware Avenue.

Removal of elevated tracks on Market Street, at least to 46th Street, running them underground through a Schuylkill tunnel.

Opening of the Locust Street subway and its extensions to Southwest Philadelphia.

Extension of the Frankford Elevated north of Bridge Street.

Erection of sewage disposal and incinerating plants; more parks, playgrounds and recreational centers in heavily populated sections, and extension of the Independence Hall park area for several blocks.

* * *

P.T.C. Rate Ruling

Traction operators particularly and utility companies in general found favorable significance in the April ruling of the State Superior Court which increased the limit of earnings of Philadelphia Transportation Co. to a return of 6½% on a valuation of $93,000,000. The Public Utility Commission previously restricted the P.T.C. to a return of 6% on a $77,000,000 valuation. Thomas C. Buchanan, only Democratic member of the five-man Commission, termed the Court ruling as an usurpation of the functions of the Commission, complaining that "decisions are made by the court without aid of the technical staff and facilities of the P.U.C." It is to be recalled that the last proposed plan of reorganization of the Pittsburgh Railways system failed of serious consideration largely because the drastic scaledown approved by the Pennsylvania Public Utility Commission proved entirely indigestible to security holders.

* * *

The current status of the Pittsburgh Railways situation is covered in a paragraph taken from the annual report of Philadelphia Company, over the signature of Leo T. Crowley, Chairman of the Board and President:

"A substantial group of creditors and security holders has commenced discussions with Philadelphia Company looking toward an agreement contemplating the termination of bankruptcy proceedings, the return to the Pittsburgh Railways Co. of the properties operated by trustees, the distribution of the cash so made available, and the purchase by Philadlphia Company of the securities of Pittsburgh Railways Co. and underlying companies held by the public."

Untangling an $80,000,000 snarl of many years' standing cannot be accomplished overnight but most security holders feel that a practicable approach has been made.

* * *

The Commonwealth of Pennsylvania casts covetous eyes on $1,600,000 held in trust by the Pennsylvania Railroad. The larger part, $1,500,000 represents dividends unclaimed by the owners while $100,000 is in shares of stock held by the company as trustee. Invoking the seven-year escheat law, the Commonwealth filed a suit in equity in the Dauphin County Court. The court allowed the railroad until May 20 to answer.

* * *

United Gas Improvement common perked last week on announcement of a 10-cent dividend payable June 30 to holders of record May 31. The distribution was stated to be out of 1943 surplus earnings. This month stockholders are expected to approve the exchange of present U. G. I. shares for new common in the ratio of one new share for each 10 old and the designation of a par value of $13.50 for the new shares. Quizzed by the SEC on April 20, company officials indicated that a 25-cent dividend on the new stock could probably be paid out of earnings in 1945, but that the future program of U.G.I. has not been stabilized and that the company might decide to make distribution in cash or other assets. Then again it might not.

It is not hard to believe that a change in the Administration, should the November election go Republican, might indicate a lessening of holding company persecution. Many a sadly defeathered holding company may find it worthwhile to sit tight.

* * *

Highlighting its 77th annual report, Peoples-Pittsburgh Trust Co. noted the following: Deposits of $181,749,891, an increase of 20%, setting a new all-time high; two more branch banks acquired; demand deposits showing a gain of 128% in the last four years; number of customers now more than 198,000; resources exceeding $200,000,000 for the first time; purchase of $240,000,000 in war bonds and other Government securities for the company and its customers.

* * *

First quarter sales of Philco Corp. are reported as 55% ahead of the corresponding 1943 period. March output set a new high record.

(Continued on page 1827)

Possible Refunding Of Delaware River Bridge Bonds

By WILLIAM F. MILLS

Forecasting probable future events in any field, even under most favorable conditions, often proves to be an embarrassing pastime for the forecaster. The writer recalls a book published in 1938, written by one of the then leading commentators on world affairs, in which an entire chapter was devoted to an enumeration and exposition of the reasons why Germany could not and would not go to war. More recently, one of the country's leading industrialists predicted that the war would end within two months, and his time has just about run out.

With world conditions as they are today, politically, socially, financially and militarily, prognostication of developments of the ensuing 24 hours is fraught with more danger than possibly ever before. Nevertheless, liberally hedged with "when, as and ifs," the following suggestions regarding the call and refunding of the Delaware River Joint Commission 2.70% bonds on Aug. 1, 1946, are submitted.

This discussion is predicated on two necessary assumptions, namely:

1. That the war, at least the European phase of it, is over before 1946 and that a substantial increase in the amount of gasoline and rubber for civilian use is a result.

2. That Federal income taxes and money rates remain substantially at present levels.

Taking these two assumptions as a starting point, it appears entirely possible that the refunding of the present outstanding bonds could be effected advantageously. The present debt consists of $37,000,000. 2.70% Bonds, due August 1, 1973 callable August 1, 1946 at 105. By exercising the call privilege, the Commission would be required to raise $38,850,000 to take care of the 5 point call premium. At March 31, 1944 the Sinking Fund Reserve Fund amounted to $7,115,000. Since we are assuming two major premises, let us go another step and assume that this Fund will have increased to the point by August 1946 that only an even $30,000,000 need be raised by a refunding bond issue. This is not at all unreasonable to suppose, as the Reserve Fund stood at approximately $6,200,000 in July, 1943 and now totals $7,115,000.

There are many possible ways in which the refunding issue could be set up, namely:

1. Single term issue, callable on or after a certain date.

2. Single term issue, certain amounts callable serially.

3. Straight serial issue, non-callable.

4. Serial issue, all maturities callable on or after a certain date.

5. A combination of serial bonds and a term issue, callable.

A straight serial issue, non-callable, or a serial issue callable, say ten years from date of issue, would, in the writer's opinion, be the most advantageous both from the Commission's standpoint and from that of the underwriters and purchasers. A serial issue would result in the naming of a lower coupon rate than would have to be named for a long term maturity, as the underwriters could obtain sufficient premium for the short and medium term maturities to allow pricing the long term bonds at a discount if the market so dictated. A serial issue would allow large commercial and institutional accounts to select the maturities that best suited their financial policies, thereby securing wider distribution of the bonds.

The original Philadelphia-Camden Bridge bonds were 4¼s, dated Sept. 1, 1933, and maturing serially Sept. 1, 1935 to 1973, callable Sept. 1, 1943, at 105. The maturities started with $200,000 due Sept. 1, 1935, reached $1,000,000 due Sept. 1, 1949, and $2,000,000 in the last several maturities. Assuming a total issue of $30,000,000 to be floated in Aug., 1946, earnings appear to justify setting it up as a 30-year serial issue, due $1,000,000 each year. If necessary, amounts in the early maturities could be reduced and increased in later years, still keeping the issue within the 30-year limit.

Currently, the present outstanding bonds due August 1, 1973, callable 1946 are offered to yield 2.30% to maturity for a 2.70% coupon. Therefore, under conditions at least no worse than the present, it would appear that a 30-year serial issue could be sold bearing a 2% coupon. The first obvious result would be the saving of 7/10s of 1% in interest charges annually, which on $30,000,000 would amount to $210,000 annually. The additional saving possible by employing the serial form of issue is easily demonstrable. Should the new issue consist of serial 2s due $1,000,000 each year, interest charges would be decreased $20,000 each year as the $1,000,000 annual maturities were paid off. Thus, by 1951, principal would be reduced by $5,000,000 and annual interest charge by $100,000.

A 30-year serial issue callable after ten years would probably be a most advantageous set-up for the Commission as it would enable a more rapid retirement of bonds as surplus money accumulated due to increased post-war earnings plus the saving in interest charges outlined above. Whether or not the callable maturities should be callable at a premium, and if so, at how much of a premium, is a technical consideration too fine for this brief discussion.

Farr Co. In New Location

Farr & Co., members New York Stock Exchange, announce the removal of their offices to 120 Wall Street, New York.

OUR REPORTER'S REPORT

Unless there is a recurrence of the flurry of nervousness which developed a fortnight ago, there is promise of reasonable activity in the new issue market in the latter half of the current month in the opinion of those who make a business of distributing new securities.

It would help matters considerably, of course, if dealers could clear their shelves of such unsold balances as remain from some of the recent new undertakings. With nervousness having subsided considerably, the investment fraternity feel that such unsold securities as remain in dealers' hands will move out in good order.

Looking ahead, the new issue calendar shows three sizable public utility undertakings as major possibilities for the final fortnight of May. All told, the prospects in sight would provide the market with an aggregate of some $53,000,000 in new offerings.

Largest of these undertakings came into sight when the Virginia Electric & Power Co., on Tuesday, invited bids from underwriters for $23,000,000 of new first and refunding bonds, 3%, series D, due in 1974. This project also involves $9,000,000 of 2¼% serial notes. Bids will be opened May 22.

New Jersey Power & Light Co. has gone into registration with $9,000,000 of 30-year first mortgage bonds and 30,000 shares of $100 par value cumulative preferred on which it is expected to seek bids to be opened May 15.

Meanwhile the investment world looks for West Penn Power to issue a call for bids to be opened probably around May 23 on an issue of $12,500,000 first mortgage, series L, 3%, to finance the redemption of an equal amount of outstanding 5s, series E, due Sept. 1, next.

First Canadian Municipal

Having completed arrangements with an investment syndicate for the sale of an issue of $9,150,000 of debentures, the city of Edmonton becomes the first Canadian municipality to enter the U. S. money market since the creation of the SEC.

The new securities are expected to be offered publicly about May 17, having already been placed in registration with the Federal agency.

Maturing annually in amounts of $525,000 from May 15, 1948, to May 15, 1955, and in lots of $550,000 annually from 1956 to 1964, the debentures will carry coupons ranging from 3 to 3¾%, and will be payable at the holder's option in lawful money of either the United States or Canada.

Needling the ICC

The subject of competitive bidding for all railroad securities was brought strongly to the fore again early this week when Senator Shipstead (R., Minn.) roundly assailed the latest undertaking of the Chicago, Burlington & Quincy and the Pennsylvania Railroad.

His latest attack involved two pieces of financing which the roads involved propose to place privately with large institutional investors, namely, insurance companies and banks.

The Burlington has arranged through Morgan Stanley & Co. for the direct sale of an issue of $30,000,000 of collateral trust bonds, while the Pennsylvania, through Kuhn, Loeb & Co., proposes to place $35,000,000 of the Pennsylvania Co., a subsidiary, in the same manner.

The ICC has held extensive hearings and taken much testimony on the matter of competitive bidding for railroad bonds. But its decision, it now appears, must await the appointment of a successor to the late Joseph B. Eastman.

Texas Power & Light

As underwriting company officials point out, numerous other refunding prospects are in sight in addition to those outlined here earlier.

Texas Power & Light Co., it develops, may be expected to consider refinancing its outstanding first mortgage bonds on a lower cost basis.

In fact, it is reported that banking syndicates are being gotten together to bid for such new securities as might arise from such an undertaking.

The company has upward of $41,000,000 of first mortgage bonds outstanding, with an issue of $26,500,000 of 5s falling due in 1956 and an additional $15,000,000 of 4¾s, now privately held, maturing in 1965.

Sgt. Bernard Conlon Awarded Silver Star

15th ARMY AIR FORCE—T/Sgt. Bernard J. Conlon, 32, of 39-36 50th Street, Sunnyside, has been awarded the Silver Star for gallantry in action while participating in the raid over Regensburg, Germany, Feb. 25, according to recently published orders.

The entire AAF Flying Fortress crew, of which Conlon was top turret engineer gunner, was cited as a whole for extraordinary teamwork and cooperation in battling tremendous odds.

His formation was jumped by 30 to 40 enemy fighters that soon increased to 200. Conlon's ship was badly battered and torn by bullets and 20 mm. shells.

Blown out of his turret by the blast of one 20 mm. shell, he picked himself up, helped put out the fire caused by exploding incendiary ammunition, then returned to his damaged turret to man his guns. With one gun useless, he nevertheless managed the destruction of three enemy fighters.

Entering the Army on July 18, 1942, the former New York bond trader won his gunner's wings at Fort Myehs, Florida, in February, 1943. Overseas for five months, he has flown 23 combat missions. Besides the Silver Star, he possesses the Air Medal with three Oak Leaf Clusters.

Sgt. Conlon was formerly head Bond Trader for J. Arthur Warner & Co., 120 Broadway, New York.

Pennsylvania Brevities

(Continued from page 1826)

The April 14 meeting of the board of directors of Autocar Co. brought not the expected declaration of a cash dividend but the announcement by President R. P. Page, Jr., that the company is planning to redeem its 3,070 shares of $3 preferred stock and to create a new issue of convertible preferred to be issued as a stock dividend on the common shares in 1944. Mr. Page said that the stock dividend is contemplated because of the management's feeling that earnings normally available for dividends should be retained in the business for use after the war. Probably sound from the long-term viewpoint, although the Street was nevertheless disappointed. Traders soliloquized: "Well, anyway, there'll be another issue to trade in."

* * *

March quarter report of Wellington Fund shows increase in assets of $1,179,000 to a new high.

* * *

It is announced that a plan for the merger of American Car Foundry Motors Co. into Brill Corp. and for the recapitalization of the latter company will be submitted to stockholders of both companies in June for action at simultaneous annual meetings on July 27. Present market prices indicate a two-to-one ratio, ACF Motors preferred to Brill Corp. preferred, but the Street is only guessing.

* * *

The U. S. District Court has extended until May 31 the time for Pennsylvania Utility Commission to approve or disapprove Philadelphia Suburban Transportation Co.'s offer to purchase all proposed new 10,573 shares of Philadelphia & Western Ry. Co. common stock at $50 per share.

* * *

York Corporation reports the following comparative results for the first six months of the current and preceding fiscal years: Completed sales, $10,092,600 against $7,408,140; total sales, $17,337,294 against $14,202,278; net income, before income and excess profits taxes, $1,541,570 against $877,864; net profit, $373,570 against $255,634; orders booked during half-year, $20,001,024 against $15,294,594. Holders of old York Ice Machinery Corp. 7% preferred who dissented to the recapitalization and merger plan were found to be entitled to a value of $90 per share, under appraisal proceedings. Those who "went along," receiving 15 shares of new common for each share of old preferred, now have an equivalent value of $150 per share.

* * *

STANY Party

Biggest and best, voted 100 Pennsylvanians, more or less, who attended the Security Traders Association of New York's annual dinner at the Waldorf, starting April 21. Not sure that all Philadelphians have yet returned.

Last seen in the Waldorf cocktail lounge in the wee hours, Harry Fahrig, Reynolds & Co., missed a long succession of trains.

Edmund J. Davis, Rambo, Keen, Close & Kerner, shepherded a small group into a Central Park surrey (no fringe) at 5 o'clock the following Sunday afternoon to drive from Fifth to Sixth Avenue. However, it was raining.

Charles L. Wallingford, E. H. Rollins & Sons, returned to his owl's nest at the Sherry just in time to greet his wife who arrived on the 3 p. m. Saturday train from Philadelphia.

A. L. ("Iron Man") Hutchinson, Buckley Bros., was physically present at his Philadelphia desk Saturday morning.

Ben Brooks, W. H. Bell & Co., who doubles in war plant duty while awaiting his 38th birthday, did not attend but received a blow-by-blow account by telephone through late Sunday.

Jack Germain, J. Arthur Warner & Co.'s candid photographer, with true Chesterfieldian restraint, refrained from immortalizing a disheveled Philadelphia group who confronted him several hours after the party.

Alfred J. Willis, H. M. Byllesby & Co., found J. F. Reilly's post-party hospitality abundantly pleasant.

John G. Hopkins Co. Is Formed In Phila.

PHILADELPHIA, PA.—Formation of a new investment firm, John G. Hopkins & Co., has been announced. The partnership is comprised of John G. Hopkins, formerly a partner of Charles Clark & Co., M. L. Hopkins and J. N. Leo, a limited partner. The new firm will have offices ta 123 South Broad Street, and will deal in investment securities, specializing in municipal bonds.

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

In last week's column it was pointed out that divergencies in the market performance of fire insurance stocks are very pronounced, and that if the investor wishes to secure capital appreciation closely in line with the market he must select and diversify with care. The same holds true for leading New York City bank stocks, as a study of the accompanying tabulations will show.

TABLE I

	Asked Price 12-31-42	Asked Price 12-31-43	Market Apprec.	Asked Price 4-27-44	% Change From 12-31-43
Bank of Manhattan	17	21¼	25.0%	22¾	+ 7.1%
Bank of New York	289	400	38.4	401	+ 0.3
Bankers Trust	38	51	34.2	50¾	— 0.5
Brooklyn Trust	63¾	90	41.2	99	+10.0
Central Hanover	75¾	99¼	31.0	100½	+ 1.3
Chase National	29½	37⅝	27.5	39⅝	+ 5.3
Chemical Bank & Trust	39¾	50	25.8	50	—
Commercial National	33⅞	47	39.1	49¾	+ 5.9
Continental Bk. & Tr.	13⅜	18⅞	41.1	20	+ 6.7
Corn Exchange	37⅞	47⅝	25.7	49⅝	+ 4.2
First National	1,145	1,495	30.6	1,625	+ 7.4
Guaranty Trust	238	310	30.3	316½	+ 2.1
Irving Trust	11⅞	14½	22.1	15¼	+ 5.2
Manufacturers Trust	37	47¾	29.1	50⅜	+ 5.5
National City	30⅛	36½	21.2	37	+ 1.4
New York Trust	74⅜	95¼	28.1	95½	+ 0.3
Public National	28¾	37⅝	30.9	39⅝	+ 5.3
United States Trust	1,050	1,310	24.8	1,500	+14.5
Average			+30.3%		+ 4.5%

It will be observed in Table I that during the calendar year 1943 each of the 18 New York City bank stocks under consideration experienced substantial appreciation, averaging 30.3%. Maximum appreciation was shown by Brooklyn Trust, which moved up 41.2%, and minimum by National City, which moved up 21.2%, or not much more than half of Brooklyn Trust's rise. Since December 31, 1943, the 18 stocks have further appreciated by 4.5% on the average. Bankers Trust, however, which appreciated better than the average in 1943, declined 0.5%; Chemical, whose 1943 move was below average, remains unchanged, while the maximum appreciation thus far in 1944 has been made by United States Trust whose 1943 appreciation was under the average. Other oddities in relative market moves will be noted in the tabulation.

It is perhaps more significant and helpful, however, to compare market moves over a somewhat more extended period. We therefore go back two years to the lows of April 1942, at which time many of the bank stocks were selling below their 1932 lows, and Standard & Poor's Index of New York City bank stocks stood at 59.2 compared with 60.3 in 1932. The comparisons are shown in Table II.

TABLE II

	Asked Price 4-29-42	Asked Price 4-27-44	Market Apprec.
Bank of Manhattan	13⅛	22¾	73.3%
Bank of New York	248	401	61.7
Bankers Trust	32¼	50¾	57.4
Brooklyn Trust	53¼	99	85.9
Central Hanover	60⅛	100½	67.2
Chase National	21¼	39⅝	86.5
Chemical Bank & Trust	33	50	51.5
Commercial National	29	49¾	71.6
Continental Bank & Trust	10½	20	90.5
Corn Exchange	26⅝	49⅝	86.4
First National	1,010	1,625	60.9
Guaranty Trust	191	316½	65.7
Irving Trust	9¾	15¼	56.4
Manufacturers Trust	27⅞	50⅜	80.7
National City	21¼	37	74.1
New York Trust	57	95½	67.5
Public National	22¾	39⅝	74.2
United States Trust	1,025	1,500	46.3
Average			69.9%

The average two year appreciation has been 69.9%; maximum appreciation was 90.5% by Continental Bank and Trust and minimum was 46.3% by United States Trust.

It is now of interest, with the aid of hindsight, to see how two hypothetical investors would have fared over the two year period. Assume that the first invested $1,000 in each of the five stocks which performed best, and the second, $1,000 in each of the five stocks which performed the poorest. Market gains only are considered; dividends have been ignored.

$5,000 INVESTED IN FIVE BEST PERFORMERS

	4-29-42	4-27-44	Market Gain
Continental Bank & Trust	$1,000	$1,905	$905
Chase National	1,000	1,865	865
Corn Exchange	1,000	1,864	864
Brooklyn Trust	1,000	1,859	859
Manufacturers Trust	1,000	1,807	807
Total	$5,000	$9,300	$4,300 = 86.0%

$5,000 INVESTED IN FIVE POOREST PERFORMERS

	4-29-42	4-27-44	Market Gain
United States Trust	$1,000	$1,463	$463
Chemical Bank & Trust	1,000	1,515	515
Irving Trust	1,000	1,564	564
Bankers Trust	1,000	1,574	574
First National	1,000	1,609	609
Total	$5,000	$7,725	$2,725 = 54.5%

The market gain of the first investor is $1,575 greater than the market gain of the second investor, or 58% better.

Harley Lutz's Post-War Tax Program Subject Of Comment

Editor, Commercial and Financial Chronicle:

Dear Sir:—I read with great interest the illuminating and constructive article (A Post-War Tax Program) by Professor Lutz in your issue of Feb. 10, 1944. While his predictions on the consequences of continued Federal taxation at present levels have great merit, he has overlooked certain pertinent factors in the economic and financial world.

Professor Lutz admits that "the national government was established to serve and promote the national interest." Without wishing to sound "New Dealish" might it not be said that the plight of 15,000,000 unemployed was of "national interest". It is true that the efforts of the government during the depression of the '30s was no more than a slight jab in the economic arm, yet it was a political and economic necessity. The "stagnation of private business" was at that time not due to high Federal taxes; government had not hamstrung business with high taxes. How did private enterprise handle the problem of unemployed millions? If the course to be followed by private enterprise in the future is to be judged by their actions in the past, then we must look to some other power for our economic well-being. Billions of dollars of idle money stagnant while millions of men and women became depressed physically, morally, and mentally. What guarantee have we that private enterprise will shake off its moth-worn conservativeness and place human dignity above the dollar sign? Professor Lutz believes that a reduction in taxes on business would help to stimulate industry and relieve unemployment. That may be so but in 1937 savings institutions had approximately $69 billions of savings—idle money which could well have been used to pump life-blood into our economic system.

I, for one, deplore the encroachment of the Federal government upon state and local autonomy. Yet we can eliminate this condition by forthright and unselfish action. If industry and finance will keep in mind the fact that a high level of employment means a greater market for all, and that the vicious circle of unemployment and decreased consumer markets can be broken only by courageous action, then the Federal government need not and will not interfere with a heavy tax burden.

While it is true that all business men are not devils, it is equally true that all are not saints. We have known enough of domestic and international monopolies to realize that the curbing of unsound and selfish economic practices cannot be accomplished by soft words. Governmental action is necessary not to destroy free enterprise but to protect it from its own devil. Let business insure comparatively full employment in peace time, just as it has in wartime, and there will end quickly centralization of power in Washington. Restore the faith of the people in capitalistic system and they will restore to Washington men who will preserve the true balance between government and industry. The revenue program as outlined by Professor Lutz is conservative but not radically so, to use a paradox. I agree with his statement that the recent trend in taxes, if continued, would eventually destroy the states as independent members of a Federal union. We remember that in ancient times Athens started out as the military protector of the members of the Delian Confederacy, and ended by exercising military, political and financial control. We cannot allow the Federal government to become our financial protector unless we are willing to yield our local powers. But rest assured of one fact: if private enterprise cannot or will not take over the economic reins then the Federal government will waste no time in so doing.

Sincerely
DAVID J. CONCANNON
West Hartford, Conn.
April 17, 1944.

Barnard Asst. Mgr. Of Clark Dodge In Boston

BOSTON, MASS.—Clark, Dodge & Co., members of the New York and Boston Stock Exchange, announce that John Barnard has become associated with them as assistant manager of their Boston office at 30 Federal Street.

Mr. Barnard has had broad experience in the securities field. For 14 years after his graduation from Worcester Polytechnic Institute he was with the National City Company. For 11 years of this time, he was in charge of the Springfield office. Since 1934 he had been with F. S. Moseley & Co. in their Boston office. In his new position he will assist Rodney W. Brown, manager of the Boston office of the 99 year old investment firm of Clark, Dodge & Co.

The firm also announces that John R. Johnston has become associated with their New York office as a member of the staff. Mr. Johnston was for many years with Smith, Barney & Co. and more recently was on leave of absence serving as deputy administrator of the OPA in New York.

Nongard Elected V.-P. Of Stifel, Nicolaus & Co.

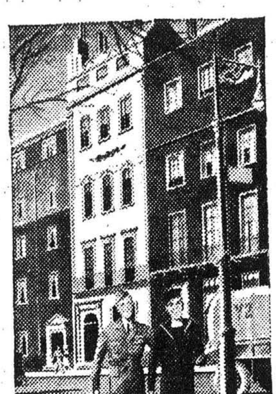
CHICAGO, ILL. — Richard C. Nongard, formerly assistant vice-president, has been made vice-president and director of Stifel, Nicolaus & Co., Inc., according to Joseph D. Murphy, president. Mr. Nongard makes his headquarters at the firm's Chicago office at 135 South La Salle Street.

Frank R. Kirk Dead

SIOUX CITY, IOWA—Frank R. Kirk, 1313 Douglas street, a native of Sioux City, died suddenly at his home of a heart attack. For many years he was cashier of the First National Bank, and for the past 14 years had operated the firm of F. R. Kirk & Co. Investment brokers.

—*Upon his return to New York after two years' service in London, an American Naval Officer writes to the Chase.*

To get a letter such as the above unsolicited "thank you" naturally makes us happy. And, while we are delighted that the services of our Berkeley Square branch in London impressed the Commander who wrote us this letter, we also feel privileged to have served those in our armed forces who are not depositors at the Chase and whom we try to help in many ways through all our foreign branches.



51 Berkeley Square

We know how little these services weigh in the scales of total war. It is our only wish that, in some degree, they may help keep up the fighting spirit of those Americans who are giving so much for *all* Americans.

THE CHASE NATIONAL BANK

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Canadian Securities

By BRUCE WILLIAMS

Despite repeated efforts on the part of theoretical monetary experts to dethrone gold as the basic standard of value, the yellow metal retains the position maintained through the ages as the only universally accepted monetary basis. Governments rise and fall, economic changes proceed apace, but gold continues serenely as the dominant immutable factor in our economic scheme.

Unless human nature can be fundamentally changed, this state of affairs will continue. The value attached to gold must be accepted as a basic instinct which is always clearly demonstrated in periods of crisis—and when the economic machine is working smoothly it serves as the finest lubricant.

After the last war the Canadian gold industry enabled the Dominion successfully to weather a period of deepest depression. The California gold strikes enabled us to withstand the strain of the Civil War and the great discoveries of African gold contributed in no small measure to a period of world-wide prosperity. In the present human scheme, therefore, an ample supply of this precious metal is essential in the preservation of monetary confidence and is also indispensable in any program of expansion of world commerce.

Thus, as frequently mentioned, the great Canadian North-West can play an important part in the post-war economy. In spite of the relegation of the gold-mining industry to a relatively minor position for the duration of the war, the inherent possibilities are already discernible. Even though drilling has been on a comparatively small scale the tremendous promise of the Giant Yellowknife properties in the North West Territories has caused its shares recently to advance in a meteoric fashion. The Minister of Mines of Manitoba has just described the gold discoveries in the Snow Lake district north of The Pas as "verging on the spectacular."

In this connection it is highly encouraging to note that the Canadian gold mining industry is currently taking steps to ensure adequate protection of the investor in mining enterprises. **Furthermore, it can be authoritatively stated that the Canadian Government, supported by leading industrialists, is doing everything in its power to correct the unfavorable situation caused by the antiquated taxation system whereby estates in this country are liable for excessive Canadian succession taxes. It is anticipated that an official announcement concerning this long overdue reform will be made in the near future.**

Another interesting Canadian financial development has just taken place. The City of Edmonton is the first Canadian municipality to enter our market with a public issue (since establishment of the SEC), following on the heels of the successful flotation of the first Canadian provincial registered issue of short-term New Brunswicks. Serial debentures totaling $9,150,000, ranging from 3s of May 15, 1948 to 3¾s of May 15, 1964, will be offered by a group headed by the First Boston Corporation and the Dominion Securities Corporation.

This departure from the recent practice of financing by means of private issues should prove of inestimable benefit to the market for Canadian securities in this country as a whole, and it is to be hoped that the Province of Ontario will resort to this method should it be decided to refund the $18,325,000 issue which matures Sept. 1, next.

During the past week the market remained quiet but firm. The anticipated call for payment of the Canadian National 5s of July 1, 1969, duly materialized and the outstanding National issues were consequently in demand. The 5s of Oct. 1, 1969, were bid at 177¾ but offerings were scarce.

The only other notable feature was the placing of an important block of provincial issues which were offered in connection with the Sixth Victory Loan. Internal issues continued in demand following increasing discussion on the prospects of the return to parity of the Canadian dollar.

Future market developments will continue to be dominantly influenced by the general factor of pre-invasion caution, but any renewal of investment activity should beneficially affect the Canadian section of the market, as several recent bullish factors have passed unnoticed because of the present general lack of investment interest.

Canadian Business Continues To Expand

The Bank of Montreal, in its business summary dated April 24 states, that the Dominion's external trade, particularly on the export side, continues to expand. In March, according to the bank, domestic exports (excluding gold) reached a value of $282,682,000, bringing the total for the first quarter of the year up to $751,862,000 as compared with $550,194,000 in the first three months of last year. The bank also states:

"The Minister of Munitions and Supply, speaking in Parliament on March 21, estimated the value of Canada's production of war materials during the fiscal year 1943-44 at $3,435,000,000, an increase of $535,000,000 over the figure for 1942-43, and said that the total value of the war contracts awarded up to date was about $9,450,000,000. He explained that, while the output of certain types of war materials is being curtailed, the expansion of others is planned.

"Canada continues to be the main supply source of non-ferrous metals for the United Nations and data recently released place production in 1943 of aluminum at 492,000 tons, of nickel at 102,000 tons, and of zinc at 300,000 tons. The gold mines are still handicapped by the inadequacy of their working forces and production continues in lower figures than a year ago.

"In the forestry industries, an increase in the number of woodcutters, estimated in March to be 9,000, or 37%, higher than in March, 1943, has resulted in a larger cut of wood during the past winter.

"The packing plants continue very busy and the cotton mills in March increased their scale of operations. The construction industry experienced some recovery in March as the value of the new contracts awarded was $31,019,000 as compared with $16,229,000 in February and $11,110,000 in March, 1943. The output of flour in February, the latest month for which data are available, also showed an increase."

FIC Banks Place Debs.

A successful offering of an issue of debenture for the Federal Intermediate Credit Banks was concluded April 18 by Charles R. Dunn, New York fiscal agent for the banks. The financing consisted of $31,460,000 ⅞% consolidated debentures, dated May 1, 1944 and due Jan. 2, 1945. The issue was placed at par. Proceeds, together with other cash funds was used to retire $41,010,000 debentures due May 1, 1944. As of May 1, 1944 the total amount of debentures outstanding was $284,435,000.

Gold In Post-War Monetary Plans

(Continued from page 1818)

wife, the standard should be above suspicion. To this end it should be simple and be a development out of a long, common experience. The people distrust what they do not understand.

To be kept simple and to function efficiently and not at cross purposes the monetary system should be kept free from extraneous matters, either of a fiscal or social reform nature. The chief functions of money are those of providing the public with a common measure of value and with efficient and stable media of exchange. These are highly important functions and every monetary system should be organized and operated with the primary purpose of performing them well. All too often monetary systems have been wrecked on the rocks of fiscal opportunism.

In the light of these facts I may introduce my recommendations for post-war monetary reconstruction by quoting an excerpt from the 1931 report of the famous Macmillan Committee of England, which consisted of 14 eminent British financiers. The Committee said: "There is, perhaps, no more important object in the field of human technique than that the world as a whole should achieve a sound and scientific monetary system. But there can be little or no hope of progress at an early date for the monetary system of the world as a whole, except as the result of a process of evolution starting from the historic gold standard."

No other kind of currency system in a distracted postwar world will so quickly restore the confidence of the public as a true gold standard. No other kind can be made so simple, so easily understood. That means much for the monetary system of a democracy. Can there be any doubt what the verdict would be if you should put to a popular vote in the United States today the question: In what kind of a dollar would you prefer to have your social security and your government bonds payable, a gold-standard dollar or a managed paper-money dollar?

If after the war the world is to return to the international gold standard, what kind of a gold standard shall it plan to have? That is a large question and all I may hope to do within the limits of my short testimony today is to state briefly a few general principles.

The following 11 principles should be adopted:

(1) The subject is an international one, and its satisfactory solution demands a high degree of international cooperation, which should begin at once and continue indefinitely. It should include small nations as well as large ones although a few large nations may well take the initiative.

(2) The monetary unit should be established in each country, after conference with other countries, but without any compulsion from them whatever. The determination of the size of a nation's monetary unit is affected with such a great public interest and is so highly prized as a prerogative of sovereignty that it is impracticable to subject it to outside interference. If compulsory interference from outside is undertaken it is not likely to be effective very long.

(3) War time inflationary policies should be discontinued at the earliest possible date after the armistice, and everything possible should be done by the government to inspire confidence in the currency.

(4) Measures should be taken early providing for the ultimate discontinuance of all artificial price and exchange controls, but the process of discontinuing them should be put into effect by cautiously measured steps.

(5) After prices have settled down to what, for want of a better name, may be called their "natural level" there should be a "try-out" *de facto* stabilization of the monetary unit at this level.

(6) The *de facto* stabilization in due time should be followed by a *de jure* stabilization, but the latter should not be adopted until the government is in strong enough position financially to be confident that it can make it stick.

(7) There are three important types of the gold standard, namely, the gold-coin standard, the gold-bullion standard and the gold-exchange standard. These types frequently overlap and each of them is found in many varieties. Each type has its own advantages and disadvantages and these are relative to the economic, fiscal and political conditions in the different countries. Each nation should chose the type best adapted to its own needs.

(8) While there should be some management of the gold standard, both international and national, this management should be kept as small as possible and should be superimposed upon a system that is fundamentally automatic in its operation.

The popular idea is a fallacious one, that metallic-money standards like the gold standard are entirely automatic in their operation, and that paper-money standards are entirely managed and not automatic at all. All monetary standards in modern times are more or less managed. It is not a question of the presence or absence of monetary management, but rather of the extent and character of the management. With the gold standard the management that will be required should be conducted according to certain established principles that will be accepted by the world's leading central banks under the authority of their respective governments. With reference to this management or non-management the following general principles should be followed:

There should be no restrictions on the holding by the public of gold coin or gold bullion within the country, nor, under the gold-coin standard, on the free coinage of bullion at the mint or the melting down of gold coin. The exportation and importation of gold should be free from all trade restrictions and tariffs. Under such conditions gold will enjoy a very high degree of fluidity in its movements, both national and international, and the value of the gold monetary unit in each gold-standard country will be held very close to that of its gold equivalent in every other gold-standard country and to the value of gold bullion in the free markets of the world. There should be a high degree of freedom in the international movement of goods. The gold standard can function over high tariff barriers as it has many times in the past, but high tariff barriers are obstacles to international trade and finance and to the smooth and orderly functioning of any monetary standard.

On this subject there has been much confusion growing out of the popular notion that gold moves in international trade only "to pay balances." As a matter of fact, gold moves for the same fundamental reasons that any other commodity moves — *to seek the best market.* It goes abroad whenever it is worth abroad more than it is worth at home by a sufficient margin to yield an attractive profit after paying all the expenses of its exportation. Its importation from abroad is merely the other side of the same shield. As a general proposition, and omitting such things as gifts, and losses by ship-wreck, bankruptcy, fraud and theft, a nation's total exports—visible and invisible—are equal to its total imports—visible and invisible—when viewed over a substantial period of time. If this were not true a nation would either be getting goods from abroad free or giving away goods to foreigners. If, for example, a country is normally exporting 50 different commodities (including gold from time to time), and is normally importing 60 different commodities (including gold from time to time), the 50 commodities on the one side and the 60 on the other will be in balance. The balance will be destroyed if *any* commodity on either side is omitted and this is no more true of the commodity gold than of any other commodity in the balance sheet. Gold normally moves very easily in international trade because it is the most marketable of all commodities. It does not move "to pay a balance" in any true sense of that term.

A country that has sold goods in a foreign market has credit there that it can draw upon for the purchase of any goods for sale in that market at the current market prices, and this applies as fully to gold as to any other commodity. Viscount Goschen once said in speaking of England's position: "Our powers of obtaining gold would only be exhausted when the country had nothing left to sell." When a country on a gold standard loses an undue amount of its gold it is usually not because the gold has been pulled out by foreigners but because it has been pushed out by inflationary fiscal policies at home.

(9) There should be interconvertibility on demand of all kinds of non-gold money with gold coin, gold bars or gold drafts, as the case may be. Such convertibility serves the gold standard in three different, but closely related, ways. First, it keeps all the different kinds of money, e. g., gold coin, bank notes, fiduciary silver coins and minor coins, at a parity with each other. It does so by providing the machinery by which excessive issues of any particular kind of money are promptly withdrawn from circulation and deficiencies in the circulation of any particular kind of money are made up. Second, the convertibility into gold on demand, by creating confidence in the currency, increases its acceptability by the public in times of low public confidence, and thereby checks "flights from the dollar" and the resulting enlargement of the currency supply which would otherwise be caused by the increasing velocities of circulation. Third, the third function that convertibility performs is fundamentally the most important one. It is the function of maintaining the gold parity of the monetary unit by continually adjusting the currency supply to the changing currency demand. Here, a nation's gold reserve functions as a buffer fund or, as it is cometimes called, a regulator fund.

Under conditions of currency redundancy and resulting gold exportation, the central bank must always be in a position to give out gold freely for exportation as long as required to relieve the country of its relatively redundant currency and to force exchange rates below the gold-export point, thereby bringing the country's price level and discount rates back more nearly in equilibrium with those of the rest of the world.

Obviously, a country's normal gold reserve should be sufficient to provide for the absorption, through redemption in gold or gold exchange, of any currency in circulation that may be rendered excessive by the usual fluctuations in business. In addition it should be large enough to afford a reasonable margin of safety for extraordinary emergencies.

(10) The principal monetary authority in each country should be a central bank. On this subject the recommendation of the Brussels International Conference of 1920, was sound in saying that, ". . . in countries where there is no central bank of issue, one should be established. . . ." In the interest of an efficient administration of the gold standard, the central bank should have the exclusive right of note issue, and the gold reserve of the nation should be centralized in the bank. The central bank should be controlled by a board of directors on which there should be representatives of the government, representatives of the member banks and representatives of business, as is the situation in many South American countries.

While no one denies that a nation's central bank should be administered with primary regard to the public welfare and with very little effort to earn profits above a modest return on capital, it is not so well recognized that in the great majority of cases where central banks have suspended gold payments, it has been done under the political pressure of governments to meet fiscal needs. The trouble has been caused much oftener by governmental exploitation than by exploitation for profit by private interests. The nation's monetary authority should be the board of directors of the central bank. The board should have a substantial government representation but should not be under government domination. This is not so much a lesson of abstract monetary theory as it is of very realistic monetary history.

(11) An international gold standard will call for an international bank with which the central banks of all gold-standard countries should be affiliated and to which they should contribute the necessary capital.

The functions of this bank should be exclusively of a monetary and banking character. It should be a central bank of central banks. The bank should not make long-time loans to its member banks nor otherwise enter the field of fiscal operation. Such activities may be very important in international affairs, but they belong to agencies other than the international central bank.

The principal functions of this bank should be: (a) to serve as an international clearing house for the member central banks. (b) To hold part of the reserve of the member central banks. (c) To collect, organize and help interpret for its members international credit, monetary and other financial information. (d) To serve as a meeting place for conferences, formal and informal, of member bank officials—a function which the existing Bank of International Settlements has usefully performed.

With reference to the Joint Resolution (H. J. Res. 226) now under consideration by this Committee, I would say without passing judgment on the details of the Resolution or on the make-up of the Board of Governors, that I believe the purpose of the Resolution is sound and that the duties assigned to the Board are proper ones. The United States will have a large responsibility in the great post-war task of world monetary rehabilitation. It should be prepared to act promptly the moment the war ends. The proposed Resolution, I take it, is intended to prepare the way for such prompt emergency action, and does not purport to offer a final solution of the problem. The adoption of some such resolution at this time would help implement the kind of monetary reorganization which I am advocating for the post-war world.

J. J. Kelly Convalescing

DES MOINES, IOWA — James J. Kelly, resident manager for Sincere and Company, has been in Mercy Hospital, Des Moines, for the past six weeks suffering from a broken hip. He reports that he is getting along nicely and expects to leave the hospital in about a month.

Edmonton, Can., Issue To Reach Market Soon

Initial Canadian Municipal Borrowing In U. S. Since SEC Was Formed

A banking group headed by the First Boston Corp. and the Dominion Securities Corp. is scheduled to make public offering on or about May 17 of $9,150,000 Edmonton, Alberta, debentures. This will mark the first Canadian municipal borrowing to be undertaken in the United States since formation of the Securities and Exchange Commission. Registration statement was filed with the SEC on May 1.

Edmonton, the ninth largest city in Canada, will employ the proceeds of the impending sale to retire on Aug. 1 next, $8,718,653.80 first consolidated debentures due Feb. 1, 1967.

The new debentures will mature annually in amounts of $525,000 from May 15, 1948 to May 15, 1955 and in amounts of $550,000 from May 17, 1956 to May 15, 1964. Coupons will range from 3% to 3¾%. The terms of the offering will be announced at a later date. The new debentures will be payable at the holders' option in lawful money of the United States or lawful money of Canada.

Associated with The First Boston Corporation and The Dominion Securities Corporation will be Harriman Ripley & Co., Incorporated; Smith, Barney & Co.; A. E. Ames & Co., Inc.; Wood, Gundy & Co., Inc. and McLeod, Young & Weir.

Payne Renominated As Chairman Of Govs. Of Chicago Stock Exch.

CHICAGO, ILL. — Harry M. Payne, partner of Webster, March & Co., was nominated to serve a second term as Chairman of the Board of Governors of the Chicago Stock Exchange, it was announced by the Nominating Committee which posted its nominees for all offices to be filled at the annual election of the Exchange to be held Monday, June 5, 1944.

The following were nominated to serve three years as members of the Board of Governors:

George E. Barnes, Wayne, Hummer & Co.; Joseph P. Brown; Walter J. Buhler; John R. Burdick, Jr.; Harry C. Daniels, Apgar, Daniels & Co.; Chancellor Dougall; Alfred W. Mansfield, Thomson & McKinnon; Frederick R. Tuerk, Cruttenden & Co.

John J. Bryant, Jr. was nominated for chairman of the 1945 Nominating Committee. Other nominations for the committee were: Sidney L. Castle, Carter H. Harrison & Co.; M. Ralph Cleary, Cleary & Co.; Carl J. Easterberg, Riter & Co.; and George E. Hachtmann.

The Nominating Committee which presented today's reports consists of Paul B. Skinner, Hornblower & Weeks, Chairman; Leo M. Apgar, Apgar, Daniels & Co.; William A. Fuller, William A. Fuller & Co.; John J. Griffin and Henry L. Vehmeyer.

Mutual Funds

A Good First Quarter

As the figures come to hand it is increasingly evident that mutual funds as a group enjoyed an excellent first quarter. In fact, during this period a number of companies achieved the best three months' growth in their history.

In this category is **Wellington Fund** with assets of $11,589,963 at March 31, an increase of $1,179,000 since January. After reporting on the company's progress, Walter L. Morgan, President, inserts the following interesting comment in his letter to shareholders:

"When we speak of a fund such as Wellington as a mutual fund, just what do we mean by 'mutual?' I would say that Wellington Fund is a mutual investment fund because in our fund there are nearly 7,000 shareholders banded together in order to obtain the advantages of broad diversification, continuous income and experienced management. We investors in this fund all have equal rights. We, through the fund, can accomplish many things that we could not obtain as an unorganized group.

"Investors in mutual funds owe much favorable legislation to their mutual strength. Equally important is the freedom from unfriendly legislation which mutual funds have gained by working together.

"We obtain an experienced management supervision that would otherwise be difficult. We receive our quarterly dividends in one check even though we have an interest in over a hundred securities in the fund. This saves us a tremendous amount of detail which would result if we had to deposit 100 dividend checks or interest coupons four times a year.

"Finally, I believe that the 'mutual' fund offers a 'peace of mind' through the diversified portfolio. This is very comforting in these difficult days when it is harder than ever to know just what individual securities or what industries will fare best in the remaining months of the war and the post-war period."

* * *

Keystone Corp. devotes the current issue of **Keynotes** to another of its interesting series of discussions on taxes. This memorandum is entitled "Work Started on Tax Relief" and it lists the steps taken in the current drive to make a comprehensive revision of all Federal taxes.

* * *

George Putnam Fund reports net assets of $8,843,000 as of March 31, 1944, compared with $7,965,000 at the beginning of the quarter. Total market value of securities owned on March 31 was approximately $655,000 in excess of cost. An interesting aspect of the report was a chart showing the increasing percentage of the funds invested in rail securities. From a low of 10% in 1939, this category has risen to 25% as of March 31, 1944.

* * *

Distributors Group has published a study entitled, "Vital Statistics of the Railroad Industry." In the covering letter two questions are posed:

1. What IS the fundamental position of the railroads today?

2. Do real opportunities STILL exist in discount rail-road bonds?

The study (covering all Class I Railroads) should go a long way toward answering these questions. It reveals that for the year 1943, in comparison with 1929—

(a) total operating revenues were **up** 44.5%;

(b) income available for fixed charges was **up** 77.1%;

(c) total fixed charges were **down** 16.5%

—with the result that the railroads earned their fixed charges

(Continued on page 1834)

The Keynes-Morgenthau Plan As Revised By The Experts Of Thirty Nations

(Continued from First Page)

uniform change may be made in the gold value of member currencies, provided every member country having 10% or more of the aggregate quotas approves."

This means that the President of the United States, through his representative in the international fund, could make an agreement changing the gold content of the dollar without the consent of Congress—a power which the Congress took away from the Executive in 1943, and a power which the Executive should never have.

There has been some suggestion that the dropping of Bancor and Unitas, and the frequent mention of gold make the revised plan a gold standard plan. This is wholly erroneous. The new bank ("fund") must have some "money of account" in which to keep its books. This could be the dollar, or some other currency, as easily as Bancor or Unitas. The important question is as to whether the unit is fixed in gold and redeemable in gold. The answer is "No," on both points.

The great essentials of the Keynes plan remain. The strong currencies of the world, which means chiefly the dollar, are to put their strength behind the weaker currencies so that all the currencies look strong, and so that the weak may pull the strong down. When weak and strong alike have grown weaker against gold, then weak and strong alike may agree to repudiate their gold obligations in part by making "an agreed uniform change" in their gold obligations, and doubtless expect to retain their respectability while so doing. This plan, which thus definitely contemplates world wide repudiations of gold obligations, has, as one of its avowed objectives (I, 3) "to give confidence . . ."

The new plan, like the old plans, seeks to achieve exchange stabilization without doing anything about currency stabilization and without doing anything about budget balancing or other things necessary in a particular country as a foundation for currency stabilization. The new plan, like the old, would allow a weak country whose finances were out of hand, whose money market was in disorder, whose government, taxing inadequately and avoiding internal funding loans, was borrowing from the central bank of issue to meet its expenses, to continue in this course without concern for the standing of its currency in the international exchanges, up to 200% of its quota. The country would be supposed to put in 25% of its quota in gold, if it had the gold, but if it didn't have much gold, it could put in only 10% of the gold it had and obtain the foreign exchange it needed from the fund up to a multiple of many times the gold it had put in. It could import food and other things needed by its people as long as this foreign exchange lasts, and it could put off the politically unpleasant day of drastic internal financial and currency reform until double the quota is exhausted. Meanwhile the strong countries and particularly the United States, exporting to weak countries, could have a boom, ending violently when the borrowing power of the weak countries is exhausted. We could repeat the post-war boom of 1919-20 and then have the violent post-war crisis of 1920-21.

The original Morgenthau plan had provided for quotas of five billion dollars or more. The new plan calls for quotas of eight billion dollars if all the United and Associated Nations subscribe to the fund, and of ten billion dollars if the world as a whole comes in. Practically, the available funds, the real assets of the fund, would be chiefly the amounts subscribed by the creditor countries. This would supposedly be 2 billion 500 million to 2 billion 750 million contributed by the United States, and such additional funds as countries like the Argentine, Sweden, Switzerland, and other countries without heavy foreign trade deficits, might put up. Great Britain would almost certainly seek to take more out of the fund than she put into it, and Russia, having in mind her great desire for heavy post-war imports of machinery and other things, even though she put up 250 million dollars of gold to start with (25% of her quota of 1 billion dollars)[3] would reasonably expect to take out a good many more dollars than she put in. The effective resources of the fund at the outset would certainly be very much less than the eight billion dollars or ten billion dollars talked about. Most of the contributions made to the fund in the form of currencies of the weak countries would be elements of weakness rather than of strength to the fund, and this would be true of sterling as well as the Continental currencies unless England makes a drastic change in her currency policy. The really effective assets of the fund would be the gold put in and the dollars put in.

However, three billion dollars in dollars and gold put into a fund of this kind would, on the basis of our experience of 1919, permit a very lively export boom, pleasing to short-sighted people, to dedevelop in the United States and to continue until the dollars and gold in the fund grew scarce.

3—These figures for quotas of different countries are tentative, and are taken from the news story by John MacCormac in the *New York Times* of April 22, 1944. Will Russia put her currency into the fund, and allow the fund to draw checks on the state bank of Russia?

Apportionment of Scarce Currencies

At this stage, when dollars and gold in the fund grow scarce, we run into one of the very imperfectly thought out aspects of the new plan. The plan provides that when it becomes evident to the fund that the demand for a particular country's currency may exhaust the fund's holdings of that currency, the fund shall so inform member countries and propose an equitable method of apportioning the scarce currency, and that this decision by the fund shall operate as an authorization to a member country temporarily to restrict the freedom of exchange operations in the affected currency.

Now this means that when dollars grow scarce in the fund all the countries needing dollars must ration out their supplies. It is by this method that the fund would prevent the depreciation of the weaker currencies in terms of the dollar. This means price-fixing of dollars, and rationing of dollars as part of the price-fixing, in all the weaker countries. It destroys a free foreign exchange market in the dollar in those countries.

But the corollary has not been envisaged by the experts of the thirty nations who drafted this report, or at all events it has not been mentioned by them. What would we then be obliged to do in the foreign exchange markets of the United States as we ourselves deal in the currencies of these weaker countries? If we enter the fund, we are under obligation (IX, 2) not to allow exchange transactions in our market in currencies of other members at a discount from the agreed rates.

The Creation of New Blocked Currencies

This would mean that American exporters, holding sterling, francs, lire, drachmae, and other weak currencies as a result of exports to these countries would suddency find them blocked. They could not sell them at a discount. They could sell them only at the fixed rate, and at the fixed rate the dollars available would be rationed. The picture in the proposal of the experts with respect to the apportionment of scarce currencies (VI) suggests that this rationing is to be only in the markets of the weaker countries, but the foreign exchange market is a market involving all the countries, and the biggest supply of foreign exchange offered in the exchange market originates, not in the importing country, but in the exporting country. The rationing of dollars would be, first of all, a rationing of dollars to American exporters of goods. The inauguration of the plan would encourage American exporters to export with confidence, drawing bills in francs, in drachmae, in lire, and in sterling with confidence, sending out goods today and drawing bills payable in ninety days in the foreign currencies. And then suddenly the time would come when they would find, as they take these bills to their banks and try to get dollars for them, that the dollars are no longer available.

With the free foreign exchange markets of 1919 and 1920 the exporter, selling in francs or lire, might find that the foreign exchange market had gone against him and that he got less dollars than he expected for his francs or lire or sterling, but, at all events, he could take his losses, sell them for what they would bring in the foreign exchange market, and liquidate his own debts. But with this new arrangement, designed to encourage exports and promising stablized exchange rates, he might suddenly find that he had no market at all, that his foreign currencies were blocked, and that he himself, with his assets in the form of illiquid blocked foreign currencies, was a bankrupt unable to pay his own debts. There would be indeed a fixed exchange rate, but there would be no exchange market. Of course "black markets" in foreign exchange would mitigate this. We could prevent such markets in peace time only if we had a Secretary of the Treasury with the sagacity of Dr. Schacht, and a President with the power and ruthlessness of Hitler. Thus would come the first great jolt, the first great violent setback in the grandiose scheme for world inflation first drafted by Lord Keynes. Lord Keynes' plan would not have let it come so soon. His plan, operating with bancor deposits, would permit a much greater expansion.

It would be, doubtless, at this stage, that a further resource of the new plan would show itself. With a violent outcry from an angry world and with a violent outcry in particular from misled American exporters facing bankruptcy, the fund would be under great pressure to turn to its second resource (III 4 (a)) which reads "The fund will be entitled at its option with a view to preventing a particular member's currency from becoming scarce: (a) to borrow its currency from a member country."

That is to say, the fund having exhausted the dollars which we first provided, would turn to us to borrow more to set the thing going again. Now, how would the fund borrow? The original version of the Morgenthau plan gave the fund authority "to issue its own obligations and to discount or offer them for sale in member countries" (III, 1). And the plan authorized the fund to sell bonds (III, 12) of different countries which had come into its hands as part of the original subscriptions of the quotas of the different countries. The new plan says nothing about any of these procedures which would ordinarily get investor's money. No bonds are to be put into the fund as part of the quotas, only gold and domestic currencies. The fund, moreover, is not to have accounts with any banks except the central banks of difference countries. The fund would thus naturally deal with the Federal Reserve banks of the United States, borrowing not investor's money, borrowing not even from the commercial banks, but borrowing in the most inflationary manner of all, namely, from the Federal Reserve banks.

Whatever way it borrowed, however, the objective would be to free the newly blocked foreign exchanges, and to permit a new cycle of exports to begin against dollars provided by credit in the United States.

We might, of course, be sufficiently enlightened by an experience of this sort so that we would say, "No more credit, the plan is no good, we will take our losses now and make our readjustments." But if history and experience are to tell us anything, we do not need to go through this experience again. We went through it in 1919 and 1920 and we paid for it in 1920 and 1921. I have elaborated these episodes in my address of May 11, 1943, and again in my address before the Chamber of Commerce of the State of New York on Feb. 3, 1944, and I refer to these discussions for the details.

The new plan drops a good many of the things that have been criticized in the earlier plans. The notion that the fund should have liabilities in the form of deposits, and the notion that a country's claims upon the fund should be counted as part of the gold reserves of its central bank, have both been dropped. The plan says nothing whatever about what the liabilities of the fund shall be. We are told what its assets shall be, but we are not given a balance sheet plan showing its liabilities. This matter has been discussed enough so that if the experts could have agreed upon this point, they would surely have said something about it. The new plan drops the absurd notion that the fund "shall not intrude" upon the ordinary transaction of the foreign exchange market. There are, rather, abundant provisions for intrusion, for controls, for restrictions, and for domination.

It is significant that the new plan drops the provisions in the earlier plans for taking care of "blocked balances" and "abnormal war balances" and "abnormal balances in overseas ownership." The new plan says (X, 1) "since the fund is not intended to provide facilities for relief or reconstruction, **or to deal with international indebtedness arising out of the war** . . ." (bold mine.) Now this is a highly important change. The original Morgenthau plan blithely started out with a five billion dollar fund which should take care of the abnormal war balances and stabilize the foreign exchanges. When it then developed that Great Britain's blocked balances alone amounted to four billion dollars and were increasing in India alone at the rate of twelve hundred million dollars a year, the inadequacy of the Morgenthau fund of five billion dollars (only part of which was internationally valid cash) to deal with this vast problem became apparent, and the next version cut down the amount of blocked balances that could be dealt with in the first two years to something like five hundred million dollars. The new version drops the blocked balance problem entirely. Lord Keynes had a better perspective on this when he provided a fund which could expand indefinitely merely by marking up its assets on one side and its liabilities on the other! The bancor fund could swallow anything, but the newly revised Morgenthau fund, even expanded from five billion dollars to eight or ten billion dollars, refrains from undertaking to swallow any of the blocked balances.

This means that the new plan gives up the great problem of setting the foreign exchanges free. It means that sterling will be left tied up so far as existing blocked balances are concerned. It means that the world is called upon to subscribe eight to ten billion dollars without being promised anything like free exchange markets. The plan indeed contemplates (X, "Transitional Arrangements") that exchange restrictions and bilateral trade arrangements and extraordinary interferences with foreign trade shall only gradually be ameliorated. We ought to get very much more than that for very much less money!

The whole approach is wrong. The problem is not a problem of foreign exchange stabilization. The problem is a problem of currency stabilization for each country separately. Many countries after the war will be able to straighten out their own currencies by internal reforms, as France did in 1926. Any country can do it if given a stabilization loan in moderate amount, accompanied by foreign supervision of the loan, and accompanied by the demand on the part of the lender for balanced budgets, resumption of gold payments, and a discount rate policy and general money market policy which will protect the gold. Austria did this in 1923. Germany and Hungary in 1924, and Poland in 1927. I have amplified these proposals in the earlier documents referred to, and in particular in the article in the "Commercial and Financial Chronicle" of Dec. 16, 1943. The immediate post-war problem of relief calls for gifts, not credits.

The new plan retains the vices discussed in that same article and in the address of May 11, 1943, of tying foreign exchange transactions to the domestic money market in such a way that money market control in each country is interfered with by every foreign exchange transactions of magnitude. Central banks and exchange stabilization funds ought not to be the instrumentalities for foreign credits or foreign lending. Investors' money ought to be used when foreign lending for any length of time is involved, and commercial banks, not central banks, should give the short-term, revolving credits.

Finally, the new plan retains the vice of the earlier plans that it creates an international bank, the overwhelming majority of whose Board of Directors are impecunious debtors to the bank, anxious to borrow more. If we could look upon the individual experts of the thirty-four nations who have unanimously agreed upon this plan as independent experts, we might marvel that they agreed to create such a bank. But if we look upon the foreign experts as the political representatives of foreign governments which are financially hard pressed, and anxious to get credit without giving too much consideration to the ultimate painful pay-day, I think that we should rather marvel only that our own Treasury joined in making the decision unanimous.

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

Municipal News & Notes

With the $1,440,000 Allegheny, Pa., and $2,000,000 Providence, R. I., issues now out of the way, and the Minneapolis offering of $1,700,000 scheduled to reach the the market today, the next sizable issue on the calendar consists of the $3,180,000 Orleans Levee District, La., loan, for which bids will be opened on May 16. Later in the month, on the 24th, the Chicago School Board will market an issue of $11,000,000 refundings, and this represents the only other important new operation in sight at this writing. There are, of course, two really substantial issues in prospect, namely, $42,000,000 by the Consumers Public Power District, Neb., and $57,000,000 by the California Toll Bridge Authority.

Both issues are believed to be practically all set for placement, with the power issue seemingly having the "edge" insofar as imminence of sale is concerned. As a matter of fact, with the Fifth War Loan drive scheduled to get under way on June 12, it may be that both of these offerings will materialize before that date. However, this will depend on the state of the market, the tone of which, incidentally, has not been very good in the recent past.

This condition has been reflected in a marked slow-up in trading activity, particularly, it appears, with respect to high coupon and high premium bonds. Items of this character are held by dealers in considerable volume, representing liquidations conducted by institutional and public trust funds in the recent past. Because of the high premium entailed, such issues apparently are not favored by some investors, a point developed in some detail in this space last week, as a result of a recent study on the subject prepared by J. A. White & Co., Cincinnati.

Apropos of investor reluctance, is the price reduction recently made on the unsold portion of the $2,311,000 Baltimore, Md., 3½% water bonds of 1970-1981. These bonds were acquired by the syndicate from the city sinking funds on March 28 at a price of 143.07, and the original re-offering prices were from 1.60% to 1.75%. On April 27, however, the syndicate was closed and prices were cut from 5 to 10 basis points on the approximately $2,000,000 bonds still unsold, according to report.

Prevailing new prices range from yields of 1.70% to 1.80%. Maturities of 1972-75 and 1978 were cut 10 basis points and those of 1976-77 and 1979-81 were lowered five basis points.

Members of the syndicate reportedly ascribed the poor reception accorded the securities by investors to the high premium involved, pointing out that bonds of similar maturity, with a low coupon, have moved out rapidly at similar yields to those of the Baltimore offering.

Taxes Took 23.5% of 1943 National Income

Increases of 141% in total tax collections — federal, state and local—between 1939 and 1943 represents a rise of only 5% in proportion to the rising national income during these years, the Federation of Tax Administrators said after analysis of pre-war and wartime tax collections.

The three levels of government collected (excluding social security taxes, considered insurance payments) $12,602,000,000 during the 1939 fiscal year, which represented 18.5% of national income for that year; total collections for fiscal 1943—$30,398,000,000—were 23.5% of total fiscal 1943 income.

National income (excluding undistributed corporate earnings), however, rose 90% during the five-year period, from $68,021,000,000 for the 1939 fiscal year to $129,350,000,000 for the 1943 fiscal year.

Relatively moderate increase of total tax collections in proportion to national income is explained, the federation said, by the fact that local taxes decreased, not only in proportion to the growing national income but in absolute amount, while state collections during the same period did not keep pace with the swift rise in national income.

State tax collections rose from $3,057,000,000 in 1939 to $3,906,000,000 in 1943, an increase of 27.8%, though they were only 3% of national income in 1943 compared with 4.5% in fiscal year 1939. And significance of local tax collections in proportion to national income was cut almost in half during the five-year period, dropping from 7 to 3.6%.

Federal collections, however, increased 360%, from $4,760,000,000 for fiscal 1939 to $21,880,000,000 for the 1943 fiscal year. On the basis of per cent of national income, the increase was from 7%—equalled by local collections in 1939 — to 16.9% for the 1943 fiscal year.

Preliminary estimates for federal, state and local tax collections for the 1944 fiscal year indicate that present trends are being accentuated still further, according to the federation's study, based on compilations from various sources, including the treasury department and the bureau of the census.

N. Y. Stock Exchange Weekly Firm Changes

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

Arthur A. Blaicher, general partner in Coggeshall & Hicks, New York City, became a special partner on May 1.

Jerome Melniker, member of the Exchange, retired from partnership in Mervin Ash & Co., New York City, on April 29. The firm continues as members of the Exchange.

Edward W. Bishop withdrew from partnership in Billings, Olcott & Co., New York City, on April 29.

William J. Doyle, Jr. retired from Scholle Brothers, New York City, on April 30.

William B. Anderson & Co., New York City dissolved, effective April 30.

Thomas Hitchcock, partner in Lehman Brothers, New York City, died on April 19.

Mutual Funds

(Continued from page 1831)

last year by a **wider margin than ever before**—4.80 times, as compared with 2.32 times in 1929. Moreover, their cash resources today are over **three times** what they were in 1929.

"Yet, despite the amazing improvement in the fundamental position of the railroads, discount railroad bonds, as a group, would still have to appreciate approximately 35% from present levels in order to re-establish their normal price relationships of previous good years!"

* * *

Investment company sponsors in general may do well to study the new prospectus of **Equitable Investment Corporation of Massachusetts.** We don't pretend to be experts in this phase of investment company operations. But it is a relief to receive a prospectus which is only 12 pages from cover to cover.

* * *

"Scientific Developments from the Investor's Viewpoint," is the subject under discussion in the current issue of 'Investment Timing,' published by **National Securities & Research Corp.** The discussion summarizes developments and prospects in such varied fields as electronics, sulfa drugs, pencillin, soy beans and synthetic textiles. Other articles on this fascinating subject are to follow.

* * *

Lord, Abbett presents an interesting discussion of Affiliated Fund's current position in the latest copy of "Abstracts." During the first quarter of this year the management has been building up reserves in bonds and cash in preparation for any sharp reaction which might occur on sudden news developments during this critical period of the war. The following tabulation gives the position of Affiliated Fund as of March 31, 1944:

"Capital Goods" stocks and bonds	$817,500
"Consumers Goods" stock and bonds	17,362,400
"Reserve" bonds and cash	4,176,000
	$22,355,900

The memorandum underlines the basic, longer-term confidence of the management in the market, but points out that, in its present position, Affiliated Fund has not gone to extremes—either toward conservatism or toward all-out volatility.

Dividends

Keystone Custodian Fund "S-2"—A semi-annual distribution of 45c. a share payable May 15, 1944, to shareholders of record April 29.

New York Stocks, Inc.—The following distributions payable May 25, 1944, to stockholders of record May 5:

NEW YORK STOCKS, INC.
Special Stock

	Amount of Dividend Per Share
Agricultural Industry Series	$.14
Alcohol & Dist. Industry Series	.30
Automobile Industry Series	.12
Aviation Industry Series	.33
Bank Stock Series	.13
Building Supply Industry Series	.10
Business Equip. Industry Series	.22
Chemical Industry Series	.11
Electrical Equip. Industry Series	.13
Food Industry Series	.20
Government Bonds Series	.00
Insurance Stock Series	.16
Machinery Industry Series	.20
Merchandising Series	.19
Metals Series	.20
Oil Industry Series	.10
Public Utility Industry Series	.10
Railroad Series	.15
Railroad Equip. Industry Series	.15
Steel Industry Series	.18
Tobacco Industry Series	.25

Philip Goodhart Dead

Philip J. Goodhart, member of the New York Stock Exchange from 1877 to 1909, passed away peacefully at his home 550 Park Avenue, New York City.

Dealers Cite Reasons Why NASD 5% Rule Imperils Small Business

(Continued from page 1820)

superior selection and judgment, increases the customer's capital 20, 50 or 100% or returns substantial income returns.

The test of any mark-up or dealer profit should be it's proportion to the amount of satisfaction, profit and gain accruing to the customer compared to the average performance of the securities and investment field, market and trade obtainable.

CHICAGO, ILL.

The market for smaller corporations will suffer seriously—they will lose their sponsorship.

CHICAGO, ILL.

We believe this action to be un-American and unconstitutional. It will be a great handicap to unlisted markets and financing of the smaller companies. Small investment dealers like ourselves cannot operate on such a basis very long. Salesmen would starve trying to net 2½% and pay their own upkeep.

CHICAGO, ILL.

None. The only reason we dislike the "5% mark-up rule" is the evident drifting in this country toward regimentation.

In our opinion any inflexible arbitrary rule is dangerous.

BALTIMORE, MD.
(From firm favoring rule)

I believe this rule is eminently fair and adequate. Take the contra side. Suppose **all** issues of securities were **ordered** listed on their local or normal exchange market? What then? I fail to see how "smaller corporations" will be so adversely affected. One of the vicious things in the promotion of securities of "smaller corporations" in the past has been the spread between what the public is asked to pay and what the corporation has received.

CHICAGO, ILL.

None.

PEORIA, ILL.

It would virtually eliminate new financing on the part of small corporations. A 5% profit will not cover the cost of underwriting risk capital and would entirely discourage participation on the part of small dealers in selling group positions. If a 5% profit is proper, why doesn't the SEC and NASD have Congress enact it into the Securities Act of 1933. That kind of a move would publicly air the whole mess.

PEORIA, ILL.

Just about kill them.

QUINCY, ILL.

We would have to get out of business. No profit.

ROCKFORD, ILL.

It seems to me that the mark-up rule is bound to have adverse effect on the market of securities of smaller corporations and, in my opinion, it will especially discriminate against small dealers.

I am a small dealer and can recall no time in the last 25 years when a large profit was taken on any security. However, there is a principle involved in this proposed regulation which, I believe, should be treated beyond any one's personal discomfiture; therefore, whether or not it adversely affects me, I am against it.

PITTSBURGH, PA.
(From firm favoring rule)

We are in favor of the 5% ruling but not on all transactions.

ROCKFORD, ILL.

A reasonable mark-up is all that is necessary. Smaller companies would be injured.

A SMALL ILLINOIS TOWN

Economics dominate legality. There just won't be any real market. Changes must be made gradually from a cost standpoint, which is the basis of any other "fair practice" business. In order to standardize the selling price you must standardize the cost. This is a profession and not manufacturing or merchandising, so you are very limited as to increased production to offset lower price.

It is much more important to standardize the brains in the organization instead of the price.

A SMALL INDIANA TOWN

We think it will hurt the market for securities of smaller corporations if this rule stands. We seldom have profits in excess of 5% except in transactions is low price securities.

FT. WAYNE, IND.

The NASD 5% rule will eliminate all firms our size. With all small firms out of the business, securities of small companies all over the country will be without a market, as we are the ones that distribute and maintain markets in these securities. We can't imagine the large houses handling the securities of the small corporations in Fort Wayne.

HARTFORD CITY, IND.

It would be my opinion that if this rule would operate for a substantial period of time, that in the end it would work to a disadvantage to the present stockholders.

Operating in a small rural community, there are many well-managed, small companies whose securities have provided a safe and good income for the investors in that immediate community. In a lot of cases these securities were little known outside of the territory where the company operated.

If I understand this rule, I don't see how most of these companies would ever have got started, therefore, would not be in existence now. It seems to me the same would be true when we get back to normal; that is, to find some means of raising capital for risks of this type. If this is to be the limit on this type of risk, then there should be considerable less commission when the risk is so much less.

INDIANAPOLIS, IND.
(From firm favoring rule)

Time will tell—one guess would be an improvement.

BURLINGTON, IOWA

Almost do away with an already limited market for this class of securities. About 75% of our business over the past 23 years has been in the unlisted securities of small mid-western companies. We underwrite and handle secondary markets as well as maintain trading markets in a broad list of securities of small midwest companies, mostly in Iowa. We think there will always be a place for this type of dealer in each locality. We don't like the 5% spread rule or any other rule forced on us in this manner.

CEDAR RAPIDS, IOWA

Just yesterday an attorney asked me to make him a bid on a local hotel stock where there are just a few stockholders and little stock outstanding. Before the 5% rule I would have gone to the secretary of the company for information, then contacted some of the stockholders for ideas and then made the attorney a bid. Now; at a limit of 5% profit on this amount of stock, I can't even afford to run down the information.

Certainly the estate will suffer. The other stockholders will become aware of their predicament and the price of the stock will suffer for lack of marketability. Have you considered how this 5% rule has affected estates? When a bid is made for securities in an estate the bidder doesn't know when the securities will be good delivery. Therefore, he seldom can act as agent unless the court order to sell is at the best market obtainable. But on inactive securities, both the attorney and the court want something more definite than that. Then the bidder must bid for inventory and cannot hedge by selling for delayed delivery, because he doesn't even know if his bid will be accepted. Too many times 5% is not commensurate with the risk. Both the estate and the dealer are in a predicament.

CEDAR RAPIDS, IOWA

We sell only to individual clients and we recommend only companies we investigate personally. After issues are on our approved list of investments we continued to keep a personal contact with the companies and attend all annual meetings.

It is necessary for us to have around 7% or 8% on much of our business to give the service we believe is necessary to do a good job.

The 5% mark-up rule, if it is enforced, should be harmful to the small retail broker specializing in individual customers and would ruin the market for many small corporation issues, because where a great amount of time must be taken to get posted on an issue 5% is too small a mark-up, in that your sales are few and you cannot operate profitably on that small a margin.

TOPEKA, KAN.

The small corporations are going to have a difficult time obtaining capital.

TOPEKA, KAN.

Trading would be very limited.

NEW YORK CITY
(From firm favoring rule)

None. We completely disagree with your approach to this matter. We are small dealers, and we think you have done much more harm with your "false alarm" than the mark-up philosophy could ever do.

WICHITA, KAN.

They will go by the boards, the same way the small investment dealer is going when the "big shots" who control the NASD gets through with us.

WICHITA, KAN.

Definitely retard financing.

LEXINGTON, KY.

We originate many small issues of first mortgage bonds and preferred stocks of companies doing business locally. If this 5% rule stands, it means we cannot handle any more business on that basis, and I do not know how these small companies are going to finance themselves. It can't be done with the 5% rule in effect.

LOUISVILLE, KY.

Will be a handicap.

NEW ORLEANS, LA.

The rule will, we believe, narrow the markets for securities of the smaller corporations. While we would like to make 5% gross profit on even a small percentage of our transactions, competition does not permit us to come anywhere near that percentage of profit.

We are against the "mark-up" rule in principle, believing that competition will, in general, hold down the profit margin to fair proportions.

Undoubtedly there are dealers with a small clientele who require greater than a 5% gross in order to conscientiously serve their customers and net something for themselves. Undoubtedly, also, there are instances of dealers taking advantage of their customers in the profit taken, but we are confident that these are rare exceptions and that, as a practical matter, much more harm than good will be accomplished by the invocation of this rule.

SMALL NORTH CAROLINA TOWN
(From firm favoring rule)

None.

LOUISVILLE, KY.

Seriously injure it.

BOSTON, MASS.

I certainly agree with the position your editorials have taken and the reasons for eliminating the 5% mark-up rule.

I do not think I can add anything to what you have said. I hope your efforts will be successful.

BOSTON, MASS.

Wide spread, inactive market.

BOSTON, MASS.

Believe it will limit their marketability to an even greater extent than at present. Am opposed to the rule, primarily because it is a palliative for a situation and not a cure. And I doubt whether it will accomplish even what it is primarily intended to do. . . . Theoretically, it will protect the uninitiated customer against dilution of his capital (relative to security prices as a whole) without use of the alternate remedy of full disclosure of profits on transactions as principal However, such dilution can occur rapidly on a 5% mark-up, or a 4 or a 3 or even a smaller one, depending entirely upon the type of security sold to the customer, the judgment of the salesman or the intelligence of the customer, and upon the frequency of transactions. In the case of thousands of issues a larger than 5% mark-up is justified. Such issues would naturally suffer under the rule, if it stands. In the case of other thousands of issues, such a mark-up as 5% would be outrageous except for small orders executed because of a trip to the sticks. . . . Aside from basic changes in the relationship between NYSE member and non-member firms, what we need is **not** a mark-up limitation, but full disclosures: the latter, however, should not be adopted until NYSE members are forced to do business only with dealers. . . . But, in the final analysis, the old proverb still holds: "A fool and his money are soon parted." Investors have been led to believe that, with State and Federal regulation, etc., they can trust virtually any registered broker or dealer. They can, in certain respects, but all the regulation in the world won't put the investment business on a professional, highly ethical basis. The effect of regulation is actually the reverse. What it seems to do is make bigger fools of those customers who were fools to begin with and at the same time make it just that much harder for an honest and ethical firm to make a decent living. . . . What the present rule is trying to cure is the basic evil of overpricing, and it merely scratches the surface, infecting the scratch with another virus at the same time. . . . You can't cure overpricing until you stabilize the price structure of everything, and you can't do the latter without going socialistic or totalitarian. Even then, it doesn't seem to work. Sorry to remain anonymous, but the 5% rule doesn't have any direct effect on my own business, while the making of such comments might.

BALTIMORE, MD.

Restrict their saleability.

BOSTON, MASS.
(From firm favoring rule)

I believe most of these are now traded at 5% or less, so doubt if there would be any effect.

DETROIT, MICH.

Markets will be narrower and less volume.

A SMALL MICHIGAN TOWN

We try to stay about 7 or 8% in mark up, and a good many times get as gross 3%. If we were permitted to stay at 5% it would be bad, very bad.

DETROIT, MICH.

We believe it will have a tendency to make it very difficult for a small corporation to be properly financed.

OMAHA, NEB.

Will undoubtedly injure credit of many small corporations.

MONTCLAIR, N. C.

Definitely ruinous.

BOSTON, MASS.
(From firm favoring rule)

Have you noticed any effect since Oct. 25, 1943? How much can the public afford to pay for "service" taking into account mistakes of judgment of dealers. The observation of the writer who has been in the over the counter business for 39 years is that wider spreads are charged small investors for poorer securities. It is these dealers whom you are supporting? Have you forgotten the public angle?

RIDGEFIELD, N. J.

Not favorable.

NEW YORK CITY

We cannot judge the general situation in our Counter Trading, but it appears that brokers and dealers show a new interest in distribution of Investment Trust shares, as liberal commissions are sanctioned by SEC and clearly outlined in all prospectuses and other literature on the subject.

From all that has appeared in print the NASD 5% ruling must be considered as arbitrary and hardly based on a strict interpretation of powers given the Board of Directors by the members of the Association.

The 5% rule should be thrown out like a lot of other "New Deal" nonsense, in my opinion. About time the U. S. A. regained the common sense of its forefathers, and drops the school-marm stuff. Personally, the 5% doesn't affect my business.

BUFFALO, N. Y.

No question but what the small dealer will be eliminated from the security business if the 5% ruling is to stand. The only other alternative is, for dealers to resign from the NASD and do business with non-members. I am for such action 100%. I believe many small dealers are under the impression, that in order to remain in business they must be members of the NASD. A little publicity by your Chronicle on that subject, I feel, would be of tremendous help in bringing the NASD higher-ups to their senses, I haven't any doubt but what the great majority of small dealers would resign from the NASD without delay if they were informed that membership in that organization was not necessary in order for them to continue doing business.

NEW YORK CITY

Diminish the marketability.

NEW YORK CITY

It will be difficult to float small new issues and will cause the trading spread between the bid and asked price to be widened—and we won't have active, close trading markets in stock like we have today. Also will cause the tendency of concentrating the business in the hands of a few large houses as the little ones will have a lot of difficulty in making both ends meet on a maximum 5% profit.

NEW YORK CITY

As a question of practical business it is a monstrosity. It will hamper if not completely destroy the market for unlisted securities. Dealers will suffer, but more so the public. Ready markets will become a thing of the past. I am for reasonable profits, but against this rule for many reasons, let alone the question of law and principle.

Post-War Financial Problems And Outlook

(Continued from page 1824)

of past excess profits taxes paid into the Treasury, additional cushions are provided for net incomes of corporations which experience a marked decline in gross business.

These are the elements which I believe will serve to make the corporate profit picture less disturbing than some pessimists consider it to be from the present viewpoint. Realistic revision of the tax structure will, I believe, improve the general corporate situation when business returns to normal peace-time procedures. These are days of high tension and raw nerves. We are at the threshold of great events. We may receive word at any moment that the long-waited invasion has begun. Unless our calculations badly miscarry, this news, when it comes, will signal the beginning of the greatest triumph of political democracy and economic free enterprise since our country was founded upon those very principles. While many days of grave anxiety and of heavy casualties undoubtedly lie ahead, we cannot doubt that the ultimate conquest of Hitlerite Germany is part of our high destiny. It was just four years ago that the Nazi forces threatened to dominate the entire civilized world. That threat has now been removed. And victory in Europe will most certainly be followed by victory in the Pacific.

It is impossible to over-dramatize the significance of the military victories which lie before us, or to over-estimate the part which the United States has played in achieving them. Our prestige among nations, as the symbol of liberty, of opportunity, and of unlimited accomplishment, has been great in times of peace, but it will have been enhanced beyond measure by our display of military strength and of national determination in destroying the barbaric forces of aggression all over the world.

The effort of the forthcoming defeat of Hitler upon the psychology of the American people will, I believe, be no less electrifying than its effect upon the peoples of those countries that have been overrun by Hitler's armies. Although we at home have been spared the acute sufferings of those who have been under the Nazi yoke, we have had our share of gloom and of humiliation in the days when Hitler's power was in its ascendency. We have also had our season of shame and of helplessness in the dark days following Pearl Harbor. We have been through a long and bitter period of psychological depression induced by the spectacle of brute force running rampant. When we have finally put an end to that spectacle and have suddenly realized that the world is free again, we are bound to experience a tremendous exhilaration and a great upsurge of confidence in ourselves and in the future of our country. Of this we cannot have the slightest doubt.

Our troubles have by no means been entirely the products of war. Here at home, long before the war broke out, many of our people had begun to question the economic principles and precepts upon which our previous progress as a nation had been based. They had been told that ours was no longer an expanding, a dynamic economy; that there were no new frontiers; that there were no more opportunities; that reliance upon individual enterprise could only mean mass unemployment; that we faced an indefinite period of economic stagnation, and that our only salvation rested with an all-powerful government. We know that a great many of our people had lost faith, that they were willing to sacrifice their individual freedom for a form of passive security. It must be apparent to everyone that this defeatist attitude toward our economic future is being swept away just as completely as the defeatist attitude is being swept away in those countries which had fallen under the heel of Hitler.

We have had 12 long years of reform in the economic sphere. There is no question in my mind but that much of this reform has been essential to the survival of the political and social system underlying our competitive enterprise economy. There is also no question in my mind that the conflict and controversy over reform have served to retard, in some measure, the resumption of our progress toward a much higher level of material prosperity for the nation. Our record of production during the war, which has been the marvel of the rest of the world, has fortunately given the rank and file of our own people a new respect for the genius of American business management. We also have a more acute awareness of our potential peace-time accomplishments, if given a favorable environment and adequate incentives, and if a halt is called upon the practice of changing frequently the rules of the game—a practice which was so disturbing in the years before the war.

As I have pointed out before, we have been moving fast in the last eight or ten years—sometimes too fast. That is the way with cycles. The long overdue political and economic reversal in the 1930's went to extremes. We will be wise if we are on guard to prevent the counter reaction from going to extremes also. This danger will be very real in the back-wash of the war. It is quite evident that the people of this country are determined to root out that which is unsound in conception and poor in administration, but they are equally determined, I am sure, to preserve that which is good. The initial products of a political upheaval are often crude. Subsequently, they must be refined in a period of consolidation and correction; but the desirable developments must be retained.

The fact that the American people are eager for a revival of individual freedom, with a further elevation of our standard of living, has been indicated unmistakably in recent months. This trend is yet to undergo its most critical test, and when the trend is confirmed this development, taken together with our military victories, will complete the restoration of the foundation of business confidence in the United States.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1822)

cases the bids were not for more than 500 shares and, in most cases, they were for only 100 shares. So much for the rumor side. Yet time and again the tape showed what looked like real buying. How to equalize one against the other posed a problem. But, after tracing various sources, I discovered that what looked like real buying was actually short-covering.

* * *

Naturally, even short-covering has clues within it. Your short trader, who usually has more acumen than the long-side buyer, doesn't cover unless he feels the market is through on the down-side. But, by the same token, he will not only cover but also go long. I did not find this to be the case. So it must be assumed that instead of an immediate reversal the market is in for another one of those dull, draggy affairs during which interest is practically nil. So I see no point in doing anything but hold on to stocks you have pending further developments.

What these developments are likely to be is a guess, and your's is probably better than mine. Invasion? Perhaps. But you read the same papers I do, and you can draw your own conclusions. One thing I know, and that is the market has probably discounted the invasion. As a matter of fact, don't be surprised that the day actual invasion occurs will also be the day on which the market will turn up.

* * *

On the domestic side, everybody is talking about the Montgomery Ward case. Congress is blaming the President and the WLB is blaming Avery. Just to keep the record clear it might help to recall that the Smith-Connally law under which the plant was confiscated was an ineffectual piece of legislation that Congress passed over Executive veto. So, if Congress is looking for a scapegoat, it can look for it right in its front yard. It is interesting to note, however, that despite all the stories regarding Montgomery Ward the stock is acting better than most. It may indicate exoneration of management and a return to private direction.

* * *

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.]

Congressman Dewey On Post-War International Rehabilitation

(Continued from page 1819)

do, and that is look after their own country.

I do not know exactly what the qualifications of an expert are, but I at least claim to have had some experience in these things from both sides. For four years I was down in the Treasury Department just as are the experts of today, Mr. White and his assistants; and then I was sent by that same Treasury Department or, rather, by the Federal Reserve Board to Poland to practically see about and supervise the rehabilitation plan of that country. I am happy to say I resided in Warsaw for three years, 1928, 1929, and 1930, and I have been back there every year since. The type of plan that was developed for Poland was similar to the plans developed for Germany, Hungary, Austria, and all those similar plans succeeded. Later on I had the honor to be elected to this body of ours, the great Congress of the United States and am on the Ways and Means Committee. Now I am looking at it from the legislative angle and I am assisting in raising and taking part in tax raising bills to take the money from the people of the United States to engage in all of these various operations, not only domestic, but foreign. And so I feel, too, that I might qualify by practical experience as an expert on these things, and that is the only reason, members of the committee, that I have the temerity to appear before you today.

An excellent editorial appeared in the New York "Times" of yesterday which I think it would be advisable for every person to read. It is entitled "A World Monetary Plan." I agree thoroughly with that editorial, which is to the effect that there is a misconception of the method for stabilization: This setting up of a great central fund leaves out so many practical points of view and the practical one is what will be the motives and ideology of all the various countries that we will be asked to help later on? Are they going to be financially sound? Are they going to wish to balance their budgets, or are they going to wish to have an inflationary policy? Then, again, will this be a sort of international Wall Street, having a small group of men, directors of the great international organization that will tell the countries of the world less powerful than themselves what they will do? They forget that these countries have their national pride and people do best when guided by their own self-interest and not by the demands of outsiders. Therefore, I feel, in a way, these central bodies, central funds, which are set up to coerce and drive other countries along the right lines are not as likely to be successful as if they go to the governments of these countries themselves and work with them in establishing sound financial and economic ideas within the country and aid them to put them into effect and then let those countries grow on a sound foundation. It is only by doing that that you can have a sound currency and sound economic future of the country.

I do not want to have any member of this august committee, nor any member of this Congress, nor any fellow citizen of mine to feel that just because I take an opposite position to the plan proposed by this international group of experts that I am in any way trying to dodge the responsibility that this country may have toward the other countries of the world or toward the world as a whole in bringing back sound economic life; but I frankly am somewhat, and have been, very much upset by accusations coming from different sides and different quarters, that as soon as anyone speaks or proposes something other than what is generally proposed by the great international body he is either an isolationist, or worse.

I would like to draw to the attention of the committee the record of our Congress here and of our great United States, going back to the last war. We know perfectly well that out of our participation in that war there still remains on hand here a vast sum of unpaid indebtedness by other nations with whom we cooperated. Those are over the dam; they are out of the way. Probably there never can be anything done about them, but I remember back in the early twenties, I was then connected with the Red Cross, Japan had a terrible earthquake which destroyed the city of Tokyo and the American people passed their hats around and raised over $10,000,000 to send to those people. Then again we have in this war direct appropriations of over $24,000,000,000 to lend-lease; we have $36,000,000,000 through the War Department and the Navy Department which have been allocated for lend-lease, or a total of $60,000,000,000.

This Congress has considered and passed UNRRA and will appropriate funds for that.

I would like to say that after a record like that, anybody who says that the United States, that is, the citizens of the United States, the Congress of the United States, is unaware of its world responsibility and unwilling to participate, is a knave or a fool. Those are strong words, but when anyone tries to traduce the generosity of my country I cannot find words strong enough to employ.

I would like to say right here that you must never forget those things. Remember, we cannot help the nations of the world economically or financially unless we ourselves are strong economically and financially and we must not forget that throughout the history of the growth of our country the United States market, the richest market in the world, has been the goal of every other nation in the world. Every nation in the world has a desire to enter our market on their own terms, not on ours. Those are the two fundamentals that we must never forget.

Now, I am going to approach this subject further as to the requirements of our United States in the post-war period and the requirements of other countries. We have got to put them both together and consider them.

Insofar as the United States domestic interests are concerned, I think it would be well to mention a few principal items.

In the first place, the number of taxpayers in the United States in 1939 was a little under 4,000,000. At the present time, under the 1943 tax bill, there are 50,000,000 of our fellow citizens now paying taxes. We also must not forget that when we finished World War I our public debt had reached to what we thought was a stupendous sum of $26,000,000,000. Now, it is well known that it is contemplated that we will have a public debt after this World War is won of about $300,000,000,000, and in fact the chairman of the Ways and Means Committee, Mr. Doughton, will shortly introduce a bill to increase the limitation of public debt which now stands at $210,000,000,000 to $260,000,000,000. That shows the direction.

We have today an estimated national income of $150,000,000,000 and in order to service that public debt of ours, which we must always keep an honest debt, never to be repudiated, we must at least have a national income of $125,000,000,000, because not only must we service that public debt but we will have the one thousand and one additional burdens that are going to be placed on our economy. The first and probably the greatest one is looking after our returning soldiers; the requirements to take care of them, those that are hurt, and those that come home well, but seeking jobs. That is our first requirement.

Our second requirement, then, is the termination of the war contracts and the reconversion of our industries to peacetime production. There are over 2,000,000 war contracts at the present time that will have to be terminated, existing in thousands of companies throughout the United States. On top of that we must reshift and remake our tax system in order that we may raise sufficient revenue to do all these things at home and also create incentive by not taking too much in taxes from the people so that they will cease to work and cease to have the incentive to work. Those are some of the things that are domestic requirements that we must take into account at once and keep in our minds at all times when we consider what are our requirements around the world.

Now, in regard to our gold: I notice in last evening's "Star" a cartoon which showed Mr. Morgenthau with an empty sack going into the United States gold depository at Fort Knox and the President saying, "I knew Henry would find some use for that gold." That must have created in the public mind a misunderstanding of the necessity and the purposes of our great gold store. Naturally I do not think it was intended to have that effect but was intended to have a certain amount of humor. Basically that gold store of ours is very necessary to this country if we are to be able to do the things which I have mentioned in our own post-war construction, and we dare not send out of this country or dispose of any more than is actually necessary. Already we have lost $2,000,000,000 of our gold stock to foreign countries through our purchases abroad and I would like to just mention for the record a few figures to show you how important our gold stock is:

As you all know, our currency is based on gold. It is tied to gold and the Federal Reserve notes, which we are generally using, have to be secured by a minimum of 40% gold and the difference between that and 100% by eligible commercial paper or Government bonds. The latter security by Government bonds is a temporary measure. Now, I want to show you how fast that gold stock, used for reserves, has fallen. In October, 1942, our Federal Reserve notes and deposits were secured by 82% of gold and other lawful money; 16 months later, in March, 1944, that reserve had fallen from 82% to 62%; and if we continue at the same rate with the same amount of reserve in reserve banks the increased amount of circulation of currency and deposits and the increased purchase by banks throughout the country of Government bonds, it is estimated we will fall to the minimum requirements of 40% and 35% by the middle of 1945. To show you what that means in dollars, the Federal Reserve banks may purchase only approximately 20 billions of dollars more of Government securities.

Now, those are technical points. I am not going to burden the record or abuse your patience by giving you any more of the arguments. We are going into them further, but I do want you to realize that gold is part of our system and because gold is part of our monetary system the American dollar is the one that is quoted and all other currencies are connected with it and if we weaken our dollar, where is your stabilization? Where is your currency stabilization throughout the world? We must protect the strength of our dollar for the benefit of the whole world.

Now, there is one other thing that I would like also to put into the record at this moment.

There is another post-war reserve, another post-war requirement. I have said that in order to service our public debt, in order to do these various things that are necessary to produce the tax revenue so that we may do them out of our own revenue and not by constant borrowings, we must have a national income estimated at about $125,000,000,000. That can only be done in one way and that is by having a completely full economy. By that I mean every factory must run at full tilt; it must mean the farmer must raise as much as he can. That is full employment and full employment gives a high national income from which tax money is derived. There are always dangers about that sort of policy and when the machine runs with an open throttle there is likely to be surplus merchandise and that surplus merchandise developing in the country hangs over the market and naturally has a tendency to reduce employment and reduce prices.

I have outlined the requirements of the United States, as I see them; I briefly turn to the requirements of the other members of the United Nations.

Great Britain has lost a great deal of her merchant marine, which will have to be replaced, as she is very dependent on her merchant marine. Her position as world banker has been impaired and the Dominions to which England used to sell have developed a great many manufacturing and industrial organizations of their own and will probably be somewhat a competitor of the mother country. Then on top of that England is a world banker and had received deposits from her Dominions and from other countries of the world running into the sum of about $6,000,000,000, which is growing constantly. She has used the foreign exchange herself to carry on the war but when the war terminates those depositors will ask for their money back. They will ask for gold; they will ask for foreign exchange. That is going to be a tremendous burden on the British economy.

Then there is at the present moment no decided policy in Great Britain as to what is going to be her future foreign-trade policy. We know, too, she has had what is known as the sterling area. We know of the Ottawa agreement of several years ago when England put her arms around certain countries of the world and said, "We will trade together within ourselves and on better terms than will be extended to other countries of the world." Will England again follow that policy, or will she follow the policy of Secretary Hull in regard to reciprocal-trade agreements? We do not know.

Those are some of the questions that confront us and may I say here at this point that I do not contemplate that House Joint Resolution 226 with its revolving fund of $500,000,000 is in any way sufficiently large to approach these very large subjects of England, of China, of Russia. Each one of those must be taken up as an individual item and worked out on an individual basis.

Frankly, I do not want to lose the bargaining position of the United States in regard to either England, Russia, or China, by entering into an agreement before I know what the requirements are going to be and what are to be those countries' foreign policies. I know that it is going to be possible, when these subjects come up, to take care of them, each one separately, each one based on its own requirements, through the ordinary channels of banking industry, with some assistance on the part of the United States Government.

Now, briefly, in respect to the requirements of Russia, we know that Russia has no announced policy. I am going to read here briefly just one paragraph from the book of David J. Dallin, recently published by the Yale University Press. The book is entitled "Russia and Post-War Europe." This book was published in 1943 and in reading this statement I only want to say that I quote it in admiration of Mr. Stalin's sincerity and courage and in no way critical, but I think we ought to konw that he has made such a statement:

"Stalin deemed it necessary to repeat the oath he uttered over the grave of Lenin. 'On leavng us Lenn bade us be loyal to the principles of the Communist International.' We swear to you, Comrade Lenin, that we will not spare our lives in fortifying and expanding the union of the toilers of the whole world, the Communist Internationale'."

That is Mr. Lenin's and Mr. Stalin's policy as quoted as late as 1938 and as I say, I only mention it to bring to your attention the fact that when we enter any great international union those may be the points of view of some of our partners which might not be in keeping with the ideology of our own country.

Also, we know nothing about the gold production of Russia—the great Lena mines which produced gold in great quantities and concerning which Russia has not recently made a report, so we do not know what her production has been. We do know that Russia will have a great need of mechanical equipment and transportation equipment and she will seek our market to obtain it.

As to China, her requirements are not as easily specified, but we know they will have tremendous requirements for communication materials, the development and the machinery for the development of natural resources which have scarcely been scratched in that great area. We know she will have need of technical advice and mechanical equipment and we certainly know that she will have to have long-term loans or credits in order that rehabilitation and reconstructions as well as new constructions can be made effective and productive.

Now the problem of this worldwide rehabilitation—what will be our part in it—is going to grow almost immediately, and that is why I press for the passage of a piece of legislation such as contained in House Joint Resolution 226. I do not claim that it is a final piece of legislation necessarily, nor do I claim that it is perfect. One might almost say that it is a stop-gap piece of legislation, in order that we may be ready when the demand is made to do something about it and do it in the American way. I will explain that when I bring up the bill, but that requirement may be presented as a result of UNRRA even before the war is over, when certain countries are evacuated by the Germans, and Axis Powers. We would then be ready to do our share, but I again reiterate, in the American manner.

We do not even know when the word of command, "Stop firing," comes, what will be the actions and activities of the four great United Nations. We do not know whether there will be peace treaties; we do not know whether there will be a continuing armistice. We do not even know how many of our good associates will abide completely by the items and recommendations of the Atlantic Charter. A great many of those things we do not know anything about. We do not know what will be the attitude of some of the countries that will be evacuated. We do not know whether their governments will want to receive and come under the more or less domination of some greater neighboring power. We do know that certain of the countries will need some assistance and others will not need assistance.

I went to the bother of finding out what was the credit of certain of these countries of the world, of Europe, that have been devastated. Even today, while still oc-

Securities Dealers Committee Sees Small Business In Jeopardy

(Continued from page 1819)

permitted to stand, would be the forerunner of similar limitations in every field of business and commerce, alien to our American way of life, and would mark an inroad upon the freedom of the individual, in the absence of an emergency, to do business unretarded and unrestrained by bureaucratic and illegal contrivances. With this as a precedent, price spreads might be superimposed upon our whole economy and the competitive system fostered by our laws for decades, strangeld.

Origin of the Rule

The "Securities Dealers Committee" insists that the "5% spread" ukase is a rule. The Board of Governors of the NASD persists, however, that it is merely an interpretation. The former claims this attitude on the part of the latter is a convenient attempt to by-pass the SEC which has a power of review over "rules" and to avoid the vote of NASD members who are given the franchise with respect to such "rules" of the Association.

The rule at issue was promulgated by the Board without being submitted to the members.

Charges in the Petition

Following are some of the grounds upon which the petitioners, through their attorneys, Edward A. Kole and A. M. Metz, assert the rule is illegal:

"It tends to limit and destroy markets for securities of the smaller corporations of the country and is therefore against public interest and against public policy."

"It is monopolistic in its operation, contravenes the anti-monopoly statutes in that it tends to eliminate the small dealer in securities and thus cripple competition."

"It constitutes the exercise of the legislative function which the Congress had neither the intention nor the power to delegate to NASD."

The Securities Dealers Committee has set up temporary offices at 165 Broadway, New York City.

The petition in full follows:

UNITED STATES OF AMERICA
Before the Securities and Exchange Commission,

IN THE MATTER OF
The Petition of
William S. Baren,
Baron G. Helbig,
Benjamin S. Lichtenstein,

In their own behalf and in behalf of all those similarly situated for an order nullifying, vacating and revoking a rule of the National Association of Securities Dealers, and for other relief.

Petition.

The petitioners, for their petition, allege:

1. All of the said petitioners are duly registered securities dealers, having their principal place of business in the City, County and State of New York and at least one of the said petitioners is a member of the National Association of Securities Dealers, hereinafter referred to as "N.A.S.D."

2. The petitioners are the representatives of a voluntary committee of securities dealers known as "Securities Dealers Committee."

3. N.A.S.D. is an organization authorized by and created under the Maloney Act being Section 15A of the Securities Act of 1934.

4. Under its by-laws, as well as the provisions of the Maloney Act, the said N.A.S.D. is authorized to promulgate rules, sometimes called rules of fair practice, providing the said rules do not contravene the said by-laws and the Maloney Act, and providing further, that the said rules are subject to the supervision and review of the Securities and Exchange Commission.

5. Article VII, Section 1 of said by-laws, provides in part: "The Board of Governors, upon the adoption of any such rules of fair practice or amendments thereto, shall forthwith cause copies thereof to be sent to each member of the Corporation, to be voted upon. If any such rules of fair practice or amendments thereto are approved by a majority of the members voting, provided, however, that a majority of all members of the Corporation have voted, within thirty days after the date of submission to the membership, and are not disapproved by the Commission as provided in Section 15A of the Act, they shall become effective rules of fair practice of the Corporation as at such date as the Board of Governors may prescribe."

6. About or during October, 1943, the Board of Governors of N.A.S.D. passed the following rule in substance: "It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security," and as a part of the enforcement of said rule promulgated a so-called 5% spread "philosophy" in effect placing ceilings upon the spreads between the purchase and sales prices of securities.

7. About the 9th day of November, 1943, the said Board of Governors transmitted said rule to the Business Conduct Committees of the Association with directions that the same be applied as a guide and measure in disciplinary proceedings of the members of the N.A.S.D. thereafter to be conducted by the said Business Conduct Committees, and instructing said Committees that transactions showing a mark-up of over 5% on the part of a member raise an issue as to whether there is a violation of the aforesaid rule.

8. Said directive and instructions further advised the Business Conduct Committees that enforcement of the aforesaid rule would be effective not later than October 31, 1943; and on said date enforcement thereof actually commenced and has since been continuing.

9. On or about the 25th day of October, 1943, notice was given by the N.A.S.D. to its membership that the rule would be so applied.

10. Contrary to the N.A.S.D. by-laws, and the provisions of the Maloney Act, such rule was not submitted to the membership of the N.A.S.D. for their vote, approval or disapproval, and neither it nor the method of its inception has been passed upon by the Securities and Exchange Commission.

11. A large majority of N.A.S.D. members were and are opposed to the said rule and to the "philosophy" expressed therein.

12. In order to avoid the submission of said rule to the franchise of its membership, the Board of Governors of the N.A.S.D. well knowing that a large majority of said members were opposed to said rule, illegally and improperly characterized the same as an "interpretation" and failed and refused to designate the same as a rule and still fails and refuses to designate the same as a rule, which it in fact is.

13. The said rule is illegal upon the following grounds, among others:

(a) It was not submitted to the vote of the N.A.S.D. membership as required by Article VII, Section 1 of the by-laws of said N.A.S.D.

(b) Neither it nor the manner of its passage has been approved by the Securities and Exchange Commission.

(c) It is monopolistic in its operation, contravenes the anti-monopoly statutes in that it tends and will tend to eliminate the small dealer in securities and thus cripple competition.

(d) It was promulgated by an organization, to wit, N.A.S.D. created under an illegal statute, to wit, the Maloney Act, which contravenes the law of the land because it is special legislation in effect giving to the N.A.S.D. certain exclusive and monopolistic privileges amongst them that of having its members participate in certain financial advantages and dealings to the exclusion of non-members; as a result, the N.A.S.D. is a body which is not legally constituted and is therefore without any rule-making power.

(e) It constitutes the exercise of a legislative function which the Congress had neither the intention nor the power to delegate to N.A.S.D. and which the Congress in fact never so delegated.

(f) It is a modification of the law and of trade custom and usage which the N.A.S.D. is without legal right to effect.

(g) It is unconstitutional because confiscatory since it disregards the profit motif in business.

(h) It constitutes an illegal exercise of legislative powers and governmental functions by a private association.

(i) It constitutes a burden upon and impairment of interstate commerce.

(j) It is contrary to the common law and to trade practices and usage by inferring fraud merely from the spread between purchase and sales prices of securities despite the fact that no representations of any kind accompanied such purchases and sales.

(k) It tends to limit and destroy the markets for securities of the smaller corporations of the country and is therefore against public interest and against public policy.

(l) It is unconstitutional because it deprives securities dealers of property rights without due process of law.

14. The petitioners are directly aggrieved by the said rule, their business impaired and their individual rights to engage in free and unrestricted enterprise as guaranteed by the constitution and the law of the land, interfered with.

WHEREFORE, the petitioners respectfully pray for an order declaring a public hearing upon the matters and grievances set forth in the foregoing petition and that the rule herein referred to be cancelled, revoked and declared a nullity.

Petitioners.

EDWARD A. KOLE,
Attorney for Petitioners,
Office and P. O. Address,
39 Broadway,
New York, N. Y.

ABRAHAM M. METZ,
Attorney for Petitioners,
Office and P. O. Address,
165 Broadway,
New York, N. Y.

State of New York
City of New York
County of New York
ss.:

WILLIAM S. BAREN, BARON G. HELBIG, and BENJAMIN S. LICHTENSTEIN, being duly sworn, depose and say that they are the petitioners herein; that they have read and know the contents of the foregoing petition; that the same is true to their own knowledge, except as to the matters herein stated to be alleged on information and belief, and that as to those matters they believe it to be true.

SWORN to before me this
day of May, 1944.

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cupied by German armies, I know you will be as surprised as I was to find out how good is the credit of some of these countries.

We go in, and that was the purpose of this plan, as an individual who has a good will, who wishes to sit in with other countries to place a sound foundation under the economy of the devastated nation which wishes to rebuild. We can stay in; we can come out; we can do anything we please in that conference, maintaining our own right of decision. But there is one thing that I object to most in the Treasury bill. I am too proud of my country and its reputation to see it placed in the position, to use the common term, of a "welcher"; to go into something with our eyes open, and then because we do not like the way things are going to withdraw. Let us not go in at all in the beginning until we know everything about it. Under my bill each particular case stands on its own legs and we do not have to go into any one unless we want to.

Reorganizat'n Potentialities

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

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.

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.

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.

Fred Kelly Asst. Sec. Of Stifel, Nicolaus

ST. LOUIS, MO.—Stifel, Nicolaus & Co., Inc., 314 North Broadway, members of the St. Louis Stock Exchange, announce the appointment of Fred S. Kelly as assistant secretary of their firm. Mr. Kelly has been associated with Stifel, Nicolaus & Co. for some time as statistician.

Beckhart Presents A Post-War Monetary Stabilization Plan

(Continued from page 1818)

of food and clothing. These needs we should meet to the utmost of our ability and without thought of repayment.

2. Post-war loans, as opposed to relief grants, should be extended for definite projects of economic merit, or in the words of Congressman Dewey's resolution, for "sound economic objectives". The terms of each credit extension should be "tailored" to fit particular borrowing needs. Careful consideration should be given to the credit-worthiness of the borrowing country.

3. Preference should be given to loans, the proceeds of which will be so utilized as to increase the export ability of the borrowing nation.

If borrowing needs associated with purely domestic requirements are financed through external loans, a heavy burden will be placed upon a nation's balance of payments without at the same time enhancing its ability to export goods and thus to repay its external debt.

4. In the extension of financial aid, the funds loaned should be similar in character to the funds required.

The mistake committed in the decade of the 'Twenties of using short-term funds to finance long-term needs should not be repeated. Short-term funds should be used solely to finance short-term requirements and long-term credit needs should be met from investment funds.

5. The United States should stand ready to grant financial aid only if it is confident that borrowing nations at the earliest practicable moment will remove existing controls over import and export trade and foreign exchange transactions, and that they will not use such controls as instruments of national policy.

6. Credits should not be extended unless the United States is willing to absorb the amount of imports necessary to enable foreign debtors to meet interest and amortization charges on their indebtedness.

In many nations, and more particularly in those which must resort to external borrowings, there will be an intense demand for dollars, a problem which can be eased if, in accordance with a recent recommendation of the United States Chamber of Commerce, this country pursues "a constructive, liberal and realistic tariff policy designed to prevent world-wide erection of excessive tariff walls such as followed the last war".

"Such then are a few of the general principles to which attention might be given when post-war lending policies are being formulated. Not all foreign nations will need to seek loans. Many possess dollar assets and gold in sufficient amount to stabilize their currencies and to purchase in this country the commodities, machinery and capital goods which they will require. Others will need to borrow for purposes of currency stabilization, economic rehabilitation and reconstruction. In certain instances, the loans that will be required can be secured from private sources; in other instances, they will have to be secured from the United States Government or from a government agency.

"Post-war financial problems cannot be separated from those of the war itself. In fact, they represent an outgrowth of the war situation. Just as we are extending financial aid during the course of the war, so must we be prepared to continue this aid in the post-war period. Our responsibilities in this connection are implied in Congressman Dewey's resolution. In view, however, of our own internal monetary and fiscal situation, our ability to extend credits is not an unlimited one. Similarly, the ability of borrowing nations to repay is not unlimited. In consequence, credits should be extended largely for purposes which will increase the export ability of the borrowing country.

"International capital movements on private account will take place and will increase in the post-war period if the political, financial and economic environment is a favorable one. The creation of a favorable environment presupposes that the United States will reduce trade barriers, that countries overrun by the Axis powers will achieve political stability, that the problem of post-war inflation will be handled successfully, and that controls over foreign trade and over the foreign exchanges will be removed at the earliest possible moment by those nations in which the system of private capitalism prevails.

"Moreover the creation of an environment favorable to private international finance requires that a constructive solution be found to questions concerning reparations and inter-allied debts. The United Nations should neither attempt to collect huge reparations nor insist upon repayment of inter-governmental obligations resulting from the war effort. Though the enemy powers should be required to return looted goods and relinquish seized territory, reparation payments, except in limited amount, should not be demanded. The United States must take care to avoid being maneuvered into a position, where, as a result of loans extended to the defeated nations, it is in effect covering the reparation payments of those nations. A prompt settlement should be made of the obligations due to this country under the Lend-Lease Agreements. The terms and conditions of the settlement should, in the words of Article VII of the Master Agreement between the United States and the United Kingdom, 'be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations.' A further necessary action in the clearing up of political obligations would be the repeal of the Johnson Act of 1934.

"As the first step towards an international economic and political environment favorable to private enterprise, this country should stand ready, within the framework of the principles set forth above, to lend financial assistance abroad. Whether loans are extended for a short or a long period, whether they are extended privately, or by the Government, or by one of its agencies will depend upon the credit standing of the borrowing nation.

"In general, post-war credits will be extended for the following four major purposes:

1. Trade finance.
2. Currency stabilization.
3. Economic rehabilitation.
4. Economic development.

In each instance the funds required will differ as to length of life and as to the private or public character of the institution meeting the need.

"Trade credits of a short-term, self-liquidating character can and should be supplied by commercial banks. American commercial banks have close business relationships with American importers and, through their correspondents and branches, are in close touch with foreign business. American commercial banks can render a very important service in the financing of international trade, and every effort should be directed towards the building up of a discount market in New York to perform services of the sort rendered so ably and effectively by the London discount market prior to the first World War.

"In order to prevent an over-extension of such credits in the aggregate to any one nation, the Federal Reserve Banks might maintain statistical records of all foreign credits extended by commercial banks, classified by countries. Aggregate data could be reported periodically to the lending banks so that they would be in a position to judge whether any nation incurring too large an indebtedness on short-term account.

"The second type of demand for funds arises in connection with currency stabilization. Although credits for this purpose can render an important service, it must be emphasized that currency stabilization is essentially an internal problem. It involves the balancing of governmental budgets, the severance of the commercial banking system from deficit financing, the refunding of the floating debt, the unpegging of interest rates, the re-establishment of free competitive markets, the restoration of a true balance in the cost-price structure, and the re-establishment of profit and loss as a guide to production and as a measure of efficiency.

"The United States itself will have an important responsibility in providing a dollar which will serve as a firm basis for the currency systems of other countries. To accomplish this, the dollar must be freed of all foreign exchange controls, gold coin redemption must be reintroduced, a balanced federal budget must be achieved, and commercial bank credit must not be used, as was the case in the decade of the 'Twenties, to meet the demand for long-term investment funds.

"The United States can make a further contribution to world economic stabilization to the extent that it is able to prevent deep business depressions and exaggerated booms and the attendant erratic exports of capital.

"Although the problem of currency stabilization is fundamentally an internal one and one which must be solved by the adoption of appropriate internal measures, stabilization credits in certain instances can prove helpful. Such credits are of two types: short-term credits required for seasonal or temporary emergency needs, and long-term credits required for the purpose of providing gold and foreign exchange reserves.

"The first type of stabilization credit can best be granted by an international central bank, i. e., by an institution similar to the Bank for International Settlements or by the Bank for International Settlements itself operating under a revised charter. Such an institution could serve a most important function not only by granting short-term stabilization credits but also by serving as a meeting place for central bankers and as an agency for research on world economic problems. The Bank for International Settlements, which was American in conception, has rendered important services in connection with these functions and its experience will be of great value in solving impending stabilization problems.

"May I suggest that the Board of Governors of the Federal Reserve System give immediate attention to the problem of enlisting the cooperation of the officials of various other central banks in the establishment of an institution similar to the Bank for International Settlements, or in the revision of the charter of the present institution to make it an effective instrument in currency stabilization.

"The second type of stabilization credit it that extended for a long period of time to provide the borrowing nation with gold or exchange reserves. Such a credit is exemplified in the Dawes loan of 800 million gold marks or about 190 million dollars, granted to Germany in 1924 to provide gold reserves for the new central bank, to contribute towards the establishment of a sound currency, and to prevent a complete suspension of payments to creditor nations during the period of economic rehabilitation. The bonds, offered in the markets of eight foreign countries, were 25-year obligations.

"Although the Dawes loan was relatively small in amount, the proceeds were sufficiently large, along with the internal measures instituted by Germany, to provide a stable currency. This experience would seem to indicate that long-term stabilization credits following this war will not have to be large to achieve their purpose.

"Experience with stabilization credits after this war will probably be similar to that after the last war. Not all nations will need to borrow to secure currency reserves. Many will possess a sufficient supply of gold and dollar exchange. Nations which stand in need of long-term stabilization credits will doubtless wish to obtain them in this country. Gold will probably not be available elsewhere, and the dollar may be the only important currency free of foreign exchange controls. If private funds are not available for such loans, the United States Government should doubless assume the responsibility of providing the requisite funds.[1] By doing so, this country can stimulate international trade of a multilateral character and promote world recovery.

"In order to facilitate the granting of long-term stabilization credits by our Government in the difficult period of transition from a war to a peace economy, I propose that a Foreign Credit Administration be established, operating under the direction of a Board of Governors chosen in the manner set forth by Congressman Dewey in H. J. Res. 226. The powers and duties assigned to this Board, however, would be somewhat broader than those delegated in Congressman Dewey's proposal. Among other duties, this body would have the responsibility of receiving and passing upon applications for long-term stabilization loans to be granted by our Government, and, if favorable action were taken, of recommending to Congress that the necessary appropriation bills be introduced.

"The first step in any program of world currency stabilization is the stabilization of the British pound in terms of the American dollar. Once this is accomplished, an important initial step will have been taken towards the stabilization of all currencies and the reconstruction of world trade. If the Foreign Credit Administration were established in the near future, it could give immediate consideration to the problems involved in the stabilization of the British pound and to the role which this country should play in effecting such stabilization.

"The third type of credit demand has to do with the loans that will be required for purposes of economic rehabilitation, i. e., to assist nations in building up inventories of raw materials and in repairing docks, factories, public utilities, railroads, etc. Such credits are closely related to relief activities inasmuch as they enable nations to resume their normal economic life and to become self-supporting. It is to this problem that Congressman Dewey has in particular addressed his proposal.

"Not all nations will need to borrow abroad for such purposes. A number will possess gold or foreign assets. Some nations will be assisted by immigrant remittances and by the donations of philanthropic organizations. In certain instances, as the enemy withdraws from the occupied countries, the work of rehabilitation will be undertaken by the American and British armies in order to maintain the services of supply.

"To the extent, however, that foreign nations must rely on the assistance of the United States Government to finance working capital needs, and the reconstruction of plant and equipment, I would suggest that the granting of such credits constitute another of the functions of the Foreign Credit Administration, and that such credits, in accordance with Congressman Dewey's suggestion, be extended on a joint-account basis. Inasmuch as the loans will tend to become long-term in character, the amount of the revolving fund will probably have to be somewhat larger than that proposed in H. J. Res. 226. Moreover, foreign nations cooperating in the joint-account arrangements should be permitted to participate with this country in supervising the use of the credits.

"The fourth and final type of credit need will arise from the desire of nations to further their economic development, i. e., to expand capital equipment. The greater part of such expansion must be financed from internal sources, for much of it is of such a character that it will not increase the export balance and, in consequence, will not facilitate the repayment of funds borrowed abroad.

"In certain instances, nations, by using their own gold holdings and foreign exchange assets, will be able to procure in the United States or elsewhere the capital equipment they desire. In other cases, capital expansion can be brought about by direct investments on the part of American individuals and corporations. This is the most desirable type of capital import, since it does not subject the balance of payments of a nation to fixed charges.

"To the extent that the assistance of the American Government is required and justified in financing capital development in other nations, I would suggest that the Export-Import Bank be used for this purpose, operating under the supervision of the Foreign Credit Administration. The experience which it has obtained in the granting of such credits will prove valuable in meeting somewhat similar needs in the post-war period.

"By way of recapitulation, the funds required by various foreign countries in the post-war period (aside from relief grants) will be those needed to finance international trade, currency stabilization, economic rehabilitation, and economic development. A certain portion of the external credits required can be supplied privately, another portion may need to be supplied by governments or government agencies. In order to simplify and expedite the extension of the credits which may have to be granted by the American Government, I have suggested that a Foreign Credit Administration be established. This would be charged with the threefold responsibility of recommending to Congress appropriation measures in order to provide long-term stabilization credits, of participating with other nations in financing economic rehabilitation, and of directing the work of the Export-Import Bank.

"This suggestion was based upon and grew out of the proposals made by Congressman Dewey. The Foreign Credit Administration differs from the Central Reconstruction Fund, proposed in H. J. Res. 226, in that it would possess somewhat broader powers and responsibilities, and its functions would be

[1] Within the framework of principles set forth at the outset of this statement.

departmentalized in accordance with the type of credit granted. Its Board of Directors would be selected in accordance with the procedure set forth by Congressman Dewey.

"In the post-war period, the United States will have a unique opportunity and a real responsibility in offering leadership in the formulation of constructive international financial and commercial policies. We must be prepared to accept this challenge and to develop policies and follow the course of action most conducive to the economic recovery of all nations and to the maintenance of world peace. In directing attention to the urgency of these questions, Congressman Dewey has rendered a signal service."

As a supplement to the foregoing statement submitted to the House Foreign Affairs Committee, Dr. Beckhart submitted the following critique of the proposed Experts International Stabilization Fund:

1. The operation of the Fund might stimulate inflation in the creditor nations and the inflationary influences might be exerted at the wrong time.

The major portion of the initial quota of the United States would probably be contributed from the unused profits of gold devaluation. The Fund thus would be given a credit balance on the books of the Federal Reserve Banks which, when used, would increase member bank reserves and stimulate credit expansion.

Similarly loans to the Fund by the Federal Reserve Banks (unless offset by a reduction in their security holdings) would increase member bank reserves and induce credit expansion.

The inflationary influences of the Fund's operations might be exerted in the immediate post-war period which, from the point of view of the United States, might be the wrong time economically, for then the problem in this country might be that of controlling inflation.

2. The Plan establishes no criteria in the extension of loans.

Contrary to the usual practice in connection with commercial and central banking statutes, the experts' proposals establish no criteria for credit extensions either as to purpose or length of life. Each nation irrespective of the reasons for its desire to borrow and irrespective of its creditworthiness, would have the right to a certain loan total. It is obvious that under these conditions loans would be used for purposes disassociated from that of exchange stabilization and that they would become frozen. Furthermore the plan does not contemplate reliance upon the rate of interest as a deterrent of loan increases.

3. The Plan attacks the symptoms of exchange depreciation rather than basic causes.

The proposals rely on the extension of loans to solve both exchange instability and disequilibrium in the balance of payments. Although the phrase "disequilibrium in the balance of payments" is never defined, disequilibrium customarily reflects internal inflation.

The restoration of a condition of equilibrium in the international balance of payments and the achievement of external exchange stability assume that internal inflation has been checked, that budgets have been balanced, that the floating debt has been refunded, that interest rates have been unpegged, that competitive markets have been restored and that the commercial banking system has been divorced from deficit financing. Exchange rates must reflect basic conditions and only on the firm basis of internal stability can external stability be achieved.

The Plan would tend to perpetuate exchange controls.

The proposals advanced confuse exchange rigidity and exchange stability. Exchange rigidity results from the establishment of controls over the foreign exchanges and foreign trade. Through such controls, exchange rates are maintained at a given level. Such exchange rates have no economic significance in that they do not reflect domestic price changes or international price relationships.

True exchange stability does not rest upon or require exchange controls but is founded on internal monetary stability. Exchange stability as opposed to exchange rigidity has real economic significance inasmuch as exchange rates are in conformity with the purchasing power parity of a currency.

The proposals of the experts tend to make a fetish of exchange rigidity. In fact, exchange rigidity resting upon exchange and trade controls is less desirable than fluctuating exchanges coupled with freedom of trading in the foreign exchanges and in commodities. Most desirable from the point of view of international trade is true exchange stability.

Although the avowed purpose of the Plan is to do away with exchange controls, the plan will operate in such a manner as to perpetuate controls on both capital and current account.

By its very nature the International Stabilization Fund is not designed to cope with the difficult problems of the period of transition from war to peace.

The International Stabilization Fund assumes a perfect world, in which economic and political stability have been achieved, in which the international balance of payments is in equilibrium and debit balances are of a temporary character.

If the world were the perfect one assumed, the Fund would not be required.

If the International Stabilization Fund attempted to function in the imperfect world of the transition period, its assets would shortly become frozen with weak currencies and it would be compelled to call for continued assistance from creditor nations which, if granted, would tend to weaken their own financial structure.

The Business Man's Bookshelf

Highway Transportation, Post-War Needs—W. Foster Banks, President of the Motor Haulage Co.—Post-War Planning Committee, Commerce and Industry Association of New York, Inc., 233 Broadway, New York 7, N. Y.—paper.

International Law of the Future, The, Postulates, Principles, Proposals—A statement of a Community of Views by North Americans—in "International Conciliation" for April, 1944—Carnegie Endowment for International Peace, 405 West 117th Street, New York 27, N. Y.—Single copies 5 cents; 25 cents for one year.

U. S. Giant Department Stores from Slump to Boom and Beyond —Dr. Leo Sonnenschein—Midwest Law Printing Co., Chicago, Ill.—paper.

War Contract Termination Procedure—C. E. Jarchow—California Institute of Technology—paper.

War and Peace Aims (Extracts from Statements of United Nations Leaders) — United Nations Information Office, 610 Fifth Avenue, New York City—paper—40¢.

Calendar Of New Security Flotations

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. 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, the exchange to be on a share for share basis plus a cash payment to be filed by amendment. Stone & Webster and Blodget, Inc., and Harriman Ripley & Co., Inc., New York, are principal underwriters Details in "Chronicle" April 27, 1944.

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. Central Republic Co., Inc., Chicago, underwriter. Price 107 exclusive of accrued interest from April 1, 1944. Proceeds for construction purposes. Details in "Chronicle," April 27, 1944.

KANSAS - NEBRASKA NATURAL GAS CO., INC., has filed a registration statement for 2,000 shares of $5 cumulative preferred stock (no par) and 58,636 shares of common stock ($5 par). Holders of common stock of record May 12 are offered the right to purchase one share of common at $6.50 a share for each four shares held. Rights expire May 26, 1944. Unsubscribed shares 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 from sale of stock will be used to defray costs of construction expenditures. Underwriters for 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, Kansas, and Frank & Belden, Inc., Minneapolis. Details in "Chronicle," April 27, 1944.

TUESDAY, MAY 9

FLINTKOTE COMPANY has filed a registration statement for 237,902 shares of common stock, no par value. Stockholders of record May 2 are given rights to subscribe for shares at $15 per share at rate of one new share for each three shares held. Rights expire May 12. Net proceeds will be used for erection of additional plant facilities or for retirement and redemption of all or a part of $4.50 cumulative preferred stock or 3% debentures. 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., Ladenburg, Thalmann & Co., Laurence M. Marks & Co., Merrill Lynch, Pierce, Fenner & Beane, Paine, Webster, 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. Details in "Chronicle," April 27, 1944.

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). Proceeds from sale of bonds and stock, together with additional funds from treasury will be used to redeem on or about July 1, 1944, $9,000,000 4½% first mortgage bonds, due 1960, at 105 and 33,060 shares ($100 par) $6 preferred stock at 110. Interest rate on bonds and dividend rate on stock will be filed by amendment. The bonds and stock are to be offered for sale at competitive bidding. Details in "Chronicle," April 27, 1944.

SATURDAY, MAY 13

STERLING ENGINE CO. has filed a registration statement for 304,075 shares of common stock, of which 23,225 are being issued by the company through underwriters and 180,850 shares by three present stockholders.

Address—1252-1270 Niagara Street, Buffalo, N. Y.

Business—Manufacture of internal combustion engines.

Underwriting—Burr & Co., Inc., New York, is named principal underwriter.

Offering—Offering price to the public on the 204,075 shares is $3.75 per share. An additional 100,000 shares is reserved against the exercise of warrants to purchase 100,000 shares of common, at price of $4.50 per share, prior to three years from and after the effective date of the registration statement.

Proceeds — Issuers part for working capital. Sales of stock by stockholders proceeds go to selling stockholders.

Registration Statement No. 2-5356. Form S-2. (4-24-44).

SUNDAY, MAY 14

HECHT CO. has filed a registration statement covering 191,515 shares of common stock (par $15). The shares are issued and outstanding.

Address—Baltimore & Charles Streets, Baltimore, Md.

Business—Operates eight retail stores, including branches.

Underwriting—Goldman, Sachs & Co., head the group, with the names of others to be supplied by amendment.

Offering—Price to the public to be filed by amendment.

Proceeds—Proceeds go to the selling stockholders.

Registration Statement No. 2-5357. Form S-1. (4-25-44).

QUARTERLY DISTRIBUTION SHARES, INC., has filed a registration statement for 100,000 shares of common stock of no par value.

Address—917 Minnesota Avenue, Kansas City, Kan.

Business—Investment company of the management, open-end, diversified type.

Underwriting—Bonds Incorporated, Kansas City, Kan.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5358. Form S-5. (4-25-44).

MISSISSIPPI VALLEY PUBLIC SERVICE CO. has registered 15,000 shares of 5% cumulative preferred stock ($100 par).

Address—1029 North Marshall Street, Milwaukee, Wis.

Business—Public utility company.

Underwriting—Milwaukee Co., 5,750 shs.; Wisconsin Co., 4,750; Morris F. Fox & Co., 1,500; Loewi & Co., 1,500; Bingham, Sheldon & Co.,, 1,000 all of Milwaukee, and A. C. Tarras & Co., Winona, Minn., 500.

Offering—The company is offering to holders of its outstanding 7% cumulative preferred stock, series A, and 6% cumulative preferred stock, series B, the privilege of exchanging their old stock for new preferred on a share for share basis, with a cash adjustment amounting to $7.83⅓ a share on the 7% stock and $2.66⅔ a share on the 6% preferred. The exchange offer will expire at noon on May 20.

Purpose—For refunding outstanding preferred stock.

Registration Statement No. 2-5359. Form S-1. (4-25-44).

McQUAY - NORRIS MANUFACTURING CO. has filed a registration statement for 50,000 shares of common stock, par $10. The shares are issued and outstanding and do not represent new financing.

Address—2320 Marconi Avenue, St. Louis, Mo.

Business—Manufacturer of engine parts for automobiles, etc. and certain chassis parts for automotive vehicles.

Underwriting—Shields & Co. head the underwriting group, with names of others to be supplied by amendment.

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

Proceeds—Proceeds from sale of stock go to the selling stockholders.

Registration Statement No. 2-5360. Form S-1. (4-25-44).

WEDNESDAY, MAY 17

INDUSTRIAL RAYON CORP. has filed a registration statement for 100,000 shares of $4.50 preferred stock, series A, without par value.

Address—West 98th Street and Walford Avenue, Cleveland.

Business—Production of rayon textile yarn, etc.

Underwriting—Principal underwriters are Kuhn, Loeb & Co. and Harriman Ripley & Co., Inc., New York. Others will be named by amendment.

Offering—Offering price to the public will be supplied by amendment. The redemption and sinking fund redemption prices will be supplied by amendment.

Proceeds—The entire amount of the net proceeds from sale of the new issue of preferred stock will be applied, together with any necessary treasury funds, to the retirement of the corporation's promissory notes to banks, dated Jan. 3, 1944, outstanding in the aggregate principal amount of $10,000,000, which were issued to retire notes of the corporation in the amount of $2,400,000 and to finance in part an expansion program. The retirement of the promissory notes will discharge all of the corporation's presently outstanding long-term debt.

Registration Statement No. 2-5361. Form S-1. (4-28-44).

THURSDAY, MAY 18

BEATRICE CREAMERY CO. has filed a registration statement for 100,433 shares of common stock, $25 par value.

Address—120 South La Salle Street, Chicago.

Business — Creamery and other food products.

Underwriting—Glore, Forgan & Co., Chicago, is the principal underwriter, with names of others to be supplied by amendment.

Offering—Company is initially offering the 100,433 shares of common stock for subscription to common stockholders. Holders of record May 19 will be given privilege to subscribe for one additional share for each four shares held to June 1, 1944, when warrants expire. Subscription price will be supplied by amendment.

Proceeds—The proceeds, together with other treasury funds, will be used to effect the redemption on Aug. 1, 1944, of approximately 29,788 shares of the company's outstanding $4.25 cumulative preferred stock at $105.50 per share.

Registration Statement No. 2-5363. Form A-2. (4-29-44).

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. Bids for purchase of bonds will be received by company at office of Engineers Public Service Co., 90 Broad St., New York, before 12 noon EWT on May 22.

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.

Profits In A Strait-Jacket

(Continued from first page)

only under the following conditions of profit limitation:

(1) Producers earning profits on all operations not more than double those earned in 1936-1939, inclusive, were to be allowed on the particular article a profit "not ordinarily to exceed 2% of cost."

(2) Producers earning on all operations profits more than double those of 1936-1939, were to be allowed no profit on the production of the article in question.

(3) In industries including producers having divergent costs of production for the given article, the highest cost producer "whose output was needed" was to be allowed no profit, and "whenever practicable" should be allowed a price merely high enough to cover his direct costs of production.

The directive then suggested that various producers pool their output. Exactly how this would affect the profits of the various producers is problematical.

The order states furthermore that the OPA "will require necessary increases in maximum prices to producers to be absorbed at subsequent stages of production and distribution whenever absorptive capacity exists." This means, of course, a cut in the profits of other concerns. Finally, the OPA is instructed to "review existing price regulations for the purpose of instituting desirable reductions in all items where profit margins are excessive, in order to compensate for the increases permitted by this directive."

On Jan. 26, 1944, Mr. Vinson announced that the purpose of his directive of Nov. 16, 1943, had "been widely misunderstood," many having "assumed that it was designed to govern price policies for reconversion from war production to peace production. "This," he said, "was not so. The directive was intended to apply only to manufacturers who produce essential civilian goods under mandatory orders of the War Production Board designed to supply civilians with the basic minimum requirements during the mobilization for total war."

Mr. Vinson stated that "in war, we cannot rely solely upon price and profit differentials to guide production into the most desirable channels—it is manifestly impossible to make the production of all items and lines of goods equally profitable. Without some direction, manufacturers would naturally produce those items which are most profitable, even though our war effort might suffer. . . . The purpose of my directive was to . . . guarantee that manufacturers who were subject to these controls would not be forced to produce essential items at a loss. . . . Its effect, therefore, is to aid rather than penalize industry."

In his letter of Jan. 26, 1944, Mr. Vinson limited the controls mentioned to apparel, but, on April 13, 1944, a new order was issued by Price Administrator Chester Bowles extending the principle of the order to specified building materials and to goods "finally sold to persons such as professional, institutional, industrial, or commercial consumers," who use (the goods) in the conduct of their "businesses or professions, the prices being but inconsequential cost factors that can be readily absorbed out of the profits of the purchasers." Under the order of April 13, 1944, if the manufacturer of an article on which a price increase is permitted is making any profit on all operations combined, he is allowed on the specific article merely "an amount sufficient to cover the unit manufacturing cost plus packing cost, and shipping cost." In this case, nothing is to be allowed for general, administrative, or selling expenses, or for income or excess-profits taxes. The directive continues:

"If the manufacturer's entire operation is being conducted at a loss," he is to be allowed "an amount sufficient to cover his total unit cost to make and sell the article." In this instance, general overhead expenses are to be included in the cost.

Thus, apparently against his will, Mr. Vinson, who doubtless believes in free enterprise, is gradually being forced to place more and more limitations on profits, thus tending to destroy the motivating force of the free enterprise system.

Economists pointed out long ago that prices are the safety valves of our competitive capitalistic system. Regulating prices, like sitting on the safety valve, commonly leads to untoward results. As long as inflation pours out new buying power, prices tend to rise, and they are almost as hard to sweep back as is the oncoming tide. Thus, despite the Little Steel formula, and the efforts of the War Labor Board, wages keep creeping up. In January, 1942, hourly earnings in all manufacturing industries averaged $0.801. In Dec., 1943, the figure had risen to $0.995*, an increase of 24%. During the same period, the raw materials price index rose from 96.1 to 112.1* an increase of 17%. Yet the OPA was functioning all the time. Clearly, Mr. Vinson and Mr. Bowles have failed to keep down the prices of either raw materials or labor—the largest items appearing among the expenses of manufacturers. Ordinarily, when manufacturing expenses rise, the selling prices of factory products are expected to rise in roughly the same proportion. But our administrators have been instructed to "hold the line" on prices. What else can they do except to reduce profits?

However, why should manufacturers produce articles on which they are not allowed to make a profit? If they produce, they incur the risk of loss. Stopping production seems to be the logical procedure. All this shows that, as economists have long pointed out, even in the face of inflation, prices may, perhaps, be controlled by a government which has forces sufficient to enforce its decrees, but no one has yet discovered just how to regulate prices, and, at the same time, keep production functioning efficiently.

Furthermore, if an enterprise is unable to earn a return on its invested capital, it cannot expand, for who will risk capital in an unprofitable enterprise? The individual business man must also receive profits large enough to pay him for his time and efforts or he will give up his enterprise and seek work as an employee. And this is not all. If enterprises do not expand, there will be no employment for the thousands of boys and girls added each month to the potential working force of the nation.

Mr. Vinson claims that his directives are purely war time measures. But, if price fixing adds to efficiency in war time, why discontinue it when peace arrives? Moreover, is there any prospect that, when the war stops, the Government will promptly pay off its debt to the banks and thus end the tendency of prices to rise? And, if price fixing continues, how can profits be freed of restraint?

The truth is, of course, that inflation places us between Scylla and Charybdis, and the further inflation goes, the more menacing the beetling crag and the whirlpool become. Rising prices penalize thrift; in other words, they rob the holders of bank deposits, bonds, mortgages, and life insurance policies of their savings. Furthermore, rising prices lessen the real incomes of the salaried classes. On the other hand, price regulation leads to profit regulation, to regimentation, to the substitution of a fascist economy for the competitive system of free enterprise.

It is highly probable that, if we allow inflation to continue long at the present pace, our savings will fade away despite anything that the price regulators can do. It is also clear that, if inflation continues, price regulation can be made effective only by regimentation as rigorous as that characterizing Nazi Germany.

We are, then, faced with this problem: Is it better to keep what we have saved for a rainy day or to retain our liberties? This is a hard choice to make.

For the destructive attack which the above-quoted directives make upon profits and free enterprise, it is not fair to blame Mr. Vinson or Mr. Nelson or Mr. Bowles. The really guilty parties are those responsible for inflation. Among those to be condemned are the officials and legislators who did not dare place upon the masses (who receive 90% of the national income) taxes sufficient to balance the budget; but most responsible of all are those voters whose loud protests against adequate taxation struck into the hearts of their representatives at Washington the fear of retribution at the polls. These are the real villains in the present day drama.

*U. S. Survey of Current Business, Mar., 1943, pp. S-3 and S-13 and Mar., 1944, pp. S-3 and S-13.

Preston An Officer Of Stone & Webster

Tritschler Heads Trading

CHICAGO, ILL.—Stone & Webster and Blodget, Incorporated, 33 South Clark Street, announce that William S. Preston, who has been associated with them in Chicago since 1930, has been elected assistant vice-president.

Alexander M. Tritschler, for many years identified with trading activities on LaSalle Street, is now associated with them in charge of their trading department.

Du Mont Lab. Looks Good

Kobbe, Gearhart & Co., Inc., 45 Nassau Street, New York City, have for distribution an attractive illustrated brochure containing the annual report for 1943 of Allen B. du Mont Laboratories, Inc., and a preview of peace-time products of the Laboratories. Copies of this interesting brochure may be had upon request from Kobbe, Gearhart & Co.

Outlook For Rail Earnings

In the current issue of their "Investors' Almanac," Estabrook & Co., 40 Wall Street, New York City, discuss the outlook for railroad traffic and earnings after the war. Copies of this interesting and attractive booklet may be had from Estabrook & Co. upon request.

INDEX