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The Soul Of America

Colleges have been ladders of opportunity and the chief civilizing agencies in the American melting pot of democracy, Dr. W. H. Cowley, President of Hamilton College, declared in opening his address on "The Soul of America" at the Seminar on Current Economic and Social Trends, held April 21 under sponsorship of New York Chapter, Chartered Life Underwriters.

Dr. W. H. Cowley

"But despite the acclamations given the American college," he said, "by foreign visitors and despite the very great record it has made, the college is today under great and serious attack, attack which seems to some of us in educational posts to be in large measure justified.

"A year before the war, for example, Walter Lippmann wrote: 'The prevailing education is destined, if it continues, to destroy western civilization and, in fact, is destroying it.' A little earlier President Mc-

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IN THIS ISSUE

ILLINOIS and WISCONSIN dealer activities featured in this issue. For Illinois see page 1922; Wisconsin, page 1924.

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Financial Aspects Of Future World Trade

Banker Declares Break Down In Credit Structure Has Erroneously Been Construed As Failure Of Gold Standard—Holds No Method Of Stabilization Yet Suggested Is So Sound Or Easily Operated As The International Gold Standard With Free Coinage Of Gold, Free Markets And Private Ownership Of Gold And Currencies Freely Convertible Into Gold Both For Domestic Use And For Shipment Abroad.

By A. N. GENTES*

Vice-President, Guaranty Trust Company of New York

The task of reconstructing the foreign trade of the United States on a sound and permanent basis in the period following the war presents a most difficult problem by reason of the many new factors and conditions brought about by our present war economy and by the many uncertainties in the international situation. Some consider the problems insurmountable and would have us pursue a policy of isolationism, contending ourselves with a lower standard of living and the relegation of the United States to a less important position in the family of nations. Fortunately for ourselves and the world at large, that is not our way of doing things and most of us stand on common ground in be-

A. N. Gentes

*An address delivered by Mr. Gentes at the Conference of the Controllers Institute of America at St. Louis, Mo., on May 1, 1944.

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An Analysis Of Post-War Trade And Business Prospects

Assuming Slackening Warfare And A Conservative Election Outcome, Forecast Predicts (1) Speed-up Of Inflation; (2) Shift Of Larger Incomes to Middle Brackets; And (3) Broadening Of Trading Areas—In Retailing, Independent Stores Will Make Headway Against Chains, And Sales Volume Increase—Wholesaling Will Also Advance, But Direct Manufacturer's Sales Will Increase—Distribution Methods To Be Substantially Unchanged

A report issued on May 9 forming part of "The Economic Future," service conducted by Tradeways, Inc., discusses the probable developments in the distribution system and in sales practice under favorable post-war conditions. For the sake of definiteness, the forecast is focused on the anticipated situation in 1947. The forecast, after consideration of basic trends in general economic conditions, takes up separately the future outlook for retailing, wholesaling and distribution methods and costs. William H. Lough, President of Tradeways, Inc., 285 Madison Avenue, New York City, is also the author of "High Level Consumption" and other books in the field of eco-

William H. Lough

(Continued on page 1933)

No World Peace Without Rights Of Individual Citizens

Kemper Opposes World Military Force And "Grandiose Schemes" For International Monetary Stabilization.

In the opening address before the Plenary Session of the Permanent Council of the American Associations of Commerce and Production, held at the Waldorf Astoria Hotel on May 4, James S. Kemper, former President of the Chamber of Commerce of the United States and Chairman of the United States Committee to the Council, urged a realistic view of post-war problems, which would "admit that selfishness and greed and desire for acquisition probably will motivate men and nations for some time to come."

James S. Kemper

"It is an idle dream," continued Mr. Kemper, "to assume that we can have world peace, or for that matter world prosperity, unless we see to it that the State does not encroach on the rights of the citizens. Stateism is the negation of liberty. Beyond that Stateism with its automatic centralized control inevitably leads to domination by a small group or by a single individual.

"Stateism and dictatorship do not make for peace. From the beginning of history rulers have provoked war as a screen to cover their own deficiencies. "Better it is," says the dictator, "to plunge

(Continued on page 1931)

Post-War Wage Policies

By ROBERT D. GRAY*

Director, Institute of Industrial Relations, California Institute of Technology

Sees Post-War Wage Changes Arising From (1) Release Of Temporary Workers From Industry; (2 Reduced Working Hours; (3) Changes From More Highly To Lower Paid Employment; and (4) Shifts To Lower Job Classifications—Feels Reduced Wages And Earnings Will Be Partly Offset By Lower Tax And Bond-Purchase Deductions

Most discussions of wages become confused in large part bzecause of the failure to distinguish among various definitions of wages. One meaning which is sometimes implied in the term "wages" is "wage rate," which refers only to the compensation per hour or other unit of time, or per unit of output. At other times the word "wages" may be used to refer to what is better described as "earnings," which is the compensation received over a period of time and which is determined in part by the wage rate and in part by the amount of employment available, specifically the number of hours worked in the week, month, or year, or the volume of production scheduled for such a period. At the present time "wages" may also be used to mean "take-home pay," or the amount of compensation available for expenditure by the employee after taxes and other deductions have been made. The final possible use of the word "wages" has

Dr. Robert D. Gray

*An address delivered by Dr. Gray at the Fifth Southern California Management Conference, Los Angeles, on May 6, 1944.

(Continued on page 1928)

Effect Of War On The Financial Structure Of The United States

The post-war economy of the United States will be marked by great liquidity, according to a bulletin entitled "Effect of the War on the Financial Structure of the United States" issued on May 1 by Dean John T. Madden, Director of the Institute of International Finance of New York University.

The huge volume of liquid assets in the hands of corporations and individuals can be a great constructive force in maintaining a high level of business activity and creating employment, the Bulletin states. The liquid assets could, however, cause an inflationary price movement if confidence in the future purchasing power of the currency should be undermined.

Dean J. T. Madden

The liquid assets include currency, bank deposits, and United States Government obligations. The volume of currency in circulation is at present over 21 billion dollars, as compared with 7.2 billion dollars in Aug., 1939 and 4.9 billion dollars in Nov., 1929. Although the rate of increase in the volume of currency in circulation has tended to decline, it may be expected that before hostilities are over currency in circulation will amount to over 24 billion dollars. While the increase in prices of commodities and services, in wages and salaries, and the volume of retail trade have made necessary an in-

(Continued on page 1921)

Henry Riter Nominated For Bond Club Head

Henry G. Riter, 3rd, of Ritter & Co., has been nominated for president of the Bond Club of New York for the ensuing year

Henry G. Riter, 3rd

to succeed Richard de La Chapelle, of Shields & Company. The election will take place at the Club's annual meeting to be held on June 9.

Lee M. Limbert of Blyth & Co., has been nominated for the office of vice president, the post held by Mr. Riter during the past year. E. Jansen Hunt of White, Weld & Co., has been nominated for secretary and Raymond D. Stitzer of Equitable Securities Corporation for treasurer.

Nominations for members of the Board of Governors, to serve for three years, include Adrian M. Massie of the New York Trust Company, Charles L. Morse, Jr., of Hemphill Noyes & Co., and Edward K. Van Horne of Stone & Webster and Blodget, Inc. W. Fenton Johnston of Smith, Barney & Co., has been nominated to serve the unexpired term of Mr. Limbert.

Continuing Governors will be: James Coggeshall, Jr., of the First Boston Corporation; Joseph A. W. Iglehart of W. E. Hutton & Co.; Frederic H. Brandi of Dillon, Read & Co.; Henry C. Brunie of Empire Trust Company, and T. Jerrold Bryce of Clark, Dodge & Co.

Members of the nominating committee were Laurence M. Marks, chairman, W. Manning Barr, Harry W. Beebe, Mr. Bryce and H. H. Egly.

Jos. Horchow In Columbus

(Special to The Financial Chronicle)

COLUMBUS, OHIO — Joseph Horchow is engaging in a securities business from offices at 50 West Broad St.

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More Dealers See NASD Mark-Up Rule Stifling Small Business

Majority Of Current Comments Express Belief Measure Will Debar Small Units From The Capital Markets

Continuing evidence that the NASD 5% mark-up rule, as it stands, will make it practically impossible for small business throughout the nation to finance any new capital requirements and materially damage the market for existing securities of such enterprises is contained in the following additional comments received on the subject from members of the NASD. These expressions (others were given in previous issues starting with April 13) were received incident to the poll undertaken by the "Chronicle" to ascertain whether, as often contended by officials of the Association, the majority of its members were in favor of the so-called "5% spread philosophy." Actually, this independent and complete survey indicated that approximately 85% of the membership is against this latest attempt of the NASD Board of Governors to assume powers not granted it either in the Association's by-laws or in the Maloney Act, under which it was conceived.

With respect to the additional comments herewith regarding the effect of the rule on the market for the 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.

NEW YORK CITY

It will undoubtedly cause a drying-up of activity. This, in turn, will make for poorer markets. So, in the end, the rule will defeat its own purpose.

NEW YORK CITY

We think that the market for the securities of smaller corporations would suffer seriously by reason of the "5% mark-up" rule.

NEW YORK CITY

No markets. No incentive to sell these securities.

NEW YORK CITY

It is our opinion that unless the dealer is permitted a sufficient profit, he cannot afford to do the sales work necessary or to take the positions necessary to provide a satisfactory market for the securities of the smaller corporations. We believe that this is a matter of real public interest and it is to the interest of the investor himself that there be provided as good a market as possible for these securities.

LOS ANGELES, CALIF.

We do not believe that the so-called "5% rule" will mean that smaller corporations' shares will have a smaller market value, or that there will be less trading. As a matter of fact, we believe it will

(Continued on page 1936)

Governor Bricker Gives Views On Post-War Foreign Policy

In Radio Interview By Fulton Lewis, Jr., Republican Presidential Aspirant Opposes "Super-National State Dominating Our Destiny"—Fears No Conflicts With Our Allies, And Rejects Absolute Freedom Of International Trade And Unrestricted Immigration—Defends Liberalism Of Republican Party As Opposed to New Deal

On April 27, John W. Bricker, Governor of Ohio and Republican Presidential aspirant, was interviewed in a radio broadcast from Columbus, Ohio, by Fulton Lewis, Jr., over the Mutual Broadcasting System network. The complete broadcast follows:


John W. Bricker

Tonight, ladies and gentlemen, I want to present to you the other half of the story of one of the outstanding presidential candidates, this being the first of a series which will include other leading presidential possibilities in both parties between now and the Chicago convention.

The subject of this first report begun last evening is Governor John W. Bricker, of Ohio, the only Ohio Republican Governor in history who has served three consecutive terms.

Last evening I tried to give you a general picture of his record here in Ohio, what the people of the state think of him and what his Democratic opponents have to say about him. Tonight I want to go into his views on foreign affairs, and he has been kind enough to come here to the studio, just a block away from the State Capitol here in Columbus,

(Continued on page 1939)

Comment On Recent Article By Melchoir Palyi On Inflation

In connection with the article by Dr. Melchoir Palyi on "Inflation, the Psychological Approach", which appeared in these columns on March 23, the following comment has been received from Frank Cist, writing from Delray Beach, Fla., under date of March 26:

Dr. Melchoir Palyi, in his article in the "Chronicle" of March 23 seems exactly right in emphasizing the psychological foundations underlying inflation. People, in spite of much nonsense to the contrary, simply do not want too much money. If kept in their pockets it may be lost or stolen. In the bank it draws small interest and is unproductive. So when a man has too much money, more than he is accustomed to keep on hand, he spends it, and when a community has too much money everybody spends it. What constitutes excess is a partly psychological matter, but when there is a general excess, then each individual, as he spends and thus gets rid of his own excess, simply passes on the excess, through his purchases, to his neighbor so that then his neighbor spends; and this spending continues and forces prices up until the normal balance between money and prices has been restored and there is no longer excess money. The primary cause of inflation, on this analysis is thus not, as so often asserted, any fear or distrust of money but merely the thrifty habit of not keeping money to excess. Only as the subsequent rise in prices for goods and correspondingly lower value of money


Frank Cist

(Continued on page 1941)

Noel Sargent Points To Financial Handicaps To Small Business By SEC Regulations

Secretary Of NAM Tells Small Business Committee Of Congress That Securities Acts Impose Proportionately Higher Costs On Small-Size Security Flotations—Holds Claim That 5% Rule Of NASD Is Driving Out Small Dealers And Making It Difficult For Small Firms To Obtain Capital Funds Merits Investigation

On April 28th, Noel Sargent, Secretary of the National Association of Manufacturers, appeared before the Small Business Committee of Congress and presented a statement setting forth the importance of preserving and encouraging small and medium business enterprises. "If post-war America follows anything like its pattern of development from 1790 to 1930," said Mr. Sargent, "then the vast bulk of post-war employment will increasingly come from companies not now in existence, through the development of new enterprises based on new ideas of production and marketing and the willingness of people to risk their money for the chance of making a fair profit."

Noel Sargent

After pointing out the primary things the Government can and should do to help business concerns, both large and small, in the post-war period, Mr. Sargent continued:

"The old saying is, that 'money makes the mare go,' and in order to get started in business or to keep a business going, money or capital is certainly a necessity.

"The need for capital requirements, especially by small business, in the post-war period has been thus presented in a recent study by the Research Division of Harvard University Graduate School of Business Administration. ('Business Finances During the Critical Transition from War to Peace,' by Prof. Charles C. Abbott, pages 39-40):

"'Established business concerns before the war, not to mention new promotions, commonly experienced particular difficulty in raising capital in amounts of $25,000 to $100,000, even in amounts up to $1,000,000, and the difficulty was especially acute when an effort was made to sell equity securities. Numerous business firms may need capital in amounts of this size even more urgently in the post-war period than was the case previously. But there has been no development in the financial mechanism during the war that gives promise of making easier the sale of small and medium-size security offerings.'

"It seems obvious from the foregoing analysis that an expansion of risk-taking in the post-war years is the only practical way to assure the starting and continuance of small business enterprise. Congress can in a variety of ways encourage such risk-taking by individuals—for example, by assuring that the monetary system is sound, that government does not expend more than it needs

(Continued on page 1938)

R. L. Stephenson Is With Doremus & Co.

Richard L. Stephenson, formerly assistant advertising manager of the Connecticut Telephone & Electric Division, Great American Industries, Inc., Meriden, Conn., has joined the General Accounts Division of Doremus & Co. in the New York office, 120 Broadway. Mr. Stephenson has a broad background in the publishing field, was public relations counsel for the Brewing Industry Foundation and served as senior information officer with the United States Treasury Department for several years. He is the author of a widely read primer on police work, "Police Methods for Today and Tomorrow."

M. C. Ibers Jr. Will Join Pledger & Co.

LOS ANGELES, CALIF.—Max C. Ibers, Jr. will become associated with Pledger & Company, Inc., 639 South Spring Street, members of the Los Angeles Stock Exchange, as of May 15th. Mr. Ibers was formerly in the bond trading department of Fairman & Co.

N. E. Power Plan Possibilities Of Interest

The proposed plan of simplification of the New England Power Holding Company System will have an important effect on the securities of this system—particularly to holders of issues of Massachusetts Power & Light Associates, Massachusetts Utilities Associates, New England Power Association, North Boston Lighting Properties, and Rhode Island Public Service Company, according to a description and analysis of the plan prepared by the Statistical Department of J. Arthur Warner & Co. Copies of this analysis are available on request from J. Arthur Warner & Co., 120 Broadway, New York City—ask for folder K.

N. Y. Analysts To Meet

At the luncheon meeting of the New York Society of Security Analysts, Inc. to be held on Friday, May 12th, there will be a round table discussion of "One-class Common Stock Recapitalization under the Holding Company Act" under the leadership of E. Ralph Sterling, Merrill Lynch, Pierce, Fenner & Beane.

On May 17, M. D. Miller of American Air Lines will speak on "Post-War Air Cargo."

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

Much Excess-Profits Tax Litigation Looms

Early Decisions Often Establish Trends

By PETER GUY EVANS, C.P.A.

Member of New York Bar; Lecturer on Taxation at Columbia and Rutgers Universities

To date, only a few decisions involving the EPT (excess profits tax) have been rendered. That they are of great important cannot be denied. They are important to American investors holding equities in corporations which may get refunds as well as to management and tax practitioners.

Early cases will give us first indications of the Tax Court's interpretation of the EPT law and the extent of its approval or disapproval of the Commissioner's regulations. As decisions are handed down, a certain trend may be discernible. With each succeeding adjudication this trend will be influenced accordingly. So far, strong emphasis has been placed on the necessity of strict compliance with the statutory provisions and, particularly, on restrictions in matters involving relief under the so-called relief sections.


Peter Guy Evans

$3 Billion In Claims

Nearly 31,000 claims for refund have been filed under the relief provisions, involving $3 billion. Of this sum, corporations can net only $1.7 billion. This is due to the fact that in most cases, the same income would be subject to normal tax assessment.

What the final liquidation amount will be is purely conjectural. However, due to "imagineering" and "guesstimating" on these claims, fantastic refunds may result.

It should be pointed out many claims filed with the Commissioner will be abandoned as they are not based on good and valid grounds. On the other hand, many will be amended as only the year 1940 is currently outlawed by statute. This means that claims for 1941 and subsequent years are amendable, and new ones may still be filed.

It will take many years to clean up these claims. After they are examined, some claims will be compromised and others will have to be litigated. Corporations which can prove the merits of their contentions will benefit.

Invested Credit Case

On March 27, 1944, in *Journal Publishing Company v. Commissioner*, (3 T.C. No. 65) the Tax Court ruled in favor of the Government. The taxpayer, a publishing company contracted in writing to pay a competitor over a period of years $520,000, of which $50,000 was for assets and the balance of $470,000 for the seller's promise, within certain limits, not to publish or otherwise compete.

For the year 1940, the taxpayer in figuring its EPT credit for its first EPT return, based on invested capital, included as a part thereof 50% of its daily average outstanding liability ($484,000) to the former competitor. The Commissioner eliminated same from the taxpayer's credit and assessed a deficiency of $2,750.

Contract Not Note

The Tax Court upheld the Commissioner's contention that such liability is not "borrowed capital" within the purview of the law. The contract executed between the parties was held not to be a "note." The Judge pointed out that the elements of a note were lacking. Here, the taxpayer's promise to pay was conditional upon the seller's delivery of assets and seller's refraining from publishing or otherwise competing with taxpayer until Oct. 1, 1950. It did not meet the test of a note, but was merely a bilateral contract.

Although this litigation involved primarily the EPT, the Tax Court applied its reasoning and interpretation from an earlier decision, involving a contract calling for deferred payments.

No doubt, further questions will arise as to what constitutes "borrowed capital." One of these will involve a decision on amounts obtained from factors.

John C. Agnew Joins Blyth & Co. Staff

(Special to The Financial Chronicle)

SEATTLE, WASH.—John C. Agnew has become affiliated with Blyth & Co., Inc., 1411 Fourth Avenue Building. Mr. Agnew in the past conducted his own investment business in Seattle and prior thereto was with Harold H. Huston & Co.

R. Cook Returns To Desk

MIAMI, FLA.—Robert H. Cook, Vice-President of B. J. Van Ingen & Co., Inc., who was on special technical duty for the Navy Department, is now back at his desk at the firm's Miami office, First Trust Building.

Tribke In Seattle

(Special to The Financial Chronicle)

SEATTLE, WASH. — John E. Tribke is engaging in an investment business from offices in the Insurance Building. Mr. Tribke was formerly with the local office of Conrad, Bruce & Co. for many years.

N. Y. Security Dealers To Hold Annual Outing

The Annual Outing of the New York Security Dealers Association will be held on Thursday, June 15, 1944, at the North Hills Golf Club, Douglaston, Long Island.

The Club may be reached by Long Island Railroad to Douglaston (North Shore Division), or by Grand Central Parkawy to Commonwealth Boulevard, in Douglaston, and then north to the Club.

Each member will be given a dinner ticket without charge. This may be used by either the member or one of his partners. Guest tickets, for which a charge of $4.00 each will be made, may be obtained only through a member. Application for guest tickets should be made to Alfred E. Loyd, the Executive Secretary, office at 42 Broadway, New York City, or any member of the Committee.

Golf can be played all through the day; a new Governor's cup will be placed in competition this year, along with the President's cup. A number of other prizes will be presented including several door prizes.

For the entertainment of those who do not play golf and who come out after the market close, there will be among other things a soft ball game at 6:00. Dinner will be served at 8:00.

Members of the committee are: John J. O'Kane, Jr., John J. O'Kane Jr. & Co., Chairman: Irvin Hood, Cohu & Torrey; Wellington Hunter, Hunter & Co.; Hanns E. Kuehner, Joyce, Kuehner & Co.; Stanley L. Roggenburg, Roggenburg & Co.; John F. Sammon, J. F. Sammon & Co.; Melville S. Wien, M. S. Wien & Co.

Taxation of Public Utilities— Here And In Great Britain

By ERNEST R. ABRAMS

In 1933 a special committee, appointed by the House of Representatives to investigate the extent of governmental competition with business-managed enterprise, reported that no less than 225 types of business were enjoying Federal tax exemption. These ranged from banking to brooms, from the production of fertilizer to the manufacture of furniture, from laundering to lumbering. In the past 11 years, due in no small part to the New Deal's attitude toward private enterprise, as well as to the impact of a war economy, the number of government-owned enterprises exempt from Federal taxation has expanded sharply, as have the fields in which they operate. Since more than 400 types of enterprise cannot adequately be examined within the confines of so limited a discussion, this article will deal solely with the field of public utilities—primarily those rendering electric light and power service.

Ernest R. Abrams

At the close of 1932, the last year for which data was available to the committee, there were approximately 1,900 communities or areas in the United States served by publicly owned electric systems, municipal and Federal, with Federal projects comprised largely of those established in connection with irrigation and reclamation undertakings. These Bureau of Reclamation projects sold their surplus power largely to irrigators and in communities within or near the irrigation districts.

By the close of 1943, however, the aggregate of publicly owned electric systems in the country—Federal, State, District, Municipal and Rural Electrification Administration cooperatives — was not less than 3,365, an increase of 77.1% in 11 years. Moreover, most of these systems, with the exception of the smaller municipal plants, were actively competing with privately owned power companies.

There are three major reasons for this sharp increase in public ownership of electric systems in 11 years. First, the Public Works Administration, established in June, 1933, was authorized to make grants of 30%, soon raised to 45%, of the cost of setting up publicly owned electric systems in all communities or areas desiring them, with the balance of the cost on long-term loan at exceedingly low rates. And many towns jumped at this gift from Santa Claus. Second, again starting in 1933, the Federal Government began creating huge multiple-purpose public power projects, which sold their so-called "by-product" electricity to communities and co-operatives at subsidized rates, far below the complete cost of generation and transmission. Tennessee Valley Authority, Bonneville Dam and Grand Coulee Dam are notable examples. And, third, during the past four years, the Securities and Exchange Commission, through enforcement of the "death sentence" during a period of abnormally high taxes and operating costs, has driven ownership of subsidiaries holding companies could not retain into the hands of communities, which could evade high Federal taxation.

Most of the Federal power projects, particularly the earlier ones, were created for the proclaimed purpose of establishing "yardsticks" to measure the "fairness" of private utility rates, although it long has been evident that they were but part of a campaign to socialize, so to speak, the privately owned electric light and power industry. An examination of the terms and conditions under which funds from the Federal Treasury were provided for their creation will indicate that they never were, nor were they intended to be, actual "yardsticks." For one thing, these projects were not required to pay interest to the Treasury on the public funds invested in them. And for another, they were not required to pay taxes to the Federal Government and, often, not even to State and local governments.

Although the hire of capital embarked on the enterprise represents the largest single item of cost to privately owned electric utilities, since their capital is turned over once in a little less than six years, this forgiveness

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The Post-War Wage Problem

By C. J. HAGGERTY*
Secretary, California State Federation of Labor

To Strengthen Free Enterprise And Achieve Labor Objectives Labor Leader Views It Necessary "To Get Rid Of That Kind Of Exploitation Which Tends To Concentrate Income In The Hands Of A Few And Prevents The Great Mass Of Wage-Earners From Having The Purchasing Power To Buy The Things They Need For Daily Life"—Sees "No Valid Reason For Not Using Our Prodigious Productive Powers In Peacetime To Provide Better Homes, Better Food And Clothing, And More Adequate Medical Care, Finer Communities, And Richer Educational And Cultural Opportunities For All"

In considering the post-war wage problem it is essential to make a few prefatory remarks regarding the perspective which the American Federation of Labor has adopted on the international scene. At a recent forum held by the Federation in New York City, it was the unanimous opinion that "the only safety from war is the international organization of peace." The leaders of the American Federation of Labor are convinced that in our shrunken and interdependent world, the United States "can no longer rely on our favored geographic position to maintain its national safety."

C. J. Haggerty

A number of other important aspects of this entire problem were likewise taken into consideration, but the main concern has been and remains the whole question of security and the elimination of sources of friction that can increase suspicion and lead to imperialistic adventures and war. A most far-reaching decision

*An address delivered by Mr. Haggerty at the Conference on Industrial Readjustments sponsored by the Southern California Management Council and held at the University of Southern California on May 6, 1944.

(Continued on page 1942)

Interpreting All The Talk About A Post-War "Boom"

When we read the frequent prediction of political and business leaders that the United States is going to enjoy a substantial postwar boom, we often wonder whether the words "postwar boom" are not being used in a rather loose and casual sense. For a boom is a sharp expansion of business activity, a period of abrupt economic growth, and it seems to us quite unlikely that in postwar days our industrial activity can be further expanded.

(As a matter of fact, viewed objectively it seems obvious that we are having during this war about as great a boom as our facilities can stand. We have full employment, an unprecedented national income, and a general acceleration of the economy probably well up to all practical limits.)

One hears talk for example, of the boom years that are ahead for the automobile business, for the rubber companies making good the pent-up demand for tires, for the radio manufacturers, and for the manufacturers of refrigerators, carpets, household necessities and the like. But the point that we want to make is that while there may be a substantial boom in profits, depending in part of course on the tax rates that obtain, it seems unlikely that there can be any further boom in activity. For all of these industries, and many more, are at the present time working at top capacity with maximum employment. It seems inconceivable that for a decade at least they can exceed their present levels of activity and probably this is equally true in the field of transportation and in the field of distribution. For there is little doubt that our railroads are carrying freight and passengers pretty much up to a capacity level; and our retail stores, despite victory models and merchandising difficulties, are reaching new peaks in their sales figures.

So it seems to us that we had better be somewhat realistic in talking about a postwar boom and understand that the term is used primarily in connection with corporate profits rather than in connection with any visionary, further expansion of an already fully-expanded economy. For we may in the postwar years have a level of industrial activity that will be of the boom variety only when contrasted with the slower pace of the 1930s; it is almost inconceivable that we will be able to maintain our today's topmost levels of industrial production and employment in the foreseeable future.

Corporate profits on the other hand may well forge ahead to new peaks, particularly if taxes in the future are to be materially reduced. Therefore, despite lower levels of activity we may witness better prices obtaining for common stocks, once the readjustment is complete and investors conclude that the new readjusted levels of activity, profits and dividends are going to be reasonably sustained. Certainly we would not proceed on the theory that any system or scheme presently known to man can sustain our national income at current levels. But we would proceed on the assumption that even at lower economic levels, corporate profits may be better, dividends more dependable, and perhaps substantially higher levels may obtain for common stocks generally.—*Ralph E. Samuel & Co.*

Russian-Czech Pact Approved By British

The British Government announced on May 2, according to London Associated Press advices, that it had approved a Russian-Czech agreement for the administration of liberated Czechoslovakian territory and at the same time disclosed that Britain and the United States had drafted pacts similar in principle with the exiled governments of Norway, Belgium and the Netherlands. The Associated Press added:

"The Russian-Czech agreement, previously approved by the United States, provides for the civil administration of liberated territory to be turned over to Czech authorities as rapidly as consistent with military requirements. The brief British delay in approval was attributed in responsible quarters to the time taken in consulting the United States Government.

"The British-American plan with respect to Norway, Belgium and the Netherlands has been submitted to Russia for approval, but a reply has not been received as yet."

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.

Fed. Screw Interesting

Federal Screw Works common and rights offer interesting possibilities, according to a memorandum issued by Herzog & Co., 170 Broadway, New York City. Copies of this memorandum may be had upon request from Herzog & Co.

President Coleman Of Canadian Pacific Points To Railway's War-Time Accomplishments

In Reporting To Shareholders The Company's Operations And Post-War Prospects, He Tells Of Canadian Government's Plan To Monopolize Air Lines—Condemns The Pressure Groups Fostering State Monopoly And Destruction Of Free Enterprise—Points To His Company's Part In Promoting Canadian Progress

In addressing the shareholders at the annual meeting of the Canadian Pacific Railway Company on May 3, at Montreal, D. C. Coleman, the company's Chairman and President, pointed out the railroad's accomplishments in promoting the Dominion's war efforts, and expressed strong opposition to the Canadian Government's project to operate exclusively the transcontinental air services within its territory.

D. C. Coleman

"Your directors have regarded it as a privilege," continued Mr. Coleman, "that all the resources of your company should be devoted to the achievement of victory. Now that ultimate victory is assured, we may justifiably look back with satisfaction upon the continued success of your company in fulfilling its share of the heavy responsibility of maintaining vital links of transportation and communication both within and without the boundaries of the Dominion. During the war years the tasks efficiently accomplished by the Canadian Pacific have continued to increase in number and importance, culminating in the record-breaking performance of the past year."

Speaking of immediate prospects, Mr. Coleman remarked: "While the industrial activity of Canada has reached a very high level and while railway traffic reflects this activity, I would not expect that gross earnings for the remainder of the year will continue to show the same degree of improvement as in recent months. Many factors are involved, and it is not improbable that in certain classes of traffic decreases rather than increases may become general. If this should be the case and if expenses continue their upward trend, further improvement in the net results cannot be expected, and the peak of net income will have been passed. Whether or not this should prove to be the case I can say without hesitation that in keeping with its past achievements your company will spare no effort to render to the nation the essential services for which it is responsible.

"In each year since the commencement of the war, freight, passenger and other railway traffic has continued to expand. In this period your company has transported more than 215 million tons of freight and 55 million passengers. This has represented a stupendous accomplishment, made possible by the free association of three important groups, each making an essential contribution to mutual Canadian interests.

"First, there are the many patrons of the Canadian Pacific throughout Canada and numerous other parts of the world, who continually rely on the varied and far-reaching services which your company has provided, and who, by their ready understanding and acceptance of the difficulties of war-time transportation, have assisted in the maximum utilization of its equipment and facilities.

"The second group embraces the employees of your company, numbering more than 75,000, whose wages and working conditions have set a high standard for Canadian labor. Their loyalty to the Canadian Pacific, their courtesy to its patrons, and their willingness to accept the responsibilities of public office and give freely of their time in various activities for the welfare of the community have always been outstanding.

"The third group to which I have reference, is made up of the investors, numbering more than 200,000, who own the various securities and stock of your company. They are citizens of Canada, the United Kingdom, the

(Continued on page 1940)

Railroad Securities

There has been some feeling of hope that the Denver & Rio Grande Western reorganization may be accelerated from here on. The appeals of the company itself and of the subsidiary, Denver & Salt Lake Western are still pending in the courts, but the general feeling is that these appeals have little, or no, chance of success and that they will not be allowed to hold up settlement of the proceedings for any particularly lengthy period.

It is considered more important that pending the adjudication of these appeals the Interstate Commerce Commission is going ahead with the voting on the plan by security holders. The ballots must be returned on or before June 10 and the results should be announced a month to six weeks later. In view of the large measure of accord in evidence during the last stages of the proceedings before the ICC, there is every reason to expect that large majorities of all classes voting will favor the proposal.

The present voting does not include holders of the Denver & Salt Lake income bonds but the plan is so set up that it may be consummated either with or without their participation. They will vote separately later. In the meantime, the court has authorized interest payments on the old Denver bonds representing the interest earned for one year on the bonds they will receive—the effective date of the plan is Jan. 1, 1943. Payment of this interest is expected shortly after the necessary delay of 30 days allowed to appeal the authorization. It is doubtful if any appeal will be made.

While it is expected that the proceedings may now be expedited, there is little likelihood of the delivery of the new securities before mid-year 1945. This should make it the next major reorganization to be consummated after North Western, Soo Line, and Western Pacific, all of which are expected to emerge from the courts this summer. From a timing angle, then, the Denver bonds are looked upon as offering particular speculative appeal at current levels.

The Consolidated 4s, 1936, are finding particular favor. They are scheduled to receive $318.92 in new 1st 3-4s, $217.08 in Income 4½s, $321.60 in 5% preferred, and 4.824 shares of new common stock. On the basis of the current when-issued prices for the new securities, and allowing for the interest payment recently authorized, these bonds, recently selling at around 50, would have an indicated value of approximately 64, or an arbitrage spread of 28%. Considering the probable time element this appears as an unduly high spread, and merely the closing thereof, as the plan is consummated, would afford an attractive speculative opportunity. This gives no consideration to the probability of materially higher values for the new securities themselves as consummation of the plan nears and prospects for dividends on the new stocks may more accurately be appraised. If by any chance the plan is upset the road's substantial cash balance would presumably be used to liquidate some of the claims, thus providing even better treatment for the Consolidated 4s.

Purely on the basis of past earning power the new Denver securities would probably not be entitled to sell at any materially higher prices than have obtained in recent markets. However, many rail men consider Denver an entirely different road than it was a few years ago, and with ample justification. For one thing, it has virtually been rebuilt, as has its connection, Western Pacific, so that the route through the Dotsero Cut-off can now compete for the through transcontinental traffic. Even the Commission, during the reorganization proceedings, commented that the traffic potentialities of the Cut-off had not as yet been fully realized.

The other highly important consideration is the vast expansion in steel mill facilities in the Provo, Utah, area, served by Denver. It is generally conceded that these plants will remain as a permanent factor in the territory's economy on a return to peace. Thus Denver will emerge from the war with some of the characteristics of an important transcontinental carrier and some of the characteristics of a heavy duty industrial road, with all of the favorable operating aspects of such business. There is a growing confidence that the road will therefore henceforth be on a permanently higher earnings base and that this factor should be reflected in security prices.

R. C. Ingalls a Director

Roscoe C. Ingalls has been elected a director of the J. G. White Engineering Corp., Gano Dunn, President, announced. Mr. Ingalls is a partner in the stock brokerage firm of Ingalls & Snyder, 100 Broadway, New York City.

A. M. Montgomery Is With Lazard Freres

Lazard Freres & Co., 44 Wall Street, New York City, Members New York Stock Exchange, announced today the appointment

A. M. Montgomery

of A. Moore Montgomery as manager of its Clients' Investment Department. Mr. Montgomery has been in United States government service since 1941, originally as consultant on aviation to the Coordinator of Inter-American Affairs in Washington, and more recently as a member of the Price Adjustment Board of the Army Air Forces in New York. Prior to 1941, he was economist and director of research for Smith, Barney & Co.

Ross R. Smith Now Is With Blyth & Co., Inc.

(Special to The Financial Chronicle)

SPOKANE, WASH.—Ross R. Smith, for many years with Arthur E. Nelson & Co. as sales manager, has become associated with Blyth & Co., Inc., Old National Bank Building.

Real Estate Securities

By JOHN WEST

We hear that earnings for the fiscal year will be sufficient to pay about 2% additional current and accumlated interest on London Terrace bonds June 1 in addition to the 1½% fixed interest regularly paid semi-annually. This should place these first mortgage bonds on a 5% basis—yielding over 9% at current market prices.

* * *

According to the New York "Times," New York City hotel, supper-room and dinner business is off 21 to 47% as a result of the new 30% cabaret tax. Just how serious this situation will affect New York hotel earnings and the effect on hotel bonds is problematical. As an example, food and beverage sales during the last fiscal year accounted for $982,497 out of a total income of $2,500,163 at the Governor Clinton Hotel and $1,366,638 out of a total income of $3,259,916 at the Park Central Hotel.

* * *

Another newspaper article quotes Charles N. Blakely, Vice-President of the Fred F. French Co., as stating that more than 600 tenants of the 2,800 apartment occupants in Tudor City are preparing to renew their fall leases. The Tudor City buildings, he adds, have been 100% rented since last fall and applications are more numerous than at any previous time. Units of stock representing the equities of these various Tudor City properties, located in the section in New York City from 41st to 43rd Street, overlooking the East River, have been selling at very nominal sums, some below $1.00. That these units deserve investigation is evidenced by the experience of one of them called the "12th Unit," representing the equity of the Hotel Tudor at 302-4 East 42nd Street. Last month these units were only $2.00 bid per unit. Their statement for the year ended Dec. 31, 1943, released showed earnings after income taxes of $38,368 of almost $4.00 per unit. Bids for units promptly rose from $2.00 to $5.00.

* * *

Again in the newspaper we see a front page article in the New York "Evening Sun," telling of a steep revision upwards of commercial rents in New York. The Secretary of the Mayor's Committee on Property Improvement was said to have on file statements from tenants that they were having their rents increased from 50 to 100%. The article told of one tenant who had his rent raised from $6,000 to $15,000 per annum. The tenant offered to pay a 25% increase but was turned down. The tenant, it is said, has been unable to find other space suitable for his needs.—Looks bullish for commercial building real estate bonds.

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So far this year three New York City Real Estate bond issues have been called at par—Hotel Taft, Graybar Building and 1 Park Avenue.

* * *

Securities on Garages, selling at depressed prices now due to curtailment of garage business because of rationing, might be looked into. This should be a lucrative business after the war. Low market bids in relationship to intrinsic value for this class of security is surprising. For instance, the 850 car, seven story Bowdoin Square garage in Boston first mortgage bonds are only 15% bid. First mortgage bonds outstanding are $700,000., so that this bid only places a value of $105,000 on the property. Moody's latest report on the property shows net annual income of $177,814 for the property and earnings on the bonds of over 11%.

* * *

Bonds on Russeks-Fifth Avenue Store are attracting some attention. The department store pays a rental based on a percentage of their gross business. With the upturn in department store business there should be good earnings available for the real estate securities. Other department store bonds worthy of attention are Stern Brothers Department Store and De Pinna Fifth Avenue Building, both City Bank Farmers Trust issues.

Brownell Again Urges International Bimetallism

Chairman Of Board Of American Smelting And Refining Company Advocates Before House Foreign Affairs Committee The Restoration Of Silver As A Monetary Metal—Holds International Bimetallism Will Increase World's Supply of "Hard Money"

Predicting a universal demand after the war for a return to hard money, Francis H. Brownell, Chairman of the Board of Directors of the American Smelting and Refining Co., told a Congressional Committee on April 28 that monetary stabilization would be vastly facilitated by the adoption of international bimetallism.

Francis H. Brownell

Testifying before the House Foreign Affairs Committee in favor of the Dewey monetary stabilization bill, Mr. Brownell held that the present world monetary stock of gold is insufficient to permit a lasting return to the single gold standard, which broke down completely over ten years ago, mainly because of the physical scarcity of gold.

Pointing out that the world's monetary silver stock is about 6,000,000,000 ounces compared with world monetary gold stocks of about 960,000,000 ounces worth, at $35 per ounce, a little over $33½ billion, Brownell emphasized that international bimetallism is the cure for the physical scarcity of the yellow metal.

By restoring silver as a monetary metal, and pegging its price as England pegged the price of gold, monetary silver would, in effect, be added to the supply of physical gold so as to provide an adequate supply of hard money without impairing or diminishing the full use of gold, and gold would continue to be used as much as under the single gold standard. For example, if the price of silver is pegged at $1 per ounce, the 6,000,000,000 ounces of monetary silver would have the same effect as increasing present world monetary gold to $39½ billion, or about 18%. With silver at $1.50 per ounce, the increase in gold stocks would be 27%, and so on.

Under his proposal, the governments would offer to buy all silver offered as well as gold, at specified prices for each, and to sell freely at the same buying prices, plus a very small "handling charge." This would eliminate, he said, the operation of Gresham's Law, since fluctuations in the market prices of both metals would become impossible and the market price of neither one of the two metals could move out of line, either with its mintage ratio or the ratio of each to the other.

"There can be no doubt that it is just as feasible to peg the price of silver as that of gold," Brownell told the Committee. "Great Britain alone was able to peg the price of gold at a time when she possessed very much less financial strength than either she or the United States has today. As a matter of fact, the United States alone, ever since 1934, has maintained a pegged minimum price of both gold and silver. Since that date it has bought more than the total new mine production of both metals for the same period and has acquired also most of the previously mined floating supply. But it has not attempted to maintain a pegged constant price of either metal, since it will not freely sell either at the buying price, and in the case of silver, has changed its buying price at times."

Brownell warned that at the end of the present war mankind "faces the saddest and most disastrous of its many bitter experiences with inconvertible paper money" and predicted that the physical shortage of gold, which played a large part in the collapse of the exclusive gold standard during the thirties, will be more pronounced than ever after the war. This will arise, he said, from the great expansion in the volume of domestic and international trade that sooner or later will follow the end of the war, and from the higher price level that prevails after all great conflicts.

Mr. Brownell pointed out that statistics showed that during the 50 years preceding the First World War, international trade, due to the increase in population and improvements in production and transportation, increased approximately 3% per annum. Normally, increase in international trade would continue as population increases and ease of communication by air, or otherwise, becomes greater. Increased trade demands an increased volume of money, which cannot be supplied by gold alone.

Advocates of international bi-

(Continued on page 1940)

Tomorrow's Markets Walter Whyte Says—

Invasion still main topic of Street conversation—London market reflects more confidence—Suggest switches from present stocks.

By WALTER WHYTE

With the market snoring gently the only thing that makes for Wall Street conversation these days is the invasion. Customers all know somebody "high in Washington" or have friends who know somebody who works for somebody who "knows" the answer to D-Day. Even newspaper shops are buzzing with the latest communiques about the Day. If the Germans are half as jittery about the invasion as most of Wall Street then they must be in a fine fix.

* * *

Another topic currently being kicked around customer's rooms is the coming elections. To all and sundry Governor Dewey seems to be the white-haired lad who will lead the nation back to whatever politicians say we have to go back to. So far, all the viewing with alarm and observing with satisfaction is in the preliminary stages. After all, the election is still some seven months away and neither Dewey or Roosevelt are official candidates.

* * *

Meanwhile, the market is keeping its collective mouth shut, refusing to cue the next move.

* * *

Here and there a frightened bear covers a short line, or an optimistic bull buys a couple of hundred shares, but the sum total is practically nil. Tape chatters along for a few seconds, then dies.

* * *

Oddly enough, while our own market is having a quiet attack of jitters, the London market is acting as if it hadn't a worry in the world. True, London prices haven't done anything to speak of since last February when

(Continued on page 1941)

Effect Of War On The Financial Structure Of The United States

(Continued from page 1914)

crease in the amount of currency in circulation, it is obvious that a considerable amount of currency has been hoarded. This is evidenced by the fact that the volume of notes in circulation of denominations of $100 and more increased from $1,952,000,000 at the end of 1940 to $4,099,000,000 at the end of 1943.

The volume of demand deposits of individuals has also increased substantially, the bulletin continues. Although the increase has not been as great as that of deposits of business concerns, it amounted to about 25% from the end of 1941 to June 30, 1943. In addition to the 14.3 billion dollars of demand deposits individuals also owned on June 30, 1943 the bulk of the 31 billion dollars of time deposits in commercial and savings banks and in the Postal Savings System. During the war individual bank deposits in all likelihood will continue to increase.

The redemption value of United States Savings Bonds Series A to F and the par value of Series G outstanding on March 31, 1944, was over 31.9 billion dollars and further increases in this total are to be expected. Series A to E bonds are demand obligations after 60 days from issue date, and Series F and G bonds can be converted into cash at one month's written notice after 6 months from issue date of bond.

From the above, it can readily be seen that the liquid assets at the disposal of individuals at the end of the war will be exceedingly large. In addition, indebtedness of individuals has decreased materially, thus improving the individual's credit standing and enabling him to obtain additional purchasing power.

The huge amount of liquid assets can be a constructive or a destructive force. If, for some reason or another, the people should lose confidence in the future purchasing power of the currency, it would lead to a flight from currency, bank deposits, and other monetary claims into real values. In view of the very great amount of purchasing power at the disposal of the people, such a development could set in motion a sharp upward movement of prices of commodities, equities, and other assets the people might regard as a hedge against inflation. It could also cause considerable embarrassment to the Treasury. If a large proportion of the Series E, F, and G bonds were to be surrendered for cash, the Treasury would have to rely primarily on the banks to obtain the necessary funds for this purpose. This would create new bank deposits, thus further feeding the flames of inflation.

Furthermore, a steep rise in commodity prices would cause an increased demand for bank credit. A period of rising prices is marked by a high degree of business activity. Since, however, the purchasing power of the funds accumulated by industry and trade would be greatly reduced, additional working capital would be needed by business for financing the production of the same volume of commodities. Moreover, since in a period of rapidly rising prices it is preferable to be a debtor rather than a creditor, a material increase in loans from commercial banks as well as a substantial decline in savings deposits could be expected. Under such circumstances, the banks might not be able to absorb all the securities offered by the Treasury and the latter might even be compelled to adopt unorthodox measures in obtaining funds for the redemption of the three types of savings bonds. The social and economic consequences of commodity price inflation would thus be far-reaching. They would set in motion forces that might ultimately undermine the economic and political foundations of the country.

The huge volume of liquid assets in the hands of the people can also be a great constructive force and can contribute materially to the maintenance of a high level of business activity and employment. If the conversion from war to peace production is orderly and is carried out with minimum delay, if after the war the supply of consumers' good is rapidly increased, and particularly if the finances of the Government are handled along sound economic lines, it may be safely assumed that the people at large will use their liquid assets carefully and will spend them judiciously and over a period of time. This purchasing power will keep up the demand for commodities during the period of reconversion, when unemployment is bound to be large. Later on, when durable consumers' goods again become available, it will enable consumers to buy large quantities of these products.

If the people retain confidence in the currency and the supplies of commodities available for sale begin to increase rapidly at the end of hostilities, only a relatively small fraction of the total amount of Government bonds held by the general public will be offered for redemption before maturity. This indicates the compelling necessity of maintaining the confidence of the people in the soundness of the currency and of adopting all possible measures to prevent a sharp increase in prices during and after the war. If prices remain at approximately the present level, the purchasing power in the hands of the people would cause a tremendous but orderly demand for all kinds of commodities for a number of years.

In discussing the postwar budget the bulletin states: Expenditures of Federal, State and local governments of between 25 and 30 billion dollars a year require a much larger national income than this country was producing in the past. A national income of 83 billion dollars, the prewar peak reached in 1929, when the country as a whole was prosperous, would now be tantamount to a serious depression and would place the Treasury in an embarrassing position.

The money income of a nation is determined by the volume of production and services and the price and wage levels. Obviously, when prices and wages are high, the money income will also be high. The newly created deposits through the sale of a large portion of Government bonds to the commercial banks are purchasing power which is bound to have an effect on commodity prices. It may, therefore, be expected that commodity prices in the postwar period will be higher than in the thirties or even in the twenties. A price level as high as that of the thirties, unless accompanied by a very large volume of business activity, greater than can be foreseen at the moment, could not produce a national income sufficient to meet Government expenditures and to provide a moderate surplus for retirement of the public debt. It is, therefore, evident that it will be to the interest of the Government to prevent a sharp decline not only in the volume of business activity but also in prices of commodities. What measures the Government can or will take to influence business activity and the movement of commodity prices is a problem that ought to be given greater consideration than it has so far received.

In appraising the effect of the war on the financial status of private enterprise the bulletin states: At the end of 1942 private long-term indebtedness was about 15 billion dollars smaller than in 1930, having decreased 17.4% from 86 billion dollars to 71 billion dollars. The debt service has decreased even faster because of the refunding at low rates of interest that occurred during the last few years. Interest charges declined from $4,918,000,000 in 1930 to $3,412,000,000 in 1942, a decrease of 30.6%. Another favorable development of the past decade, particularly of the war years is the fact that most mortgages on urban as well as on rural real estate are being amortized. Short-term indebtedness has also shown a substantial decline, as is evidenced by the reduction in the amount of installment credit outstanding from $5,921,000,000 at the end of 1941 to $1,755,000 on Jan. 31, 1944.

Bank loans, aside from those guaranteed by the Government and those which were made primarily for the purpose of financing the war, have also shown a sharp decrease. Whereas at the end of 1930 loans of all member banks amounted to 23,870 million dollars, at the end of 1943 they amounted to only 16,288 million dollars, of which 1,914 million dollars constituted war-production loans guaranteed by War Department, Navy Department, and Maritime Commission through Federal Reserve Banks under Regulation V.

Although the decline in private indebtedness was greatly overshadowed by the tremendous increase in the Federal debt, it is bound to have a favorable effect on economic activity in the post-war period. In the first place, it will permit industry to sell new securities in the open market, if necessary, for the purpose of financing modernization of plant, utilization of new inventions and acquisition of plants constructed or financed by the Government during the war. Of equal importance is the fact that there will be no wholesale foreclosure of urban and farm mortgages as was the case after the last war. True, some war housing built by the Government or financed under Title VI of the FHA may be abandoned or have to be taken over by the Government. But war housing may well be considered a part of the cost of the war. Farm mortgages at the end of 1942 were estimated to be 2,958 million dollars smaller than at the end of 1930, while short-term indebtedness of the farmers has also decreased. This situation will enable the farm population throughout the country not merely to acquire new machinery and other durable goods but also to make improvements on the property.

In analyzing the implications of the short-term debtor position of the United States the bulletin remarks: At the end of the war, foreigners owning American assets will have two choices: either to withdraw their funds in the form of gold or to utilize their liquid assets over a period of time for the purchase in this country of commodities and capital goods for economic reconstruction. Which of these steps the foreign owners will take will depend primarily upon the movement of commodity prices in the United States, and particularly upon whether or not there is any agitation for further devaluation of the dollar in case no international currency agreement has been concluded.

If for some reason, such as, for example, to alleviate the debt burden or to give the country a competitive advantage in the world's markets, there should be a clamor for devaluation of the dollar, the foreign owners of dollar balances would immediately convert them into gold. Some, if not all of them, might even be tempted to liquidate their holdings of American securities, notably bonds, in order to convert them into gold. Such a situation would be highly undesirable and would be fraught with danger for the United States. It would come at a time when the redemption of United States Savings Bonds might be taking place on a large scale, when the Government might have to rely extensively on the banks for funds needed to redeem the securities. The loss of monetary gold at that time would not merely reduce the ability of the Reserve Banks to acquire new Government obligations so as to provide the necessary reserve balances for the member banks, but would also have a definitely adverse psychological effect. Hence, any further devaluation of the dollar, or even consideration of such a step, could have adverse effects on the economy of the country. Similarly, if commodity prices in the United States should increase very sharply, foreigners might prefer to convert their American assets into gold for utilization in other countries.

An entirely different situation will prevail, however, if there is no intention of further devaluing the dollar and if commodity prices remain approximately at their present level. Under these circumstances, it is reasonable to assume that the foreign demand for American merchandise, particularly capital goods, will be very great. At the end of the war only the United States, the British Empire and, to a lesser extent, Russia, will be in a position to produce capital goods on a large scale. The destruction in England caused by air warfare has been considerable and nobody can tell what further damage may be sustained before hostilities cease. The Soviet Union will be confronted for a long time with the task of reconstructing the western provinces, almost totally devastated during the war. In fact, for years to come the Soviet Union will be a large importer of capital goods. Hence, the United States will be the first country in a position to produce and export considerable quantities of manufactured articles, notably capital goods.

It may be taken for granted that in the initial period after the war the sale of durable goods, and particularly of capital goods, will be controlled by rationing and allocation. Despite this fact, there is a possibility that, in order to hasten economic reconstruction and to alleviate the acute shortage of food and other vital necessities, foreign governments may utilize dollar assets for large purchases in this country. It is also possible that in the post-war period there may be a further inflow of gold to this country, including sales of earmarked gold to the Treasury. Such a situation would not be desirable. While foreigners will undoubtedly utilize a portion of their liquid assets, it is not desirable for the United States to become again a large importer of gold or for the entire dollar assets of foreigners to be used up during the immediate post-war period. It would be to the interest of this country as well as the rest of the world, if ways and means could be found to finance foreign requirements for capital goods through loans or direct investments and to permit foreign governments to retain part of their short-term dollar assets for the purpose of strengthening their currencies and meeting temporary maladjustments in their balance of payments.

The liquid American assets at the disposal of foreigners can thus have either a favorable or an unfavorable influence on the economic and financial situation of the United States, depending on the circumstances. Their effect will be determined primarily by the movement of prices in this country and the confidence or lack of confidence that the gold content of the dollar will not be further reduced.

Sugar Stock Attractive

Amalgamated Sugar Company offers attractive possibilities according to a detailed financial analysis of the situation prepared by Edward L. Burton & Company, 160 South Main Street, Salt Lake City, Utah. Copies of this interesting study may be had from Edward L. Burton & Company upon request.

Chicago Brevities

La Salle Street firms have been discussing the recent flotation of $14,000,000 Cudahy Packing Co. bonds by a syndicate headed by Halsey, Stuart & Co., Inc., for it marked a milestone in the investment banking business. For the first time in any sizeable marketing all price maintenance measures were removed from the underwriting agreements on the issue.

This drastic change, of course, is an outgrowth of the recent anti-trust activities of the Department of Justice, which have many leading investment bankers worried. Although many other syndicates have tinkered with their underwriting agreements since the Federal agency filed its brief last January, none went as far as the Cudahy group did.

Two principal changes were made in the Cudahy contracts. All time limitations were removed, and no penalty clauses were included. In addition, there was no attempt made to stabilize the market by open-market operations.

Despite the changes, there were no instances reported of price cutting on the Cudahy obligations, and it is generally believed that the syndicate managers were satisfied with the experiment. Of course, the test of such a changed agreement would be much stiffer in a declining market instead of a sellers' market, as at present.

In the Cudahy agreement, it was said that "after the initial public offering the underwriters and dealers may severally determine the respective prices at which they may offer their own bonds for sale."

The reason why price stabilization measures were abandoned on the Cudahy offering, it is understood, was because the Department of Justice considered investment bankers "on notice" of its position since the oral hearings on the matter, about 10 days before the Cudahy flotation. The Department made no effort to enforce its views earlier because it was considered that underwriting firms had not had suitable notice; but the oral hearings, it was held, furnished such notice. It was feared that a test case was imminent if no change were made.

Other investment bankers have been by no means unanimous about what steps to take to avoid trouble with the Government agency. Some have shortened the length of their syndicate agreements, feeling that a shorter period might be satisfactory to the Government. Others have dropped out penalty provisions.

The next step will be to see how many other firms will adopt the drastic measures used in the Cudahy offering. Thus far it is known that many firms are studying the results of the experiment.

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The entire slate of candidates presented for officers and directors of the Municipal Bond Club of Chicago were elected at the recent annual meeting of the group. S. E. Johanigman (The Milwaukee Co.) was elected President; Floyd W. Sanders (Smith, Barney & Co.), Secretary, and R. B. Swazey (Harris Trust and Savings Bank), Treasurer. Directors chosen were F. B. Carpenter (John Nuveen & Co.), A. M. Hoffman (Morris Mather & Co.), Lewis Miller (First National Bank of Chicago), Paul L. Mullaney (Mullaney, Ross & Co.), and A. G. Pickard (C. F. Childs and Co., Inc.).

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Traders on La Salle Street have been carefully following the movements of Chicago, North Shore and Milwaukee Railroad bonds, as reports indicate that a group of buyers are investing heavily in the securities.

Settlement of the claims of underlying equipment certificate holders in the near future is expected to pave the way for reorganization of the road under the Chandler Act.

Reports on the Street are that a group of bus company execu-

(Continued on page 1923)

Trustees Accept Chicago-North Shore Offer

The Chicago, North Shore and Milwaukee Railroad Company made an offer to buy in the equipment from the Trustees, who are the American National Bank, and the Trustees formally accepted that offer, it is reported.

Paul H. Davis Co. to Admit McEwan And Trees

CHICAGO, ILL.—Paul H. Davis & Co., 10 South La Salle Street, members of the New York and Chicago Stock Exchanges, will admit George S. McEwan and Harry A. Trees to partnership in their firm effective May 11. Both have been associated with the firm for some time, Mr. McEwan as sales manager of the investment department.

Chicago Recommendations

Adams & Co., 231 South La Salle Street, have prepared an interesting four-page brochure on **Bayway Terminal Corp.** common stock, copies of which are available to dealers on request.

Brailsford & Co., 208 South La Salle Street, have for distribution comprehensive analyses, up-to-date earnings and current comment on Chicago North Shore and Milwaukee Railroad. Copies may be had from the firm upon request. Also available is an interesting memorandum on current developments affecting **Chicago Tractions.**

Caswell & Co., 120 South La Salle Street, have interesting information available on request on **Resources Corp. International,** a holding company owning extensive timber lands in **Mexico.** Copies may be had from the firm upon request.

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

Sincere and Co., 231 South La Salle Street, have for distribution special circulars on **American-La France, Iowa Electric Light & Power,** and **Flour Mills of America,** copies of which will be sent by the firm upon request.

Straus Securities Co., 135 South La Salle Street, have recent circulars on **Poor & Co., Detroit Harvester, Steel Products Engineering,** and **Diana Stores.** Copies of this interesting material may be had upon request from Straus Securities Co.

As **Thomson & McKinnon** say in an analysis just issued on **Television,** the publicity being given to the almost unbelievable accomplishments of radar and electronic devices has again directed attention to Television and the role it will play when hostilities have ceased. To meet the demand for information on this subject, they have just issued a four-page article on **Television,** defining it, outlining its development, its potential market, covering what is known in connection with post-war planning, and listing a number of companies, giving market comparisons and balance sheets comparisons.

The first of the month, in connection with their Planned Portfolio Service, Thomson & McKinnon released pamphlet No. 2, **"A Weekly Dividend Check"** (No. 1 was entitled "A List of Low Price Equities.") Their last weekly **Stock Review** covers Oil Company earnings and leverage Trust issues in a general way, with specific articles on United Cigar Reorganization, Philco and Superheater. Their last weekly Bond Review has a survey on Bonds, dividing them into three categories, those selling at 90 to 105, 70 to 90 and 50 to 70, respectively.

Any of the literature described above is available, without charge. Requests should be addressed to **Thomson & McKinnon's Statistical Library,** 231 South La Salle Street, Chicago 4, Ill.

Hicks & Price, 231 South La Salle St., have prepared an interesting analysis of **Consolidated Gas Utilities Corporation** common. Copies of this analysis may be had from the firm upon request.

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

Money In Circulation

The Treasury Department in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the moneys held in the U. S. Treasury and by Federal Reserve Banks and agents. The figures this time are those of March 31, 1944, and show that the money in circulation at that date (including of course that held in bank vaults of member banks of the Federal Reserve System) was $21,115,488,125 as against $20,823,585,532 on Feb. 28, 1944, and $16,249,773,305 on March 31, 1943, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is on June 30, 1914, the total was $3,459,434,174.

Clark With Harris Hall

(Special to The Financial Chronicle)

CHICAGO, ILL.—Kenneth D. Clark has become associated with Harris, Hall & Co., Inc., 111 West Monroe Street. Mr. Clark in the past was a partner of Kenneth D. Clark & Co. of Los Angeles and Chicago.

Municipal News & Notes

Announcement that the California Toll Bridge Authority will consider bids May 22 for the $56,000,000 San Francisco-Oakland Bay toll bridge revenue refunding bonds means that, at this writing, the municipal market is scheduled to absorb approximately $85,000,000 in issues during the next 30 days.

The total will be swelled to considerably more than $100,000,000 in the event that the Consumers Public Power District, Neb., offering materializes as per expectations.

Even so, the volume of business now definitely in prospect greatly exceeds the comparable total for any 30-day period during the past several years. It compares, for example, with sales of about $16,500,000 throughout the entire month of April. This figure represents only the new issues sold by States and taxing units in that period and is exclusive of the old issues which reappeared on the market via liquidations, much of which was done with a view to reinvesting the proceeds in the Fifth War Loan offerings.

The latter operation will get under way on June 12 and, if past precedent prevails, the prospect is for a virtual standstill in other new borrowing activity, both municipal and corporate, while the drive is in progress. For this reason, dealers probably view with considerable satisfaction the exceptionally large amount of business now in sight over the next three or four weeks.

In addition to the $56,000,000 California bridge revenue refunding issue, set for May 22, the calendar of impending operations includes the following: $3,180,000 Orleans Levee District, La., on May 16; $4,000,000 Buffalo, N. Y., $11,000,000 Chicago, Ill., school board, and $6,400,000 Erie County, N. Y., all three on May 24, and $2,040,000 Houston, Texas, on June 7. As for the Consumers Public Power District financing, this will probably involve about $42,000,000, with the proceeds being used in the redemption of the outstanding indebtedness of eight of the district's present 11 operating divisions.

Purpose of the $56,000,000 California Toll Bridge Authority offering is to provide for the redemption of approximately the same amount of San Francisco-Oakland Bay Bridge revenue serial and term 4s presently outstanding. While these bonds do not become callable until March 1, next, and at a premium of 5%, officials of the agency decided to negotiate the refunding at this time in order to take advantage of the current exceptionally favorable money and market conditions. While this will involve double interest payments to March 1, next, the very low refunding interest rate now definitely assured more than overshadows the foregoing factor.

As for the bridge itself, the fact that the amount of debt originally outstanding has been reduced to the extent of some $15,000,000 since June, 1939, indicates a formidable degree of earning power and economic security. As the refunding issue will obviously bear a considerably lower rate than the current 4% figure, the spread between gross and net revenues should be greatly widened.

New York City Bond Prices Discussed

Probably no other community in the country has a larger quota of "forecasters" than the City of New York. Practically every day, or so it seems, the local press contains reports to the effect that the municipal government is headed full speed toward "bankruptcy" or is already at the precipice. These dire predictions are usually given widespread publicity in other parts of the country because of the pre-eminent position held by the city and in consequence of the wide distribution of its metropolitan dailies. They usually emanate from responsible sources, such as civic associations, etc., a fact that lends weight and credence to their contents. It is true, moreover, that some parts of the investing public, not being fully acquainted with the circumstances which give rise to these "forecasts", are inclined to accept them at face value. It is little consequence that the issues involved have no bearing on the credit structure of the city as such, particularly with respect to its debt-paying ability and outlook. Indeed, oftentimes the nature of the terminology used employed in these criticisms is of such character as to imply a threatened condition not even intended by their authors.

This to the contrary, it seems indisputable, as John S. Linen, Vice-President of the Chase National Bank of New York, pointed out in a recent address, that much of this adverse and generally unwarranted publicity is responsible for the paradox which finds New York City bonds quoted on more generous yields than those obtainable on "decidedly inferior credits and risks in the field of municipal government."

Speaking on "New York City Bonds—A Tax-Exempt Investment", before a meeting of the Savings Bank Bond Men of the State of New York in New York City on May 3, Mr. Linen emphasized the unfortunate consequences flowing from the periodic application to the city of such terms as "threatened bankruptcy, default, financial crisis, pending disaster, a grave outlook". After noting some of the "dire threats and predictions" that have been made regarding the city's financial outlook during the past decade, Mr. Linen made the following comment:

"In spite of these dire threats and predictions, New York City has gone on from year to year paying for its relief costs out of current income, balancing its budget, avoiding refunding of all serial maturities, maintaining full sinking fund requirements, reporting satisfactory tax collections and making reasonable creditable progress in the retirement of debt."

While disclaiming any desire of being critical of the sources of such "bad publicity", Mr. Linen analyzed some of the forecasts in the light of actual developments. Among these was the "prediction of Jan. 30, 1939, that the city faced not only an unbalanced budget unless economy and retrenchments were effected but a financial crisis impended likely to be worse than that leading to the edge of bankruptcy in 1932 and 1933."

Actually, Mr. Linen observed, "it is a matter of record that during the critical year 1939-1940 there was reported a surplus of revenues of approximately $6,900,000, which was transferred to the tax deficiency account as provided by the (City) Charter."

The second factor believed responsible for the greater yields obtained on New York City bonds as compared with comparable and even less favorable credits, concerns the large amount of city bonds outstanding. In this respect, Mr. Linen stated as follows:

"The other factor mentioned as responsible for the low prices prevailing on New York City bonds was the large amount of debt outstanding. At the end of the last fiscal year, June 30, 1943, the city had a total funded debt aggregating $2,962,806,834. This represented over 16% of all State and municipal debt estimated as outstanding on the same date by the U. S. Treasury. The amount of such debt was $18,406,000,000.

"It is not, I believe, generally realized that 32% of the total debt of New York City is held by its own sinking and pension funds. Actually on June 30 last, the city sinking funds held $481,880,850 and the pension and retirement systems, under the jurisdiction of the City Comptroller, held $465,641,854. Thus, the amount of New York City bonds in the hands of the public was $2,015,284,130.

Continuing, he said:

"The law of supply and demand asserts itself here, and where we find the doors closed to New York City bonds or rigidly limited in the amount that will be purchased or held because of doubts or prejudices engendered by bad publicity, the effect becomes the more accentuated. Except for these reasons there is no satisfactory explanation why New York City bonds should sell at terms which in many cases are lower than apply to decidedly inferior credits and risks in the field of municipal investments.

"It is true also, of course, that during the years 1939 and 1940, an extraordinary number of New York City bonds were issued. Since January, 1942, however, the market has had an excellent opportunity to absorb and quite fully digest the excessive amount of bonds issued in the two and a half years preceding. Included in this amount was approximately $300,000,000 of corporate stock issued in connection with the acquisition of the subway properties.

"In view of the better placement which has occurred during the past 3 years, it is surprising to many of us that the price on New York City obligations is not in more favorable relation to various other issues in the market."

Chicago Brevities

(Continued from page 1922)

tives have been accumulating the bonds with a view to eventual control of the electric interurban line by the bus company. The men involved have admitted buying the bonds, but say that their interest is merely on an investment basis.

Other stories, that a large insurance company was also interested, have stimulated the market for the North Shore obligations. First mortgage bonds, which sold for as little as $3 a few years ago, are now approximately $36, and first and refunding bonds which were down to $1.50 are now close to $30.

The American National Bank and Trust Co. of Chicago, as successor equipment trustee, has indicated acceptance of an offer tendered by the railroad trustees for settlement of the underlying equipment certificates covering about 50% of the road's equipment.

The certificates have been in default for 10 years. Since 1935 partial interest payments have been made on the 5½% to 6% equipments.

The offer of the railroad trustees was on the following basis: Series E certificates, 100%; **series F-1, 80%; series F-2, nothing; series G, 80%. None of these settlements would include accrued interest. Court approval of the settlement is necessary.**

When the equipments are cleared, the way will be open for reorganization of the line, which went into receivership in 1932. Recent earnings of the road have been very satisfactory, with heavy Army and Navy business to suburban military and naval establishments. Reports that the Government intends to maintain the establishments at Great Lakes and Fort Sheridan increase the possibilities that the suburban carrier will continue to do well after the war.

Hugo Moses With Enyart

(Special to The Financial Chronicle)

CHICAGO, ILL.—Hugo Moses, formerly with Webber-Simpson & Co., is now connected with Enyart, Van Camp & Co., Inc., 100 West Monroe Street.

To Form De Haven & Townsend, Crouter & Bodine In Phila.

PHILADELPHIA, PA.—As of May 22nd, 1944, the New York Stock Exchange firms of Crouter, Bodine & Gill and De Haven & Townsend will be dissolved and De Haven & Townsend, Crouter & Bodine will be formed. The new firm will maintain its Philadelphia office in the Packard Building and will also have a New York office at 30 Broad Street.

Partners will be Gordon Crouter, member of the Exchange, Walter T. De Haven, Robert C. Bodine, Philip W. Townsend, Exchange member, William D. Townsend, John Harrah Wood, general partners, and Logan B. Gill and William J. McCahan, 3rd, limited partners.

In addition to its membership in the New York Stock Exchange the new firm will have memberships in the Philadelphia Stock Exchange, and New York Curb Exchange.

De Haven & Townsend is one of the oldest investment houses in Philadelphia, having been formed in 1874.

Reports Available

Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, Calif., have interesting reports on 137 insurance companies and banks, copies of which are available without charge to investment dealers, banks, insurance companies and other financial institutions. Copies may be had from the firm upon request. Also available on request are current brief studies of the Hanover Fire Insurance Company and the Bank of the Manhattan Company.

Attractive Situations

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

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

Wisconsin Brevities

Globe Steel Tubes Co. of Milwaukee, reported net earnings for 1943 of $488,200 after setting aside from earnings the sum of $100,000 as a reserve for possible renegotiation of war contracts, losses through contract terminations and other contingencies and after providing $352,525 for depreciation and amortization. State and Federal income and excess profits taxes payable are estimated to be $2,025,000, and on that basis $175,000 for post-war refund of Federal excess profits taxes was added to income and entered on the books as a special asset. Sales volume in 1943 in both tonnage and value was the highest in the companys history but, due primarily to higher wages and the type of business booked, earnings were approximately 13% lower than in 1942, being $1.73 per share on the 282,084 shares of common stock outstanding as compared with $1.99.

Net current assets as of Dec. 31, 1943, totaled $1,827,017 as compared with $1,921,715 Dec. 31, 1942. Cash and U. S. Government notes on hand at the end of the year (in addition to sufficient tax anticipation notes to cover the entire Federal tax liability) amounted to $1,755,704 as compared with $1,044,689 the previous year. Accounts and notes receivable declined $181,048. Inventories in anticipation of quicker deliveries on raw material and supplies, were reduced from $2,556,150 to $1,666,137. Bank loans under "V" Loan Bank Credit Agreement were reduced from $2,000,000 to $1,500,000.

The book value, or net worth of the company as of Dec. 31, 1943, was $4,868,282 which is equivalent to $17.26 per share of capital stock; of the latter amount, $6.48 per share is represented by net current assets. Dividends totaling $282,084, or $1 per share were paid during 1943 and a dividend of 25 cents per share was paid March 13, last.

Wisconsin Investment Co., Milwaukee, as of March 31, 1944, reports net asset value of $3.19 per share. The latter compares with a net asset value of $3.01 per share reported on Dec. 31, 1943, and represents an increase of 6%. The asset value per share is, as usual, computed on the basis of current prices for security holdings plus brokerage on the same. Net profit for the three months ended March 31, 1944, was $6,373, before giving consideration to net profit on sales of securities amounting to $62,362 and credited directly to earned surplus, less a provision of $19,740 for estimated taxes applicable thereto. Cash and Governments as of March 31, 1944, totaled $164,334.

Wisconsin Bankshares Corp., Milwaukee, at Dec. 31, 1943, had investments in the capital stocks of six operating national banks and one trust company. In February, 1944, one bank was sold, the proceeds exceeding the net book value at Dec. 31, 1943. The investment in operating banks and the trust company as of Dec. 31, 1943, is stated at $26,110,549. The company reported a net income for 1943 of $875,276, after State and Federal income taxes, as against $620,766 for 1942. Dividends of 25 cents per share were paid in both years, entailing an outlay of $486,147 and $488,816, respectively. Cash and Governments on hand at the end of the year totaled $1,583,838.

Investor Criticizes Preferred Dividend Cut By Cotton Mills

Editor:
Commercial & Financial Chronicle

Last summer there appeared in the business press quite a number of letters from stockholders who thought they were not being given a fair deal in the matter of dividends, treatment at stockholder meetings and etc. In our section of the country this condition has certainly not changed for the better.

Last January nearly all of the southern cotton mills who have for years paid 7% on their preferred stock cut the annual dividend to 5%. In the past those in touch with conditions in the textile industry know it has been of a prince or pauper class. Many times we stockholders have waited a year or more for our dividends on our cumulative preferred stock. We can truthfully say that we waited with much patience.

When legislation which we stockholders thought unfair and unwise was proposed they rallied to the support of management. In other words for years we have stood shoulder to shoulder with the management.

About Jan. 1, we began to get notices from the mills that we could sell our stocks to the mills or take a cut of 2% in our returns on the preferred stock. In other words we must risk our money on a 5% basis. It was our opinion that the eastern selling agents for the mills were behind the cut. They usually own large blocks of common stock in the mills. It was also our belief that they did not know the feeling of the local holders of the stock. At the request of several stockholders I wrote a number of mill presidents predicting that the cut would cause the Textile Union to rush their demands for more pay. I wrote them that in the end the cost would be much more than the small amount saved. My predictions have come true in several cases already. The long threatened call on the mills for the higher wages has arrived. One mill with 4,000 shares of the new 5% Preferred stock saved only $8,000 per year by the reduction. Stockholders protests to the president of this mill were coldly ignored. My prediction made to him has proved true and the mill has been closed for weeks by a strike. The increase in wages asked is many times the amount taken from the preferred shareholders.

Naturally the union rejoiced at the reduction in the 7% dividend rate as it placed a weapon in their hands which was unexpected but which they know how to use. When war times have passed these high wages and 5% stocks will seek their level and I do not think it will be near par in either case. I am willing to wager that most of these will drop in price until they reach about a 7% basis.

The mills were not forced by poor earnings to make this cut and the amount saved is relatively very, very small but the good will and support lost may loom large in future days. Why American management often called the world's best, makes such blunders at times is beyond my comprehension. Forbes says there are 15,000,000 holders of common and preferred stocks in this country and other millions of holders of corporate, national, state and city bonds to say nothing of 15,000,000 home owners and 45,000,000 of savings bank depositors. What a power these people could be in support of our way of business life! What influence they could wield for a conservative, common sense and fair system of rules and laws under which our business, both large and small, could operate. How foolish is management to forget this fact and antagonize these people! Does management think the pension schemes and etc. they vote themselves at the expense of the stockholders are going unnoticed by these millions of shareholders and other millions of workers, both organized and unorganized? Do they not know that they are putting the best kind of ammunition in the hands of the radical element and others who would change, if not destroy, our way of business and then social life!

S. CRAIG LITTLE

392 E. Main Street,
Spartanburg, S. C.
April 27, 1944.

Study of N. Y., N. H. & H.

An original analysis of the New York, New Haven & Hartford R.R. has been prepared by A. W. Benkert & Co., Inc., 70 Pine Street, New York City, with particular reference to the reorganization plan just approved by the U. S. District Court and the treatment accorded to the holders of the old securities. According to the firm, thousands of investors in the Metropolitan areas of the East are holders of New Haven securities and the vast majority of them have no clear picture of the present situation.

It is pointed out that banks and financial institutions generally have been in the past and still are holders of many millions of dollars of New Haven bonds; that many of them, however, have been forced to sell their bonds as a result of forced liquidation of closed banks and other financial institutions and generally are prohibited from buying them under existing laws and regulations and that as a result, purchases of the bonds are now confined to the general public. The number of investors sufficiently well-informed to understand the situation is so small that the old securities are still selling at or near bankruptcy prices.

Copies of the analysis may be had upon request from A. W. Benkert & Co., Inc.

Miles With Loewi & Co.

(Special to The Financial Chronicle)

MILWAUKEE, WIS.—John E. Miles has become associated with Loewi & Co., 225 East Mason Street.

Post-War Outlook For Utilities

By A. M. SAKOLSKI
City College, New York

Of all lines of economic activity, the Public Utility industries of the country will be faced with fewer and less difficult problems of reconversion after hostilities cease. The war has brought about only minor changes in their plants, equipment and sources of revenue. Though there may have been substantial alterations here and there in the character and extent of their service demands due to vastly expanded industrial activity, and though in some instances, they have been hampered by inability to obtain proper replacements of equipment and vital materials, no radical changes in methods or in operations will be required of them when the change over to peace time conditions comes about. Moreover, unlike the period immediately following the end of the last war, the utilities will not be confronted with the serious effects of inflationary prices, and the consequent need for higher rates to offset this situation will be much less pronounced in the coming post-war era than they experienced in the last.

A. M. Sakolski

When World War I ended, the public service corporations, as a whole, were compelled to pay substantially increased prices for materials and wages, because of the run-away inflationary policy of the time. Their rates, in most cases, were left unchanged during the war, with the result that they suffered severe setbacks in net revenues. There was a corresponding impairment of the credit of many small utilities. The securities of these small companies underwent a severe decline, particularly those of traction companies, and in the face of increasing demands for their services and the pressing needs for plant expansions, they were handicapped in bidding for funds in the capital market. Thus, in 1920, new offerings of long term public utility securities were but $218,000,000, of which a considerable portion were issues of the American Telephone & Telegraph Company and the large holding companies with well established credit. In 1922, offerings exceeded $632,000,000. Though in 1920, the new issues of public utility stocks amounted to but $6,400,000; in 1922 the amount exceeded $300,000,000.

It required a period of from three to five years to restore the utilities to their growing popularity that started before the war. The public service commissions throughout the country gradually permitted higher utility rates to meet the conditions of increasing costs and the enlarged demands for utility services. All this led to a period of rapid expansion of plant facilities and a wild rush to construct new projects and to organize new utility corporations. It was in this period that the public service holding companies attained their ascendancy in the industry. Small utility concerns, many of which had been financed mainly from local sources, and had been unable to expand because their size did not permit them to enter the metropolitan capital markets, were absorbed by various holding companies. Many of these were newly organized for this particular purpose. The pyramiding process followed,—and with the unbridled competition to acquire and construct plants, the momentum of the movement got out of hand. The result, as is well known, was the culmination in the 1930-1933 period of a series of financial reverses, and the final passage by Congress of the Public Utility Holding Company Act.

When the present war ends, public utility companies of all kinds, with the exception of transit companies will, almost without exception, be in a sound and well fortified financial condition. Not only have there been practically no rate increases to compensate for rising costs of labor and materials, but residential rates have been decreasing since hostilities started abroad in 1939 at the same pace as before. In addition, there appears to be little or no demand for rate reductions. Moreover, the machinery of rate regulation is now better oiled and operates more smoothly and with less delay than in the earlier period. The state regulatory commissions have the advantages of more experience and better expert guidance than formerly.

As pointed out by William A. Prendergast, former chairman of the Public Service Commission of New York, in his book, "Public Utilities and the People": "The commissioners as a whole, while faithfully guarding the public interest, have sought to promote the efficiency of the utility companies and to maintain the credit of those companies. They have been mindful of the fact the free flow of capital into the utilities is essential to their expansion and to the public welfare. They have not lost sight of the fact that, whatever temporary conflicts of interest there may be between the public and the utilities, there is a long-range fundamental identity of interest. The orderly, well-considered, and generally impartial regulation of utilities under the commission is in startling and agreeable contrast to the haphazard, chaotic regulation by direct legislation or by municipalities which prevailed in the earlier days."

Another financial advantage which the utilities will have in the post-war period to come is the generally lower scale of fixed interest charges. Not only are interest rates on new capital lower, but the large amount of refunding of outstanding obligations which has taken place since 1933 has placed many of the utility companies in a sound financial condition,—well fortified against any business or financial depression that may come about after the war. The tabulations of the "Commercial & Financial Chronicle" disclose that during the 5-year period, 1939-1943 inclusive, more than three and a half billion dollars of long-term bonds were issued and publicly offered by utility companies solely for refunding purposes. This sum constituted more than three-fourths of total public utilities offerings during the period. All this means a substantial reduction in fixed interest charges as well as less burdensome mortgage restrictions on their new outstanding bond issues.

Present low interest rates are likely to continue, particularly for concerns which, like the utilities, have stability of earnings and an expanding demand for their services. Comparatively little speculation or risk is now involved in the promotion or operation of public utility projects, certainly less than in the case of most other industries. Moreover they are in most cases free from the threats of direct competition or serious displacement by other services. They may be expected therefore to continue to be favorably placed in bidding for capital funds. During the last quarter-century both savings banks and insurance companies have increased substantially their investment holdings of public utility securities, and there is no reason to believe that their increasig popularity as investments will not continue. The large life insurance companies alone in 1941 despite their heavy purchase of government obligations, increased their public utility holding by approximately 14%. According to the records of the Association of Life Insurance Presidents, the public utility holdings of life companies in the United States at the end of 1943 constituted 14.7% of their total investments compared with but 9.1% at the end of 1929. This percentage increase is remarkable in view of the insurance companies' abnormal purchases of government obligations during the interval.

Perhaps the most serious impediment to utility expansion in the post-war period, from the financial point of view, is the difficulty they are likely to encounter in engaging equity capital through public sale of common shares. Following World War I it took several years for fuel and material prices to return to pre-war levels, while labor costs never declined. It was only the lowering of Federal taxes that granted the utilities any major reduction in revenue deductions. In the coming post-war period the same pattern will probably be etched, with one important exception. There is little likelihood that Federal taxes, which consumed 16.3% of electric utility operating revenues in 1943, will decline appreciably for five, and perhaps ten years. Accordingly, with net earnings available for common dividends now at low level despite an enormous expansion in gross operating revenues, it appears unlikely that investors will bid eagerly for utility equities.

But an important offsetting factor to high tax rates that may assure the continued success of public utility operations is the ever increasing demands for their services. If all the predicted post-war construction of new homes, and other public conveniences and improvements materialize, this alone will assure enormous expansions of their outputs. Moreover, the new services will be more in the nature as an intensification of use, rather than the provision of new services. This means more business in relation to plant investment. The growing use of mechanical devices in homes and workshops, as well as in factories, all require and will use the services from the central stations afforded by existing public utility plants. Thus, although the electric energy produced in 1943 reached a total of 220,776,000,000 kilowatt - hours, representing an increase of 16.7% over the 1942 record, the output still represents not far above one-half of the total rated capacity of existing plants. Yet, notwithstanding this reserve capacity, it may be stated without much fear of exaggeration that the new capital requirements of utility companies operating in the United States in the next decade will require an investment of from five to ten billions of new capital.

Much of this expansion in plant capacity will mean merely the addition of new units to existing projects. But a considerable part will be demanded for the construction of entirely new undertakings and the modernization of existing ones. The public utility industry, like other fields of human endeavor, cannot remain static. It must continuously take advantage of new inventions and new improvements, and in doing this, the prime object under private enterprise is to give more and better service to the public at lower costs.

There are, of course, some unsolved difficulties and "boulders ahead" for the utilities. The problem of Federal versus State control is not yet settled. Nor have the full implications of the Securities and Exchange Commission's public utilities policies been, as yet, disclosed.

However, the United States Supreme Court in the case of Eastern Ohio Gas Co. vs. Ohio Tax Commission has declared in 1931 that the sales of electricity or gas by a utility to the public does not constitute interstate commerce even if the current has been transmitted interstate by the selling company on the ground that the division of the service is broken up into tiny streams and is therefore "like the breaking of an original package, after shipment in interstate commerce." The utilities companies, on the other hand, have been protected against state restrictions, which might prevent them from extending their services into other states. In the well known Attleboro Steam and Electric Case (273 U. S. 83) the Supreme Court ruled that when one company transmits and sells electric current or gas to another company located in another state, the transaction is one affecting interstate commerce, and is therefore not subject to State interference. Thus, a state cannot control company-to-company sales across state lines. With the continuous growth in the size of operating plants, it is not to be expected that the services of a single company can be confined within state lines. Accordingly, in the process of growth and expansion, conflicts between Federal and State authority may be expected to arise. But these problems are likely to be ironed out in the course of judicial decisions in such a way as to benefit, in the end, both the public and the utilities.

Attractive Situations

Panama Coca-Cola Bottling and Coca-Cola Bottling Co. of New York offer interesting situations according to circulars being distributed by Hoit, Rose & Troster, 74 Trinity Place, New York City. Copies of these circulars may be had from the firm on written request.

Visit N. Y. Stock Exchange

The New York Stock Exchange was visited on May 8, by a group of 40 representatives from 20 Latin-American countries, who were welcomed by Emil Schram, President, and escorted to the gallery overlooking the trading floor. In the group was Pedro Perez Marexiano, President of the Montevideo Stock Exchange.

Mutual Funds

Results Of Professional Management

For the fourth successive year, investment companies as a group showed better operating results than the Dow-Jones Composite Stock Average, a standard basis of measuring investment results. Of the 63 leading funds with assets of over $1,000,000,000, 41 companies showed better results last year than the Dow-Jones Composite Stock Average. (Of the 32 mutual funds included, 20 did better than the average and eight others achieved performance within five percentage points of the Average.)

Most of the companies which did not exceed the Average were fairly close to it, only 16 more than 10% under, whereas 10 funds outdistanced the Average by better than 50%. These figures, which are part of the detailed analysis of investment company results prepared annually by Arthur Wiesenberger & Co., specialists in these securities, also showed that for the five difficult war years—1939/1943, 38 of these investment companies operated more successfully than the Averages.

This superior performance is especially noteworthy because the results are compared on a fully invested basis of common stocks for the Average, whereas the investment companies usually keep about 25% of their funds in cash, bonds and preferreds. Thus, with a more conservative investment policy they demonstrated that expert management can outdo the average performance of the market.

* * *

Hugh W. Long & Co. devotes the current issue of the **New York Letter** to an analysis of the portfolio changes in **Manhattan Bond Fund** during the last five calendar years. Over this period Manhattan Bond Fund added 52 issues to its holdings and eliminated 30. The performance records of both additions and eliminations are shown for each year.

The result is an amazing testimonial to experienced management. From the dates they were purchased the average price of the bonds added has advanced 37%. On the same basis, the average price of the issues eliminated has advanced 11%. In every year, from 1939 to 1943, the securities added out-performed those eliminated by a substantial margin ranging from a net improvement of 13% in 1943 up to 38% in 1939.

* * *

William A. Parker, President of **Incorporated Investors,** in the Quarterly Report to Stockholders, reveals that total net assets of the fund increased from $47,157,479 at the beginning of 1944 to $49,600,987 as of March 31. During this period the net asset value per share increased from $19.75 to $20.84.

In his letter Mr. Parker comments on the shift in the portfolio of Incorporated Investors from about 8% invested in the railroad industry at the end of 1939 to almost 25% on March 31, 1944. The present investment in the railroad industry is divided up 11.4% in rail stocks and 13.3% in defaulted rail bonds. "This action was based on the conviction that the common stocks of solvent railroads are undervalued."

* * *

In a memorandum from the management staff, **Commonwealth Investment Company** talks about diversification. "Random diversification will produce average results," concludes the memorandum. "With selection added results should improve. . . . Selective diversification need not be solely a defensive measure, but may also be a means of bringing to one security the benefits accruing to many."

* * *

The trustees of New England Fund, in their 50th report to shareholders, show net assets of the fund amounting to $2,878,131, equivalent to $12.37 per share for the 232,624 shares outstanding on March 31, 1944.

* * *

In a letter to affiliated dealers, **Distributors Group** reports on first quarter sales of **Group Securities, Inc.,** and shows comparative figures for the 68 open-end member funds of the National Association of Investment Companies. Gross sales of Group Securities, Inc., in the first quarter were $5,099,000 and net sales after repurchases amounted to $3,889,000. Gross sales represented 14.7% and net sales 21.1% of the total for the 68 open-end member funds during the period.

* * *

Keystone Corp., in the current issue of **Keynotes,** reviews the basic logic of investing in the "class" of listed securities as sponsored by the Keystone method. The relative risks of investing in a class of securities as against any individual security and the hit-and-miss aspect of individual security selection by the average investor are emphasized. By following the Keystone method and investing in the class or classes that most nearly fit his needs, the investor gains the advantage of the "indestructability of the class."

The Semi-Annual Report of **Keystone Custodian Fund S-1** reveals an increase in total net assets from $506,147 to $618,520 during the six months ended March 31, 1944. As of April 22, the date of the report, the combined asset value of the 10 Keystone funds was approximately $78,500,000.

* * *

With completion of the refunding of the $10,000,000 **Affiliated Fund** debentures, **Lord, Abbett** has prepared and mailed to affiliated dealers a handsome new sales kit on Affiliated Fund. The kit contains the following items:

1. Analysis of Affiliated Fund Common Stocks
2. Dollar Averaging in Affiliated Fund
3. An Investment Company with Leverage
4. How $1,000 Gets the Investing Potential of $1,800
5. Affiliated Fund Prospectus
6. A Low-Priced Participation in High Quality Investments

The current issue of **Abstracts** takes the form of a letter to a dealer distributing **Union Preferred Stock.** The letter simplifies and makes understandable what is going on in some of the important court actions in the utility holding company field. In the past the very obscurity of events in this field has caused many investors to overlook the handsome profit possibilities existing there. Any clarification of utility developments should be appreciated by investors generally.

Mutual Fund Literature

Vance, Sanders & Co., formerly **Massachusetts Distributors** — A current issue of **Brevits** showing earnings retained by all corporations during the last eight years. . . . **Broad Street Sales Corp.**— A copy of **Items** covering **Broad Street Investing Corp. and National Investors Corp.** . . . **Keystone Corp.** — A **Current Data** folder for May on **Keystone Custodian Funds.** Also a revision of the folder, "A Guide to Common Stock Investment." . . . **Hugh W. Long & Co.**—A monthly portfolio folder on **New York Stocks** and a new issue of the **Railroad Investor** bulletin. . . . **Lord, Abbett** —A revised **Composite Summary** folder covering the Lord, Abbett-sponsored funds with figures as of May 1. . . . **Selected Investments Co.**—A current issue of the folder, "These Things Seemed Important." . . . **Hare's Ltd.**—A folder entitled "Earnings of Insurance Companies."

Dividends

Bond Investment Trust of America—A semi-dividend of $2.00 per unit of beneficial interest, payable June 1, 1944, to holders of record May 15.

Interesting Rails

The current situations in Beech Creek Railroad 4% stock, Sharon Railway 3½% stock, and Montgomery & Erie 3½% stock offer interesting possibilities according to brief discussions contained in the current issue of B. W. Pizzini & Co., Inc.'s "Quotations Railroad Securities." Copies of the "Quotations," which also contain figures on guaranteed stocks, underlying mortgage railroad bonds, reorganization railroad bonds, minority stocks, and guaranteed telegraph stocks, may be had upon request from B. W. Pizzini & Co., Inc., 55 Broadway, New York City.

Boston Traders 25th Spring Outing May 22

BOSTON, MASS.—The Boston Securities Traders Association will hold its Silver Anniversary Spring Outing on Monday, May 22nd, at the Woodland Golf Club, Washington Street, Newton. Reservations are five dollars with golf; $3.50 without golf.

In addition to golf, there will be soft ball and other entertainment with souvenirs and door prizes. In order to have their names appear in the souvenir program, those planning to attend should make reservations not later than May 18th.

Members of the committee are Edward J. Opper, E. H. Rollins & Sons, Inc.; Walter Eagan, Hunnewell & Co.; Philip Kenney, Newton, Abbe & Co.; Lloyd Waring, Kidder Peabody & Co.; Francis P. Walsh, A. G. Walsh & Son; Paul Scribner, Philip M. Tucker & Co.; Harry A. Gilman, Estabrook & Co., and Edmond E. Hammond, Paine, Webber, Jackson & Curtis, are members of the honorary committee. James F. McCormick, Mixter & Co., is chairman.

"Sun" And "Telegram" Of New York Now 5c.

Announcement was made by the New York "Sun" on May 9 that "on account of increased costs the 'Sun' has found it necessary to increase the price of the paper to five cents starting today". The price was raised from 3 cents a copy. The New York "World Telegram" likewise made known on May 9 that it had also increased its price from 3 to 5 cents a copy. Both are afternoon newspapers, and the 5 cent price now prevails for all evening papers in this city, both the "Post" and "Journal-American" having raised their price from 3 to 5 cents a year ago. The price of "PM" has always been 5 cents.

SEC Extends Date For Filing Cost Studies

The Securities and Exchange Commission announced on April 1 that it has extended until June 30, 1944, the date for completion and filing of the original cost studies required by Rule U-27 under the Public Utility Holding Company Act of 1935. That rule, says the Commission, "prescribes uniform systems or classifications of accounts for utility companies which are not otherwise required under Federal or State law to conform to a classification of accounts. In the case of electric utilities, the system prescribed is that theretofore adopted by the Federal Power Commission, and in the case of gas utilities companies, that recommended by the National Association of Railroad and Utilities Commissioners." The SEC further said:

"The Commission also promulgated certain instructions under the rule designed to clarify the method of reporting such studies. These instructions are similar to instructions previously issued by the Federal Power Commission under date of May 11, 1937, for the purpose of its classification of accounts, but omits the requirements for certain statistical data called for by the Federal Power Commission instruction."

N. Y. Stock Exchange Weekly Firm Changes

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

Interest of the late James Q. Newton in Boettcher & Co., Denver, Colo., ceased as of April 30, 1944.

Richard H. Moeller retired from partnership in R. Swinnerton & Co., New York City, on April 30, 1944.

Splendid War-Time Record Of The Electric Utilities

By OWEN ELY

The electric power and light business is one of the most "regular" and dependable of all industries. Power generated has increased steadily for several decades, with the exception of depression years such as 1920, 1932-4 and 1938. Rates for residential electricity have declined with equal regularity except in the years 1918, 1925 and 1932—the latter doubtless being due to decreased use of current.

Owen Ely

Unfortunately, taxes have also increased with unfailing regularity — every year since 1926 has shown an increase, and probably the record could be carried back to earlier years. And another regularly recurring phenomenon throughout the past decade has been the anti-utility campaign conducted in Washington, though this has taken new forms from year to year.

Will this regularity continue in the future as in the past? The political pendulum is swinging to the right, and regulatory pressure against the utilities is perhaps beginning to ease slightly. Post-war power readjustments may lead to a temporary but moderate decline in revenues. Such heavy tax burdens have been laid on the industry that some relief in the post-war period is anticipated. Engineering progress has benefited by the war effort. The industry will continue to pass along to its customers the benefits of reduced costs and lower taxes. The confidence of investors in power and light securities should show a further recovery, particularly if the industry is able to pass along some benefits of continued growth to its stockholders—which it has been unable to do in the past decade because of regulatory reforms and the sharply mounting tax burden.

The worst danger which the industry might face in the future is some revolutionary discovery such as wireless transmission of power, or efficient small residential and commercial power generators, rendering obsolete the present facilities of transmitting electricity. The development of small power units will probably not be feasible until our laboratories solve the problem of atomic disintegration. Many decades may be required to complete this research, just as it took centuries to develop our present system of generating electric power.

During the war the industry has given a splendid account of itself, earning the praise of hard-boiled government officials for its ability to handle peak demands of defense plants without rationing regular consumers, and despite a shortage of hydro-electric power in the second half of 1943. Pre-war discussion of the need for a super-imposed "power grid" in the north east, and demands for huge new power projects such as St. Lawrence, Passamoquoddy, and the "seven little TVAs" have faded out of the picture—as have Washington's dire predictions of a power shortage. Even the forecast of the Brookings Institution as to the needs for greater plant capacity have proven far wide of the mark.

In 1934 production totalled only 90 billion kwh; it is now around 210 billion; an increase of 133%. Yet during that time the industry has raised comparatively little new capital—total value of electric utility plants was carried at $11,071,391,835 in 1941, compared with $12,124,807,000 in 1932. The war-time increase in generating capacity has been financed largely out of depreciation funds and net earnings. But the existing plant has also been "stretched" by using excess capacity not reflected in the name-plate ratings, by greater pooling of private and public power resources, by "staggering" of factory loads, etc. More remarkable, the industry has found itself able to get along with a smaller number of employees; many men who left to join the services have not been replaced. By adopting such economies as bi-monthly billing, the power companies have "tightened up" and in many cases operating expenses have shown comparatively little change despite a huge increase in power furnished. A partial explanation, of course, is that promotional and sales programs have been suspended for the duration, and sale of household equipment discontinued. Much of the increased power had been delivered in huge blocks and has not required much additional expense for distributing facilities. There has of course been some deferred maintenance work, but not to any alarming extent.

Despite the vast increase in output and revenues, net earnings last year were lower than in the years 1939-41 and only slightly higher than in 1942. The reason, of course, is taxes. The industry for the past 18 years has been able to carry down about 40% of gross revenues to net income before taxes (see table, page 1502, April 13 "Chronicle"). The 40% ratio in 1942-3, slightly lower than in the preceding three years, was the same as in 1937-8. But since 1937 the tax portion of the revenue dollar has jumped from 16c to 23c, and there will be a further gain this year as a result of the increased excess profits tax rate.

The railroads have been able to "cash in" on the war—net income for stockholders was $874,000,000 last year compared with a deficit of $123,000,000 in 1938. The 1942 earnings of $904,000,000 were larger than in 1929, and probably established an all-time high. Industrial companies did not fare quite so well, but nevertheless did considerably better than in the immediate pre-war years. Obviously, the utilities are bearing a disproportionate part of the wartime tax load. Taxes increased from $308,000,000 in 1937 to $404,000,000 in 1940 and an estimated $710,000,000 in 1943. The wartime increase has amounted to over $300,000,000—which amount alone exceeds the amount paid in common dividends.

Regarding the post-war outlook, the trend of net earnings will depend on the following factors, in the order of importance indicated: (1) possible lifting of excess profits taxes, and later a reduction in the normal-and-surtax rate; (2) the trend of gross revenues, which in turn is dependent on the extent to which residential and commercial gains can offset the decline in the industrial war load; (3) the trend of rates, affected by such regulatory factors as plant write-offs, increased depreciation reserves, profit-sharing plans, etc.; (4) the trend of operating expenses, which may increase due to deferred maintenance and the necessity of re-employing men now in the service; (5) possible further savings from refunding of bonds and preferred stocks—a job now only about two-thirds completed; and (6) new engineering economies resulting from wartime experience in building generators (principally for battleships and liberty boats) on a mass production basis.

There has been a great deal of discussion recently about the post-war trend of output. Mr. W. M. Carpenter, Economist of the Edison Electric Institute, has estimated that utility revenues in 1947 will compare as follows with 1943 (1947 being selected as a possible post-war depression year, following a temporary boom):

	Revenues in Millions 1943	1947	Percentage Change Increase
Residential and Rural	$1,130	$1,318	16
Commercial	780	877	12
			Decrease
Industrial	954	587	39
Other	236	193	18
Total	$3,100	$2,975	4

In 1943, some 221 billions of kilowatts were generated, of which 186 billions were sold to ultimate consumers. Carpenter estimates that 1947 sales will be only 140 billions, a decrease of 25%. The reason why revenues will decline only 4% is that the power load used by war industries is sold at extremely low rates as compared with residential power. The 12.7 billion anticipated gain in residential and commercial kilowatts is nearly large enough to offset the decline of 52.5 billions in the industrial load, as well as the drop in other usage.

Chairman Leland Olds of the Federal Power Commission, at a recent post-war power symposium held by the American Institute of Electrical Engineers, suggested that the industry should produce 200-220 billions gross kwh in the first post-war year (only slightly lower than last year). Moreover, he estimates that the maximum output would reach 270 billions in the fifth post-war year. Converting this into net sales would mean about 227 billions as contrasted with the Carpenter estimate of only 140 billions. Mr. Olds' idea was that the industry could sell the power if it wanted to by readjusting rates downward.

Leaders in the power industry feel that Mr. Olds was putting the cart before the horse. So far as residential rates are concerned, practically every utility in the country provides a sliding scale, lowering the average kwh cost as usage is increased. But in general, such increased usage depends on two developments, (1) the building of more homes, apartment houses, office buildings, etc.; and (2) greater use of electrical gadgets of all kinds. Both of these increases have been checked by priorities, and it will take a year or so after the war to restore the normal trend of increasing usage.

So far as industrial power is concerned, the cost of electricity is not a very important factor except in the production of aluminum, chemicals, etc. Over a period of time, declining power costs are doubtless helpful to industry, and may draw factories from one section to another, but it is doubtful whether a sharp cut in industrial rates—already very low—would greatly stimulate nation-wide industrial use. Such use varies closely with the general level of business activity. As President Kellogg of the Edison Institute has pointed out, each

(Continued on page 1929)

Canadian Securities

By BRUCE WILLIAMS

The hub of world commerce continues to shift northwestward as predicted many years ago. There is of course a logical reason for this apparent phenomenon. In the days of the early sailing ship the comparatively small land-locked Mediterranean was the natural center. With the development of the New World and the advent of the steamship, the strategic position of the British Isles at the focal point of the world's steamship routes assisted Britain to achieve world commercial supremacy.

Now it is clear that aviation will bring about another fundamental change and it is generally realized that the country nearest to the center of the air map is Canada.

Furthermore the Dominion includes within its borders the greatest variety of undeveloped raw materials suitable for modern industry, in addition to the world's largest potential supply of hydro-electric power. It is not surprising, therefore, that recent reports from London indicate that the official British attitude towards establishment of branch plants in Canada is steadily changing.

Whereas previously the policy was opposed to industrial competition from the Dominions, a more far-sighted view now prevails that British skills and industries can operate more effectively in many cases in the Dominions and especially in Canada. Also the conference of Dominions' prime ministers now taking place in London has devoted considerable thought to the vital problem of Empire immigration.

Meanwhile, many of the vast projects which we have undertaken within the Dominion in co-operation with Canada are now fully justifying themselves in spite of hasty hind-sight criticisms from many quarters. The Canol oil project has far exceeded original expectations. Under-Secretary of War Patterson, in announcing a recently-concluded new agreement whereby this country will purchase oil from this source at cheaper rates, expressed his appreciation of "the spirit of co-operation shown by the Government of Canada and Imperial Oil, Ltd."

The Steep Rock Iron enterprise will commence next August to deliver iron ore of the highest grade. The tremendous Shipshaw hydro-electric development in Quebec now supplies the power for the largest aluminum plant in the world. Last but not least, the Alaskan Highway has unlocked a new frontier and the great Canadian North West is now commencing to reveal its enormous riches.

In this connection it is interesting to note that the City of Edmonton, which will shortly enter this market with a $9,150,000 bond issue, is the terminal of the Alaskan Highway and is literally the gateway to the North. It has been said that this city possesses "the finest site for a metropolis in the British Empire," and at the present rate of expansion it requires little imagination to visualize Edmonton as ultimately the leading city in Canada. Already its $10,000,000 airport is a world communication link and the future development of vast natural resources of Alberta and the North lands can hardly fail to prevent the realization of this prediction.

With regard to the market for the past week, conditions were still very quiet and the notable feature was the strength of Canadian Nationals which confirmed the wisdom of proceeding with the early replacement of the called July 5's of 1969 when mentioned several months ago. Firmness also persisted in the short-term issues but activity was still restricted by lack of supply. Internal issues were in such demand that the Canadian dollar in the "free" market improved to 9⅝% discount. At present levels this section of the market is still attractive, but a stumbling block to investment in internal bonds is still the foreign exchange angle.

Turning to possible future developments, it appears that the prolonged period of caution which has been exercised on invasion fears has resulted in the lightening of commitments to such a degree that all investment markets are now in a strong technical position. It is possible that the invasion influences have now been fully discounted and any favorable development can readily create a decidedly bullish atmosphere.

Canadian-American Friendship Praised

A message from President Roosevelt stressing Canadian-American friendship was read to the House of Commons at Ottawa on April 20 by Speaker J. Allison Glen, who declared that Canada "affirms and endorses these utterances of President Roosevelt, articulating as they do the ideals which link our two countries." Advices from Ottawa April 20, in which this was reported, went on to say:

In response to a report from Mr. Atherton describing courtesies extended by Canadian Parliament leaders to the Ambassador and quoting their references to Mr. Roosevelt's visit to Canada in August, the President wrote:

"My Dear Mr. Ambassador: I am glad that you told me in your letter of March 23 of the visit you received from Messrs. Vien and Glen of the Canadian Parliament, and of their deep attachment to the great tradition of Canadian-American friendship.

"At some appropriate time, would you please thank them for their kind words of me, both when I was in Ottawa and when you spoke to them at the chancery.

"I wish you would tell them of the instinctive regard and affection for Canada and Canadians which a century and more of a successful neighborliness has engendered among Americans. It means much that Canadian-American relations have developed a quality all their own.

"I think also that it can fairly be said that we Americans face the immense tasks ahead with greater confidence because of the practical lessons of the past, the strongly rooted cooperation of the present and the concrete ideals we share for the future."

The Business Man's Bookshelf

British Joint Production Machinery—International Labour Office, 3480 University St., Montreal, Que., Canada (U. S. Distributor: International Labour Office, 734 Jackson Place, Washington, D. C.)—paper—$1.25.

Decline in the Reserve Ration, The—E. W. Axe & Co., Inc., 730 Fifth Avenue, New York City—paper.

Effect of Federal Taxes on Growing Enterprises (Study No. 1: Lockheed Aircraft Corporation)—J. Keith Butters and John Lintner — Division of Research, Graduate School of Business Administration, Harvard University, Soldiers Field, Boston 63, Mass.—Paper—50 cents.

Latin America — Credit, Economic and Exchange Conditions—Foreign Banking Department, The First National Bank of Chicago—paper.

Post-War Wage Policies

(Continued from page 1914)

not been emphasized during the war period, but should and will become of importance in the post-war period. This meaning of wages is best defined as "unit labor cost" or the amount of expenditure for wages and salaries required for the production per unit of output.

In examining the problem of wages as it affects the individual, it must be realized that practically all available data are insufficient in that they refer to average earnings of individuals although our society is still organized on a family basis. Expenditures are largely controlled by family rather than individual decision. The high standard of living in the United States would not be possible if most families were supported on the earnings of one wage earner. It must be recognized that even in normal times the average family includes a little more than one wage earner.

Because of the fact that during the war it has been necessary for the armed forces to remove many persons who would normally be wage-earners and because of the increased production required for the war, industry has employed as wage-earners many persons who would not normally be so employed, including retired persons, children, housewives and physically handicapped persons. In addition, many individuals have been employed on more than one job. As a result, we must expect after the war an enormous shift in the working population and within each family with respect to wage-earners: as those who should normally be employed return and seek employment, those who are normally outside the labor market may withdraw to other activities. In addition to this change in the identity of the wage-earners, we may expect a reduction in the number of employed per family as older persons retire again, and housewives return to their homes, and as many of the young persons return to school. These adjustments will tend to reduce or eliminate the earnings of many individuals and may reduce family income.

The second factor which will reduce the earnings of the individual and also of the family unit is the reduced hours of employment. It seems reasonable to expect that industry will in general return to a 40-hour week. Thus, employees accustomed to working 50 or more hours per week and accustomed to being paid for 55 or more hours per week will receive a reduction of more than 25% in earnings without any change in the rate per hour or per unit of output.

The third major factor which will tend to reduce the earnings of individuals will be the ensuing shift in industrial employment. A substantial part of the increase in wartime earnings has been brought about by the shifting of employment from lower-paid to higher-paid industries. These shifts will have to be reversed as orders for munitions and other instruments of war decline. It is to be expected, therefore, that without any change in the rate of pay in specific companies there will be a decrease in the earnings of many individuals.

The fourth and perhaps the most painful factor operating to reduce the earnings of individuals may be described as the deflation of the job classifications assigned to many individuals. It must be admitted that, in the stress of obtaining employees during the war emergency, many employers have assigned relatively high job classifications to poorly trained employees. For example, many individuals have after a few hours of training been classified as journeyman electricians, machinists, and even tool makers. In spite of the fact that the techniques of training have been improved and in spite of the fact that some of these employees have had these high job classifications and the corresponding rates of pay, it must be admitted that these individuals will not be classified when there is under-employment or even full-employment in place of the present situation of over-employment. This adjustment will be especially difficult to make because it involves psychological factors as well as economic ones.

To offset these factors operating to decrease the earnings of individuals, it should be pointed out that there is every reason to expect that take-home pay will not decline in proportion to earnings. The reduction and even possible elimination of bond purchases and the reduction in income taxes which must be made after the end of the war will bring the take-home pay and earnings into closer relationship. In addition the readjustment of individuals will be at least ameliorated and possibly facilitated by savings during the war period and by unemployment insurance benefits.

As for the wage problem of employers, enough has been said already about the wage problem of the individual employees to indicate that the employers will be under some pressure to at least maintain wage rates if not to increase them in order that such effects as reduction in hours will not be multiplied. Possibly there will even be demands for increases in rates to offset some of the reduction in earnings caused by shorter hours worked.

It should be pointed out to employees as well as to employers, however, that while earnings are the result of rates per hour multiplied by hours worked, for example, it must not be assumed that the hours of employment over a period of time can be held constant while rates change. Many times during peace the experiment was made to increase rates of pay with the expectation that the hours worked would be constant. No generalization can be made, but each case should be studied on its own merit to be sure that an increase in rate will not cause a decrease in employment and an actual decrease in earnings.

Each employer must carefully study the relationship which may prevail in his company and industry in the relation between wage rate, employment, and earnings of employees. Much of this is determined by labor cost. For example the elimination of overtime payment for workers will decrease the labor cost per unit of output but it may or may not decrease the total cost of manufacture. Whether total costs of production are decreased or not will depend not only on the reduction of labor cost but upon a careful analysis of what happens to overhead expense. In many companies and especially those with high overhead costs it may be discovered that the reduction in labor cost per unit arising out of the elimination of penalty payment for hours worked in excess of eight per day or forty per week will be more than offset by increased cost of overhead resulting from the smaller volume of production on which such costs can be distributed.

The possibility of any employer increasing or even maintaining his present rate of payment for labor will depend upon a multitude of factors. Of major importance will be the condition of his plant and equipment as a result of wartime operation, the extent to which improved processes, methods, and materials have developed during the war period and will affect his post-war operations. The employer must also realize that the Wage and Hour Act has now established a minimum of 40c per hour for all work affecting inter-state commerce. Consideration must also be given to the question as to whether the quality of labor and supervision in a given plant has increased or decreased during the war. Serious attention must be given to refresher courses at least if not complete retraining for returning veterans.

Employees and employers must also face the fact that it will not be possible to reduce salaries ahead of or in excess of reduction in wages. During the war period the tendency has been for increases in salaries to lag behind increases in wages. Neither the employees not the employers can, therefore, expect a repetition of the pattern developed during the depression of the 30's when salaries were often reduced before wages and to a greater extent.

All discussion of wages must also take into consideration the cost of living or the purchasing power of earnings. One can only guess as to the actual price level prevailing after the war and its effect on wage rates on the one hand and purchasing power on the other. Consideration should be given to the fact, however, that prices have tended to be higher after a war than during the war. Whatever the price level is, it will affect the employees' demands for increases in wage rates and the ability of employers to meet these demands. In addition, the purchasing power of wages will affect public policy which will probably approve in peace-time not only the maintenance of a high standard of living but also adjustments towards a still higher one. It must not be thought, however, that high wages alone can cause a high standard of living—in the final analysis the standard of living is determined by the volume of goods and services produced.

Since a national policy on wages was slow to develop during the war period, which is the optimistic point of view, or failed to develop at all, which is the pessimistic point of view, it is unlikely that a defnite national policy on wages will be developed for post-war readjustment. If such a policy could be developed, it should not attempt to maintain those wage and salary differentials which have developed since 1939. On the other hand it is not to be desired that all controls should be removed at once. We need an understanding of wage problems by both employers and employees as well as by the public and by the government. The goal for wage policy which should be desired by organized and unorganized employees as well as employers, government, and the public may be best described as flexible enough to meet the current situation without excessive rigidities but with some controls to avoid chaos.

Simplify Filing In Case Of Foreign Govt. Securities

In line with its program of simplifying filing requirements, the Securities and Exchange Commission announced on April 20 the adoption of an amendment to Form 18, the form for applications for registration under the Securities Exchange Act of 1934 of securities of foreign governments and political subdivisions thereof. The Commission says:

"Under this amendment, if securities of such a registrant are currently registered under the Securities Act of 1933 the registrant is permitted to file its Securities Act prospectus in lieu of supplying information in response to the various items of Form 18. If a description of the securities being registered is not contained in the prospectus, such description must be furnished with the prospectus."

Splendid War-Time Record Of The Electric Utilities

(Continued from page 1927)

point in the Federal Reserve Board index of industrial production since 1935 has represented about 500 million kwh of industrial power.

Of the total 117 billion kwh industrial power sold in 1943, only about 39 billion was for civilian use—the remaining two-thirds reflected war activities. "If," said Mr. Kellogg, "we should be able during the post-war period to develop a growth of combined residential and commercial sales 50% greater than during the last 4 prewar years, this annual gain would represent but one-tenth of the electric energy which the cessation of hostilities would release. Even the most optimistic outlook as to post-war residential and commercial sales would thus make a relatively small dent in what we will have to sell."

There thus appears to be a wide gulf between the post-war trend as foreseen by leaders in the power and light industry, and the potential goal which the FPC says they should aim at. In this connection, it may be pointed out that Mr. Olds' earlier statistical studies and forecasts have not always proven accurate. Several years ago he urged the need of a vast building program for new generating facilities. Fortunately, this program was only partially carried out, and a large amount of money was saved for other war purposes.

However, there is one big field which the electric power industry has thus far practically ignored—residential house heating. It is true that rates are prohibitive at present, and electric heaters are used only for auxiliary heating in bedrooms and bathrooms. But this form of heat has many potential advantages over the present "central heating" system: (1) Once installed, the householder wouldn't have to worry about getting his fuel supply or servicing the equipment—wouldn't have to carry out ashes, check up on coal or fuel oil deliveries, watch his water gauge, clean the furnace tubes, check noisy radiators, etc. (2) Combined with individual automatic heat regulators for each room, different parts of the house could be kept at different temperatures without waste of heat or fuel. (3) Heat could be obtained much faster when wanted in a hurry, since it won't be necessary to get "steam up" in the furnace.

By providing promotional rates below the present scale, and working with development builders to install electric equipment in new homes, a great additional outlet for electricity might be developed. Certainly this possibility would seem worth experimenting with, though it could hardly be attempted under the present rate structure, whereby residential electricity costs about 3 or 4 times as much as industrial power.

The Federal Power Commission and other Government agencies should realize, however, that under the present severe regulation and taxation of the utilities there is little incentive for the latter to seek business in new and untried fields. Obviously, they will not ignore the conventional methods of increasing sales, and their salesrooms lie ready to receive new electric refrigerators, washing machines, toasters, radios, etc., as soon as these are available. But if the utilities are to venture into new lines, such as the development of house heating, they must be willing to spend money for commercial research, and must be allowed to obtain the commensurate profit which all business pioneers expect and deserve. This is almost impracticable under the present sytsem.

Moreover, profits could doubtless be increased substantially by installing more modern generating equipment in many utility plants, but this requires new capital, and the industry can't obtain this sort of money merely by issuing 3% bonds—a reasonable proportion must be received from sale of common stock, which is not feasible under present conditions. Every dollar of increased taxes means a dollar less for dividends; in the last quarter of 1943 taxes increased 17.7% and dividend payments dropped 8.4% as compared with the last quarter of 1942. Common dividends for the year were considerably lower than in 1937. In that year the common stockholder received about 14 cents out of each dollar of revenue, whereas in 1943 he received only 9½ cents. Moreover, the stockholder had to pay much bigger taxes on the 1943 dividends; the net amount he was able to keep was even smaller than indicated by the comparison.

It is easy for Washington officials to tell the industry what it should do and to threaten that the government will "take over" if it doesn't make good, but better results could be obtained by exploring what is really happening to the industry under present conditions, and finding ways and means to lighten the crushing tax burden and restore at least a modest working of the profit motive as a stimulus to efficiency and sales initiative.

In the field of holding company regulation, the government has refused to "call a truce" during the war, despite the pre-occupation of executives with operating problems. While court tests of Section 11 have not yet successfully reached the Supreme Court for final determination, most holding companies have become reconciled to the streamlining process provided by SEC orders and findings. The process of breaking up big systems into smaller ones, swapping properties between systems so as to improve the geographical integration, the sale of small and isolated properties to individuals, the writing off of excess plant values and the simplifaction of capital structures—all have proceeded during the past year at a somewhat faster tempo despite the war and the manpower shortage. The SEC program may prove beneficial on an overall basis in the end; but it is forcing such revolutionary changes in accounting and financial methods that there is danger that engineering progress will be slowed down. Since it appears unlikely that the industry can get much relief from the courts under present conditions, the whole program should be speeded up as much as possible so that the industry's best efforts can in future be devoted to engineering progress and the development of new markets, as its contribution to the nation's post-war prosperity.

Propose Simplifying Corporation Tax Laws

Following its procedure with respect to simplifying individual income taxes, the House Ways and Means Committee announced on April 28 that it would try to do the same with corporation tax laws.

"That's the next big thing we ought to get to." said the chairman, Representative Doughton, according to Associated Press advices from Washington April 28, which also stated:

He was seconded immediately by Representative Knutson (R-Minn), ranking Ways and Means Republican, thus giving corporation tax simplification the same bi-partisan incentive that brought speedy action on the individual returns.

Experts estimate that this year approximately 500,000 corporations will pay $15,000,000,000 in income and excess profits taxes. The 50,000,000 individual income taxpayers will contribute about $18,000,000,000, and other sources are expected to bring the total 1944 Federal revenue to about $43,000,000,000.

Mr. Knutson pointed out that, largely due to the intricacy of the statutes, many corporations employ large staffs of experts to prepare Federal tax statements.

He said he believed the corporation tax streamliner should embody provisions allowing companies which converted to war production to build up reserves for reconversion to peacetime production. Also, he said, there should be provisions for speedy settlement of war contracts.

Tax Simplification Will Up Rates: McLean

The bill designed to simplify the individaul income tax laws is regarded by Representative McLean (Rep., N. J.) as the vehicle for a "very substantial" boost in taxes. Associated Press advices May 4 from Washington published in the New York "Herald Tribune" reporting this, went on to say:

While conceding that simplification "as far as it goes is beneficial," the New Jersey Representative, member of the Ways and Means Committee, declared "in my opinion a very substantial increase in the personal income taxes will result from its enactment."

He disputed estimates by Congressional and Treasury experts that the legislation actually would result in an over-all reduction of $60,000,000 in the tax take from individuals. Present collections from personal incomes amount to about $17,000,000,000 annually.

Mr. McLean said that he would support the bill with the hope that the Senate will improve it.

Representative Gearhart (Rep., Calif.), another Ways and Means member, joined Representative Curtis (Rep., Neb.) in a contention that the legislation would impair contributions to educational, religious and charitable institutions.

The bill was passed by the House unanimously on May 5.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

Total net premium volume in 1943 of all American stock fire-marine insurance companies approximated $1,060,000,000, according to estimates by Alfred M. Best Company. This volume is 7% below the record for the industry established in 1942, but slightly above the previous record year of 1941. Not all lines declined in 1943, however; in fact the somewhat substantial fluctuation in motor vehicle and ocean marine writings in the past few years have tended to hide the fact that fire writings have increased steadily year by year since 1938.

It is perhaps of interest to look at the trend in premium volume and loss ratios over the past five years of a few of the major multi-line carriers. Nine of the largest of the stock companies are considered and their experience in fire, automobile, ocean marine, inland marine and total underwritings, has been tabulated for the years 1942 and 1943, compared with 1939.

I—FIRE: NET PREMIUMS WRITTEN

	1939	1942	1943	Incurred Loss Ratio 1939	1942	1943	5 Year Average
	($000 omitted)						
Aetna Insurance	$11,785	$15,144	$16,356	40.1	44.2	51.5	45.1
Continental Ins.	12,936	15,151	16,535	42.0	40.5	49.8	43.8
Fidelity-Phenix	9,429	11,361	12,415	42.2	43.3	50.6	45.2
Fireman's Fund	7,657	9,856	10,299	42.8	42.5	52.1	45.5
Great American	8,951	10,732	11,036	41.0	41.1	49.1	43.7
Hartford Insurance	22,386	25,720	28,186	40.6	38.8	43.3	40.7
Home Insurance	26,765	33,466	36,699	45.3	42.4	47.9	45.0
Ins. Co. of No. Amer.	12,626	16,626	17,950	35.9	44.6	49.4	43.0
St. Paul F. & M.	5,162	6,139	6,509	39.2	38.7	45.9	41.1
Totals	$117,697	$144,195	$155,985	Average 41.0	41.8	48.8	43.7

II—AUTOMOBILE: NET PREMIUMS WRITTEN

	1939	1942	1943	Incurred Loss Ratio 1939	1942	1943	5 Year Average
	($000 omitted)						
Aetna Insurance	$6,233	$2,494	$2,357	47.3	45.4	44.0	51.6
Continental Ins.	2,471	1,933	1,908	47.8	46.4	46.0	54.5
Fidelity-Phenix	2,987	2,051	1,688	54.4	43.7	41.0	51.7
Fireman's Fund	2,649	2,148	2,031	40.0	43.3	44.9	45.8
Great American	1,181	1,297	1,273	46.1	41.0	41.2	45.9
Hartford Insurance	6,817	5,972	5,536	47.4	42.7	38.5	48.9
Home insurance	21,696	5,951	3,719	51.9	47.4	41.5	54.1
Ins. Co. of No. Amer.	2,666	2,687	2,520	40.2	41.6	38.3	44.0
St. Paul F. & M.	1,973	2,122	2,097	42.8	41.9	40.1	44.9
Totals	$48,673	$26,655	$23,129	Average 46.4	43.7	41.7	49.0

Fire insurance premiums for the nine companies totaled $155,985,000 in 1943, an increase of 8.2% over 1942 writings and 32.5% higher than their 1939 volume. Each company in the group shows this trend. Loss ratios, however, have increased each year, averaging 48.8% for 1943, compared with 41.8% in 1942, 41.0% in 1939 and a five-year average of 43.7%. This upward move in the loss ratio parallels the country-wide increase in fire losses that has accompanied the heightened industrial tempo occasioned by the war effort. It is reasonable to anticipate a reversal of this trend in the post-war years.

Motor vehicle writings were moderately lower in 1943 than in 1942, and less than half of the 1939 volume. The peak year since 1939, however, was 1941 (not shown in the table), when writings were more than double the 1942 figure. The loss ratio on this class of business, however, shows improvement over previous years, and is considerably better than the five-year average. This, doubtless, can be attributed to less than the normal amount of driving coupled with the greater care exercised today by motorists. Home was the largest underwriter in this class of business in 1939, but dropped to second place in 1943.

III—OCEAN MARINE: NET PREMIUMS WRITTEN

	1939	1942	1943	Incurred Loss Ratio 1939	1942	1943	5 Year Average
	($000 omitted)						
Aetna Insurance	$1,220	$5,941	$2,569	44.8	97.0	44.6	65.7
Continental Ins.	925	5,620	3,149	63.6	124.2	34.1	72.2
Fidelity-Phenix	909	5,551	3,091	63.5	124.8	34.4	72.6
Fireman's Fund	2,713	12,421	6,469	50.8	95.4	49.0	67.6
Great American	498	4,173	1,845	45.2	106.8	55.8	77.3
Hartford Insurance	1,156	8,998	4,322	59.8	94.8	45.7	69.3
Home Insurance	1,487	8,757	4,918	24.7	107.4	47.9	70.2
Ins. Co. of No. Amer.	3,478	20,852	8,463	52.6	99.1	45.0	73.5
St. Paul F. & M.	1,966	6,168	3,939	65.5	80.6	58.0	69.0
Totals	$14,352	$78,481	$38,765	Average 52.3	103.3	46.1	70.8

IV—INLAND MARINE: NET PREMIUMS WRITTEN

	1939	1942	1943	Incurred Loss Ratio 1939	1942	1943	5 Year Average
	($000 omitted)						
Aetna Insurance	$1,375	$2,503	$2,866	43.0	58.7	60.0	51.1
Continental Ins.	727	1,219	1,513	38.5	43.5	50.0	48.0
Fidelity-Phenix	582	995	1,231	38.9	38.1	58.2	51.3
Fireman's Fund	2,080	2,841	3,740	49.3	43.7	61.5	52.4
Great American	486	717	808	48.7	42.2	44.3	42.8
Hartford Insurance	2,620	4,118	5,134	45.6	61.3	63.7	57.5
Home Insurance	1,911	4,108	5,166	47.1	57.3	67.3	57.2
Ins. Co. of No. Amer.	3,560	6,018	5,924	44.4	41.0	47.8	42.2
St. Paul F. & M.	1,796	2,151	2,520	36.2	42.8	51.2	46.7
Totals	$15,137	$24,670	$28,902	Average 43.5	47.6	56.0	49.9

Ocean marine business in 1943 was approximately half of that written in 1942, a record year. This decline, however, still leaves the 1943 volume at approximately 2.7 times the 1939 volume. Not only is the volume of this business at a most favorable level, but the loss experience in 1943 at 46.1% was better than in 1939, and better than the five-year average. The best year in the five-year period under review was 1941 when the loss ratio was around 43.0%. The worst year was 1942, when excessively severe shipping losses occasioned by enemy submarines brought the average loss ratio for the nine companies to 103.3%. Normally, ocean marine business is a profitable line, and the outlook is that from now on it will continue to be so. Insurance Company of North America is one of the leading underwriters of this class of business, and its 1943 loss ratio was somewhat better than the average of the nine companies.

Inland marine premiums advanced to a new high in 1943, and were nearly double the 1939 volume. The loss ratio in 1943, at 56.0%, was also at a high, and it is the first time in many years that the over-all loss experience of companies writing this class of business has been unfavorable. Insurance Company of North America is the leading writer and, furthermore, shows a better than average loss experience.

V—TOTAL NET PREMIUMS WRITTEN

	1939	1942	1943	Incurred Loss Ratio 1939	1942	1943	5 Year Average
	($000 omitted)						
Aetna Insurance	$22,747	$29,865	$28,457	45.1	58.5	53.4	51.4
Continental Ins.	19,047	27,470	27,075	45.5	58.1	49.8	50.9
Fidelity-Phenix	15,546	22,757	21,599	47.9	63.2	49.0	52.4
Fireman's Fund	15,798	28,827	24,251	46.6	67.7	55.1	53.9
Great American	12,723	20,452	18,655	45.6	59.3	53.4	51.0
Hartford Insurance	37,375	52,055	50,796	46.6	55.4	49.8	50.0
Home Insurance	57,648	61,746	61,549	50.7	57.3	52.6	54.1
Ins. Co. of No. Amer.	24,525	49,989	39,256	43.2	68.7	50.3	51.8
St. Paul F. & M.	12,078	19,017	18,088	47.0	57.0	53.1	52.3
Totals	$217,487	$312,178	$289,726	Average 46.5	60.6	51.8	52.0

Turning now to total net premiums written by these nine companies, the trend of each company is clearly shown in the final table. It will be observed that the 1943 average incurred loss ratio is lower than in 1942, and fractionally below the five-year average, despite the increase in fire losses. The five-year ratio has been abnormally increased by the calamitous marine losses of 1942.

When viewing the variations in these loss ratios and their relative importance to the fortunes of the insurance industry and to the individual insurance companies, a sense of proportion must be maintained. For example fire insurance is still the major line of these companies, consequently, unfavorable or favorable experience in the secondary lines is not nearly as important as is fire experience, except under such unusual conditions as obtained in the ocean marine field in 1942.

For the nine companies reviewed, fire writings constituted 54.1% of total writings in 1939 and 53.8% in 1943; automobile writings were 22.4% in 1939 and 8.0% in 1943; ocean marine writings were 6.6% in 1939, 26.5% in 1942 and 13.4% in 1943; inland marine writings were 7.0% in 1939 and 10.0% in 1943. Calculations for each of the nine companies can be developed from the accompanying tables.

"The 53% Tax Bracket For Banks And Corps."

Writing under the above caption in the firm's Municipal Letter, Vol. II, No. 3, J. Austin White, of J. A. White & Co., Cincinnati, notes as follows:

The fact is that a bank or corporation with a net income of between $25,000 and $50,000, subject to normal and surtaxes, is in a 53% tax bracket—not 27%, not 40%, but 53%—not considering excess profits taxes. Too few bankers appreciate this fact. There is nothing complicated about it. If your income subject to normal and surtaxes is over $25,000 and not over $50,000, the amount of such income over $25,000 is subject to a normal tax of 31% and to a surtax of 22%, a total tax rate of 53%. (Moreover, if your total net income is over $50,000 you may still be in the 53% bracket if the portion of your income subject to normal and surtaxes is between $25,000 and $50,000.)

Of course the over-all rate on your net income will be lower, because the rates are less on the first $25,000 of income. But if you are earning $25,000 and less than $50,000, subject to normal tax and surtax, then for every $1.00 of income you have over the $25,000 you are required to pay 53 cents in income taxes—not including any other taxes.

This should be no surprise, for the rates are clearly stated, and every banker who handles investments should be informed as to the tax bracket in which his bank is now, and is liely to be in the future. Yet too often the banker who invests the bank's funds simply lets some accountant worry about the tax return, and in the smaller banks earning less than $50,000 a year, the investment officer not infrequently is unfamiliar with tax rates as they apply to his own institution.

One of the most important factors bearing upon the advisability of buying municipal bonds as compared to taxable securities is the tax bracket in which the investor is now, and is likely to be in the future. Therefore we recommend that bankers who are intrusted with the investment of the bank's funds study their tax position with a view of determining the maximum tax bracket in which his bank is now and is likely to be in the future. This procedure is especially recommended for banks that have income, subject to taxes, ranging between $25,000 and $50,000, in which range the tax amounts to 53%.

For your convenience, we have computed the following information to show the yield which a taxable investment, based upon a 53% tax rate, must provide to equal various yields on tax-free municipals:

Tax Free Municipal Yield of	Is Equal to Taxable Yield of	Tax Free Municipal Yield of	Is Equal to Taxable Yield of
.50%	1.06%	1.55%	3.30%
.70	1.49	1.60	3.40
.90	1.91	1.65	3.51
1.00	2.13	1.70	3.62
1.05	2.23	1.75	3.72
1.10	2.34	1.80	3.83
1.15	2.45	1.85	3.94
1.20	2.55	1.90	4.04
1.25	2.66	1.95	4.15
1.30	2.77	2.00	4.26
1.35	2.87	2.05	4.36
1.40	2.96	2.10	4.47
1.45	3.09	2.15	4.57
1.50	3.19	2.20	4.68

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.

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.

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.

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.

No World Peace Without Rights Of Individual Citizens

(Continued from first page)

the nation into war than to run the risk that dissatisfaction with my rule might result in dispossessing me." There is nothing in recent history that indicates the slightest change in this modus operandi.

"One of the truest lessons of history that Shakespeare ever recorded is found in his Henry IV. There the old king on his deathbed calls his son Henry to his side and in these words admonishes him not to overlook the extent to which war operates to take the attention of the people from the shortcomings of the ruler. I quote:

"I . . . had a purpose now
To lead out many to the Holy Land,
Lest rest and lying still might make them look
Too near unto my state. Therefore, my Harry,
Be it thy course to busy giddy minds with
Foreign quarrels; that action, hence borne out,
May waste the memory of the former days."

"Hardly a day goes by that I do not receive in my mail some plan which the author believes would assure permanent peace. So far I have not seen a single one that has impressed me as sound. The usual approach is that there should be formed a new league of nations implemented with the necessary military equipment to enforce its decisions. No one has suggested that troops or battleships or airplane squadrons in sufficient quantity to be effective will be for hire to such a world organization. Therefore if such an organization is to have military equipment with which to enforce its decrees that equipment will have to be allocated by the countries interested in preserving the peace.

"Assuming for the moment that such a course were feasible I raise the question as to how many countries would be willing to contribute to a world organization a substantial portion of their military forces? I also ask how long a government in one of our Republics could remain in office when it was disclosed that such an international force had the authority to invade one of our countries against the will of that country? That, it seems to me, is the crux of the whole proposition. Because if an international organization is to be supplied with the force adequate to carry out its decisions, necessarily to be effective it would have to be able to order the invasion of any country that in its opinion was a potential aggressor—even though that country might have been one of the contributors of military force.

"It is my personal opinion that notwithstanding any of the dreamy-eyed proposals of some of our star gazers, few countries would be willing to relinquish their sovereignty to the extent that such a program would require. Beyond that I believe that our only hope for an approximation of permanent peace will come through religion raising the general level of moral virtue; and education raising the general level of intellectual virtue. Only then will the peoples of all countries be fully cognizant of their stake in a peaceful world. That is not something that could be accomplished by small groups behind closed doors regardless of how competent the individuals participating might be. Peace only can be assured when the people have the right and the intelligence to appraise what is involved and can make known their wishes through representatives of their own choosing in their own governments.

"Also it has been proposed that we should adhere to an international economic organization which could tell us when we can raise pigs, and how many; whether we should increase or decrease our cotton crop or wheat crop, or anything else. The United States had some home-brew samples of that sort of economic tinkering. Based upon that experience my view is that any attempt to do the same thing on an international scale would bring confusion worse confounded.

"The exchange stabilization programs which have been offered constitute another case in point. Instead of approaching the problem through known and tried methods, we are asked to endorse new and grandiose schemes providing for another international organization to stabilize currencies and foreign exchange. Most experienced students seem to agree that the most constructive contribution this country could make would be to set an example here of sound economy based on a sound Federal fiscal program supported by a budget that gave proper regard to the relationship of outgo to income. That in turn would enable us to provide needed credit to others on a proper basis.

"The net of all this is, as I view it, that the United States could make its proper contribution to all of these world problems under its own power and initiative. This without the necessity of setting up complicated super-world organizations which might or might not do a good job. Under such a procedure my country could do its full part to make the world a better place in which to live, and still retain the right to control its own destiny, just as you, too, I am certain will wish to control the destinies of your countries.

"The big job that we as the representatives of business in the hemisphere have before us, it seems to me, can be summarized thus:

"1. We wish to preserve the independence and sovereignty of our respective nations.

"2. We wish to cooperate with the governments of our countries in raising the standards of living, and in securing peace and prosperity for our countrymen.

"3. We wish to make certain that the rights of the individual citizen shall be protected and preserved to the end that the people of each nation may determine the kind of government they wish.

"4. That private enterprise which demonstrably has provided the greatest good to the greatest number shall be maintained and preserved.

"5. That the people and not the state shall be and shall remain supreme.

"6. That peace and understanding and friendly relationships shall be maintained amongst the countries of the Western Hemisphere.

"7. That business relationships and trade amongst the hemispheric countries shall be encouraged and that unjustifiable handicaps to a proper flow of trade and commerce shall be removed.

"8. That out of our experience and out of our example, with full consideration of and protection of all individual sovereignties, we shall by precept and example—and by force if necessary—keep the threat of war far away from our shores.

"How shall peace be preserved? Again, human nature being what it is, we cannot place our reliance entirely upon precept and example. We must remain strong in a military sense. The democracies must not again make the fatal mistake, when peace has come, of turning swords into ploughshares and spears into pruning-hooks. Only so can we be assured that the hand of the aggressor can be stayed."

Taxation Of Public Utilities—Here And In Great Britain

(Continued from page 1918)

of interest by the Federal Treasury was not an insurmountable barrier alone to competing private systems, due to the greater operating efficiency of the latter. Nor was exemption from Federal taxation of tremendous advantage to publicly owned electric systems until the Pearl Harbor incident.

Since the close of 1941, however, this lack of need to support the war effort has given public power systems an enormous advantage in competition with federally-taxed private systems. So much so, in fact, that with Federal taxes consuming 16.3% of gross operating revenues, on the average, in 1943, one Middle Western privately owned electric utility has stated it could give every household consumer in its service area the amount of electricity now consumed absolutely free and be money ahead, provided it was relieved, as publicly owned systems are, of the need of paying Federal taxes. This, of course, could be done only by a utility enjoying a heavy industrial and commercial demand.

The advantage given publicly owned electric systems through Federal tax exemption can readily be demonstrated. According to TVA's monthly statistical report for September, 1943, municipalities and rural cooperatives buying power from it had aggregate gross operating revenues of $34,670,000 in the fiscal year ended June 30, 1943, of which they paid an average of 5.6% in taxes and tax equivalents to local governments, but nothing to the Federal Government. Likewise, TVA's annual report for the same fiscal year places gross operating revenues from electric operations at $31,674,210, of which it paid 6.2% in taxes and tax equivalents to States and their subdivisions, but not one dime in Federal taxes.

During the same period, however, the privately owned electric utilities of the country received aggregate gross operating revenues of some $2,713,000,000, of which they paid an average of 8.33% in taxes to local governments and 16.0% in Federal taxes. Had TVA, and the municipalities and cooperatives distributing its power, been compelled to pay taxes to the Federal Government at the same rate required of private power companies, the Treasury would have been enriched by more than $10,615,000 in this twelve-months' period. And had TVA and its power distributors paid local taxes at the rates assessed against privately owned systems, the states, counties, school districts and communities in which they operate would have had more than $1,600,000 added to their joint income.

To carry the point further, all the publicly owned electric systems in the country — Federal, State, District, Municipal and REA cooperatives — had an estimated aggregate gross operating revenue in the twelve months ended with June, 1943, of $325,000,000, no part of which was paid to the Federal Government in taxes. But had they been taxed at the same rate as private power companies more than $41,385,000, in addition to the sum that TVA and its distributors were exempted from paying, would have been added to our Federal war chest. In all, exemption of publicly owned electric systems from Federal taxation reduced the funds available for the purchase of tanks and jeeps, of planes and ships, of guns and ammunition, in one twelve-months' period by around $52,000,000. As a result, all private enterprise, the country over, had to dig a little deeper to provide this sum.

We in this country have yet to appraise publicly owned undertakings with the realism of the British. Under the British Income Tax Act, all gains and profits derived from trading activities, whether conducted by publicly or privately owned enterprises, are, with few exceptions, taxed alike. These exceptions are, simply stated, (1) undertakings like the British Broadcasting Corporation which, although supported by a tax on receiving sets and operated at a profit, is owned by the Crown; (2) compulsory enterprises like water supply systems, where the entire community is taxed for its support, no matter whether or not individual citizens are consumers; and (3) a few highly venturesome undertakings, the success of which will contribute to the national welfare, and which have been specifically exempted from taxation by an Act of Parliament. All other undertakings, including publicly owned utilities, pay the same taxes as those assessed against private enterprises.

The Royal Commission on the Income Tax observed in its 1920 report that none of the witnesses representing districts or communities raised any objections to subjecting publicly owned undertakings, including utilities, to income taxation at public hearings, when the Income Tax Act was under discussion in Parliament. And it added:

It may * * * have been in their minds that it would not be expedient to claim exemption from income tax for public bodies which are actually or potentially competitors of private persons or companies carrying on similar trading undertakings.

The British Courts, moreover, have taken the position that the language of the Income Tax Act is very broad and all inclusive, and unless the facts fall within one of the three categories previously described they have consistently held that a publicly owned utility comes within the meaning of the Act.

In fact, the theory upon which publicly owned utilities are subjected to the same taxation as privately owned systems would appear to be a belief that the national welfare takes precedence over the local good. Accordingly, although any surplus earnings above a predetermined level resulting from utility and other undertakings must be paid into a general fund for the support of schools, local public hospitals, asylums and similar social institutions—sort of a British version of our Washington Plan—the national government first obtains, through the income tax, a portion of those earnings for support of the Nation as a whole. As the British see it, the burden of supporting the operations of the national effort must be borne, through the medium of income taxes, by customers of publicly and privately owned utilities alike, as well as by customers of other types of public and private undertakings.

As a result the consumers of utility services in Great Britain contribute equally to the costs of the national government, through reflection of income taxes in their rates for service. This equitable distribution of the tax burden is in sharp contrast to conditions in the United States, where consumers of privately rendered utility services are compelled to pay not only their full share of the costs of the Federal Government but, in effect, a part of the share that rightfully should be borne by the customers of tax-free publicly owned utilities.

Ins., Bank Stock Evaluator

Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, Calif., have prepared an interesting comparative analysis of 82 insurance companies and 38 banks. These data are contained in the April issue of their Insurance and Bank Stock Evaluator, copies of which may be had from the firm upon request. Also available is a summary of the situation in Manufacturers Trust Company, which appears attractive at current levels, Butler-Huff & Co. believes.

"Over-Counter Review"

Bristol & Willett, 115 Broadway, New York City, have prepared the current issue of their "Over - the - Counter Review." Copies of this interesting Review may be had from the firm upon request.

Financial Aspects Of Future World Trade

(Continued from first page)

lieving that lasting peace and prosperity for ourselves and the other nations of the world can be brought about to a great extent by an unhampered interchange of goods and services among all nations.

The future of the export trade of the United States has been discussed at great length in various quarters and the general trend of thought as to post-war volume is optimistic; perhaps too optimistic if we consider all the diverse factors now existing that must be correlated and properly synchronized in the post-war period. The volume of the export trade of the United States in the period following the war will depend on the play of a number of both favorable and unfavorable factors, some of which will be within our own control here and some of which will arise in the buying countries. For example, some of the so-called occupied countries may find it difficult, if not impossible, to purchase abroad on a pre-war basis until quite some time after the adjustment of their internal economies through rehabilitation of industry and agriculture. On the other hand, many countries have accumulated substantial blocks of gold and foreign exchange during the war period, which should enable them to enter the market for volume purchases, just as soon as goods are available to them. Some of the neutral countries also have at their disposal large blocks of gold and foreign exchange, estimated at several billions of dollars.

Conditions within our own country exert a very direct influence on export volume and it is interesting to note the close proportionate volume relationship that exists between our exports, imports and domestic economy. In the period of "Coolidge Prosperity", roughly 1925 to 1929, total foreign trade, including both exports and imports, exceeded nine billion dollars each year, as follows:

	Total Exports (approx.)	Total Imports (approx.)	Total Foreign Trade
	(In billions of dollars)		
1925	$4.9	$4.2	$9.1
1926	4.8	4.4	9.2
1927	4.9	4.1	9.0
1928	5.1	4.1	9.2
1929	5.2	4.4	9.6

In the succeeding year, or with the beginning of the depression of the 1930s, total foreign trade dropped to approximately seven billion dollars; in 1931 to four and one-half billion dollars; in 1932 to two billion nine hundred million dollars, and thereafter and including 1938, it average four billion seven hundred million dollars. From 1930 to 1934 the figures were as follows:

	Total Exports (approx.)	Total Imports (approx.)	Total Foreign Trade
	(In billions of dollars)		
1930	$3.8	$3.1	$6.9
1931	2.4	2.1	4.5
1932	1.6	1.3	2.9
1933	1.7	1.4	3.1
1934	2.1	1.6	3.7

The conclusion drawn from these figures is that a sound internal domestic economy in the United States, with a high rate of employment and substantial purchasing power results in increased purchases of capital and consumer goods within our own country. This in turn leads to increased imports and the creation of dollar exchange to the credit of the various countries of the world, thus enabling them to take more of our goods. If we are to have a sound internal economy, many changes in our present method of procedure will be necessary, for instance, we must balance our budget as soon as possible, but among other things, private industry must be permitted to rehabilitate itself and convert as speedily as possible from war-time to peace-time production, as soon as the war is concluded, or before that time, if conditions permit. This can be accomplished only if government withdraws from competition with private enterprise, releases its controls on industry and by the formulation of a sound and equitable tax program, permits business to return again to a profit-incentive basis. The thought has been expressed on a number of occasions by those familiar with business operations that a continuation or increase of government competition with private industry can result only in increased unemployment, a chaotic internal post-war economy and a restricted export and import business.

We of course recognize that other means exist for the creation of dollar exchange, but in the final analysis, if the export trade of the United States is to function on a sound basis in the future, it must be paid for almost wholly by dollar exchange resulting from the purchase abroad of goods or services. In the 1920s we made available substantial amounts of dollar exchange by extending loans (mostly of a non-productive nature) to foreign governments through private channels and the results to private investors, in many cases were rather disastrous; in the 1930s we discontinued private loans but took gold from abroad for our exports, with the result that we hold a large proportion of the gold stock of the world; in the 1940s we inaugurated lend-lease. Unless we are willing in the post-war period to part with our resources without compensation, it is a foregone conclusion that lend-lease must be abandoned as soon as possible after the war is won and thus we will again be forced to return to an exchange of goods and services as a means of creating dollar exchange to pay for the bulk of our exports.

It is quite generally conceded that for a few years after the war a substantial demand will exist, both here and abroad, for various types of merchandise that have been unobtainable as a result of the exigencies of war, and, furthermore, machinery and goods destroyed by the ravages of war will be needed abroad for rehabilitation purposes and for the needs of new industries. In the immediate period after the war, price probably will not be an important factor to foreign buyers. When this first demand is satisfied, however, and sales again revert to a competitive basis, what will be our position in world markets? The naive statement has been made in some quarters that an internal public debt is no burden on the national economy as a whole, since it is a debt that we owe to ourselves. Taxes levied to meet a debt service of perhaps six to eight billion dollars a year, which is now conceivable, plus the additional taxes that will have to be levied after the emergency is over, for the high cost of government operations, amortization of debt, supplies for liberated countries, adjusted compensation, pensions, hospitalization, rehabilitation, etc., very definitely do constitute a burden on productive enterprise. Burdensome taxes not only result in a loss of business incentive, but, of greater importance from the viewpoint of export, they eventually find their way into production costs and the price of merchandise. Granted that some types of our manufactures always will sell abroad on a quality basis, will we be able in general to compete on a price basis with countries having a relatively small debt service or low labor costs, or both? This query can be answered only by actual experience in the future, but, unquestionably, a reduction of debt, not by the imposition of additional burdensome taxes, but by the reduction of unnecessary government expenditures, is one of the greatest contributions the government can make to the export fraternity.

The matter of competition in the post-war period has been discussed at great length on numerous occasions. It seems apparent at this time that our industrial capacity after the war will be substantially larger than pre-war capacity, when plants have been retooled for peace-time production. If that is the case, domestic competition will be keen and the need of export markets will be greater than ever before, in order that surplus production can be absorbed. However, other countries, as a result of conditions brought about by the war, have industrialized and it seems likely that there will be a change in the type of American exports to some parts of the world. This change may be most noticeable in some of the Latin American countries after the first buying wave has subsided. Then, too, some of the countries of the world with large blocks of available dollar exchange may not be willing to dissipate their foreign exchange resources in an orgy of buying and may restrict their imports to essential goods or goods which do not compete too much with their own new industries. In various quarters the belief is held that the Latin American countries now have at their disposal approximately three billion dollars in gold and foreign exchange, part of which, however, is in blocked sterling that probably will not be available for the payment of American exports. A great deal of fear has been expressed in export circles in respect to post-war competition from Great Britain. As a result of conditions brought about by the war, Great Britain's economy has suffered drastic changes. In the pre-war period, about 60% of her imports of approximately one billion pounds sterling was paid for by merchandise exports and the balance by invisible exports, such as interest on investment abroad, payment for service, etc. By reason of a substantial liquidation of debt to Great Britain by outside countries and the loss of shipping, her income from abroad has decreased materially. Thus, her need to increase actual exports in the post-war period will be greater than ever. Our exporters must be prepared for keen competition from that source, but we must not overlook the fact that we have had competition from Great Britain in the past. It has been clean competition, however, and is vastly preferable to the unscrupulous type of competition of previous years that barred many American exporters out of good markets and eventually left certain of our Latin American neighbors and other countries with large blocks of worthless aski marks. Canada has made vast strides in her numerous industries as a result of the necessity of supplying herself and allied nations with material for the prosecution of the war, and will undoubtedly seek world markets to absorb surplus production. India, the U. S. S. R., and China also will be competitors for world trade, but not until after a lapse of some years, as their own internal demands must be satisfied first. While Germany and Japan in the period previous to war were important competitors in world trade, the dislocations of industrial capacity and other factors will no doubt limit their importance in international trade for an indefinite period after the war. We in the United States cannot expect to get more than our fair share of export trade, for we must recognize the fact that world prosperity as a whole depends on the prosperity of individual nations.

The future of world trade will depend largely on the leadership of the United States and Great Britain, the two great trading nations of the world. If we are to meet that trust and point the way to the rest of the world, both nations must have a sympathetic understanding of each other's problems and a will to collaborate to the fullest extent in a constructive program for the rehabilitation of the trade of all those nations desiring to cooperate with us.

American manufacturers of certain types of consumer goods may find it more difficult in the post-war years to market their products in countries which have developed their own industries during the war era. For example, Brazil and other Latin American countries have forged ahead in the textile industry to such an extent that they can supply their own needs and the needs of outside markets and so we may find future sales of textiles in that territory confined to the better grades, special fabric designs, etc. With the passage of time, we must expect to see many nations of the world become even more highly industrialized and more self-sufficient for certain of their needs. However, in the overall pattern of international trade, this is not to be feared, for greater industrialization within a country leads to higher standards of living and a larger demand for imports from other countries.

Much thought has been given to the two important problems of stabilization of currencies and the disposal of surplus material in the immediate post-war period and while no solution has been arrived at up to this time, the degree of consideration being given these problems warrants the hope that some satisfactory plan of operation will be evolved in both cases. Wide publicity has been given to the American and British plans for the stabilization of currencies in the post-war period, which is so essential if foreign trade is to reach its greatest possibilities. Both plans are complicated in character and whether or not either would operate effectively in practice is a matter of debate. Seemingly, no method of stabilization yet suggested is so sound or easily operated as the international gold standard—with free coinage of gold, free markets and private ownership of gold and currencies freely convertible into gold, both for domestic use and for shipment abroad. The success of this or any other program must depend finally on the adoption and general pursuance of sound internal economic and political policies—balanced budgets, reasonable tariffs and trade regulations, avoidance of central bank and Treasury operations that interfere with the price reactions essential to the operation of the gold standard and, in general, governmental policies that promote business confidence instead of destroying it. No country can expect to have its currency acceptable at a stable value in world markets unless its fiscal affairs are under control, its price level reasonably stable and its internal economy is functioning smoothly and productively. If sound governmental policies directed toward this end are followed, the gold standard can work successfully in the future as it did in the past. A large part of the confusion that exists with regard to the problem of exchange stabilization and trade recovery is probably due to the fact that the simple fundamentals have been lost sight of in the maze of complications and artificialities that has grown up around them. From numerous sources we hear of the failure of the gold standard, when the real failure has been that of the credit structure, either because of unsound governmental policies or because credit has been over-expanded to a point where for some reason, political or economic, the structure breaks down and there is not enough gold to liquidate outstanding obligations.

Conditions brought about by the war probably will make it necessary that price control and other forms of governmental control continue to be exercised for a period after the war; for example, certain types of raw material for industry may have to be placed on an allocation basis in order that all may obtain their fair share, or certain types of scarce material may be limited as to export. Unfortunately, forms of control within a country have a tendency to increase and perpetuate themselves, and eventually they lead the way to controls in other countries, until international trade becomes bogged down in a morass of governmental regulations, bi-lateral arrangements, quota systems, clearing arrangements, barter agreements, onerous foreign exchange restrictions, and other restrictive measures of a discriminatory nature. While we appreciate that our full energies must be devoted to the winning of the war just as speedily as possible, most of us dislike governmental restrictions and restraints, and their elimination, whether they apply to our personal affairs or against the free operation of business, should be given immediate consideration after the war is won.

The world-wide scope of the war has had the effect of introducing American products to the far corners of the earth and it is but reasonable to expect that a demand has been created which will carry on in some measure in the post-war years. Conversely, we in the United States have found new sources of raw materials which will be needed here and these factors should result eventually in a two-way trade of mutual and lasting benefit.

The many obstacles to a larger and more successful foreign trade in the post-war period are a challenge to the ingenuity and resourcefulness of the American exporter, but we have overcome obstacles in the past and we will do so in the future. Only in that way can we hope to maintain a full measure of employment, a continuation of our standards of living and internal economic stability which are the foundation upon which a vigorous and healthy foreign trade is built.

SEC Rules On Periods For Preserving Records

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

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

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

An Analysis Of Post-War Trade And Business Prospects

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nomics and finance. The report follows:

I. BASIC TRENDS AND FORECASTS

This first section is in part a preview of factors to be examined in more detail in the succeeding sections. It deals with underlying trends which will affect all lines of trade.

Military-Political Background

It is useless to try to gauge the post-war prospects for retail and wholesale business without first defining the underlying conditions likely to prevail after war's end. Our two main assumptions stated in preceding reports as reasonable expectations are:

1. Large-scale warfare in Europe will die down before the close of 1944; in the Far East, before the close of 1945. We say "die down" because of the strong possibility that either or both wars may be won in substance and demobilization begun while the enemy still continues a relatively feeble resistance.

2. Next fall's election will strengthen the dominance of middle-class conservatives in Congress and give them effective control of government, even if Roosevelt remains President.

If these two assumptions turn out to be false, the four forecasts which follow will have to be revised. These forecasts are here stated rather dogmatically for most of them have been previously discussed.

1. Inflation Will Quickly Pick Up Speed

Of prime importance is the gathering force of inflation. The reasons for anticipating a rapid and sweeping rise in prices after the war will bear repeating:

1. Enormous sums of cash and cashable assets (currency, deposits and government bonds) will be in the hands of tens of millions of persons who have been taught that saving is a social crime and that government will take care of them whenever they need help. These sums constitute not merely potential but **actual and immediate** spending power.

2. These people strongly desire many goods which will be scarce for a year or two. Inevitably the prices of such goods will start to move up.

3. Price control cannot conceivably stop the movement. Once wartime support by the public weakens, price control will be as futile as was prohibition—except perhaps on a few standard or accurately specifiable commodities.

4. When prices start to move up, unionized labor will demand, and get, higher wages. Rising production costs will then force prices still higher.

5. Any distinct rise will generate a popular belief that prices are likely to continue going up; for inflation has been widely publicized, particularly by labor unions. Thus, fear will add its powerful impetus to the buying movement.

All these combustible elements together canot fail to ignite, in our judgment. There may be a period of hesitancy at the beginning, but it can scarcely last long.

A few economists, to be sure, take the position that uncertainty and unemployment during the readjustment from war to peace will damp down the urge to buy and perhaps initiate a wave of deflation. Their view has the merit of calling attention to a probable state of localized depressions in war production industries.

But the great majority of consumer goods industries will be active, and their employees will be well able to spend freely. That will be quite enough to start the ball rolling. Thereafter, it will quickly pick up speed.

2. Income Distribution Will Shift

Disposable incomes (after taxes) have been shifting in recent years from high-income to low-income groups under the influence of three powerful forces: (1) by the joint action of legislation and CIO-type unionization the earnings of unskilled and sluggish workers have been lifted much more rapidly than the earnings of competent workers; (2) salaries and entrepreneur. profits have been curtailed; (3) taxation has absorbed the greater part of large incomes.

The usual inference is that incomes will approach nearer and nearer to equality; but we question its soundness. Other factors seem likely to create a different situation after the war.

In the first place, a conservative Congress, recognizing growing unpopularity of CIO unionism, may put a stop to the practice of forcing all workers to pay dues into union treasuries; if so, capable workmen, receiving wages proportionate to their individual performance, will quickly establish a broad gap between their earnings and the earnings of the great mass of incompetents.

In the second place, the turmoil of technological and economic readjustments after the war will bring large gains to some persons and severe losses to others.

In the third place, excessive taxes on high incomes are likely to be somewhat eased.

These three changes, all of which look fairly probable, (1) will enlarge the number of families with small incomes—say, below $2,500 (at 1942 prices); (2) will reduce the number with intermediate incomes—say, between $2,500 and $4,000; and (3) will increase the number in the high-middle income brackets above, say, $4,000.

This particular shift, we grant, is so far only an hypothesis. It rests upon the belief that new-dealism has run its course and will give way, at least in the early post-war years, to a revival of individualism. The alternative would be an even more rapid drift toward equalization of incomes.

In either event, the post-war distribution of incomes among income classes will be markedly different from either the pre-war or the present distribtuion. Obviously, the prospective shift will have a powerful influence on consumers' choices and on retail trade.

3. Improved Transportation Will Broaden Trading Areas

The almost universal use of private automobiles, as everyone recognizes, has favored the larger retail stores and has worked against small neighborhood stores. Super-markets and one-stop filling stations are outstanding examples. Even under the pressure of early wartime restrictions on automobile travel, the larger retail stores in most lines maintained a better-than-average rate of growth, as indicated by the following indexes of sales of independent stores (excluding chains) in 1942 compared with 1939. (Reported in **Survey of Current Business** for March, 1944.)

	All Stores	*Large Stores
All kinds of retail business	123	125
Dry gods and gen. mdse.	153	158
Shoe stores	158	161
Hardware	140	144
Lumber and bldg. material	135	145

*With annual sales of $100,000 and over.

After the war and the immediate subsequent period of reconversion and readjustment, there will unquestionably be further improvements in transportation. More highways will be constructed. More cars and trucks will be operated. Railway passenger service will be speedier, cheaper and more comfortable. Air travel, in part by private planes, will be popularized. A natural result will be to extend the trading areas served by all kinds of retailers and thereby to strengthen the pre-war trend toward fewer and larger retail outlets.

4. Competion Will Be Intensified

A fourth forecast open to little doubt is that post-war competition among manufacturers will rise to a level of intensity beyond any previous experience. This may not become immediately apparent. The first few months after civilian production is freely resumed will be a period of urgent demand for many goods, especially durables, which will be in short supply. At the outset merchandising may seem to be an easy task. But look a little farther ahead.

Industrial facilities and manpower devoted to munitions have attained a productive capacity far above any reasonable expectation of post-war civilian consumption. Our estimate, stated in the report of January, 1944, of capacity output of durable manufactures in excess of domestic consumption was 43%; and of non-durable manufactures, 29%. These percentages might be reduced by a vigorous policy of foreign investment. Nevertheless, they plainly foreshadow a strenuous fight for sufficient sales volume in domestic markets to keep war-built plants in operation.

Normal competition among manufacturers of foods, clothing, home furnishings, household appliances, automobiles, and so on will be, of course, resumed; but that is not the whole story. Makers of airplanes and airplane parts, shipbuilders, and ordnance manufacturers, among others, are known to be planning for vigorous invasion of fields already occupied by established producers. New products and new designs for old products will be announced in rapid succession.

At the beginning competition will necessarily center largely on securing adequate distribution through retail outlets and salesmen. Here the established producers enjoy a great advantage. Yet in the flux and turmoil of post-war revival of dormant businesses and return of millions of young veterans to civilian life it will not be impossible for newcomers to open up or create the required distribution system for their goods. Then will follow still more intense competition to win the preference of consumers and to displace directly competitive goods. The struggle will utilize advertising, promotion, publicity, trained salesmanship, and all the varied forms of sales aids.

II. RETAILING IN 1947

What will be the status and the merchandising practices of retail stores in this country after they have passed through the war and through the period of transition to a peacetime economy? This section attempts to answer that question in the light of the anticipated developments sketched in Section I. On the strength of our assumption of an end to the Japanese War in 1945, we will take 1947 as the first year of stabilized operation.

Overcrowded Lines of Retailing

The total number of retailers in 1947 will doubtless be much larger than in pre-war days. This is not inconsistent with the statement in Section I that the trend is toward larger and fewer stores. It means only that the trend will be interrupted temporarily after the war by the entry into retailing of some hundreds of thousands of men, few of whom will possess the combination of resources, store location and personal ability required to run a successful retail business. Their ventures will be stimulated by the efforts of companies which are breaking into new fields to acquire distribution as quickly as possible. Though the life expectancy of these post-war entrants into retailing will not average many years, most of them will still be in existence in 1947.

A few of them will be actually needed to replace pre-war retailers who dropped out during the war. The extent of the need, however, is not nearly as great as was anticipated early in the war.

The number of discontinuances among retailers in the two years ended in the middle of 1942, according to Department of Commerce estimates, was less than 10%, and of these discontinued concerns less than 4% were liquidated; the others for the most part simply changed ownership. Moreover, two-thirds of the discontinuances were of very small businesses with three or fewer employees. Even in automotive retailing discontinuances were less than 17% of the number in operation in 1939.

These percentages, it is true, do not measure the impact of wartime restrictions since June, 1942; but all the evidence indicates that subsequent casualties have been few and that no big gaps have yet been created for occupancy by incoming retailers.

So when additional stores are opened, we must expect considerable overcrowding—not especially noticeable perhaps in 1947 when rising prices will still be maintaining a mirage of easy profits, but liable to become suddenly annoying whenever prices slide and inventory losses threaten. After the war, as before, the numbers will be largest and the rates of business births and deaths will be highest in lines with little capital requirements—family-run groceries and cigar stands, bars, one-man filling stations, lunch counters, and the like.

Retail establishments that demand substantial showrooms, yards, warehouses and stocks of merchandise, such as those dealing in automobiles, farm implements, jewelry, furniture, building materials, and good-quality clothing and shoes, are naturally less troubled by the kind of competition that springs up suddenly whenever the economic weather turns sunny—only to wither at the first frost. However, even these stronger types of retailers will not be entirely immune.

A realistic forecast must take into account the probable large expansion of consignment and related practices which will make it easy and tempting to open shops for radios, household appliances, some kinds of home furnishings, musical instruments, men's clothing, and similar goods. In all these lines, therefore, we expect an influx of specialty retailers who will encroach on the fields formerly left to stores with broader coverage. In this way the larger-capital lines of retailing, as well as the small-capital lines, are likely to become more than comforably crowded within one to three years after war's end.

Our remark above that consignment selling is likely to be more extensive in 1947 is not to be interpreted as a recommendation, but solely as a forecast—a reasonable deduction from the known fact that some thousands of companies will be eagerly seeking national distribution of their goods as quickly as possible. Most retail outlets will be preoccupied by their competitors. Their natural recourse will be to adopt the practice of setting up new outlets on attractive terms which will leave financing and merchandising control in their hands.

Closer Supplier-Retailer Relationship

The anticipated growth of consignment selling is one phase of a widespread trend toward more direct and closer dealings between manufacturers and their chief retail outlets. The trend is at times denied vigorously by retail organs which represent retail stores as increasingly filling the role of independent "purchasing agents" for their communities. To a limited extent this characterization is correct. But a review of all lines of retailing furnishes ample evidence that the stronger tendency is toward acting as sales agents for suppliers of well-known products.

Some manufacturers—for example, of gasoline, men's clothing, shoes, tires, candy, and a few other products—go so far as to maintain their own retail outlets. The census figures indicate a slight growth between 1929 and 1939 in the proportion of manufacturers' sales made through their own stores. However, this growth (chiefly by tire companies) was offset in the main by a sharp turnabout by oil companies away from company-owned and operated filling stations and toward company-owned stations leased to independent operators. The last-named move was partly the result of antichain legislation in some States, but was also motivated by a recognition that retail establishments are generally better managed by men who are working for themselves. On the whole, we can find no reason to expect any marked increase after the war in the small proportion of manufacturers' output (2.8% in 1939) sold through their own stores.

On the other hand, effective **guidance** of retail merchandising and selling by manufacturers has become more and more common in recent years and will almost certainly spread in the post-war period. One potent cause will be the intensified competition referred to in the preceding section. Nothing less than the best methods of local retailing will be good enough to assure a manufacturer that he will get his full quota of the available business. And best methods for any given product or line of products can be defined and installed only by those most vitally interested in such products.

The degree of guidance practical for a manufacturer depends principally, though not wholly, on his percentage share of the retailer's total volume. When the retailer is exclusively a sales agent for one manufacturer, as is generally true of automobiles, gasoline, oil burners, stokers, and other sizable appliances, the manufacturer usually finds it both necessary and profitable to furnish detailed plans for showroom or station arrangement, analyses of the local market, display and promotional materials, an accounting system, manuals and conferences on sales and merchandising management, training courses for retail salesmen and servicemen, and frequent consultations with factory representatives.

All these activities are the familiar practice of progressive manufacturers in the lines here mentioned and need no elaboration for our subscribers. They are worth recounting, however, as we look forward to 1947, for three reasons:

(1) Numerous new products will be offered by companies not hitherto engaged in marketing similar goods. Those designed for retail sale at prices in excess of $100 will require skilled point-of-sale promotion and selling, which can be provided, as a rule, only by exclusive sales agents. We must assume, therefore, a considerable expansion of the very close manufacturer-retailer relationship described above.

(2) In view of the keen competition now in prospect, it will be advisable for manufacturers of many products which form important segments of their retailers' business to develop somewhat the same kind of relationship insofar as their own products are concerned. They will have to

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aid and guide dealers in their displays, local promotion and personal selling of the products if they are to hold their own in the intense struggle for consumers' dollars. This has long been the policy of the leaders in branded foods, clothing, floorcoverings, farm implements, and so on. By 1947 it will be more nearly universal in such lines, and it will be better organized.

(3) Increasing diversification and adaptability of manufacturing companies will be one outcome of their conversion to war and reconversion to peace. In many cases their production of new goods or their purchase of other companies will enlarge their proportions of the business done by their retail outlets. The number of companies in position to create closer relationships with retailers will be well in excess, we believe, of the corresponding number before the war.

The expectation of a generally closer manufacturer-retailer relationship is limited, it should be noted, to the manufacturers who have important segments of retailers' business or of some distinct department or line of goods handled by their retailers. It is not applicable to separate small items or to products that are sold only occasionally by a typical retailer.

Best Fields for Retail Profits

Section I presented a tentative forecast (dependent on a post-war decline of newdealism and revival of individualism) of a widening gap between family incomes below $2,500 and family incomes above $4,000, with a proportionate fall in the number of families in the $2,500 - $4,000 bracket. These figures, please note, are **in 1942 dollars.** Inflation will lift all of them to levels which may be much higher without substantially altering their relative buying power. The forecast does not imply, of course, an overnight change, but rather a gradual, almost imperceptible shift. Nevertheless, it can have far-reaching effects on retailing.

It will bring fresh customers to the stores that cater to the $25 to $50 a week class of trade and to the suppliers of necessities and of the cheaper grades of household equipment and semi-luxuries. It will raise unseen obstacles to promotions of good-quality, moderate-priced goods by stores that cater to low middle-class people. It will give strong support to sales of jewelry, tailored clothing, the better-grade cars, houses and home furnishings, and all the other goods which appear to families in the upper strata of the middle class.

The outlook is complicated by probable movements of population away from war production centers back to rural areas and to the centers of civilian production. As was pointed out in an earlier report, the gains during the war by the Southeast and the Pacific Coast are likely to be held in part; but a like observation cannot be made with equal confidence of the industrial metal-working regions of the Atlantic Coast and the North Central States. Each city has its distinct problems which requires special study; for its fortunes after the war will largely determine the prosperity of its retailers.

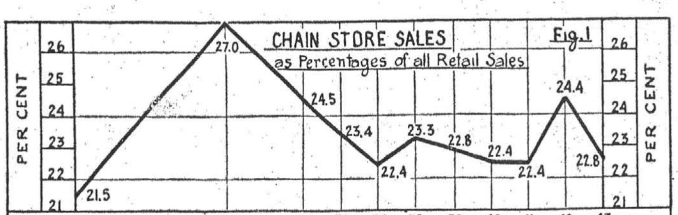
Chain Stores Will Grow

Chain store sales, including catalogue sales by mail order houses, now constitute nearly 25% of all retail sales. Their proportion of the grocery trade is 40%; of sales by shoe stores and department stores, each 50%; of clothing and drug stores, each 25%. Other lines in which chains are important, as recorded in a recent study by the Department of Commerce, are automobile accessories, lumber, hardware, home furnishings, and restaurants.

Through the 15 year period 1929-1943 the ratio of chain sales to total retail sales has been remarkably steady (see Figure 1). Only in the depths of the 1933 slump, when their ratio rose to 27%, did they vary much from their fixed proportion. As the Commerce study explains:

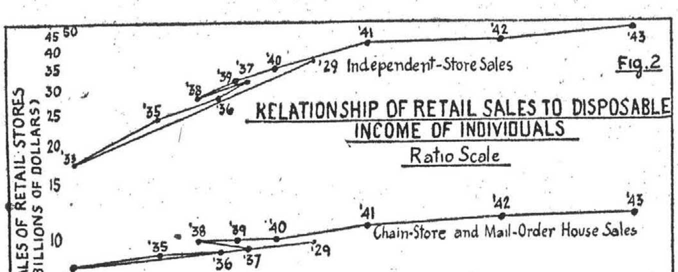
"Year-to-year comparisons reveal that a larger proportion of the consumer's dollar is spent in chain stores during periods of curtailed income than in more prosperous years when, with more money to spend, buying tends to shift more to merchandise in the higher price brackets and to luxuries not available in chain stores."

The relationship of chain store sales and of independent store sales to disposable income of individuals is chartered in Figure 2 (adapted from the Commerce study above referred to). In this diagram the years are arranged not in the chronological order but in order of volume of income. It is evident that though chain store sales have consistently responded to gains in disposable income, independent store sales have proved even more responsive.



Source: Survey of Current Business, February 1944

FIGURE 1



Source: Survey of Current Business, February 1944

FIGURE 2

There is no reason to expect widely different responses to the larger total of disposable income of individuals forecast for 1947. Our estimates (see the report for January 1944) have placed such income, after deducting savings as well as taxes, at $82 billions in 1942 and at $95 billions, on the 1942 price level, in 1947. If chain store sales respond as they have in the past, they should move up from $14 billions in 1942 to about $15.5 billions in 1947. However, our tentative forecast of a downward shift of many middle incomes, if realized, would mean an added gain by chain stores, possibly to a height of $16.5 billions, or 18% above 1942.

Independent Stores Will Grow More

Total retail sales in recent years have varied from as low as 60% of disposable income, as above defined, in 1936 and 1937 to as high as 74% in 1941. Applying the last-named percentage to $95 billions of disposable income in 1947 gives a total of $71 billions of retail sales in that year.

Alternatively, up to the outbreak of war, retail sales held with fair consistency, as pointed out by General Leonard P. Ayres, between 56% and 60% of national income. Dr. Paul H. Nystrom has applied the first-named percentage to an assumed national income of $135 billions after the war and thus arrives at a forecast of $75 billions of retail sales.

Both methods obviously are very rough, yet are helpful in forming a preliminary view of retailers' prospects. In our opinion, the lower estimate is better based in that it makes allowances for the great increase in tax burden, which will certainly reduce the spendable portion of national income.

If we take $70 billions as a conservative guess and deduct the $16.5 billions suggested above for chain stores, we have left $53.5 billions for independents, a figure which is 22% above their total sales in 1942. A gain of this size is not an extravagant hope—indeed, is no greater percentagewise than was actually obtained in the advance from 1939 to 1941.

Bear in mind that we are speaking throughout in terms of 1942 dollars; also, that we give little weight to the $100 billions, more or less, of accumulated savings to be in the hands of individuals at war's end, **except** as a potent stimulant, creating illusions of wealth and breeding inflation and ultimate distress. To repeat a previous statement, "most of the accumulation will be dissipated in paying higher prices—with no more actual benefit to consumers than was produced in 1919-20."

Rise of New-Type "Convenience Stores"

New types and methods of retailing are visibly taking form under the combined influence of the three underlying developments discussed in Section I, namely: redistribution of income; improved transportation; intensified competition. One conspicuous effect of these developments will be to break up the long established boundaries between lines of retail trade.

In an earlier generation drug stores became too numerous to yield a living for their owners merely by filling prescriptions. Some of the more acute druggists, however, observed that people who were waiting for prescriptions would usually gaze about and frequently buy something else. Out of the observation grew in the course of years the medley of merchandise unrelated to medicines described as "drug-store items"—small articles of convenience which customers are glad to pick up, once they know where to find them. Before the war the average druggist got about one-third of his gross from medicines; the other two-thirds from his fountain and from sales of general merchandise. The latter proportion is much larger in many stores, particularly units of progressive chains.

Now the druggist's lesson is being studied by other retailers. Super-markets, originally limited strictly to groceries and meats, have introduced here and there medicines, paints, hardware, household supplies and whatever else their customers might take with them. War restrictions have interferred with carrying through this line of experimentation to a definite conclusion, but most reports on it are favorable.

Filling stations, too, are being converted into general stores carrying such things as sporting goods, raincoats, toys, work clothes, paints, household supplies, and so on. This move, too, is experimental but looks promising for stations that are well located for such business. It will probably be confined to the larger stations, the upper 15%, about 36,000, which do half the total business.

The principal tire companies have gone past the experimental stage. Firestone in particular has announced plans for an extensive chain of retail outlets, made up in part of company - owned stores and in part of franchise stores, in which tires and other rubber goods, oil and gas and automotive accessories will be sold along with furniture, dinnerware, clothing, sporting goods, and other merchandise. Goodyear and Goodrich have similar plans.

All these projects are efforts to cash in on customer traffic. Groceries, drug stores and filling stations are the chief points of frequent contacts with both men and women buyers, and the idea of making it easy for them to purchase other items besides those they came for is plausible.

Two obstacles, however, have to be overcome: (1) selection of supplemental merchandise which sells itself on sight and is not too readily obtainable in other nearby stores; (2) making the retail outlet known to the public as the right place to go for the added items in its stock. The second obstacle is greater than is commonly recognized. Even now, after decades of experience, few customers have more than a hazy notion of the immense variety of merchandise offerings of large drug stores. It will take a lot of education to get people into the habit of going to the grocery for toilet goods or to the filling station for neckties.

We do not mean to question the ultimate practicability of "convenience stores" carrying a wide assortment of wares. They will enjoy great advantages of large-scale purchasing which will enable them to advertise attractive bargains in special items. Our expectation, however, is that the process of building up dependable trade in merchandise alien to their regular lines will be slower than is sometimes supposed. Nevertheless, substantial progress will be made between now and 1947. In that year there will be no doubt many more "mixed" outlets than are operating today.

Some Parallel Changes

The same underlying developments named above are bringing about well-defined changes in other retail establishments—some of them changes parallel to those in groceries, drug stores and gasoline or tire stations, while other changes are counteracting. The rest of this section will treat the two kinds of changes separately.

An obvious parallel is the broader range of merchandise taken on recently in such diverse operations as certain variety stores which are raising their price lines and experimenting in some instances with hardware and household appliances; in jewelry stores which are reaching out for a greater assortment of gift items and even dress accessories; in building materials yards which are adding furniture and floor-coverings; and in hardware stores which are moving into household equipment and supplies.

All these additions to former lines have been stimulated by war-time shortages; but it is far from certain that they will disappear with the coming of peace. Wherever stores become known to the public as purveyors of some new merchandise, they will presumably find it profitable to continue to push it; indeed, they may be forced to do so as a defense against the inroads of other merchants into their former fields. This is one phase of the general trend toward "mixing" lines. It is also a phase of the trend toward larger stores which can attract more store traffic and step up the average size of sales checks.

Another parallel change is the decentralization of department stores by setting up well-stocked branches in suburbs or in outlying parts of big cities. At first glance this may appear to run counter to the long-term trend toward fewer and larger stores; but it is in fact simply a special application of the trend. The branches are large enough, as a rule, to enable customers in the surrounding district to buy more than one item on each visit, thereby saving considerable trouble for themselves and giving the store additional revenue. Furthermore, most branches are so situated that they can provide free parking for customers, which is no longer practicable in downtown stores, thereby encouraging one-stop, cash-and-carry buying.

More Self-Service; More Labeling; More Advertising

In department stores, variety stores, hardware stores, and even furniture stores the practice is growing of letting customers wait on themselves. Super markets and mail order catalogues, as two examples, have amply demonstrated the preference of customers for self-service **whenever they are buying well-known or standardized or clearly explained goods.** The principle can be, and will be, much more widely put to use. Nor is this merely a by-product of the war. Writing in 1941, Prof. John W. Wingate, of New York University School of Retailing, presented clearly his observations up to that time:

"Probaly the outstanding trend on the selling side of retailing is the development of limited-service stores, departments, sections and counters. Limited service embraces not only cash-and-carry systems, but also self-service and semi - self - service arrangements. . . . In women's ready-to-wear great successes have been built about the self-service principle. . . .

"The most important development in the self-service direction in department stores is the display of samples of every style in stock accompanied by informative labels that tell the customer at least everything the average salesperson would know about the articles. For example, one store has a long fixture with one of every type of skate lined up and chained to the fixture. A clear, detailed informative label appears at the back of each sample . . . When the choice is made, a clerk is available to procure the desired size and consummate the sales transaction. . . .

"Informative labeling is an integral part of the trend toward self-service. The label can tell all the typical salesperson knows about the goods and do it more accurately and more convincingly, because of the authority attached to the printed word. But even where salespeople continue to be important factors in retail distribution, the label still has its place in acting as a prompter for the clerk.

"The reasons for the growth of

self-service are not hard to seek. The method both increases sales and reduces expense. . . . The customer is much more likely to buy more than he intended if left alone to choose from a broad assortment temptingly displayed."

It seems a safe inference that Wingate does not have a high opinion of the quality of salesmanship commonly found in retail stores. We may add to his comments that the situation has not been helped by unionization of sales clerks, which usually involves violent opposition to all attempts to provide training outside store hours or to recognize superior ability or in any way to suggest the slightest effort by the salesperson to develop his or her capacity and performance. The inevitable response to this attitude must be a reduced reliance on personal selling **in those departments in which it is non-essential.**

More extensive adoption of self-service must be supported, it is plain, by more specific and factual store advertising. Otherwise, customers who desire the particular goods and are sufficiently interested in them to read the informative labels will not be attracted.

Moreover, the goods themselves must be publicized by national advertising of a similar type. Otherwise, customers will not accept the goods with full confidence. There is good reason, therefore, to expect that the spread of self-service will carry with it increased promotion and advertising of manufacturers' brands.

Some Counteracting Changes: More Specialty Departments and Stores; Higher-Grade Salesmanship

The preceding forecast of post-war changes in retailing has been concerned solely with standardized and widely accepted goods which have little need of point-of-sale explanation. For the most part they are mass market items produced in large volume and sold to all classes of the population throughout the country.

However, if our hypothesis holds true that there will be post-war shifts of a large fraction of $2,500 to $4,000 income families, some to lower brackets and some to higher, it follows that we should prepare for another quite different type of retail expansion. Under these circumstances alert retailers will find exceptional opportunities among the well-to-do—not merely the few persons of great wealth who may still be loaded down with crushing surtaxes, but those who are comfortably able to gratify moderate individual tastes. They can afford and will demand food delicacies, well-styled home furnishings, tailored clothing, medium-priced rather than low-priced automobiles, and other goods of real quality and some distinction.

These are articles of special interest to wideawake merchants; for they mean large-unit sales at a good profit. Mass market items, on the other hand, will be sold mostly in small units at sharply competitive prices which leave only a narrow margin. Some remarks on this subject in an address last fall by J. J. Thursh, Controller of R. H. Macy & Co., are much to the point:

"The primary problem facing the merchant is how he will be able to maintain sales volume at a level sufficiently high to yield an adequate profit. . . . If past experience is any criterion, the increase will not be sufficient to offset the drop in gross margin per transaction. We are, therefore, left with the other primary means for raising volume—an increase in the average sale, which, in my opinion, will be No. 1 in the post-war era. . . . I visualize some radical changes in the merchant's thinking with respect to what belongs on the main floor and what belongs on the upper floors—in terms of profit."

The answer to this No. 1 problem for department stores, as indicated in the quotation, would seem to consist of promoting specialty lines and departments as complements to the mass market, self-service goods. Specialty goods are quite different, however, in that they have distinctive features which must be properly presented; that is to say, they require skilled and intelligent salesmanship.

Similarly, in most lines of retail trade, particularly women's apparel and home furnishings, we look for a large increase after the war in the number of high-quality specialty shops—stores in which discriminating customers will find both goods and sales service to satisfy them. In these stores there will be much emphasis on ensembles—for instance, on complete outfits for women's wear and on harmonious decoration of rooms. This is a field for superior salesmanship.

We look also for decided gains by 1947 in the amount and grade of outside selling. Home ensembles are best sold by going into the home and advising on pleasing decorative schemes. In somewhat the same way full use and purchase of electric appliances or other home equipment are best sold by inspecting the home and making recommendations based on an actual survey. As to the numerous new products to be introduced after the war, there is no substitute for personal calls by well trained salesmen.

In short, the two opposite trends we have been considering—toward mass marketing and toward individualized selling of new or distinctive goods—will eliminate, on the one hand, much of the low-grade merchandising and selling of pre-war days and, on the other hand, will call forth and give full scope to superior salesmanship in these fields.

III. WHOLESALING IN 1947

The underlying trends and the resultant changes in retailing discussed in the two preceding sections will be the governing factors in the post-war development of wholesale concerns. Hence the treatment of the subject in this section can be brief.

Wholesaling From 1929 to 1939

As is well known, wholesalers taken as a unit have been gradually losing the strategic place they once held in the distributive system. The accompanying table, abstracted from the report of the Census Bureau on **Distribution of Manufacturers' Sales** tells the story.

Per Cent of Mfrs. Distributed Sales Made to—	1929	1935	1939
Own wholesale branches or offices	17.5%	21.7%	23.8%
Retailers for resale	18.0	21.1	19.9
Wholesalers and jobbers	32.8	26.2	26.5
Total business sold wholesale	68.3%	69.0%	70.2%
Industrial users	27.5%	26.4%	25.2%
Own retail stores	2.4	2.3	2.8
Consumers at retail	1.8	2.3	1.8
Total business sold direct	31.7%	31.0%	29.8%

The table makes plain that there was little variation during the decade in the proportions sold wholesale and sold direct. The 6% of total business lost by wholesalers was more than offset by increases in manufacturers' sales through their own branches and to retailers without passing through intermediaries.

The chief losses by wholesalers from 1929 to 1939 occurred in food, apparel, paper, chemicals, and both ferrous and non-ferrous metal products. Sizable gains in wholesalers' percentages of business handled appear in products of petroleum and coal and in transportation equipment, except automobiles.

The main reasons for loss were plainly (1) improved transportation and warehousing which facilitated the functions of manufacturers' branches and (2) the need, as previously explained, of closer contacts by manufacturers of specialties and semi-specialties with retailers of their products.

Because of the war, corresponding figures for later years have not been gathered. However, other census estimates derived from sample returns show that the dollar volume of sales by "service and limited-function wholesalers" in 1942 was 56% higher than in 1939, whereas the dollar volume of retail sales went up only 38%. On its face this might be taken to indicate that wholesalers were handling a larger proportion of manufacturers' sales to retailers. But it would not be safe to draw this conclusion in the absence of information as to the extent of wholesalers' dealings with industries and in some instances with government.

Trades Still Dominated By Wholesalers

It must not be assumed from the overall record cited above that wholesalers in all lines have been losing ground. On the contrary, in some lines of trade they are as dominant as ever. A survey by Dun & Bradstreet, Inc. in 1942 among 2,600 independent stores brought to light the following useful tabulation of percentages of goods bought through wholesalers.

Eating and drinking places	98%
Food stores	95
Automobile accessory dealers	95
General stores (with food)	90
Hardware stores	85
Electrical appliances and supplies	85
Heating and plumbing equipment	85
Drugs	80
Jewelry	75
Variety	75
Dry goods and general mdse. stores	73
Lumber and bldg. materials dealers	55
Family clothing stores	50
Motor vehicle dealers	35
Furniture stores	30
Men's clothing stores	15
Shoe stores	15
Women's wear stores	13

The survey summarizes the factors which work for and against wholesaling service to retailers as follows:

"In such staple lines as food, drugs, heating and plumbing equipment and hardware, a large number of items of relatively small unit value must be offered in a single store. If the retailer attempted to buy each item directly from its manufacturer, it would require an unreasonable amount of time and expense, both for the retailer and the producer.

"On the other hand, manufacturers of specialties generally prefer to market them directly rather than take a chance that a wholesaler might not promote them as vigorously as some competitive product."

The foregoing are the key facts to keep in mind in appraising the post-war outlook for wholesalers.

Minor Losses During the War

In general, wholesalers have come through the trials of the wartime economy with flying colors. Food, drug and dry goods firms are reported to have strengthened their finances and their trade relations. American Institute of Food Distribution comments as to food wholesalers:

"War has brought the following changes that can, with planning, be carried into post-war operations: Demand for better quality; more economical operation by tightening up of territories; minimizing of price-cutting; an improved position for independent merchants (only a relatively small percentage have fallen by the way)."

Even specialty distributors, whose lines were eliminated by conversion of factories to war production, have fared much better than was expected. J. J. Nance, vice president of Zenith Radio Corporation, is quoted to the following effect:

"While Zenith went into the war with 76 distributors, of which they hoped to salvage half, only one has thus far gone out of business and the others not only show every indication of weathering the war, but most are actually making money."

On the other hand, General Electric Company has recently announced a decision to set up factory distribution branches and wholesale outlets in New York, Philadelphia, and Los Angeles. The new branches will act as wholesalers of household refrigerators, ranges, water heaters, home laundry equipment, dishwashers, disposalls, and kitchen cabinet equipment. It was stated, however, that the company does not regard the move as a general policy and does not believe many of its 115 distributors of major appliances will be affected.

An interesting remark attributed to an unnamed official of GE is that "the war has given the company an opportunity to review its distributive set-up and to prepare for keen post-war competition in the home appliance field."

Prospective Post-War Changes

One retarding factor in manufacturers' plans for wholesaling through their own branches, wherever such plans are being considered, is the dearth of competent salesmen. **Business Week** has estimated a loss of 25% of manufacturers' sales personnel. A report of a convention last fall of the Grocery Manufacturers of America states that in the course of discussion of manpower it developed that sales forces in this industry had been reduced to 40 to 50% of the staffs employed in 1941. Manufacturers' representatives will no doubt be replaced, but it will take considerable time to find and train their successors.

In view of this state of unreadiness on the part of many manufacturers to assume the functions of their wholesale distributors, coupled with the anticipated post-war increase in numbers of new retailers and the probable rapid expansion of sales of durable consumers' goods, our expectation is that most wholesalers will be doing a larger business in 1947 than they did before the war.

Whether they can hold their gains over a longer period is a different question. The same forces which caused their decline in 1929-39 will be in full operation. In fact, they will be reinforced by the great expansion and improvement of air transportation which is sure to come.

Looking farther ahead, therefore, the probability is that wholesaling will gradually shrink to the few lines in which numerous items from many producers have to be assembled and warehoused for the benefit of small retailers. In other lines manufacturers will tend more and more to do their own wholesaling. But this is not a likely development of the first two or three years after war's end.

IV. WILL DISTRIBUTION COSTS BE LOWERED?

The question at the head of this section is constantly discussed with great fluency and very slight attention to facts. One hears again and again that the over-all cost of selling consumers' goods is 59% (a highly doubtful figure) and that it must and shall be reduced. How this is to be accomplished is usually slurred over as an unimportant detail.

The Question at Issue

There can be no disagreement with the proposition that many individual companies have permitted wasteful sales expense to pile up. Neglect to analyze territories in relation to sales opportunities and costs; over-solicitation of small or unpromising accounts; inadequate training and supervision of sales forces; failure to develop efficient sales tools and methods: these are some of the common weaknesses that might be profitably remedied.

Progressive managements in all lines of business are right now capitalizing the wartime disruption of their sales organizations by formulatng definite plans for rebuilding on a sounder basis. They will enter the post-war period well prepared to enlarge their sales and cut their ratios of sales costs. Should we not conclude, then, that distribution costs as a whole are bound to fall?

No, the question before us is too complex to be answered by citing isolated cases, which may mean only that one company is going to forge ahead of competitors. The answer must take into account **the entire range of business enterprises,** some of them ably managed and some not so good; and it must also taken into account **the entire range of consumers' desires** and their responses to sales stimuli. To make the question more explicit let us put it this way: Will distribution in the post-war economy take a larger or smaller proportion of the total energy devoted to producing and selling goods?

Distribution Costs Before the War

The Federal Trade Commission has given out in recent months a series of reports on "Methods and Costs of Distribution" which throw some flickering light on the problem. Unfortunately, the main date available to the Commission consisted of profit-and-loss statements in their files or collected from cooperating manufacturers, wholesalers and retailers, supplemented by income reports to the Bureau of Internal Revenue. These are far from satisfactory sources of information as to the true costs of distributing specific types of commodities—which was the purpose of the inquiry.

To illustrate the point, certain Trade Ways surveys for the confidential use of client companies have revealed extraordinary variations in the actual wholesale costs of serving different types of retailers and in the actual selling costs, both at wholesale and at retail, of stocking and handling different types of goods. In ledger accounts such variations are lumped and buried. The only way to ascertain distribution costs of specific products with any approach to accuracy is through an adaptation of the established methods for ascertaining factory costs—that is, by checking in selected sample operations the

*SOME AVERAGE COSTS OF DISTRIBUTION OF MANUFACTURED GOODS
(Expressed in percentages of prices paid by ultimate purchasers)

	Building Lumber	†Automobiles	‡Tires	Household Electric Appliances	§Farm Implements
Cost of production	40.7%	59.1%	49.9%	39.9%	52.0%
Transportation	9.3	8.3	2.1	--	2.6
¶Producer's com'l. expense	6.0	2.9	13.3	10.1	11.9
Producer's profit	4.9	3.8	3.2	4.6	12.3
Wholesaler's expense	11.7	--	--	12.7	--
Wholesaler's profit	0.8	--	--	1.1	--
Retailer's expense	25.8	20.9	26.8	30.5	18.5
Retailer's profit	0.8	1.1	1.0	1.1	2.7
**Miscellaneous	--	3.9	3.7	--	--
Ultimate purchase prices	100.0%	100.0%	100.0%	100.0%	100.0%

*Abstracted from a series of reports by the Federal Trade Commission in 1943-44 on "Methods and Costs of Distribution." The figures are for 1939 except where otherwise specified. These are very rough averages derived from financial statements not from cost records. †Based on a small sample of direct-to-dealer sales, apparently in 1937. ‡Our inferences from various unintegrated estimates of direct-to-dealer sales. §In 1936 direct to dealer. ¶In most cases includes administrative expense. **Includes excise and sales taxes and cooperative advertising allowances as to automobiles and percentage unaccounted for as to tires.

Source: Federal Trade Commission reports.

(Continued on page 1938)

The Soul Of America

(Continued from first page)

Conaughy of Wesleyan University wrote: 'We are today witnessing the twilight of the four year liberal arts college.' And now the Army is in the process of producing the twilight by closing the doors of hundreds of colleges on the ground that they have no utility in helping win the war, and members of the General Staff have even declared their belief that liberal arts colleges have no peacetime value either.

"The three causes of decay of the college which I should like to explore today may be called, the fragmentation of the curriculum, intellectualism and social irresponsibility. By fragmentation of the curriculum I mean its breaking down into such minute fragments that it has lost the core of its meaningfulness to students and to the American public.

"By intellectualism I mean the conviction of a substantial majority of American educators that the responsibility of education is merely the intellectual training of students rather than their education as a whole people, that, in brief, the college is a mind factory and nothing more. By social irresponsibility I mean the irresponsibility of large numbers of faculty members and students alike for the protection and development of our basic American institutions.

"The fragmentation of the curriculum was probably unavoidable because of the tremendous expansion of knowledge that the last century has produced. Disastrous results, however, have followed. Thus, for example, the student going through college today is given a basketful of fragments, and the old synthesis and over-all understanding of the world in which he lives has disappeared. He can't make any sense out of the curriculum. He merely takes courses, and when he has accumulated enough course credits in the college bookkeeping system he is given a degree. In the broad sense of a century ago he is but a pale imitation of an educated man.

"This kind of breaking down of subjects into smaller and smaller compartments is eminently desirable for research purposes, but it is ruinous for educational purposes. Nicholas Murray Butler a few years ago, for example, observed that 'the notion that intensive and very accurate knowledge of a narrow field and nothing more can constitute a liberally educated man is a grotesque absurdity. . . . Not narrow men, however keen, but broad men sharpened to a point are the ideal product of a sound system of school and college education.' Mr. Justice Holmes has written to the same effect. 'If a man is to be a specialist,' he observed, 'it is most desirable that he should also be civilized.'

"In this same vein a number of business leaders have also been asserting themselves. Six years ago, for example, Mr. A. R. Glancy, Vice-President of General Motors, observed in a speech at Lehigh University that 'the man with the broadest culture has the advantage over the one less equipped.' Mr. M. S. Sloan, then President of the Brooklyn Edison Co., said on the same occasion, 'the utilities want technical graduates who aren't all technical; they want men with imagination and the ability to learn and to think.'

"The ten thousand Americans who between 1850 and 1914 returned from Europe with German Ph.D's brought back with them something else besides preeminent skill as specialists. They brought intellectualism, and they saddled it upon the American college. German universities, after the crushing defeat that Napolean administered to their fatherland early in the century, threw overboard all interest in students as

(Continued on page 1937)

More Dealers See NASD Mark-Up Rule Stifling Small Business

(Continued from page 1915)

probably stabilize values for more obscure stocks, in that it will force the brokers into position trading and so place their profit mark-up on a basis of a "hazard transaction."

During the 1920s, one of the greatest hazards that the dealer had was position trading, in that he inevitably had high inventories during periods of market decline. I believe that those in the business have tried to abandon and get away from the necessity of carrying inventories, not only because of the hazard to themselves, but the hazard to investors, through a very human desire to get rid of inventories without loss in falling markets.

It is the unfortunate experience of investors that during the 1920s, when position trading and selling from inventory was the rule, that the investor held the bag to as large an extent as it was possible for the dealer to pass the bag to him. A further bad effect was that a smart purchaser recognized weak issues, with the result that it was the dumb investor or the trusting investor who was sold down the river. Of course, those in the business should be smart enough to know that it will ultimately cost them a greater loss to pass inventory losses on to their clients than if they took them themselves, entirely apart from the ethical reasons. There is a little matter of human nature, however, which it is our belief will tend to cause trouble when brokers are forced back into selling from inventories.

Some years ago we were members of the "Investment Bankers Association of America." We resigned our membership because Mr. Little of that organization summed up the basic function of members as being "to find capital for worthy enterprises," whereas our belief is that our function is to find worthy enterprise for the capital we represent. We believe that this difference is basic and that a separation should be made between those institutions finding capital for worthy enterprise and those finding worthy enterprise for capital.

To illustrate my point, and using figures which are entirely from memory, some time ago the SEC published figures to the effect that the average profit from underwriting new issues of stocks had been, for the preceding period, 13 and a fraction percent. Those companies who set out to find capital for worthy enterprise averaged 13 and a fraction per cent profit, whereas we who find worthy enterprise for the capital we represent are limited to 5% and, even then, if it is our opinion that a New York listed stock is the best issue for the capital we represent, we can then only take 3%.

As you can see from this memorandum, we are not worried by the "5% rule." We know from experience that 5% is sufficient profit to enable us to live. Our objection to the rule is largely twofold. One, we believe that it will force many firms to position issues, with the resultant danger both to the dealer and his client. Two, we are jealous of the fact that those persons who represent the seller of securities are allowed a greater profit than are we who represent the buyer of securities.

NEW YORK CITY
(From firm favoring rule)

None.

NEW YORK CITY

It will hurt the market of small corporation securities and make it harder for them to obtain financial backing compared to large corporations.

The small investor will be neglected also because it will prevent firms from following small accounts. It costs just as much to "clear" a $500 order as a $10,000 order.

NEW YORK CITY

Destroy any market in closely held or inactive securities.

NEW YORK CITY

Further limit the markets and interest in such issues.

NEW YORK CITY

The only effect this will have on the security business as a whole will be to eliminate the flotation of companies which will have to be priced at a low figure as there can be no after market or distribution.

NEW YORK CITY

In a free economy competition should set the price. Misrepretation can be handled by the judicial system.

PORTLAND, MAINE
(From firm favoring rule)

We consider this a policy rather than a rule, and we think the adoption of this policy should be helpful. We have been dealing successfully in such securities for 16 years with a retail mark-up of much less than 5%, and carrying an inventory risk at the same time.

NEW YORK CITY

This rule affords me no inducement or profit motive in such distribution or offering; therefore, I will not interest myself in any offering regardless of the merit of the corporation.

NEW YORK CITY

The only market, excepting isolated instances, will be RFC or some other Federal Agency. This would apply also to securities of larger corporations if the Department of Justice, with SEC concurring, rules against NASD syndicate price restrictions. The only other way out for large, and perhaps some small corporations, would be the organization by each corporation of its own security marketing department and sales force where the dealers and salesmen might get a job. This would, I believe, please the present administration.

NEW YORK CITY

Ruin them and take away any and all interest in them.

NEW YORK CITY

In our opinion, this would merely prove another rule in restraint of trade. No individual and no group have enough wisdom to determine what per cent represents a fair profit. There is no magic in 5%. Perhaps it should be 3%; perhaps it should be 10%. Who knows? And even if by accident the proper percentage were determined, then who is to say how long that figure would remain the correct figure? Conditions change and with them the required margin of profit changes.

Too low a limit would mean that some securities become wholly unmarketable; too high a limit would encourage chiselers to charge more than they should and, moreover, too look a limit would be bound to result in bootlegging followed by all the expensive and ineffectual policing which always results in such a situation.

NEW YORK CITY

A noxious effect, because no dealer can afford to spend money on the promotion of anything which lacks a broad market.

Nobody will be able to employ agents or salesmen in cases where 5% will not cover all the expense involved. It should be at least 10% on all but the really "active" securities.

NEW YORK CITY
(From firm favoring rule)

We feel the arbitrary manner in which the rule was put into effect is the whole difficulty.

NEW YORK CITY

If retained there just "won't be any market" for them.

NEW YORK CITY

It is the retailer and dealer who in the final analysis makes or breaks a good, lively secondary market, once the original underwriting and distribution job has been completed.

Most new issues of smaller corporations are brought out originally at price levels from $2 to $5 per share. A gross mark-up of 5% in this price class would mean 10 cents to 25 cents. Taking into consideration the cost of tax stamps ranging from 3.05 cents to 8 cents per share, including N. Y. tax, not to mention clearance charges, wire expense and general overhead, it can be clearly foreseen that a retailer or dealer would have little, if any, interest to handle these securities. Nobody in the long run can afford to do business at no profit or for an inadequate return.

Leaving the dealer's interest entirely aside—how can the investing public be served by a rule tending to ultimately dry up secondary markets, thus impairing their ability to liquidate holdings purchased through an original offering or, as the case may be, add on to them? How can a security be seasoned enough in order to find its way eventually into the listed auction markets of the Exchanges without the existence of a free, orderly and—last, but not least—profitable secondary dealers' market.

NEW YORK CITY

I disapprove of the rule because of the autocratic and undemocratic manner in which it was imposed upon the membership. Furthermore, I do not approve of the philosophy of minimum profits imposed by an association or by a Congressional commission. A 5% profit would increase my earnings considerably, but for some it would undoubtedly restrict their earnings and lower the quantity of the service given to many investors in this country. It would restrict the marketability of securities of small corporations.

I have never heard anybody ever say anything good about the NASD. John L. Lewis could not have organized a better union to favor those in control and the selfish interests of the large security firms. Most firms are members because they had to join to either do business or put up a front.

NEW YORK CITY

Make it difficult and unprofitable to distribute over-the-counter securities through the small brokers and dealers.

NEW YORK CITY

Bad.

PITTSBURGH, PA.
(From firm favoring rule)

No opinion thought out.

NEW YORK CITY

Ultimately their absolute destruction.

BUFFALO, N. Y.

I feel 5% limit is liberal in most cases, but I think there are cases such as newly formed companies or a speculative deal—5% would not pay for the work in making a market for the securities.

A SMALL UPSTATE NEW YORK TOWN

It will stop the sale.

ALBANY, N. Y.

It will greatly decrease the marketability by very largely curtailing business and driving many dealers out of business—which, very apparently, is the object of the NASD and SEC. NASD dealers is a misnomer as it is controlled and strangled by Stock Exchange brokers—witness the officers—and the arbitrariness and uncalled for abuse of small dealers. The S. E. firms still refusing to pay any commission on business brought to them (without expense) by O. C. dealers—too greedy, too.

ALBANY, N. Y.

We believe it will retard distribution of securities of smaller corporations. Our business has always been getting out among investors—using up gas, tires, etc., or wearing out shoe leather. In our opinion, it was a mistake to ever admit Stock Exchange firms to membership in the NASD. Stock Exchange firms do not have to solicit business as a rule. They post prices on a blackboard and the customers are continually buying and selling—speculation. We, NASDs, must carry our message to the investor—many times at an actual loss—and sometimes at very little profit.

NEW YORK CITY
(From firm favoring rule)

Should improve it.

LOS ANGELES, CALIF.

Will affect it adversely.

PASADENA, CALIF.

In our opinion, this rule will definitely affect the marketability of the securities of small corporations and could very well eliminate them from the picture entirely.

SAN FRANCISCO, CALIF.

Not so good.

SAN FRANCISCO, CALIF.

There will be "no bid" and the "little fellow" will be penalized.

DENVER, COLO.

It will be ruinous in our opinion.

HARTFORD, CONN.
(From firm favoring rule)

Speaking as one small dealer, I confidentially feel that a continuation of the policy will not only have no unfavorable effect upon our business but that the industry, as a whole, will profit thereby.

A SMALL COLORADO TOWN

Prohibitive.

CINCINNATI, OHIO

It will curtail their market considerably.

A SMALL OHIO TOWN

In our opinion, the 5% mark-up rule will make the interest in the market of small companies even more narrow than at present. It should be eliminated.

YOUNGSTOWN, OHIO

It will kill it.

EASTON, PA.

It will ruin the markets. Stockholders will be at the mercy of small cliques of insiders of corporations who will make their own prices. Lawyers, real estate dealers and black market operators will create chaos.

I believe it is not necessary for individuals who can pick up blocks of local securities to have a license to resell them locally at any price they choose. This is already being done around this section.

Thanks for your fearless fight for the small dealer. I would be perfectly willing to contribute to any fund necessary to fight the thing through. I know other dealers would do the same.

NEW YORK CITY
(From firm favoring rule)

None.

PHILADELPHIA, PA.

Bad.

NEW YORK CITY

Discrimination on small dealers. Star-chamber proceedings to eliminate the small dealer who is not dependent on large firms.

Closing up of small dealers out of town, putting business in a few big hands and then a big harvest for them resulting in little distribution and a form of monopoly. We should all resign from NASD immediately. A militant protest will do good—alone we can do nothing but suffer. I can take it.

NEW YORK CITY

The greatest hardship is on the sale of stocks selling under $20. This is economically disastrous when it is realized that stocks of small growing companies and new venture capital companies are invariably in this price range.

NEW YORK CITY

It will obviously make for non-liquidity. In the interest of prospective security purchases this rule is hurting all present security holders.

It is the third attempt to force the small dealer out of business—the first was the NRA code, the second was the minimum capital requirement.

NEW YORK CITY
(From firm favoring rule)

None.

CHICAGO, ILL.

A merchant, irrespective of the merchandise he is handling, would be considered a poor businessman if he devoted his time in selling, as well as his money in advertising an article on which he did not receive a fair compensation in return.

Smaller corporations would be penalized to a great extent in this connection.

CHICAGO, ILL.

The cost of distributing inactive issues of small corporations is proportionately higher than that involved in large issues of nationally known companies. Sales resistance is consequently considerably more severe and salesmen must be compensated accordingly in making sales and obtaining capital to promote the growth of small companies. Therefore, an arbitrary limit of 5% mark-up may well be the means of closing capital markets to many small growing corporations because of an inadequate compensation to salesmen who have always been the means of procuring such needed capital in the past.

CHICAGO, ILL.

We believe it will practically eliminate the market for securities of smaller corporations and also put out of business most of the smaller dealers throughout the country. Our rent was increased 10% beginning May 1, postage is being increased, telephone calls and stenographic help, stationery and, in fact, everything. Our small firm was incorporated in 1923, but I don't see how we can continue under the 5% deal. One member is in the armed forces and has been for two years fighting for our country and we two who are left at home are fighting for our existence and right to do business. I am not signing this letter for fear of reprisals if it should fall into the hands of the ——?

Can the NASD be forced to put the thing to a vote of the membership in accordance with the by-laws? It seems our only hope is a Republican victory in November; then legislation to do away with NASD and curb the powers of SEC. You are to be commended for your courageous fight on behalf of dealers.

NEW YORK CITY

Ruinous.

NEW YORK CITY

Restrict market.

NEW YORK CITY
(From firm favoring rule)

I don't know.

NEW YORK CITY

Will widen the spread between the bid and asked prices and will almost eliminate small companies from the market.

NEW YORK CITY

Adverse.

NEW YORK CITY

Have no opinion on this but don't think it will help. It should be adverse.

CLEVELAND, OHIO

A very serious effect. It will make it difficult for small companies to expand through financing. It will also make their stocks inactive over the market and thus reduce their popularity.

CLEVELAND, OHIO

We shareholders will be at the mercy of the corporation.

NEW YORK CITY
(From firm favoring rule)

None—business will go into stronger hands and public benefited, I believe.

CLEVELAND, OHIO

In our opinion it will restrict the financing of corporations, particularly the smaller ones. Competition will regulate the profit in most cases, but in order to create a market for issues under $1,000,000 a spread of 5% if insufficient after the original offering.

CLEVELAND, OHIO

Will kill all local markets of small unlisted companies.

ZANESVILLE, OHIO

We feel that it will seriously interfere with the market for the securities of the small corporations and that it will gradually put them out of business.

CINCINNATI, OHIO

Destroy what little market they now enjoy.

CINCINNATI, OHIO

Why limit it to the smaller corporations?

DES MOINES, IOWA
(From firm favoring rule)

Think it should benefit it.

CINCINNATI, OHIO

The effect will be very bad as no dealers will be interested unless the profits are large enough.

CINCINNATI, OHIO

The securities of small corporations can not be marketed except in exceptional extraneous cases on a 5% limit basis. Therefore, the small corporation would be overlooked and there would then be a centralization of activities in large corporations.

CINCINNATI, OHIO

Eventual chaos.

DAYTON, OHIO

We believe it will be quite a handicap.

DAYTON, OHIO

Will affect smaller corporations more than larger corporations for the reason that smaller corporations have less stock outstanding and, consequently, fewer transactions. It is harder to sell and requires more selling because fewer people are familiar with the smaller companies. In looking back over the 25 years which I personally have spent in this business, I do not thing the amount of spread either on new issues or issues traded in the market has been important to the purchasers.

CINCINNATI, OHIO
(From firm favoring rule)

Not serious; they will still continue to find a market through dealers who will handle them on a 5% spread.

NEW YORK CITY

Will force the business into the hands of the large dealers who will not give the small corporations the necessary attention.

The real protection of the public is the small dealer. The record of the larger houses proves this. The small dealer is necessary for the small buyer who will get the run-around from the large dealer, the preference going to the large customer.

NEW YORK CITY

I believe this arbitrary rule, like so many pieces of new legislation, is stifling to a great many small dealers. The writer is not personally affected by it, but he does not want to see the initiative and enterprise of hard working, honest dealers permitted to wither and die.

Circumstances play an important part in all business deals which a rule-of-thumb code ignores. A dealer usually attracts business because of the reputation he has gained through satisfactory dealings with his clients. If he betrays confidence or grossly over charges, he is doomed from the day he over steps the mark.

NEW YORK CITY

The same as New Deal regulations. Drive the small man out of business in favor of the large.

NEW YORK CITY

NASD seems out to kill the little Guy and I resent it.

NEW YORK CITY

It would be ruinous. As it is, it has adversely affected retail business to a marked extent, particularly in the sale of low priced securities. Salesmen cannot afford to sell low priced stocks on a small mark-up. After taxes and overhead the investment firm may have a loss after paying commission to salesmen. This will do unmeasurable harm to the low priced field.

NEW YORK CITY

Decidedly detrimental.

NEW YORK CITY

Securities of small companies cannot be underwritten on a 5% basis. While registered offerings will not be directly affected by this rule, indirectly they will be affected adversely. Fixing the 5% figure in the mind of the public will make it very difficult to sell a security whose prospectus shows a higher spread between cost and selling price.

The Soul Of America

(Continued from page 1936)

individuals. They sought to raise a race of intellectual supermen, and they consciously concentrated all their energies upon the minds of students. What a student did between the time he matriculated and the time he took his examinations, no one in German universities knew or cared. Where he lived, the condition of his health, his social life, his physical and spiritual growth—these were of no interest to the German academic authorities. They considered their job to be the training of superior minds and they conducted their universities as if nothing else counted. This is the doctrine of intellectualism.

"Anyone who stops to think seriously about intellectualism in terms of American life is forced to discard it immediately. Of course the public supports colleges and universities to give each on-coming generation intellectual training, but parents, employers and society at large require a very great deal more. They require that students shall also be educated socially, physically, morally, and spiritually. They require them to be graduated not as automatic thinking machines but as upright, fine people and responsible, worthy citizens.

"Because American college students along wtih other young Americans have risen with nobility to meet the challenge of totalitarianism, one cannot today call them socially irresponsible. That large numbers of them were just that before the war broke out, however, is common knowledge.

"Both because of the fragmentatary-intellectualism and social irresponsibility of so many of their college teachers and also because of the spiritual shabbiness of our self-centered American materialism, vast numbers of them grew up with little interest in anything but their personal fortunes and the comfort of their small circle of family and friends. Those with zeal for the public weal were few. Those with a burning devotion to the improvement of American life were rare. The hunt for personal security pushed the responsibilities of citizenship into the background shadows.

"Unquestionably the impact of the war upon our youth has already brought many of them to a new understanding of the responsibilities that we Americans must shoulder if our world is not to come tumbling down about our feet. The war has produced a new leaven. Whether it will be adequate to the huge lumps of dough that must be made into the bread of a finer life remains to be seen. Of this much we can, I think, be certain; the American college must become equal to the new day into which we are now entering.

"This means that the college must be rejuvenated. To accomplish such a rejuvenation requires at least three fundamental changes in college practice: first the substitution in place of intellectualism of emphasis upon education for broad, purposeful citizenship; second, the abandonment during the period of this citizenship education of the fragmentary curriculum, and third, the convincing of the American people that a rejuvenated college is of primary importance for the continuance of the American way of life.

"We are fighting a war to protect a civilization, a tradition of equality, a heritage of freedom. In winning the war we need large numbers of men and women who are developed as specialists, but when victory comes we shall not be able to maintain our American institutions if we allow our young men and women to be undereducated in their deep understanding of the sources of our national spirit and in their dedication to carry on the American experiment in democratic living."

An Analysis Post-War Trade And Business Prospects

(Continued from page 1935)

selling time, shelf space, promotional activities, and so on, devoted to the products and allocating charges accordingly. The usual effect is to open the eyes of wholesalers and retailers to profit possibilities in items previously neglected.

These remarks are not meant to imply criticism of the Federal Trade Commission reports, which are no doubt prepared within strict budget limitations. It is necessary, however, to warn our subscribers that the percentages picked up from the reports and set forth in the preceding table are not to be relied upon. We present them only because they are the best to be had from published documents and give a general idea of relative costs of production and distribution of selected classes of products.

Only two of the five classes of products represented in the table show distribution costs as high as 59%, or slightly more, of ultimate purchase prices. Yet they are all exceptionally expensive to handle and sell.

When it comes to foods, the Commission is able to draw upon the findings of its own Agricultural Income Inquiry, 1938, which supply the percentages in the table below.

The three examples are enough to demonstrate the wide variations among ready-to-consume farm products, depending on such factors as perishability, bulk, steadiness of market demand, and the like. A large portion of what is customarily treated as cost of distribution of such products would be better classified under cost of producing the finished goods. Wholesale and retail margins in themselves do not look excessive.

PRODUCTION AND DISTRIBUTION COSTS OF SELECTED FRUITS & VEGETABLES
(Expressed in percentages of ultimate purchase prices)

	California Oranges	Eastern Shore New Potatoes	Florida Cabbage
Proceeds to grower	*36.7%	†53.9%	‡11.3%
Packing, loading, storage, etc.	9.0	9.8	15.0
Transportation	21.8	13.9	27.4
Wholesale distributors' margin	2.6	3.7	6.1
Chain store retail margin	29.9	18.7	40.2
Ultimate purchase prices	100.0%	100.0%	100.0%

*At receiving doors of packing house. †At loading point not packed or loaded ‡Standing in the field.
Source: Federal Trade Commission reports.

Over-All Costs of Distribution Have Been Fairly Uniform

In sharp contrast with variations among commodities in respect to distributive costs is the record over-all costs from 1909 to 1939, inclusive, charted in Figure 3. The percentages diagrammed represent ratios of ultimate purchasers' prices required to cover (a) transportation from point of output to the initial distributors of the commodities (b) wholesalers' margins and (c) retailers' margins. They refer only to consumption goods and they do not cover producers' selling costs.

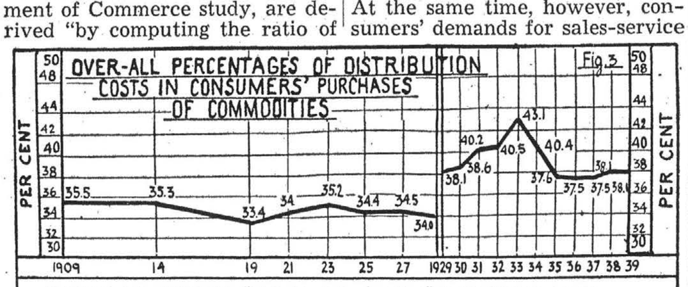
The percentages for 1909 to 1929, taken from Lough's "High-Level Consumption," are derived from a study of standard markups plus allowances for transportation. The percentages from 1929 to 1939, taken from a Department of Commerce study, are derived "by computing the ratio of operating expenses (of wholesalers and retailers) to total net sales and making an appropriate allowance for profit or loss"; transportation costs are then added. The differences in procedure have resulted in estimates for 1929 of 34% by Lough and 38.1% by Commerce, a discrepancy of about 4%, as shown in Figure 3. It may be noted that another estimate for the same year by Twentieth Century Fund yields 32% without transportation, which Commerce places at 4%, making the corresponding total 33%. The three estimates, in short, are fairly close.

What is more important, each of the two estimates for a period of years plotted in Figure 3 displays a strong tendency toward uniformity throughout the period. This is in spite of extensive changes within each period in the kinds of goods purchased, in the distribution system and in economic conditions. Between 1909 and 1929 the country went through a great war and subsequent inflation, depression and "new era" of prosperity; furthermore, the automobile was popularized, and living habits considerably altered. Between 1929 and 1939 we endured our worst economic catastrophe, which greatly modified the amount and character of consumers' purchases. Yet through it all distribution costs held to a fairly even course.

A partial explanation is that within each line of business wholesale and retail margins are firmly fixed by trade customs. But this is not a sufficient explanation for periods when large volumes of consumers' purchases are shifting from one line to another. We must dig a little deeper.

One factor which maintains a high average of distribution costs in slack times is the fact that a larger proportion of consumers' expenditures are then devoted to purchases of farm products, bakery goods and clothing, all of which require relatively wide margins. Note the slight rise in the curve (Figure 3) in 1921-23 and the steeper rise in 1931-33.

In good times, on the other hand, a larger proportion of expenditures go to durables, most of which also carry wide margins for wholesalers and retailers; but they represent at the top not more than 12% of total expenditures. Their effect is offset by greater gains in such low-margin goods as printed materials, fuels, and automobiles, gasoline and automotive accessories. In general, sales are more easily made. At the same time, however, consumers' demands for sales-service of all kinds become stronger.



Sources: For 1909-1929, "High-Level Consumption" by William H. Lough; for 1929-1939, "Distributive Costs of Consumption Commodities" by Bruce M. Fowler and William H. Shaw in Survey of Current Business, July 1942. The two series are not strictly comparable and cannot be linked.

FIGURE 3

Plainly these opposing tendencies for the most part counteract each other year after year. From 1909 to 1929 a downward trend in over-all costs of distribution is faintly discernible. The percentages for 1929 and for 1939, however, are precisely equal.

After the War: No Radical Changes

The 31-year record just cited lends no perceptible encouragement to the idea that costs of distribution are likely to be lowered after the war. After all, the idea is not novel. It has been under discussion for at least three decades and probably much longer.

In 1921, for instance, a Joint Commission of Agricultural Inquiry, made up of ten distinguished members of the House and Senate, conducted a thorough study of distribution costs covering not only farm products but various other commodities. Their report is the best balanced and most intelligent treatment of the subject yet issued, in our opinion; and it would need only slight revision to make it applicable to the present and to the post-war future. The following extracts indicate the Commission's thinking. (The boldface is ours.)

"New agencies, new methods and new expenditures have been added by individual manufacturers from time to time to maintain a continuous flow of goods through the channels of distribution, and their efforts have been duplicated by the manufacturers of competing goods. These competitive practices of distribution have created a burden from which manufacturers would be glad to be relieved. It is the belief of the Commission that manufacturers and other distributive agencies must find relief **by securing better knowledge of the consuming capacity of markets and adapting their distributive policies more definitely to the needs of the consumer.**"

"With the development of strenuous competition, the manufacturers developed special sales organizations to call upon retail dealers and interest them in new products or to urge them to buy in larger volume products that they were then handling. Under these conditions **the wholesaler ceased to be a market creator** and relied upon manufacturers to create demand and secure orders which they would fill and distribute."

"To attract additional trade, retailers devised new services, greater conveniences, and adopted new selling methods. All of these activities tended to create a greater volume of business and established new merchandising standards, **but they also added new expenses in the operation of business.**"

"Out of the spread between the producer and the consumer **compensation for all of these people must be found,** and this brings the American public face to face with the problem of devising a less expensive and more efficient system of distributing the absolute essentials — food, clothing, shelter, and fuel."

"**Legislative panaceas cannot be effective** in improving a situation brought about by the interplay of so many varied and complex factors. The cost of distribution can be reduced by a better understanding of the elements which compose it."

In the 23 years since the date of the report, marketing research has grown to a stature which makes it an important contributor to the "better knowledge" called for by the Commission; and chain stores have provided to a great extent the "less expensive and more efficient system of distributing the absolute essentials." But these improvements have been counteracted by more and more strenuous competition for public favor. The net result is a standoff — over-all costs of distribution held in balance, as we have seen, on about the same level.

Anyone who reads the foregoing extracts thoughtfully must be struck, we believe, by the stubborn continuity of the factors that govern costs of distribution. And he can scarcely avoid the inference that they will go right on working in post-war years.

Our distribution system will remain substantially the same. No one is proposing, so far as we know, or could successfully enforce even moderate cuts in long-established wholesale and retail margins. Efficiency in merchandising and selling, to be sure, may be raised here and there; but consumers' resistance to alterations in living and buying habits and their demands for sales services will remain as strong as ever and will effectually block any marked alterations in present practices. The sensible conclusion, we submit, is that nothing more than isolated and very moderate changes are to be anticipated.

Manufacturers' Outgo Will Rise

The record of over-all costs in Figure 3 and the discussion immediately preceding have been restricted to the costs of transporting, wholesaling and retailing consumers' goods **after they pass out of producers' hands.** Our conclusion that such costs will remain as they are is quite consistent with a judgment that **manufacturers** will find it necessary to increase their ratios of selling expense.

Unfortunately, this judgment cannot be tested by factual evidence; for comprehensive data have never been gathered. It is wholly a deduction from the following premises:

Productive capacity in nearly all industries has been so greatly expanded that selling efforts will have to be stepped up.

New products in large numbers are waiting to be introduced, always an expensive process.

Enlarged consumption implies a great growth of optional purchasing of goods which are far above the range of people's elemental wants; their desires must be vigorously cultivated and stimulated if total consumption is to come anywhere near the national capacity to produce consumers' commodities and services.

Rebuilding distributive and selling organizations will require both time and considerable money for selection and development of new outlets and new salesmen.

Supplier-retailer relationships, as pointed out in Section II, seem certain to be much closer—necessarily involving the added expense of more contacts with dealers.

An argument to the contrary might be based upon the notable failure of advertising revenue (most of which comes from manufacturers) to keep pace with the rapid growth of national income and of retail sales from 1940 to the end of 1942. But this is explainable in large part by the diversion of production to munitions and by the consequent dearth of new products and product improvements. Advertising without news value may be effective for convenience items, but does not work so well for higher-priced goods. In any case, the conditions which limited advertising in those years seem most unlikely to prevail after the war.

As to other classes of selling expense, it appears self-evident that the five factors listed above will make increases by most manufacturers of consumption goods vital to survival, not to speak of growth.

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.

Says SEC Regulations Burden Small Business

(Continued from page 1916)

to, that the budget is balanced, that taxes are not unnecessarily onerous, and by repudiation of the idea that it makes no difference how big the public debt gets.

"There are two kinds of money every business needs — working capital and investment capital. I have talked to a number of people who had experience with the small loans operations of the Federal Reserve Banks and experience with ordinary banking operations and I get the definite impression from them that so far as working capital is concerned, the small firm has no greater difficulty than a firm of any other size where it has anything worthwhile to loan on.

"My banking friends tell me that when loan requests from small units are rejected, it is generally owing to the fact that these units have already over-extended their credit. The problem of such a small concern is to get some kind of a financial budget which will permit its finances to be put in good shape and not to keep on adding to its debts.

"So far as investment capital is concerned, smaller companies do have more of a problem than larger companies. In the first place, already established larger companies have an operating experience upon which to seek to float either bond issues or equity security issues, and in the second place, so far as new business enterprises are concerned, the smaller company usually involves a larger amount of risk, and this necessitates finding one or more individuals with capital funds who are willing to undertake the risk.

"As companies get a little bigger, but still not into the very large class, they may wish to issue securities, but experience under the present Securities Acts demonstrates that the cost of getting out a small-size security issue is much greater in proportion than the cost of a larger security issue. The question, then, is as to how we can make it more possible for a smaller size company to secure funds necessary for establishment and expansion.

"It may be that amendments to the Securities Acts will prove helpful in this connection, but the primary source of increased funds for the establishment and expansion of small businesses must come from making it more attractive for people with money to invest in such operations to do so. This means, in our judgment, that there must be substantial reform in the present tax system.

"There are two other points to which I call attention, but as to which I make no specific suggestions. First, is to the 5% profit limitation idea announced in October, 1943, by the National Association of Securities Dealers and strongly criticised by the New York Securities Dealers Association. It is maintained that this profit limitation rule will drive out of business the small dealers who market semi-speculative issues, that is, the class of issue which to the knowledge of the purchaser involves taking a risk. It is maintained that if the small dealers are forced out of existence, it will be difficult, if not impossible, for smaller companies to obtain funds from security issues, and that this lack of funds will prevent many workers from having jobs. This is not a field in which I feel competent to express a definite opinion, but I suggest it as one which merits some investigation by this Committee."

Governor Bricker Gives Views On Post-War Foreign Policy

(Continued from page 1915)

for a firsthand report on that subject.

As I said last night, I don't know any better way to handle this than to take a list of nine questions which a group of Republican leaders in Missouri presented to Mr. Wendell Willkie several months ago. Mr. Willkie said at that time the questions were so ambiguous as to defy understanding and they bore no relationship to reality. I can't say that I agree with him. I think they are very blunt and pointed questions, and I should like to put them to you, Governor Bricker, with the understanding, of course, that you can plead the same excuse that Mr. Willkie pled on any or all of them. Is that all right with you, sir?

Governor Bricker: It is perfectly all right, Fulton. I want you to ask anything that you see fit to ask.

Mr. Lewis: All right, sir, suppose I read these questions, then, one at a time and you answer them in your own good way.

First of all, however, I do think there is a foundation question, so to speak, which seems to be necessary. That is, first of all, do you favor some post-war organization of the nations designed to maintain the peace that comes out of this war that we are now fighting?

Governor Bricker: Yes, I do. We as a sovereign nation have got to act in cooperation with other nations in all practical matters to preserve the peace of the world and to build better international relationships.

Mr. Lewis: Very well. Now let's take the first of these other questions. It says, "Do you believe that the United States should become a member of a world supernational state? If so, would it involve any limitations upon the sovereignty of the United States?"

Governor Bricker: I certainly do not. There should be no central world authority dominating our destiny, and apparently none of the other nations want such a thing either. It is very certain England and Russia and China wouldn't agree to it.

Military Might Should Not Be Subject To World State Or Organization

Mr. Lewis: "(b) Would it mean that the Army, Navy, and Air Force of the United States and their technical equipment for war are to be placed under the control of the world state or organization?"

Governor Bricker: We ought never to submit the control of our Army and Navy to any other nation or combination of nations, or to any central world state. The United States must keep her military force adequate to our own security in the air, on the land, and on the sea, and subject always to our own control.

Mr. Lewis: Let me interject an extra question here, if you will, Governor Bricker. Is your last reply based perhaps on the thought that it is theoretically conceivable, however improbable it may seem at the moment, that some day we might possibly need our independent military force to protect our interests against nations that today are our very friendly allies?

Governor Bricker: No, Fulton, I cannot conceive of such a situation as that. Certainly our interests with our allies ought to continue on a friendly basis, and if we don't preserve them on that basis we will miss our great opportunity. In my judgment, there is no possibility of conflict with England ever. As for Russia, her interests lie in her internal development, promotion of her trade, the building of her international structure. She has plenty of territory, untold natural resources, and her paths of development certainly do not cross ours.

China is traditionally our friend and the Chinese are traditionally non-aggressive.

Mr. Lewis: All right, Governor Bricker. Now for question No. 2. This one says: "If you favor a world state, what would you do about nations that refused to come in—(a) force them by military means; (b) treat them as outlaws by not permitting them to trade with members of the world state; or (c) what other action you would favor?"

Does Not Believe In Absolute Freedom Of Trade

Governor Bricker: Fulton, I do not favor at any time any world state. As for the necessary cooperative organization of the sovereign states of the world, that organization must admit every nation that will comply with the proper conditions of admission, but no nation should be compelled by military force to join or to take part in it. The fact is that any such organization will be founded for the purpose of preserving peace and not for the purpose of exercising power.

Mr. Lewis: Very good, sir. Question No. 3: "Do you believe in absolute freedom of international trade?"

Governor Bricker: I do not. The standards of living in the various countries of the world differ greatly from a wage of a few cents a day to a wage of many dollars a day. There must be an equalization so that the nations of the world may have competitive conditions of trade, not advantageous conditions of trade based upon suppressed labor and impoverished living conditions.

Also, don't forget that the states having a totalitarian economy can lower the price of goods by taking it out of the lives of their people and lowering their wages and standards of living. To open up our markets to such trade would be to promote lower standards of living for our own people here at home instead of lifting our standards of living, which has always been our purpose.

Mr. Lewis: Very well sir. Subquestion (a): "Will that mean that the goods and services of people with low living standards are to enter the United States without any restrictions designed to protect the American standard of living?" You answered that, really, in your last reply.

Governor Bricker: I will answer it again. Certainly not. Our one job above all others is to maintain our standards of living.

Mr. Lewis: Subquestion (b): "If you believe in restrictions, will you please state what those restrictions should be?"

Governor Bricker: The restrictions should be so designed as to equalize the cost of the goods we produce with the cost of competing goods from other nations. In other words, they should be designed to make up for the difference in standards of living. That has been done by tariffs and by other methods, even here at home, but it only works effectively as long as the currencies of the world remain in the same relative positions with each other. Therefore, my thought is that we ought to establish a stable standard of values here at home at the earliest possible moment, and take aggressive, positive measures to persuade other nations to do likewise. Then through an economic conference—and it ought to be a continuing organization—it would be possible to keep currency values of various nations reasonably stable in relation to each other, and we will have an opportunity of keeping world trade conditions stable, too, if we do that. If we can accomplish that, we can eliminate the economic wars which inevitably sow the seeds of actual military wars.

International Monetary System Impractical

Mr. Lewis: Question 4: "Do you believe that a world monetary system should be established?"

Governor Bricker: There is no possibility of a world currency or a single world monetary establishment being brought about at this time. That is talking in empty theoretical dreams. We must be practical. We must build upon what we have instead of cooking up schemes to change the whole existing structure and machinery of all the countries of the world. Aside from the fact that it would mean teaching the entire peoples of the world to use a new money system, it would, so far as we are concerned, violate the constitutional provision giving the Congress of the United States the power to fix the value of money and to coin currency. In other words, it is so impractical as to amount to an impossibility. What we need, Fulton, is a program of evolution and progress rather than revolution and destruction.

Mr. Lewis: That is a very good line, sir, by the way.

Question 5: "Do you believe, sir, in the free and unrestricted movement of peoples? If so, how do you propose to prevent the peoples of Asia and other war-torn countries from overrunning the United States?"

Governor Bricker: I do not favor unrestricted immigration of peoples into this country. If the bars were down, there would be millions, even hundreds of millions, of people pouring in on us from all over the world. That influx would destroy our standards of living; it would completely destroy our philosophy of existence and change the United States of America into something entirely different from what it is. We must admit only as many as can be assimilated into our way of living; and don't forget, Fulton, those who come here come to enjoy the benefits and the advantages of the American way of life, and that way of life must be continued. If we allow it to be changed to what exists in other countries, we might just as well begin migrating from here to there.

Mr. Lewis: Now, Governor Bricker, question 7 was a personal one regarding Mr. Willkie's book, "One World," so we will go on to question 8. "Newspapers report some Republicans as saying that the Republican Party must adopt a liberal platform if it wants to win. What do you consider is meant by a liberal platform?"

Govenor Bricker: Fulton, in my judgment the Republican Party has been throughout its whole life the liberal party in America. It is so today. The New Deal is the most reactionary program we have had in the life of America. It has reached back for centuries for the implements of power, bureaucratic and others, to centralize authority, to dominate the lives of individuals and to take away their traditional liberties. Liberalism means more of home rights, not less. Liberalism means more of opportunities, not less. Liberalism in the history of the world has meant that men of energy and men of ability and men who wlil work—and that includes women as well—shall have a reward commensurate with their efforts.

We believe in better welfare conditions, but we do not believe in perpetuating the causes of poverty and of need, and that is what boondoggliing and bureaucracy and government controls inevitably do. Liberalism does not mean a government guarantee of equality in the world's goods, but it does mean an assurance of equality of opportunity to work and to earn.

Will Support Any Candidate

Mr. Lewis: Now for the last question, sir: "If by any chance you are not the presidential nominee of the Republican Party this year, will you as a good Republican actively support the nominee chosen by the Republican Convention?"

Governor Bricker: I most assuredly will. I believe that a Republican victory this fall is essential to the preservation of the Republican Party, for the preservation of the Democratic Party as well, for the two-party system of government and of constitutional representative government. I believe in the party system as the only means of perpetuating free government among people. I believe the Republican Party will adopt a sound, constructive, liberal, forward-looking platform which I can support, and I shall give my support to the nominee of that party, whoever he may be, insisting that he adhere to his platform and carry out his promises when elected.

Mr. Lewis: One final question, Governor Bricker, on my own. Various schools of thought propose that we maintain a program of what is sometimes called an International WPA after the war. What are your views on that, sir?

Governor Bricker: Of course, there is no hope for our leadership in the world if we attempt to purchase by gifts or otherwise the good will of other nations or of other peoples. We can help them raise their standards but we cannot help them do that by giving away our substance and lowering our own standards. Let us deal honestly and fairly with all people of the world without trying constantly to change their form of government and ways of living, helping them to help themselves.

This constant giving and spreading of our goods around the world creates servility in others and arrogance in ourselves. It leads to discord, discredit and destruction, rather than concord, confidence and respect.

Mr. Lewis: Thank you, Governor Bricker.

You have been listening, ladies and gentlemen, to an interview with Governor John W. Bricker, of Ohio, candidate for the Republican nomination for the presidency, who has answered questions about foreign policy, particularly in the post-war world.

OUR REPORTER'S REPORT

With a dearth of new issues the investment banking fraternity and its dealer affiliates had an opportunity this week to devote their time, pretty fully, to the task of clearing away loose ends left over from some recent operations.

And, it appeared, appreciable progress was being made in that direction, thus assuring a fairly clear road for next week when several rather sizeable undertakings are scheduled to reach the market.

Announcements of the dissolution of syndicates which had sponsored two of the more recent new issues was conclusive evidence that the job of disposing of unsold portions of such offerings is moving right along.

This task has been favored no little by the return of relative stability to the seasoned markets after their nervous spell of a fortnight ago when the European invasion appeared imminent.

The group which marketed Celanese Corporation of America's 350,000 shares of $4\frac{3}{4}\%$ preferred stock, brought out at 99, terminated its selling agreement. The stock which had sold off to around 95 in the market subsequently recovered to rule around 96 currently.

Meanwhile the bankers sponsoring the $17,000,000 of Louisiana Power & Light Co. 3s, announced similar action and that issue, marketed at 103, appeared to settle about $1\frac{1}{2}$ points under the offering figure.

Buying Canadian Internals

It may be that the current lull provides the investment fraternity with a bit more time for gossiping about. But reports in some quarters suggest that there is an increasingly steady dribble of American capital into Canadian internal obligations.

People who get these reports say the buying is credited to the belief that the rate of discount against the Canadian dollar, in terms of American currency, may be reduced materially. Others look upon it as recognition of Canadian securities as a good "hedge" for the post-war period.

But among those who follow operations in foreign securities closely it was observed that such buying, if it is in progress must be a "mere dribble" since it does not show substantially on the surface.

Watchful Waiting

The investment market, or at least the speculative end of it, chiefly secondary railroad obligations, appear to have shaken off the extreme nervousness which gripped it a week or 10 days back.

Rail liens have scored moderate recoveries and traders are found leaning to the buying side again, although with a greater degree of selectivity, that is, an eye more to the future of the roads involved.

While this case of "jitters" naturally was disturbing at the time, it now appears in retrospect to have had its good side. For it demonstrated that people who hold high-grade investment paper are not going to be shaken loose from such holdings by such momentary lapses.

Money Rates Still Key

Although speculative issues may be severely disturbed from time to time by recurrent discussion of this or that phase of the war, and rumors of early peace, it does not appear likely that giltedge paper will be seriously affected, judging by comments in the market place.

The point is made that the cost of money is still the ruling force in the investment type of security, and unless there are growing signs of really serious inflation which, of course, would naturally affect money rates, that will continue to be the case.

For, it is observed, with the huge war debt which this country must be prepared to support and service, the Administration must concern itself chiefly with keeping interest costs low.

And that would hold true, it was contended, even should there be a change in administrations next November when the incumbent New Deal comes up for consideration of the people at the polls.

Pollak Mfg. Interesting

A new revised analysis of Pollak Manufacturing, based on 1943 operations, has been prepared by Raymond & Co., 148 State Street, Boston, Mass. Copies of this interesting study may be had upon request from Raymond & Co.

Winning The Peace For American Manpower

By BOB KUYKENDALL (Age 16)*

Freedom of Speech, Freedom of Religion, Freedom From Fear, Freedom From Want! Yes, ladies and gentlemen, freedom from want, or winning the peace for all mankind!

The four great leaders of our time and the people of the United Nations have courageously grounded the history-making proclamations of the Atlantic Charter and the Moscow Pact on the Christian Principles of World Brotherhood and cooperation, with equal opportunities and privileges for all mankind. We pray, and we have faith to believe, that a common ground may be reached for a system of world exchange and that world rehabilitation shall be approached and achieved in full spirit of fairness and cooperation.

Now let us approach the subject as it affects our way of life in America.

None would deny that we are fast approaching the time (and may God speed the day) when this terrible catastrophe shall come to an end. That is our first desire. But after final victory, what then?

Well might the American Workman's first thought be "Will I have a job"?, "Will it have continuity"?, "What will it pay"? Therefore the one great question is employment. Well do we remember the days of mass unemployment. Unless American manpower is furnished employment, our whole economic and moral fiber will collapse.

What are the factors which equip us for a fuller life as a nation after this war? There are many but let us consider only two.

First, we have the momentum. Business, labor, Government and agriculture are keyed to the greatest degree of activity and unity ever known in the history of our great country.

Second, we are better equipped. The American workman is trained and skilled far beyond our imagination a few years ago. And in the field of science, machinery and new materials, thousands of new discoveries have been made.

What then do we need to "Win the Peace for American Manpower"? We need unity. Unity of desire and purpose. Unity of effort. And above all we need the unity of spirit which will enable us to become bigger Americans and catch the vision of Him who said, "It is more blessed to give than to receive."

We need that spirit which will enable us, not to emphasize our differences, but to see our common interests, as has been so nobly set forth in the Moscow agreement among the four great nations. That spirit which will enable us to see the strength which we will add to our own stability by helping backward nations on an upward impetus, and that will enable us to find joy in the well being of our fellow Americans.

Let us think for a few moments upon the four major factors of our American life: Management, labor, agriculture and Government. These four great factors of course have their differences which are evident in their actions if not in their expressions. But their common interests are a thousand times greater.

May we have a management inspired to a greater production and imbued with philanthropic desires. Dedicated not alone to making money but to furnish jobs to men. Because jobs to men mean food, clothing, education, and happiness to their children. And dedicated, too, to the production of better and cheaper articles that their fellow Americans may enjoy a fuller life.

May we have the laborer, equipped as he has never been equipped before, inspired with that sincere desire to do an honest day's work. Not so much for the dollars he earns, but inspired to that great sense of duty that comes only through the fullest realization of the value of service rendered to his employer and to his fellow man. A laborer free from a racketeer boss, with rights of collective representation. Yet and above all free from the requirement of paying for the privilege of working.

May we have an agriculture which can see in its labor the food that is giving life and sustenance to their fellow Americans. A farmer, if you please, who can see the advantage of lower costs and greater efficiency, one who can see that as management and labor prosper they absorb more of their products. One who can realize that an economy of scarcity is an economy of ruin.

May we have a Government that will encourage private enterprise rather than regulate. A Government free from directly or indirectly influencing her citizens' vote by a beneficent pocket book taken from her citizenry. A Government which can realize that no good is gained by taking from someone who has and giving to someone who has not. A Government which taxes sensibly with careful consideration for the development and progress of private enterprise rather than taxing to destroy.

Early in this great catastrophe, our own General MacArthur uttered these immortal words: "Only those are fit to live who are not afraid to die". Who can deny that millions of Americans are demonstrating their right to live based on this highest of all standards. Shall we then after the conflict, uphold the standards so nobly set by these men both living and dead? Shall we as business, labor, agriculture and Government ban together in this same spirit of unselfishness to culminate the fruits of fearless men, welding together the united interests in the general welfare of mankind? The degree to which Americans reach such an unselfish devotion to humanity will measure the success of the material benefits to all mankind.

May we under the momentum gained in carrying on this great conflict, accellerate the peace, inspired by the prospects of the future and imbued with that spirit of sacrifice and devotion, commingling our common interests to that successful climax which shall result in permanent prosperity for all people and an everlasting "Peace on Earth, Goodwill to all Mankind."

*An oration written and delivered last month. Bob lives at 4155 Lymer Drive, San Diego 4, Calif. His father is Harry Kuykendall who is secretary of the San Diego County Mutual Fire Insurance Co.

Attractive Situation In Electronics Industry

American Transformer Company offers an interesting and attractive situation in the comparatively new and dynamic field of electronics according to a study of the company, which has been manufacturing electrical apparatus since 1901, prepared by Hughes & Treat, 40 Wall Street, New York City. Copies of this study discussing the situation in some detail may be had from Hughes & Treat upon request.

The Securities Salesman's Corner

A Method Of Using Visual Sales Presentations

One of the most difficult obstacles to overcome in the presentation of intangibles—or ideas—is the difficulty of bringing clearly to the attention and understanding of others the outstanding highlights of our proposition. When it is possible, therefore, to show a picture, make a calculation, use a pencil, or draw a simple verbal analogy, the capable salesman uses such tools at every opportunity.

One method of bringing out the attractive points regarding a certain class of securities is to prepare a performance analysis based upon what such an investment has done for others over a period of years. One salesman of our acquaintance has been selling guaranteed rail preferreds for the past several years almost entirely upon this basis. He has a list of these stocks which was purchased by one of his clients in 1928—the analysis shows the payment of full dividends all through the depression—the prices paid originally—their value today—the high yield obtained, and there is even a letter from the client which is part of the exhibit. This letter, in itself, is a powerful testimonial to the client's faith in the salesman's investment ability and her complete satisfaction with her investment in these securities.

By showing what he has been able to do for others in AN UNMISTAKABLE AND FORCEFUL MANNER through the use of this analysis of PAST PERFORMANCE, this salesman has been able to close sale after sale with new accounts that have never bought guaranteed railroad securities before in their lives. The same sort of analysis can be prepared on many other groups of securities—fire insurance stocks make a particularly favorable showing on a long-term, looking backward basis—also many second- and third-grade bond groups will likewise make an outstanding 1938 to 1944 performance record. Possibly the RECORD OF SEVERAL ACCOUNTS that have been supervised and serviced by your organization, if properly set up in a good presentational form, would make even better illustrative material to use in demonstrating the possibilities that investors may find for successful investment by doing business with your firm.

People like to see WHAT OTHERS ARE DOING. They also are impressed by the SUCCESS OF OTHERS. This is especially true when it comes to stock and bond investment. A neatly prepared three- or four-page record, bound in a serviceable folder, and made a part of every salesman's equipment, if prepared along the foregoing lines, AND PROPERLY USED, can be of assistance in closing business and, besides, this helpful selling tool can be used over and over again.

President Coleman Of Canadian Pacific Points To Railway's War-Time Accomplishments

(Continued from page 1919)

United States and other countries throughout the world, all friendly to Canada and the Canadian system of free enterprise, as is manifest from the fact that they have chosen to risk their capital in the undertaking of the Canadian Pacific.

Air Services

"Since the annual report was circulated, the Government of Canada has announced its policy with respect to post-war aviation. Under that policy, international services will be provided exclusively by a chosen instrument, and a government-owned company is indicated as that instrument. Insofar as domestic services are concerned, main line operations are to be conducted by a government-owned company, and feeder lines are to be operated in zones by a number of privately-owned companies. The railway companies are to be required to divest themselves of the ownership of air lines within one year after the close of the war. The decision was most disappointing to your directors, as we had cherished natural and legitimate hopes that your company would be given the opportunity to play its full part in the development of aviation which may be expected to follow the conclusion of peace.

"Your case was fully and strongly presented to the proper authorities. It was pointed out that the Canadian Pacific Air Lines had made a distinct contribution to aviation in this country by taking over a number of struggling and scattered companies and welding them into a closely knit, efficient organization, without encroaching on the field reserved by law for Trans-Canada Air Lines; that it had proceeded throughout with the knowledge of the Government, and in compliance with Government regulations; and that it had been of substantial aid to the Canadian, United States and United Kingdom governments in operations in Northern Canada, Alaska and Labrador, and in initiating the first trans-Atlantic ferry service.

"We were given no encouragement to believe that the announced policy would be materially modified, and we are making our future plans in conformity with it. A statement was made in Parliament on April 20 by the minister in charge of civil aviation, to the effect that there would be no confiscation, and the opinion was expressed that the separation can be made without loss to those concerned. We can assume, therefore, that our investment can be liquidated on terms which will not be unjust to our shareholders.

Dividend Policy

"The possibility of a dividend on the ordinary stock, payable out of the current year's earnings, will be considered by the directors in August. By that time we will be able to estimate the probable size of the prairie grain crop, and certain other issues having an influence on our net earnings for the year, will have been determined. Our paramount duty, to bring the company out of the war in a sound and safe financial position, will be ever present in our minds."

Post-War Conditions

Referring to post-war conditions as affecting Canadian Pacific, Mr. Coleman stated: "The officers of the company have continued their intensive study, and are engaged in framing plans and policies which will enable the company to meet adequately the problems which will arise in the era of post-war readjustment. We are confident that Canada—possibly not without some setbacks and some painful experience — will then enter on a period of expansion and industrial development. Your company will be prepared to maintain its historic position as a devoted and efficient servant of the Canadian nation, and as the most important transportation link in the British Empire.

"In this country, as in others, there is considerable activity in the ranks of those who maintain that the fruits of prosperity can only be properly distributed through measures of rigid State control, and that free enterprise, as we have known it, should be systematically extinguished. Class, occupational and sectional jealousies are being fostered, and our young people encouraged to form themselves into organized pressure groups to struggle with the State and with each other for a sharing of wealth—wealth which they are not urged or encouraged to create.

"If those behind this movement were entrusted with executive power, they would find that to satisfy the appetites they have inflamed, and to reconcile conflicting claims which they have encouraged, would be a task beyond their powers. The trouble with their teaching is that they place all the emphasis on dividing rather than on creating wealth. Injustices in division or distribution, as they become manifest, should be, and must be, corrected, but it should be fairly obvious that if our standard of living is to be improved, or even maintained at the present level, more wealth must be created for ultimate division. No man has been able to show—and few would suggest—that as much wealth can be produced under state control of production and distribution as under a system of free enterprise. By reason of climate and geography, Canada's riches are hard to get at and hard to market, and to a very special degree this country's development has been due to the daring, initiative and resourcefulness of her sons — supported in their efforts by venture capital from Britain and the United States—and it would appear incredible that she would now turn her back on the system, on the elements, on the forces which have made her great.

"The democratic peoples have endured patiently for some years, restrictions on their freedom thought necessary for the successful prosecution of the war. It is difficult to believe that they will willingly bow their necks to the yoke of bureaucracy when the necessity for it has passed, or to condemn their sons returning from active service, to live in a world from which advantage and enterprise have been banished forever."

Brownell Again Calls For Bimetallism

(Continued from page 1920)

metallism, Brownell stated, not only do not oppose but strongly advocate the use of gold to its full physical extent, but instead of supplementing the metal with some form of bookkeeping, managed currency or other paper money substitutes, would restore silver to the position it once occupied.

He predicted that with adoption of international bimetallism, the world would have the equivalent of a larger supply of gold and the added benefits of a monetary metal with the traditions of thousands of years behind it — one which is more widely distributed than gold today, and favored in Asia, Africa and Latin America, which contain the larger part of the population of the world.

Editor's Note—For a statement of Mr. Brownell's plan of international bimetallism, and the comments of A. M. Sakolski, with Mr. Brownell's reply, see the issues of "The Chronicle," Sept. 30, 1943, page 1304; Oct. 28, page 1686; Dec. 2, page 2207, and Dec. 23, page 2534.

In Larger Quarters

Security Adjustment Corp. announces that it has rented additional space for the expansion of its facilities at 16 Court Street, Brooklyn.

President Asks Congress For $3,450,570,000 For Lend-Lease For Year Ending June, 1945

An appropriation of $3,450,570,000 to carry forward the Lend-Lease program for the fiscal year ending June 30, 1945, was asked by President Roosevelt in a message to Congress on May 6. The President further requested that any unexpended balances of previous Lend-Lease appropriations be made available, which would make the aggregate for the new year $7,188,893,000.

The appropriation, said the White House, is for industrial products required for production of planes, tanks, guns and other war supplies in Allied countries, food and other agricultural products needed to maintain their soldiers and war workers, and related services. From Associated Press advices from Washington May 6 we also quote:

Another proposed provision would authorize the use, in procuring Lend-Lease products of $88,299,000 received under Lend-Lease from foreign governments.

The White House said the sum was in addition to approximately $2,000,000,000 worth of supplies and services furnished to U. S. armed forces in reverse Lend-Lease.

Senator Ellender, Democrat, Louisiana, urged that the United States determine upon a national policy now with respect to final Lend-Lease settlements.

Senator Ellender asserted that he wasn't opposing the continuance of Lend-Lease, but that "Congress and the people are entitled to more facts than they have been given about the extent and nature of reverse aid to us."

Mr. Ellender said he had turned over to the Senate's Truman Committee for Investigation "Information" he had received to the effect that Britain had charged up to reverse Lend-Lease the cost of rehabilitating "a lot of old castles" occupied by American troops "over there to fight the battle of Britain."

"If they want to charge us for that sort of thing, it ought to be put on a straight rental basis," he added.

House Passes Bill For Simplification Of Individual Income Tax

On May 5 the House unanimously passed the bill to provide for the simplification of the individual income tax; the bill was adopted by a vote of 358 for, with no vote in opposition. As finally approved by the House Ways and Means Committee on April 22, the bill was formally presented to the House on April 24 by Representative Doughton, Chairman of the Committee, and reference thereto appeared in our issue of May 4, page 1849.

Senator George, Chairman of the Senate Finance Committee, indicated on May 6, at a press conference that the bill would be reported out by his Committee in practically the same form as passed by the House. A Washington account to the New York "Times" reporting this, said in part:

He did not expect action by the Senate next week because consideration of the poll tax question was scheduled for precedence.

He did not expect that public hearings to hear testimony from others than experts of the Treasury Department and of the internal Revenue Bureau would be held by his Committee, but indicated a willingness to call such hearings if members of the Committee so desired.

It was probable that some representatives of churches and charitable institutions would demand to be heard in protest against the automatic deduction of 10% allowed under the bill for those with incomes under $5,000. The deduction is intended to cover contributions to charities, payment of taxes and other allowable expenditures.

Charitable institutions, Senator George said, protested without success when the provision was written into the House bill.

One provision of the new measure which might develop discussion in the Committee was that which reduced the normal tax from the current 6% to 3%, Senator George stated. Individuals holding partly exempt Federal securities would be affected by this change, he said, since the tax exemption of bonds extended only to the normal tax levied and did not apply upon surtaxes. The number of taxpayers hit by the reduction in the normal tax rate was small. He quoted Government surveys to show they constituted only 5% of the holders of all the outstanding Federal bonds which are partly tax exempt. The remaining 95% were held by savings banks, insurance companies, etc., which were not affected by the changes in the individual income tax law.

Asked if there was a possibility that the 30% excise levy applied to checks in night clubs and cabarets might be reduced in the bill reported out by his Committee, the Chairman said this is not unlikely.

The bill repeals the Victory tax and provides a new system of normal and surtaxes, which may be computed as follows, said the Associated Press:

Normal—3% of income after one exemption of $500 and a deduction of 10% of income, the 10% being in lieu of the usual deduction for contributions to religious, educational and charitable causes, for other taxes and interest paid. The latter deduction cannot exceed $500.

Thus a person making $3,500, regardless of the number of dependents, would subtract $500 and $350 from $3,500, and his normal tax would be 3% of $2,650, or $79.50.

Surtaxes—Computed by a graduated table on taxable income arrived at by making exemptions of $500 for the taxpayer and $500 for each dependent, and a 10% of income deduction in lieu of contributions, other taxes and interest paid.

Noting that the bill would change the withholding levy against wages and salaries—effective next Jan. 1—to deduct currently the full tax liability of persons earning up to $5,000, thus removing the necessity for 30,000,000 persons to compute formal returns, the Associated Press also said:

Of the 20,000,000 who still would be required to file returns, 10,000,000 (those earning less than $5,000 but with income other than wages and salaries) could use a simple table showing their entire tax. The remaining 10,000,000, with incomes over $5,000, would fill out a simpler return than the present long form.

The revised normal and surtaxes would be applicable for returns filed next March 15 on 1944 income.

Generally, the bill would levy a somewhat larger tax against single persons and couples without children, while the load would be lightened for taxpayers with large families.

The withholding system of deductions from pay envelopes and salary checks was instituted last year as part of the pay-as-you-go tax legislation, it now taxes the approximate tax of persons in the first income bracket.

Under the new bill those earning up to $5,000 in 1944 and receiving not more than $100 from sources not subject to withholding would be permitted to file a copy of a withholding receipt, furnished by the employer, in place of the regular tax return. These taxpayers would list their dependents on the reverse side of this receipt, and enter amounts of "other income."

They would mail it to the local tax collector who would calculate the tax, then bill the taxpayer or issue a refund check, depending whether the taxpayer was overpaid or underpaid.

Some 9,000,000 persons now paying Victory taxes but with earnings not large enough to come under the present income levies would become regular taxpayers, remitting at rates about equivalent to their present Victory tax burdens.

The bill would add approximately 150,000 new taxpayers—those earning between $555 and $624.

Comments On Palyi's Article On Inflation

(Continued from page 1915)

begin to impress themselves on the public does the fear that money will lose its purchasing power begin to enter as a factor and accelerate the rise in prices. The flight from too much money does not at the outset originate in fear.

How far, when money is excessive, will it go in pushing up prices? If we double the weight on one side of a balance then, if the balance is to be restored, we must double the weight on the other side. So rather obviously on this theory of balance a doubling of the quantity of money, other things remaining equal, will require a doubling of prices to restore the balance. A tripling of the quantity of money, on similar assumptions, will be matched by a tripling of prices. This analysis does no more than restate the familiar monetary formula MV equals PT in terms of balance instead of in terms of mathematical algebraic exactness.

How far then are other things likely to remain equal? The other variables in the monetary equation are the velocity of money and the quantity of things produced. Prediction as to either post-war velocity of money or as to post-war volume of production of goods is necessarily hazardous. Many people, pointing to our present huge plant capacity and our vast war-time production, expect the post-war volume to continue at a correspondingly high rate.

There is reason to doubt, however, that either an abnormal drop in velocity of circulation or an abnormally high physical volume of production will rescue us from the general rule that a large increase in the volume of money causes a corresponding increase in prices. In particular does the effect of changes in velocity seem overrated. Sudden fear might easily induce a high velocity accompanied by a fall instead of a rise in prices. This seems to create doubt as to the casual influence of changes in velocity. No basis for expecting a severe shrinking in the post-war velocity or circulation seems yet to be established. Turning to the subject of production the volume that is relevant in avoiding inflation is that of merchantable production. Government sponsored production tends to be inflationary. Whether the Government pays for the production of weapons or for public works or for pure relief it creates purchasing power without any corresponding increase in consumer goods. None of those are merchantable production nor is there yet sufficient reason to expect that merchantable production will be enough greater in volume than in 1929 to match the increase in our money. Our money has more than doubled since 1929. Then deposits in all banks were 55 billions more or less: today total deposits are over 122 billions. What goods can we make so much cheaper today that more than twice as many can be sold as in 1929? What major new inventions are there which will double the old volume of production?

There is a large deferred demand for many types of goods, true enough. Sales of automobiles and houses, railroad supplies and farm machinery, clothing and household appliances are bound to keep things moving for a time. And there are also lively new industries, airplane travel here and abroad, television, air conditioning to help out with the balance. But reconversion of plants, on the other hand, by stimulating consumer demand without immediately creating any new consumer goods must be an inflationary influence. The old rule is well established that increases in money beyond the ordinary normal rate are matched by price increases.

During a war, of course, economy must take a back seat. But nothing can well be more important in post-war policy than avoiding as much inflation as possible. The best guarantee of future financial integrity is the effort to keep down current costs. Leadership which attempts to carry water on both shoulders on this matter of inflation will not be safe leadership in the post-war world.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1920)

they topped off at approximately 130. But, from that high it sank only about two points and is now back to about the 130 figure. Meanwhile, our own market made its high last March at about 140, then set back to 135 or so, and today is approximately 138. One strong day or so can carry the London averages through to new levels. It will take a lot more for our market to follow suit. Beginning at 138.50 and running up to 142 (measured by D-J), our market will run into offerings. How these will be taken will give the answer as to how the market will act.

* * *

You are still long of three stocks: Electric Auto-Lite bought at 39, stop 37; Jones and Laughlin, bought at 22½, stop 19½, and Servel, bought at 18 with a stop at 16¾. Of the three, Electric Auto-Lite acts the best, stock now currently at 41½. Jones & Laughlin is at 21½ and Servel at about 17½. If the market were in an up position I would have no hesitation in advising the retention of all three. Unfortunately this is not the case. More stock for sale seems to be coming out and the bidders seem to become fewer. Even that wouldn't sway me too much if the individual stock showed enough gumption. For it is the individual issue that stands up in dull or declining markets that usually takes the lead when the market turns as a unit. Electric Auto-Lite (in which you have a profit of about 2½ points) is right in the middle of offerings. Crossing 42 would be good action but until it does, it will have to remain suspect. If in the next few days it begins to flounder short of 42 I think I would take my profit.

* * *

Jones & Laughlin is one of the steels that should act better than the group, provided the group does anything. But the group doesn't seem to want to do anything. So instead of being tied up I would suggest a switch into Crane, now about 23. Latter acts aggressively and seems to have more oomph.

* * *

Servel is at the crossroads. From 18 to 19 it meets offerings; just under 17 it meets support. If the breakout occurs on the upside, stock should go to a new high. But, pending further clarification, tying up funds in stock seems pointless. In its stead I suggest National Gypsum, now about 9¾. Latter is running high and given some market help can add a couple of points.

* * *

Strongly suspect that general market will break out of its trading rut within the next two weeks. Maybe the spark will come from the long-awaited invasion, maybe from something else. But whatever its motivating power an answer to the "what" should come soon.

* * *

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.]

Broker-Dealer Personnel Items

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

(Special to The Financial Chronicle)
AUGUSTA, MAINE — **Frederick C. Bagley, Sr.** has been added to the staff of **Chace, Whiteside & Co., Inc.,** 24 Federal Street, Boston, Mass.

(Special to The Financial Chronicle)
BOSTON, MASS.—**W. Bradford Saunders** has become affiliated with **Goldman, Sachs & Co.,** 75 Federal Street. Mr. Saunders in the past was with Jackson & Curtis.

(Special to The Financial Chronicle)
BOSTON, MASS. — **John V. Flanagan** has become associated with **W. F. Rutter, Inc.,** 19 Congress Street. Mr. Flanagan was previously with Elwell & Co. and Trescott Griffin & Co.

(Special to The Financial Chronicle)
BOSTON, MASS. — **Frank C. McCollister** and **Arthur H. Williamson** have been added to the staff of **Trust Funds, Inc.,** 89 Broad Street.

(Special to The Financial Chronicle)
BOSTON, MASS. — **Frank H. Warner** is now with **Elmer H. Bright & Co.,** 84 State Street.

(Special to The Financial Chronicle)
BOSTON, MASS.—**Bernard P. Burkard** is connected with **Trust Funds, Inc.,** 89 Broad Street.

(Special to The Financial Chronicle)
DETROIT, MICH. — **James A. Simons** has become affiliated with **Paine, Webber, Jackson & Curtis,** Penobscot Building. Mr. Simons was previously with Chas. A. Parcells & Co.

(Special to The Financial Chronicle)
GRAND RAPIDS, MICH.—**William M. Graham** has joined the staff of **MacNaughton-Greenawalt & Co.,** Michigan Trust Building.

(Special to The Financial Chronicle)
HARTFORD, CONN.—**John B. Crawford** has joined the staff of **Kennedy-Peterson, Inc.,** 75 Pearl Street.

(Special to The Financial Chronicle)
INDIANAPOLIS, IND.—**Harry F. Taylor** is with **Fisher & Co., Inc.,** 8 East Market Street.

(Special to The Financial Chronicle)
KANSAS CITY, MO. — **Robert M. Brown** has become connected with **Barrett Herrick & Co., Inc.,** 1012 Baltimore Avenue. Mr. Brown was previously with Prugh, Combest & Land and B. C. Christopher & Co.

(Special to The Financial Chronicle)
MIAMI, FLA.—**Elmer E. Adams** is now associated with **Cohu & Torrey,** Alfred I. du Pont Building.

(Special to The Financial Chronicle)
MIAMI BEACH, FLA.—**Robert U. Alexander** has become connected with **Atwill & Co.,** 605 Lincoln Road.

(Special to The Financial Chronicle)
MINNEAPOLIS, MINN. — **Clarence J. Rice** is now with **Goldsbury & Co.,** 807 Marquette Ave.

(Special to The Financial Chronicle)
ORLANDO, FLA. — **Joshua H. Sorey** is now with **Thomson & McKinnon,** 18 Wall Street.

(Special to The Financial Chronicle)
RALEIGH, N. C.—**J. B. Vaden** has been added to the staff of **Kirchofer & Arnold, Inc.,** Insurance Building.

(Special to The Financial Chronicle)
SEATTLE, WASH.—**William F. Sachtleben** is with **Earl F. Townsend & Co.,** Dexter Horton Bldg.

The Post-War Wage Problem

(Continued from page 1918)

reached by the Executive Council of the American Federation of Labor can be summarized in its declaration to the effect that "it is imperative that the United States do its full part to help develop a general system of mutual security." This, one might say, will determine the general approach by the American Federation of Labor and its principal subsidiary bodies to the various specific problems associated with our post-war planning.

It is our firm conviction that the Atlantic Charter and the Four Freedoms should not be considered merely as platitudes but should constitute the moral principles of a democratic system of collective security. The translation of these principles into policies and concrete acts, both now and in the future, can assure the people of this country, as well as the people in the rest of the world, of a lasting security. Just as it is feared by many that nothing but disaster looms ahead if each of the great powers should pursue an independent course, so similarly can it be said that only through the cooperation of management, labor, and the government will it be possible to deepen the mutual relations so important to the welfare of our country. Any worthwhile and lasting peace must rest on stable and just economic foundations. The international political and military program should therefore be associated with an economic program designed to provide equal benefits and advantages to all of the people in our country, and to utilize the new productive powers of industry and agriculture for the advancement of the standards of living of all people.

We have unlimited confidence in free enterprise. We are more convinced than ever that free enterprise, as understood in this country, is a far superior form of organization than any of the other setups that have been posed against it. To strengthen free enterprise and to achieve the objectives we have in mind, it will be necessary, however, to get rid of that kind of exploitation which tends to concentrate income in the hands of the few and prevents the great mass of wage earners from having the purchasing power to buy the things they need for daily life. An expanding world economy is naturally essential to peace, and it will be necessary to lessen barriers between nations so that there may be a larger interchange of goods and services for all.

There is no question but what the problem of full employment and world peace are interrelated. To attain a domestic economy of abundance is organically connected with the achievement of international security. It would, therefore, be necessary to make advances on both fronts at one and the same time. When we reaffirm our faith in free enterprise, we mean that the right to start a business and the right to choose a job form the basis of our free life. Such a system can enjoy the confidence and support of the working people of this country only insofar as it is able to demonstrate its ability to serve the well-being of the whole community.

Such a regime of free enterprise and of economic freedom must demonstrate that it can function so as to husband and utilize, and not waste and dissipate our natural resources. It must be able through its production to raise progressively the national income and maintain full employment. Such a system must of necessity be opposed to all tendencies toward monopoly restriction. As we understand free enterprise, we mean that such an economy must be able to provide ample support for the health, educational, recreational, and similar public services so essential to the welfare of the masses of people in our industrial society. Finally, the conception of a program of economic enterprise, based on freedom, must not be repressive, but support the free exercise of civil and political liberties.

Great concern has been expressed by many people over the tendency toward the greater growth of governmental power. It is fitting and appropriate that such concern be entertained. In my estimation, the bulwark against such overcentralization is to promote the free and independent organizations of the people, which will be an indispensable way of checking the concentration of economic and governmental power. This means of curbing the undemocratic trend toward private concentration of wealth and monopoly and the centralization of wealth and political power in the hands of government officials must be accomplished through creating more adequate provisions, by both industry and government, for the participation of laborers, farmers, and consumers in the formulation, administration, and the evaluation of over-all economic policies.

Contrary to a general impression that seems to prevail, the American Federation of Labor is very much opposed to the "narrow pressure group tactic." We recognize in this procedure and philosophy a very great danger if the powerful organizations of finance, business, agriculture and labor seek merely to advance their own interests without regard for the consequences to the community as a whole. To prevent this, and to provide means for the democratic development of economic policies in the transition from the war to the peace economy, we propose that Congress authorize the establishment of an Office of War Mobilization and Adjustment with an economic commission composed of representatives of workers, employers and farmers.

The national war effort has demonstrated the remarkable productive powers of our country. The production achievements of American labor have been nothing less than miraculous. This demonstrated productive potentiality of our country calls for a revision of all former estimates of what is possible and desirable. No valid reason can be advanced for not using these prodigious productive powers in peacetime to provide better homes, better food and clothing, more adequate medical care, finer communities, and richer educational and cultural opportunities for all. The policies of management, labor, government and agriculture should be directed to the realization of these high levels of production and employment.

The principal elements in a program to care for the millions who are to be demobilized from the armed forces as well as the war industries with the ending of hostilities must include at least the following points:

Plans for public works and housing projects should be ready to provide employment during this emergency. Adequate retraining and federal unemployment insurance programs should be organized to provide for those who may not be able to find jobs immediately. The fiscal policies of our government should be designed to help the nation achieve its goal of jobs for all who want to work.

During war period management and labor have achieved and enjoyed greater stabilization in their relations than was ever experienced by either at any previous time. No one can deny that the general recognition accorded the right of collective bargaining has been responsible for this attainment. It has produced enlightenment in labor relations policy on the part of management as well as labor. Leadership of both groups have acquired greater confidence in each other, and it has also strengthened the leadership in the respective camps themselves.

Wage policies in the post-war period can be determined equitably only by considering the parity between wages, prices, and productivity of labor. These 3 essential factors cannot be ignored. Other factors should also be included. The working out of any concrete wage policy will have to be determined, however, by the particular industries, and following the agreement on the part of management and labor on the objective criteria that have been mentioned.

Once the principles of collective bargaining are recognized and applied, the greatest problem has been solved. The rest is just a matter of implementing these principles. It is important to point out that in those industries where unions have been stabilized for many years and have enjoyed contractual relations with the employers, there has been greater solidarity as far as the operation of those businesses are concerned. We think this is a very important factor to keep in mind.

With the cooperation of management and labor, free enterprise can withstand any attack made on it, no matter from what source. That is why it is so important and so vital to keep in mind the matter of implementing and cementing this cooperation if we are interested in preserving free enterprise. Labor is more than willing and will go all the way in contributing its part to such a realization. We hope management will do likewise.

House Committee Approves Bill Increasing Debt Limit To $240,000,000,000

The Federal debt limit would be increased from $210,000,000,000 to $240,000,000,000 under a bill approved by the House Ways and Means Committee on May 8. The bill, as introduced in the House on March 23 by Representative Doughton (Dem.) of North Carolina, Chairman of the House Ways and Means Committee, proposed to fix the debt limit at $260,000,000,000 (as noted in our March 30 issue, page 1340); opposition, however, among Republican members of the House subsequently developed, and on April 25 Representative Knutson, Republican leader of the Ways and Means Committee, said "We're going to insist that the new limit be set considerably lower than $260,000,000,000; probably $240,000,000,000 would be enough." He added:

"No matter what limit we set—even at a thousand billion—this administration would reach it." In face of the Republican opposition the Administration agreed on May 8 to the lower figure. Under date of May 8 Associated Press advices stated:

However, Daniel W. Bell, Treasury Under Secretary, told the committee the Government would be back next January for a new top if the war continues. He said the $30,000,000,000 additional debt authorization would care for war expenditures until early 1945.

The House will take up the legislation Wednesday.

Senator Doughton emphasized that the approval of the lower figure will not restrain authorized expenditures for war purposes.

The fight to cut back the Administration's original figure was led by Representative Dewey (R., Ill.), Assistant Treasury Secretary in the Coolidge Administration, who contended "the new Congress coming in in January can have another look at the situation. The whole war picture may have changed by then. Besides, we don't want a huge ceiling that known spenders can shoot at."

Mr. Bell told the Committee a higher debt ceiling is necessary before June or the Government will run the risk of exceeding the $210,000,000,000 maximum during the coming loan drive. He said the public debt may reach $258,000,000,000 by July 1, 1945.

"We would not need this new limitations if the war should end this year," he said. "The request is based on an assumption that the war will continue another year."

Representative Dingell (R., Mich.) said the army and navy are "piling up" too much unexpended money and commented: "I wonder if some men in the War and Navy Departments are as concerned about taxpayers as they should be."

The limitation on the national debt was raised June 25, 1940, from 45 to 49 billions; on Feb. 19, 1941, to 65 billions; on March 28, 1942, to 125 billions, and on April 11, 1943, to 210 billions.

Coleman Re-Elected Chairman Stock Exchange At Annual Meeting — Other Elections

At the annual election of the New York Stock Exchange on May 8 John A. Coleman, of Adler, Coleman & Co., was re-elected Chairman of the Board of Governors for a second term of one year. A total of 842 votes were cast, as compared with 703 in 1943 and 446 in 1942. It was observed in the New York "Herald Tribune" of May 9 that "appreciably greater participation at the polls was attributed to general membership satisfaction with the manner in which affairs have been run under the administration of Emil Schram, President. Mr. Schram's contract expires on June 30, but he is expected to continue as head of the Exchange under new terms, subject to approval of the Treasury."

Other elections at the meeting were reported as follows by the Exchange:

Seven Members of the Board of Governors (each for the term of three years)—Four members of the Exchange residing and having their principal places of business within the Metropolitan area of the City of New York: Francis M. Bacon, 3rd (Bacon, Stevenson & Co.), William K. Beckers (Spencer Trask & Co.), Robert P. Boylan (at E. F. Hutton & Co.), Henry Upham Harris (Harris, Upham & Co.).

One allied member or nonmember residing and having his principal place of business within the Metropolitan area of the City of New York, who is a general or limited partner in a member firm engaged in a business involving direct contact with the public: Ranald H. Macdonald (Dominick & Dominick).

Two members or allied members or non-members of the Exchange residing and having their principal places of business outside of the Metropolitan area of the City of New York, who are general or limited partners in member firms engaged in a business involving direct contact with the public: Charles C. Renshaw (Mitchell, Hutchins & Co., Chicago) and Sidney L. Schwartz (Sutro & Co., San Francisco).

Two Members of the Gratuity Fund (each for the term of three years)—Thatcher M. Brown (Brown Brothers Harriman & Co.) and Laurence M. Marks (Laurence M. Marks & Co.).

Calendar Of New Security Flotations

OFFERINGS

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.

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.

Offered April 24, 1944 at 100 by Illinois Securities Co.

SOUTH COAST CORP.—$1,500,000 first mortgage 5% bonds due Dec. 31, 1955. Proceeds to redeem $970,248 general mortgage income 6s and for working capital. Paul H. Davis & Co. principal underwriter. Filed Jan. 24, 1944.

Offered May 8, 1944 by Paul H. Davis & Co. and associates at 100 and interest.

THE TRION CO.—12,850 shares of 5% preferred stock, cumulative (par $100). Underwriters are Courts & Co., Mulhouse Martin & McKnight, Inc., Ingalls & Snyder; Wyatt, Neal & Waggoner; R. S. Dickson & Co., Inc.; Kirchofer & Arnold, Inc.; Robinson-Humphrey & Co.; Brooke, Tindall & Co.; J. H. Hilsman & Co., Inc.; Clement A. Evans & Co., Inc.; A. M. Law & Co., and H. T. Mills. Filed March 31, 1944. Details in "Chronicle," April 6, 1944.

Offered by above named underwriters at 100 per share.

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 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. Offering price to public on 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 $4.50 per share, prior to three years from and after the effective date of registration statement. Proceeds for working capital. Burr & Co., New York are principal underwriters. Filed April 24, 1944. Details in "Chronicle," May 4.

SUNDAY, MAY 14

HECHT CO. has filed a registration statement covering 191,515 shares of common stock (par $15). Shares are issued and outstanding. Goldman, Sachs & Co. are principal underwriters. Price to the public to be filed by amendment. Filed April 25, 1944. Details in "Chronicle," May 4.

MISSISSIPPI VALLEY PUBLIC SERVICE CO. has registered 15,000 shares of 5% cumulative preferred stock ($100 par). 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. Underwriters are Milwaukee Co., 5,750 shares; 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. Filed April 25, 1944. Details in "Chronicle," May 4.

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. Shields & Co. head the underwriting group. Price to public to be filed by amendment. Filed April 25, 1944. Details in "Chronicle," May 4.

WEDNESDAY, MAY 17

INDUSTRIAL RAYON CORP. has filed a registration statement for 100,000 shares of $4.50 preferred stock, series A (no par). Net proceeds will be applied together with any necessary treasury funds, to the retirement of $10,000,000 promissory notes to banks, dated Jan. 3, 1944, issued to retire $2,400,000 and to finance in part an expansion program. Principal underwriters are Kuhn, Loeb & Co. and Harriman Ripley & Co., Inc. Others will be named by amendment. Offering price to the public will be supplied by amendment. Filed April 28, 1944. Details in "Chronicle," May 4.

WEST PENN POWER CO. has filed a registration statement for $12,500,000 first mortgage bonds, series L, 3% due May 1, 1974.

Address—14 Wood Street, Pittsburgh.

Business—Public utility company.

Underwriting—To be filed by amendment.

Offering—Price to the public will be filed by amendment. The bonds are to be issued and sold by the company pursuant to the competitive bidding requirements of the SEC's Rule U-50.

Proceeds—Net proceeds, together with such additional funds as may be required, are to be used for the redemption of the outstanding $12,500,000 principal amount of first mortgage gold bonds, series E, 5% on Sept. 1, 1944, at 105 and accrued interest.

Registration Statement No. 2-5362. Form A-2. (4-28-44).

THURSDAY, MAY 18

BEATRICE CREAMERY CO. has filed a registration statement for 100,433 shares of common stock ($25 par). Company is initially offering the shares 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. Proceeds, together with other treasury funds, will be used to redeem on Aug. 1, 1944, company's outstanding $4.25 cumulative preferred stock at $105.50 per share. Glore, Forgan & Co., are principal underwriters. Filed April 29, 1944. Details in "Chronicle," May 4.

M. A. HANNA CO. has filed a registration statement for 100,000 shares of $4.25 cumulative preferred stock (no par).

Address—1300 Leader Building, Cleveland, O.

Business—Operating and managing iron ore mines and anthracite and bituminous coal mines, operating lake vessels and docks for the transportation, handling and storage of iron ore, coal and coke, etc.

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

Offering—The company is offering to the holders of its outstanding 128,531 shares of $5 cumulative preferred stock the right to exchange such shares for shares of the $4.25 cumulative preferred stock to the extent of 95,238 shares on the basis of 1 and 1-20th shares of $4.25 preferred for each share of $5 preferred. Upon declaring the plan of exchange effective the company will call for redemption any of the shares of the $5 cumulative preferred which are not deposited for exchange. To provide a portion of the funds to effect such redemption the company may sell to underwriters shares of the $4.25 cumulative preferred as may not be issued pursuant to the exchange offer.

Purpose—For refunding present preferred stock.

Registration Statement No. 2-5364. Form A-2. (4-29-44).

SATURDAY, MAY 20

CITY OF EDMONTON (Dominion of Canada) has filed a registration statement for $9,150,000 serial debentures, dated May 15, 1944, carrying interest rates of 3%, 3¼%, 3½% and 3¾%.

Underwriting — Underwriters are First Boston Corporation, Harriman Ripley & Co., Inc., Smith, Barney & Co., Dominion Securities Corporation, A. E. Ames & Co., Inc., Wood, Gundy & Co., Inc. and McLeod, Young, Weir, Inc., all of New York. Amounts underwritten will be filed by amendment.

Offering—Offering price to the public plus accrued interest from May 15, 1944, to date of delivery will be supplied by amendment.

Proceeds—Proceeds will be used to redeem on Aug. 1, 1944, at the face amount thereof, $8,718,653 consolidated debentures dated Feb. 1 1937, and to provide for certain costs of financing. The city will also redeem on Aug. 1, 1944, $4,919,702 additional consolidated debentures from funds presently held by the sinking fund trustees and other monies made available by the city.

Registration Statement No. 2-5365. Form Schedule B. (5-1-44).

MONDAY, MAY 22

DALLAS RAILWAY & TERMINAL COMPANY has filed a registration statement for $3,000,000 first mortgage serial bonds dated June 1, 1944 due each June 1 from 1945 to 1959, inclusive. Interest rate will be filed by amendment.

Address — Interurban Building, Dallas, Texas.

Business—Supplies electric street railway and motor coach service in Dallas and vicinity.

Underwriting—The bonds are to be offered for sale by the company under the competitive bidding requirements of the Securities and Exchange Rule U-50. Names of underwriters will be supplied by amendment.

Offering—Price to the public will be furnished by post-effective amendment.

Proceeds—Proceeds from the sale of the bonds, together with such additional cash from its general funds as may be necessary, will be used to redeem $3,567,700 principal amount of first mortgage gold bonds, 6% series due 1951, at 102 and interest.

Registration Statement No. 2-5366. Form S-1. (5-3-44).

DODGE MANUFACTURING CORP. has filed a registration statement for $1,000,000 15-year 4% sinking fund debentures due May 1, 1959.

Address—500 Union Street, Mishawaka, Indiana.

Business—Machinery for the mechanical transmission of power and for the handling of materials.

Underwriting—Central Republic Co., Inc. Chicago, heads the list of underwriters, with others to be named by amendment.

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

Proceeds—A portion of the proceeds will be used to repay a bank loan of $375,000 incurred in connection with the purchase on April 21, 1944, of the entire outstanding capital stock of Etching Company of America, now a wholly-owned subsidiary of the company. Of the balance of proceeds, a minimum of $500,000 will be used to repay, in part, bank loans and remainder will be added to working capital.

Registration Statement No. 2-5367. Form S-1. (5-3-44).

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.

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.

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.

Bids for the purchase of the bonds and preferred stock will be received by the company up to 12 noon EWT May 15 at 61 Broadway, N. Y. City, the purchasers to name the interest rate on the bonds and the dividend rate on the preferred stock.

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.

Exemption from competitive bidding rule denied by SEC in opinion issued May 5, 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.

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

VIRGINIA ELECTRIC & POWER CO.—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.

Handy Record Book For Investors And Traders

The Handy Record Book Co. has prepared the Handy Record for investors and traders with the "automatic" long and short term indicator, showing at a glance exactly what securities holdings are, what they cost, when each item becomes "long term." Designed as a time- and work-saver, it helps make income tax determinations easier. It has a durable cloth-bound cover and fits a coat-pocket or safe-deposit box. Copies are $1 postpaid and may obtained from the Handy Record Book Co., 656 Broadway, New York City.

St. Paul Interesting

According to an interesting memorandum issued by Vilas & Hickey on the third supplemental report of the ICC, certain amended rulings greatly strengthen the position of the income bonds and the preferred stock. Copies of the memorandum discussing the situation may be had upon request from Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange.

Oil Co. Earnings

The Investment Research Department of Thomson, McKinnon, 231 South La Salle St., Chicago, Ill., members of the New York Stock Exchange and other Exchanges, has just prepared a brief analysis of the petroleum industry which discusses the present international situation and gives current statistics on leading companies. Copies may be had from the firm on request.

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

Facts, Figures, Opinions On Leading Bank Stocks

White & Company, Mississippi Valley Trust Building, St. Louis, Mo., have prepared an interesting brochure containing facts, figures and opinions on the nation's leading bank stocks, including the post-war outlook. Copies of this brochure and a convenient reference table of figures on insurance and bank stocks may be had upon request from White & Company.

Fuel Stock Interesting

Davis Coal & Coke Co. common offers an attractive situation, according to a memorandum just issued by Hill, Thompson & Co., Inc., 120 Broadway, N. Y. City. Copies of this interesting memorandum may be had upon request from Hill, Thompson & Co.

"Our Reporter On Governments"

By ELIHU BRADBURY

Another vital step in the Treasury war financing program now has been disclosed. . . . Borrowing from the banking system was resumed this week, through an increase of the weekly discount bill issues to $1,200,000,000 from the $1,000,000,000 level. . . . The entire cycle of 13 issues of 91-day paper will, of course, be raised to the new level, and $2,600,000,000 borrowed from banks in this manner in the course of three months. . . .

This is a policy move of great significance which plainly has the approval of the Federal Reserve Open Market Committee. . . . It is clear that the Open Market Portfolio will become the repository of most of the new bills, for the banks and dealers who will buy them in the first place are fully invested, and will turn over the excess acquisitions to the regional institutions. . . . In effect, therefore, virtually all the new money raised on bills will be government borrowing from the central bank. . . .

That the situation demands more borrowing of this nature, with its attendant increase of the credit potential, was recognized by the Federal Reserve Board in mid-March. . . . The program then outlined was an addition to the Open Market Portfolio of up to $3,000,000,000 before the Fifth War Loan drive begins on June 12. . . . The actual gain up to a week ago was $1,182,000,000, to a total of $13,292,000,000. . . . Only a month now remains before the next drive opens, and it seems improbable that the credit hypodermic will needle all of the $3,000,000,000 into the system. . . .

But the discount bill mechanism will prove an easy means for facilitating whatever growth in the System holdings may be deemed necessary or advisable. . . . And it is incontestable that, if there must be large additions, the shortest Treasury obligations are the most suitable for the purpose, and the least dangerous. . . . The concentration of bills in the Open Market Portfolio is worth pondering. . . . The holdings last week were $7,666,000,000, out of $13,128,000,000 outstanding. . . .

BILL RATE UNCHANGED

The bill increase was expected, for the market discerned in recent months what it took to be a good deal of advance preparation. . . . Tenders for the weekly issues rose steeply, until they regularly exceeded $2,000,000,000. The apparent competition failed to lower the rate, however, which held to the 3/8% Federal Reserve buying figure. . . . Indicative was the lack of any increase in the fixed-price applications for small amounts. . . .

Now the question comes up of the further increase of bill issues, when all have been raised to the $1,200,000,000 figure. . . . There were rumors around late last year that the Treasury had in mind an all-round advance to $2,000,000,000, so that $26,000,000,000 eventually would be outstanding. . . . If this is the program, it is evident that the supply of new longer-term obligations will be modified correspondingly, which will prove a market factor of primary importance. . . .

Owing to the current policy of excluding the commercial banks from war loan drive subscriptions, it may come as a shock to some that interim borrowing from the banking system has been resumed. . . . But banks are adding to their holdings in any event, through market purchases both during the drives and between them. . . .

IMPACT ON TEMPORARY DEBT

The discount bill increase has the further angle of adding once more—and substantially—to the floating debt of the Treasury. . . . Ordinary maturities of the Treasury for the next 12 months now are just short of $44,000,000,000. . . . Current redemption value of outstanding savings bonds, which are demand obligations, stood at $32,497,000,000 on May 1. . . . The total of, roughly, $76,500,000,000 debt due and potentially payable within one year is 41.3% of the interest-bearing debt of $184,967,000,000. . . .

Gross Treasury debt now is a little over $187,000,000,000 and contemplated borrowings soon will press against the current authorization for contracting up to $210,000,000,000 of indebtedness. . . . The Treasury request for a step-up to $260,000,000,000 is, however, not to be granted in full. . . . At hearings last Tuesday before the House Ways and Means Committee, the Treasury agreed to Republican demands that the next limitation will be $240,000,000,000. . . . This little dispute is, of course, purely political, for there is no actual debt limit but only a question of Congressional authorizations. . . . As funds are needed for the war they will be voted. . . .

MARKET ACTION

Market fluctuations remain minor, which is to be expected in view of the rigid controls, the established money curve and the impending issuance of billions of new securities at par. . . . Gains or losses of a thirty-second or two usually are offset the following day. . . . Like others, bank officials are watching the horizon carefully for signs of the coming invasions of Hitler's "Fortress Europe," and are making only modest changes in portfolios. . . .

Even the partially tax exempt bonds are dull for the time being. . . . The tax simplification bil has progressed to a point where it is evident that only individual and not corporate taxes will be affected by the normal tax exemption of these issues. . . . The individual holder will, unless the bill is changed radically hereafter, find his exemption cut to 3% of the income on these bonds, against the former 6% and a further 3% of Victory tax. . . . On the day this news came out of Washington the bonds were motionless, which reflects the lack of individual concern and the concentration of holdings of the partially exempts in bank and corporate hands. . . .

Market experts are looking with a friendly eye, just now, at the 2 7/8s due March 15, 1960, callable March 15, 1955. . . . The relatively high coupon on these $2,611,000,000 bonds gives assurance that they will be considered by many, in a matter of months, within the 10-year maturity to which commercial banks are supposed to limit their holdings. . . . The premium of nearly 12 points is a tax factor of importance for banks. . . .

Another interesting item is the investment practice of leading States and cities, some of which have large sums which are moving into governments. . . . New York State usually sets the pace for other State regimes, and currently has a surplus of some $140,000,000 which Governor Dewey has stated will be invested temporarily in Treasury obligations. . . . Early this week, Comptroller Frank C. Moore disclosed that New York State holdings of Federals had jumped in a year from $4,000,000 to $79,000,000, and that Series C savings notes are the instruments of this investment.

Majestic Radio & Television Corp. And The Post-War World

By HORACE MARION

Each day sees some new addition to the already tremendous amount of publicity in connection with the post-war prospects for radio. Recently, Walter J. Damm, President of FM Broadcasters, Inc., made another noteworthy contribution with his prediction that sales of receiving sets may hit the 20,000,000 mark in the first four years after the War.

In the light of such predictions a recent analysis of Majestic Radio & Television Corp. by a prominent over-the-counter firm, seems quite pertinent at this time. A review of this analysis discloses that the company, as the successor to the right, title and interest of Grigsby-Grunow in the trade mark "Majestic" has inherited a trade name on which it is estimated that upwards of $20,000,000 was expended by the predecessors. Recent surveys by independent research organizations would seem to confirm the values inherent in the name since they indicate that it is well and favorably known from coast to coast.

Of course, in the hurly-burly competition sure to be stimulated by the type of demand indicated by Mr. Damm, the company will require much more than a well-publicized trade name and one of the important factors would be a sufficient productive capacity to enable it to capitalize on its reputation during such a period of great demand. In this connection it is most interesting to note that the manufacturing plant at Chicago is said to have the amazing output capacity of 3,000 radio receiving sets per 8-hour day. Operations at the plant consist primarily of assembly of parts made for Majestic by other concerns and only 59,000 square feet of working space are required for a production that would do credit to a plant several times the size.

As to patents, the company has many of its own and, in addition, holds licenses from RCA and Hazeltine to make either radio, television or both under their patents.

Currently the company is engaged 100% in war work, manufacturing the well known "Walkie Talkies" and the Marker Beacon. Considerable further activities are also conducted in the field of radar and electronics, particularly in the production of Piezo quartz crystals. The unfilled order backlog, as of the date of the analysis, amounted to in excess of $7,500,000.

Earnings for the fiscal year ended May 31, 1943, amounted to 27 cents per common share after final renegotiation and all other charges. In the six months ended Nov. 30, 1943, earnings were some 11 cents per share, which would seem to indicate that the company is holding its own in spite of the fact that government orders yield much smaller profits than normal civilian production.

Since the company's debentures were paid off on Aug. 1, 1943, the capitalization is quite simple, consisting of only 39,084 shares of no par value preferred stock and 993,069 shares of common stock of 1¢ par value. According to the analysis, a recent offering of about 70,000 shares of common which was heavily oversubscribed, did not represent new financing.

In summary, the analysis presents a picture of a company that has passed through many vicissitudes and has finally emerged in very satisfactory condition with excellent future possibilities.

Form New Partnership As McDonald & Co.

CLEVELAND, OHIO—C. B. McDonald and associates of McDonald-Coolidge & Co., Union Commerce Building, are forming a partnership to be known as McDonald & Co., it is announced. The new firm will carry on the general corporate and municipal security underwriting and distributing business with no change in policies, Mr. McDonald said.

Partners will be Mr. McDonald, F. A. McDonald, Eldon H. Keller, Harris B. McLaren, Herman J. Sheedy, H. McDonald, Hans P. Lauritzen, Charles E. Lovell, Alva H. Warner and Richard C. Lux.

The McDonald-Coolidge offices in Cleveland, Akron, Canton, Columbus, Lima, Springfield and Cincinnati will become McDonald & Co. offices as soon as legal requirements are complied with.

Spiegel With Sutro Bros.

I. D. Spiegel, formerly co-manager of the Fifth Avenue office of Herzfeld & Stern, has become associated with Sutro Bros. & Co., members New York Stock Exchange, 120 Broadway, New York City.

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